

赣锋锂业
GanfengLithium

江西赣锋锂业股份有限公司
Ganfeng Lithium Co., Ltd.

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

STOCK CODE : 1772



**GLOBAL
OFFERING**

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers (in alphabetical order)



Joint Lead Managers (in alphabetical order)



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



Ganfeng Lithium Co., Ltd. 江西贛鋒鋳業股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 200,185,800 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 20,018,800 H Shares (subject to adjustment)
Number of International Offer Shares	: 180,167,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$26.50 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 1772

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers (in alphabetical order)



Joint Lead Managers (in alphabetical order)



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

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Thursday, October 4, 2018 and, in any event, not later than Wednesday, October 10, 2018. The Offer Price will be not more than HK\$26.50 per H Share and is currently expected to be not less than HK\$16.50 per H Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$26.50 per H Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$26.50 per H Share.

If, for any reason, the Offer Price is not agreed by Wednesday, October 10, 2018 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with our written consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$16.50 to HK\$26.50) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our company at <http://www.ganfenglithium.com>. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares". If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors".

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination". It is important that you refer to that section for further details.

We are incorporated, and our principal businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in "Risk Factors", "Appendix IV – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered and sold only (a) in the United States to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, registration requirements under the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

September 27, 2018

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Wednesday, October 3, 2018
Application lists open ⁽³⁾	11:45 a.m. on Wednesday, October 3, 2018
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Wednesday, October 3, 2018
Latest time for completing payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, October 3, 2018
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, October 3, 2018
Application lists close ⁽³⁾	12:00 noon on Wednesday, October 3, 2018
Expected Price Determination Date ⁽⁵⁾	Thursday, October 4, 2018

Announcement of:

- (1) the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, October 10, 2018
- (2) the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" from Wednesday, October 10, 2018
- (3) the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at <http://www.ganfenglithium.com>⁽⁶⁾ from Wednesday, October 10, 2018

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from Wednesday, October 10, 2018

Dispatch of H Share certificates or deposit of the H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before^{(7) (9)} Wednesday, October 10, 2018

EXPECTED TIMETABLE⁽¹⁾

Dispatch of refund checks and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾ ⁽⁹⁾ Wednesday, October 10, 2018

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Thursday, October 11, 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 3, 2018, the application lists will not open or close on that day. Please see "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists".
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should see "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic application instructions** to HKSCC via CCASS".
- (5) The Price Determination Date is expected to be on or around Thursday, October 4, 2018 and, in any event, on or before Wednesday, October 10, 2018. If, for any reason, our Company and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, October 10, 2018, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, October 11, 2018 provided that (1) the Global Offering has become unconditional in all respects and (2) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number invalidates or delays encashment of the refund check.
- (9) Applicants who have applied on **WHITE** Application Forms or through the **White Form eIPO** service for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by the Application Form may collect any refund checks and/or H Share certificates (where applicable) in person from our 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 from 9:00 a.m. to 1:00 p.m. on Wednesday, October 10, 2018 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorized representatives bearing a letter of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more may collect their refund checks, if any, in person but may not elect to collect their H Share certificates as such H Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participant's stock account as stated in their Application Forms. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies – Personal Collection – (iv) If you apply via **Electronic application instructions** to HKSCC".

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the application bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk. For applicants who have applied for less than 1,000,000 Hong Kong Offer Shares, any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant applications on or before Wednesday, October 10, 2018.

EXPECTED TIMETABLE⁽¹⁾

Further information is set out in "How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies".

The above expected timetable is a summary only. You should see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	21
Glossary of Technical Terms	33
Forward-Looking Statements	37
Risk Factors	39
Waivers from Strict Compliance with the Hong Kong Listing Rules	69
Information about this Prospectus and the Global Offering	73
Directors, Supervisors and Parties Involved in the Global Offering	77
Corporate Information	83
Industry Overview	85
Regulatory Overview	101

CONTENTS

	<i>Page</i>
History, Development and Reorganization	115
Business	128
Financial Information	197
Relationship with Our Largest Shareholder	256
Cornerstone Investors	259
Share Capital	266
Substantial Shareholders	270
Directors, Supervisors and Senior Management	271
Future Plans and Use of Proceeds	286
Underwriting	288
Structure of the Global Offering	297
How to Apply for Hong Kong Offer Shares	305
Appendix IA — Accountants' Report	IA-1
Appendix IB — Unaudited Interim Financial Information	IB-1
Appendix IC — Accountants' Report of Minera Exar S.A.	IC-1
Appendix IIA — Unaudited Pro Forma Financial Information	IIA-1
Appendix IIB — Unaudited Pro Forma Financial Information of the Enlarged Group	IIB-1
Appendix III — Taxation and Foreign Exchange	III-1
Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions	IV-1
Appendix V — Summary of the Articles of Association	V-1
Appendix VI — Convertible Bonds	VI-1
Appendix VII — Statutory and General Information	VII-1
Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection	VIII-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investments. Some of the particular risks in investing in the Offer Shares are set forth in "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are 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 as of December 31, 2017 and world's fourth largest based on 2017 revenue derived from lithium minerals and products sold, according to CRU. We offer five major categories of more than 40 lithium compounds and metals products, which we believe is one of the most comprehensive product offerings among the lithium compounds and metals suppliers in the world. We have 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. We started as a midstream manufacturer of lithium compounds and lithium metals and have successfully expanded both upstream and downstream along the industry value chain to secure competitive lithium raw material supply, ensure cost and operational efficiency, achieve valuable synergies between various business lines, gather latest market information and develop cutting-edge technologies. Our comprehensive suite of product offerings enables us to effectively address the unique and diverse products needs of our customers who mainly come from battery related end markets and have a broad variety of requirements and specifications.

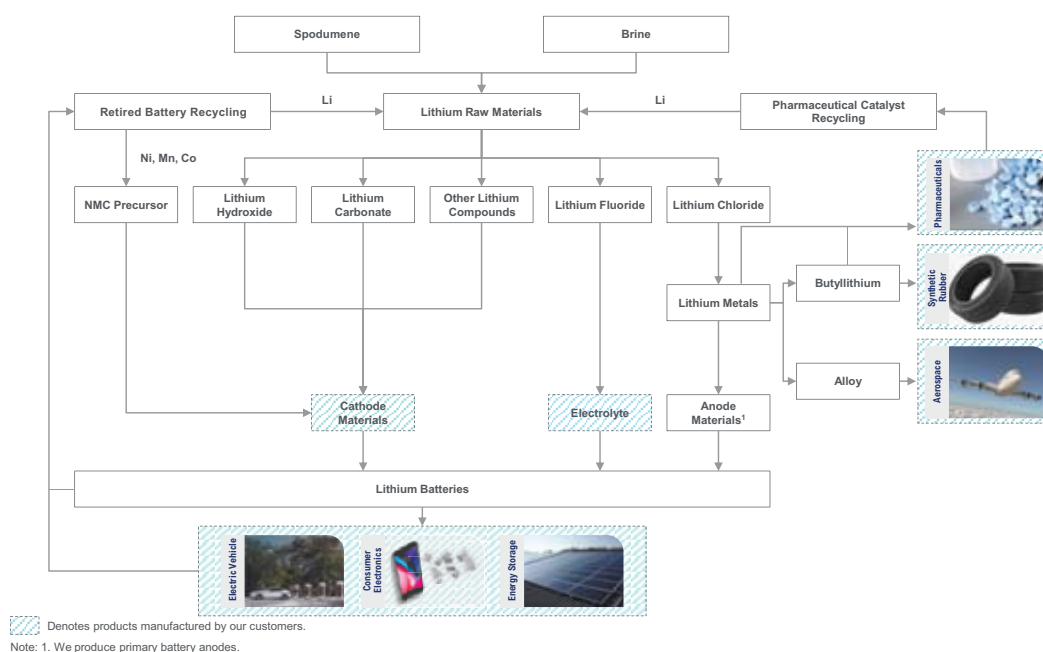
Our success and industry leading business is evidenced by our strong financial track record, where we have achieved significant growth and margin improvement during the Track Record Period. Our revenue increased from RMB1,344.2 million in 2015 to RMB2,633.5 million in 2016, representing a growth rate of 95.9% and further increased to RMB4,171.2 million for the year ended December 31, 2017, representing a growth rate of 58.4%. Our revenue increased from RMB623.6 million for the three months ended March 31, 2017 to RMB1,044.4 million for the same period in 2018, representing a growth of 67.5%. Our net profit increased from RMB217.9 million in 2015 to RMB1,118.1 million in 2016, representing a growth rate of 413.1% and further increased to RMB2,095.1 million for the year ended December 31, 2017, representing a growth rate of 87.4%. Our net profit decreased from RMB436.4 million for the three months ended March 31, 2017 to RMB242.5 million for the same period in 2018, representing a decrease of 44.4%. Our adjusted EBITDA, being our profit before tax adjusted for certain items including the losses relating to Shenzhen Meibai's fire incidents and fair value gains from derivative financial instruments, increased by 255.1% from RMB268.6 million in 2015 to RMB953.9 million in 2016 and further increased by 117.4% to RMB2,073.9 million in 2017. Our adjusted EBITDA increased by 84.2% from RMB193.7 million in the three months ended March 31, 2017 to RMB352.9 million in the corresponding period in 2018. For more details about the definition and calculation of our adjusted EBITDA, refer to "Financial Information — Adjusted EBITDA."

Ganfeng Ecosystem

According to CRU, we have built the most completed industry value chain among all lithium producers in the world, which we refer to as the "Ganfeng Ecosystem". The Ganfeng Ecosystem incorporates all aspects of lithium production, including (i) extraction of upstream lithium resources, (ii) deep processing of lithium compounds; (iii) production of lithium metals, (iv) production of lithium batteries; and (v) reclaiming and recycling lithium. By building the Ganfeng Ecosystem on an established and growing portfolio of lithium resources, we believe we are well positioned to achieve long-term and

SUMMARY

sustainable growth. We also believe through the Ganfeng Ecosystem we are able to strengthen our relationships with customers and enjoy synergies among business lines. For example, being an important supplier of lithium compounds to cathode materials producers has given us easy access to cathode materials from our customer for our lithium batteries segment. As the world's largest lithium metals producer, once we complete the transition to producing anode materials for solid-state batteries with lithium metals, we can be self-sufficient in producing anode materials for solid-state lithium batteries of which lithium metals is a critical raw material. Our battery recycling business is well-positioned to work with automotive OEMs to properly handle retired EV batteries in an environmental and economic manner. Extracted metals such as lithium and cobalt are used to supplement our lithium compound production as well as NMC precursor manufacturing. We believe our business model can contribute to the successful launches of new products and services, allow us to work closely with our customers and end-users and solidify our relationships with them. The diagram below illustrates our integrated supply and production chain and the respective functions and inter-relationship of our business lines within our ecosystem.



Our Industry and Market Position

The global lithium compounds and metals market is driven by the explosive growth in demand for electric vehicle batteries and energy storage batteries. The global electric vehicle sales grew from 1.2 million units in 2012 to 3.0 million units in 2017, representing a CAGR of 19%, and is expected to reach 8.6 million units by 2022, representing a CAGR of 23%, according to the CRU Report. The rapid increase in demand for lithium batteries used in electric vehicles has resulted in a surge in global demand for lithium compounds. According to the CRU Report, global demand for lithium compounds has risen from 134 kilotons LCE in 2012 to 229 kilotons LCE in 2017, representing a CAGR of 11%, and is expected to reach 526 kilotons LCE by 2022, representing a CAGR of 18%.

The global lithium compounds and metals industry is a disciplined market protected by significant barriers to entry. The global lithium compounds and metals market is dominated by a limited number of lithium compounds and metals manufacturers, including us. As of December 31, 2017, the top five lithium compounds suppliers, including us, accounted for 69% of the global production capacity, according to the CRU Report. According to CRU, the key barriers to entry in the global lithium compounds and metals

SUMMARY

industry include, among others, (i) access to an adequate, stable supply of lithium raw materials; (ii) high level of technological know-how and R&D capabilities; (iii) significant initial capital expenditure and development lead time; (iv) established relationships with diversified blue-chip customers; and (v) management experience and talent pool. According to the CRU Report, we are 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 as of December 31, 2017. According to the CRU Report, we had achieved leading positions in several market segments in the lithium compounds and metals industry by production capacity in 2017. We ranked fourth globally in terms of lithium carbonate production capacity in 2017, accounting for 10% of global production capacity, according to the CRU Report. We ranked third globally and first in China in terms of lithium hydroxide production capacity in 2017, accounting for 11% of global production capacity, according to the CRU Report. We ranked first globally in terms of lithium metals production capacity in 2017, accounting for 47% of global production capacity, according to the CRU Report.

Our Products

Our midstream lithium processing and downstream battery manufacturing business lines internally consumed all products from our lithium recycling business lines during the Track Record Period, and we also internally consumed most products from the upstream lithium resources, in which we hold equity interests, since February 2017. Our products for external sales are categorized into three product lines, namely, lithium compounds, lithium metals, and lithium batteries. The following table sets forth a breakdown of our revenue by product type each expressed as an absolute amount and as percentage of our total revenue, during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Lithium compound	645,563	48.0	1,734,604	65.9	2,879,700	69.0	384,505	61.7	658,927	63.1
Lithium metal	421,650	31.4	493,459	18.7	818,404	19.6	130,632	20.9	259,308	24.8
Lithium battery	201,154	15.0	333,113	12.6	283,821	6.8	34,006	5.5	74,728	7.2
Others ⁽¹⁾	75,812	5.6	72,280	2.8	189,276	4.6	74,489	11.9	51,471	4.9
Total revenue	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Note:

(1) Include NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

SUMMARY

Our Gross Profit and Gross Profit Margin by Products

The following table sets forth a breakdown of our gross profit and gross profit margin by products for the years indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Lithium compound ...	136,280	21.1	769,503	44.4	1,299,922	45.1	145,402	37.8	325,329	49.4
Lithium metal	98,894	23.5	194,114	39.3	365,031	44.6	49,881	38.2	142,093	54.8
Lithium battery	39,939	19.9	33,717	10.1	(22,282)	(7.9)	2,507	7.4	6,436	8.6
Others	25,174	33.2	7,923	11.0	32,384	17.1	22,681	30.4	11,904	23.1
Total gross profit	300,287	22.3	1,005,257	38.2	1,675,055	40.2	220,471	35.4	485,762	46.5

From 2015 to 2016, the gross profit margin for our lithium compounds and lithium metals increased from 21.1% and 23.5% to 44.4% and 39.3%, respectively, but only further increased to 45.1% and 44.6% from 2016 to 2017 primarily because the significant increase in average selling price of these products from 2015 to 2016 was caught up by the significant increase in raw material costs in 2016 and 2017. The decrease in the gross profit margin of our lithium batteries from 2015 to 2016 was also related to an increase in raw material costs. For the year ended December 31, 2017, we recorded a negative gross profit of RMB22.3 million and a negative gross profit margin of 7.9% for our lithium batteries business line, primarily due to (i) the production ramp-up at our Dongguan battery facility; and (ii) to a lesser extent the sales of Shenzhen Meibai inventory at a loss. Certain customers who placed order with Shenzhen Meibai in 2016 subsequently cancelled their orders after the fire incidents of Shenzhen Meibai and in 2017 we sold products originally produced for these orders at a loss of approximately RMB0.9 million. For the three months ended March 31, 2017 and 2018, the gross profit margin for our lithium compounds and metals increased from 37.8% and 38.2% to 49.4% and 54.8%, respectively, primarily due to the price increase of lithium metals and lithium compounds from the three months ended March 31, 2017 to March 31, 2018. In addition, the gross profit margin for our lithium batteries business line increased from 7.4% to 8.6% from the three months ended March 31, 2017 to the same period in 2018.

Sales Volume and Average Selling Price of Our Products

The table below sets forth a breakdown of our sales volume and average selling price by product type during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount (ton)	RMB'000/ton	Amount (ton)	RMB'000/ton	Amount (ton)	RMB'000/ton	Amount (ton)	RMB'000/ton	Amount (ton)	RMB'000/ton
Lithium compound ...	13,765	47	20,937	83	27,695	104	4,593	84	5,815	113
Lithium metal	1,226	344	1,013	487	1,383	592	265	494	379	684
Lithium battery ⁽¹⁾⁽²⁾ ...	4,904	39	5,717	51	3,441	57	394	53	646	84
Others ⁽³⁾	163,159	0.5	57,420	1.3	153,733	1.2	112,415	0.7	71,121	0.7

SUMMARY

Notes:

- (1) Measured by 10,000 Ah.
- (2) Excluding revenue from the sale of battery components amounting to approximately RMB10.3 million, RMB43.2 million, RMB86.7 million, RMB13.0 million and RMB20.4 million, respectively, for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018.
- (3) Including NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

During the Track Record Period, lithium carbonate was one of our primary revenue growth drivers, the average selling price of which increased by 146.5% from approximately RMB43,000 per ton in 2015 to approximately RMB106,000 per ton in 2016. The average selling price of lithium carbonate further increased to RMB122,000 per ton in 2017 and sales volume also increased by 178.5% from 4,897 tons for the year ended December 31, 2016 to 13,637 tons for the year ended December 31, 2017. Moreover, the average selling price of lithium carbonate increased from RMB103,927 per ton in the three months ended March 31, 2017 to RMB136,276 per ton in the same period of 2018 and the sales volume increased by 81.6% from 1,264 tons for the three months ended March 31, 2017 to 2,296 tons for the three months ended March 31, 2018. Another key driver of our revenue growth was lithium metals, evidenced by the 36.6% sales volume growth combined with 21.5% increase in average selling price from the year ended December 31, 2016 to the year ended December 31, 2017. In addition, the sales volume and average selling price of lithium metals increased by 43.0% and 38.5%, respectively, from the three months ended March 31, 2017 to the same period in 2018. Meanwhile sales volume for our lithium batteries decreased from 57.2 million Ah for the year ended December 31, 2016 to 34.4 million Ah for the year ended December 31, 2017 primarily because Shenzhen Meibai still produced lithium batteries in the first half of 2016 but ceased production since July 2016. The sales volume for our lithium batteries increased from 3.9 million Ah for the three months ended March 31, 2017 to 6.5 million Ah for the three months ended March 31, 2018. Our sales of lithium batteries was primarily attributable to the sale of batteries produced by Ganfeng Battery and also some batteries from third parties.

SUMMARY

Our Production and Supply Chain Management System

Our production process and supply chain management system is designed to ensure high standards of quality while delivering the ability to rapidly ramp up production of lithium products on short timeframes to meet our customers' needs. Our optimized production process reflects our close to 20 years of industry experience that allows us to accelerate pace of production ramp up, implement products requirement modifications more quickly, and maintain relatively low defect rates. The following map sets forth the lithium resources in which we hold equity interests, R&D facilities and production facilities of lithium compounds, lithium metals, lithium batteries and lithium battery recycling as of the Latest Practicable Date.



The table below sets forth our equity interests in the mining/exploration rights owners of the above lithium resources, the types and estimated amounts of lithium resource they contain, their expected mine lives and their target dates of commissioning. For more details, see "Business — Lithium Resources."

Mine resources	Equity Interest of the Mining/Exploration Rights Owner ⁽¹⁾	Type and Amount of Lithium Resources (in Million Tons LCE)	Estimated Mine/Project Life (Years)	Target Date of Commissioning
In operations				
Mount Marion	43.1%	Spodumene 2.7 ⁽²⁾	30	In operation
Ningdu Heyuan	100.0%	Spodumene 0.1 ⁽³⁾	10.86	In operation
Pilangoora Lithium-Tantalum	4.30%	Spodumene 4.9 ⁽²⁾	40	In operation
Under development				
Mariana	82.754%	Brine 1.9 ⁽⁴⁾	N/A ⁽⁵⁾	N/A
Cauchari-Olaroz	16.92%	Brine 11.8 ⁽⁴⁾	40	Late 2019 or early 2020
Avalonia	55.0%	Spodumene ⁽⁶⁾	N/A ⁽⁵⁾	N/A

Notes:

(1) On a fully diluted basis.

SUMMARY

- (2) Measured pursuant to JORC standards.
- (3) Measured pursuant to China national standards.
- (4) Measured pursuant to CIM Guidelines (NI43-101).
- (5) Because the mine is still at an early exploration stage, no estimation was made as to the mine life.
- (6) Because the mine is still at an early exploration stage, no estimation could be made as to its resource amount.

The table below sets forth details of the amount of lithium raw materials we purchased from third party suppliers and extracted from upstream lithium resources in which we hold equity interests, including the Mount Marion project and Ningdu Heyuan mine, during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)
Brine and primary product materials ⁽³⁾ ..	9,210	–	10,089	–	8,694	–	2,609	–	1,402	–
Spodumene and primary product materials ⁽⁴⁾ ..	6,712	–	10,611	389 ⁽¹⁾	1,610	35,399 ⁽²⁾	–	2,673 ⁽⁶⁾	–	11,852 ⁽⁷⁾
Recycled materials ⁽⁵⁾ ..	2,166	–	2,392	–	3,180	–	688	–	742	–
Total	18,088	–	23,091	389	13,485	35,399	3,217	2,673	2,144	11,852

Notes:

- (1) Extracted from the Ningdu Heyuan mine.
- (2) Extracted 378 tons LCE from Ningdu Heyuan and 35,021 tons LCE from Mount Marion project.
- (3) Including brine, primary products of rough lithium carbonate, lithium chloride and lithium hydroxide produced from brine.
- (4) Including spodumene and rough lithium hydroxide produced from spodumene.
- (5) Including recycled pharmaceutical catalyst materials, recycled chemical intermediate and primary lithium products produced from the recycling process of lithium battery materials.
- (6) Extracted 40.5 tons LCE from Ningdu Heyuan and 2,632 tons LCE from Mount Marion project.
- (7) Extracted 142.6 tons LCE from Ningdu Heyuan and 11,709 tons LCE from Mount Marion project.

For more details, please refer to “Business — Mines in Operations.”

SUMMARY

Our Customers and End Markets Served

We sold all products from our lithium recycling business lines to our other business lines during the Track Record Period, and we also sold most products from upstream lithium resources, in which we hold equity interests, to our other business lines since February 2017. During the Track Record Period, we marketed and sold products from our lithium compounds, lithium metals and lithium batteries business lines to external parties in both domestic and overseas markets. Our products are used in the production of, or are incorporated into final products that are primarily sold into a number of end markets, including battery related, chemicals, pharmaceuticals, new materials and others. The following table sets forth a breakdown of our revenue by end market for the years and periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	%	RMB'000	(%)	RMB'000	(%)
	<i>(unaudited)</i>									
Battery related ...	856,133	63.7	1,745,143	66.3	3,075,047	73.7	388,732	62.3	769,666	73.7
Chemicals	205,365	15.3	544,665	20.7	528,410	12.7	124,233	19.9	118,701	11.4
Pharmaceuticals ..	233,059	17.3	272,017	10.3	333,654	8.0	64,775	10.4	95,407	9.1
New materials	16,083	1.2	36,734	1.4	110,554	2.7	20,439	3.3	20,234	1.9
Others	33,539	2.5	34,897	1.3	123,536	2.9	25,453	4.1	40,426	3.9
Total	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Our external customers primarily consist of battery material companies, battery manufacturers, chemical manufacturers, pharmaceutical companies and manufacturers for electronic devices. As of December 31, 2017, our products were sold in more than 10 countries, predominantly in China, Korea, Japan and Singapore. In 2015, 2016, 2017 and the three months ended March 31, 2018, sales to our largest customer accounted for 5.2%, 6.5%, 4.4% and 7.7% of our revenue, respectively; and sales to our five largest customers accounted for 17.5%, 18.7%, 18.0% and 23.1% of our revenue, respectively.

Sales to External Customers for Operating Segments

We are organized into three business segments i.e., (i) lithium metal and compound segment, under which we manufacture and sell lithium series products and render processing service; (ii) lithium battery segment, under which we manufacture and sell lithium batteries; and (iii) lithium ore resource segment, under which we explore and sell lithium ore and other lithium products.

The table below sets out a breakdown of our sales to external customers for each operating segment, each expressed as an absolute amount and a percentage of our total revenue during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
	<i>(unaudited)</i>									
Lithium metal and compound	1,143,025	85.0	2,300,343	87.4	3,886,513	93.2	589,337	94.5	969,196	92.8
Lithium battery ...	201,154	15.0	333,113	12.6	283,821	6.8	34,295	5.5	75,238	7.2
Lithium ore resource	—	—	—	—	867	—	—	—	—	—
Total revenue	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

SUMMARY

The table below sets forth a breakdown of our segment results by operating segment during the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Lithium metal and compound	259,655	1,541,187	2,506,246	491,416	336,546
Lithium battery	5,055	(285,025)	(113,838)	(14,474)	(7,218)
Lithium ore resource	(10,841)	(47,155)	29,513	(2,053)	(4,806)
Total segment results	253,869	1,209,007	2,421,921	474,889	324,522

In the year ended December 31, 2016, our lithium battery segment experienced losses primarily due to the expenses incurred in relation to Shenzhen Meibai's fire incidents in 2016 and an increase in impairment loss in relation to the impairment of goodwill of Shenzhen Meibai due to its fire incidents in 2016. For the year ended December 31, 2017 and the three months ended March 31, 2018, our lithium battery segment experienced losses primarily due to the production ramp-up at our Dongguan battery facility. For the years ended December 31, 2015 and 2016, our lithium ore resource segment experienced losses primarily because of the operating and exploration expenses relating to the exploration activities of Avalonia and Mariana. For the year ended December 31, 2017, our lithium ore resource segment recorded positive operating results primarily due to the fair value change in investments at fair value through profit or loss of one of our subsidiaries attributable to the increase in share price of its investments. In the three months ended March 31, 2018 our lithium ore resource segment experienced losses primarily due to the fair value change in investments at fair value through profit or loss of one of our subsidiaries attributable to the decrease in share price of its investments.

Cost of Our Major Raw Materials

The table below sets forth a breakdown of cost of our major raw materials during the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Brine and primary product materials ⁽¹⁾	269,025	480,477	709,383	197,893	111,918
Spodumene and primary product materials ⁽²⁾	143,831	326,604	649,108	40,799	185,146
Recycled materials ⁽³⁾	37,512	60,724	215,669	14,703	34,734
Battery materials	150,834	257,393	236,831	24,902	53,633
Other materials and accessories	156,170	208,355	254,450	38,148	54,025
Total	757,372	1,333,553	2,065,441	316,445	439,456

Notes:

(1) Including brine, primary products of rough lithium carbonate, lithium chloride and lithium hydroxide produced from brine.

SUMMARY

- (2) Including spodumene and rough lithium hydroxide produced from spodumene.
- (3) Including recycled pharmaceutical catalyst materials, recycled chemical intermediate and primary lithium products produced from the recycling process of lithium battery materials.

Unit Cost of Sales of Our Products

The table below sets forth a breakdown of unit cost of sales of our products during the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000/(ton)	RMB'000/(ton)	RMB'000/(ton)	RMB'000/(ton)	RMB'000/(ton)
Lithium compounds	37	46	57	52	57
Lithium metals	263	296	328	305	309
Lithium batteries ⁽¹⁾⁽²⁾	31	45	64	43	74
Others ⁽³⁾	0.31	1.12	1.02	0.46	0.56

Notes:

- (1) Measured by 10,000 Ah.
- (2) Excluding the cost related to battery components amounting to approximately RMB9.8 million, RMB40.1 million, RMB86.4 million, RMB14.7 million and RMB20.2 million, respectively, for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018.
- (3) Including NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

The increase in the total cost of our major raw materials was primarily related to the expansion of our production capacity. Our cost for brine and primary product materials increased from RMB480.5 million for the year ended December 31, 2016 to RMB709.4 million for the year ended December 31, 2017 primarily due to an increase in sales volume and an increase in the market price of lithium raw materials. Our cost for spodumene and primary product materials increased from RMB143.8 million for the year ended December 31, 2015 to RMB326.6 million for the year ended December 31, 2016 primarily due to the purchase of lithium hydroxide from the liquidation of Jiangli Technology in 2016. The cost for spodumene and primary product materials increased from RMB326.6 million in 2016 to RMB649.1 million in 2017 primarily due to the large amount of spodumene we purchased from RIM. The cost for battery materials decreased from RMB257.4 million in 2016 to RMB236.8 million in 2017 primarily because Shenzhen Meibai ceased production in the second half of 2016 after the fire incidents. The cost for battery materials increased from RMB24.9 million in the three months ended March 31, 2017 to RMB53.6 million in the three months ended March 31, 2018 primarily due to the increase in the market price of battery materials. The cost of recycled materials increased significantly during the Track Record Period because of the development of our recycling business.

We started sourcing spodumene from Mount Marion project in February 2017 which lead to a partial reduction of our unit production cost of our lithium compounds segment. However, this cost reduction factor of shifting procurement resources was offset by the significant increase in overall average purchase costs of both brine and spodumene. For a more detailed analysis, please refer to "Business — Mines in Operations."

Our Research and Development Capability

As of the Latest Practicable Date, we had assembled a team of 245 employees in our research and development department dedicated to product development and technology advancement. We locate most

SUMMARY

of our R&D teams at different manufacturing facilities in order to embed production designs into the R&D process and to facilitate the efficient transfer of R&D knowledge to commercial-scale manufacturing. We operate one R&D center at our headquarters in Xinyu, Jiangxi, which is responsible for the innovations in lithium compounds, lithium metals and lithium batteries. We also operate a specialized R&D center in Ningbo to seek breakthroughs in solid-state lithium batteries. In the years ended December 31, 2015 and 2016, 2017 and the three months ended March 31, 2017 and 2018, our research and development expenses amounted to approximately RMB17.1 million, RMB23.5 million, RMB38.0 million, RMB10.1 million and RMB14.1 million, respectively. As of the Latest Practicable Date, we had a total of 107 issued patents, which are material to our business.

OUR COMPETITIVE STRENGTHS

We believe our following core competitive strengths will allow us to further consolidate our global market leading position.

- World's third largest and China's largest lithium compounds producer and the world's largest lithium metals producer well-positioned to capture growth opportunities in the global lithium compounds and metals markets
- Vertically integrated business model with synergies across the industry chain
- Access to secure, high quality supply of lithium raw materials
- Stable and blue-chip customer base
- Advanced technologies and outstanding research and development
- Visionary and experienced management team with an established talent pool

OUR DEVELOPMENT STRATEGIES

Our goals are to strengthen our leading position in the global lithium industry and to further deepen upstream and downstream integration. We plan to achieve our goals by pursuing the following major strategies:

- Expand our access to upstream lithium resources globally
- Increase the production capacity of our processing operations
- Develop battery production with a focus on solid-state lithium batteries
- Grow our lithium battery recycling business
- Further improve our research and development and innovation capabilities
- Deepen customer relationships through becoming a total solutions provider
- Strengthen our business operations and management

SUMMARY

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, extracted from the Accountants' Report set out in Appendix IA to this prospectus. The summary below should be read in conjunction with the consolidated financial information in Appendix IA.

Summary of Financial Results

The following table sets forth a summary, for the Track Record Period, of our consolidated results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 <i>(unaudited)</i>	RMB'000
Revenue	1,344,179	2,633,456	4,171,201	623,632	1,044,434
Cost of sales	<u>(1,043,892)</u>	<u>(1,628,199)</u>	<u>(2,496,146)</u>	<u>(403,161)</u>	<u>(558,672)</u>
Gross profit	300,287	1,005,257	1,675,055	220,471	485,762
Other income and gains	128,182	893,702	1,122,730	310,743	66,028
Selling and distribution expenses	(34,551)	(50,870)	(53,207)	(9,950)	(8,488)
Administrative expenses	(82,341)	(109,349)	(192,878)	(29,372)	(95,880)
Other expenses	(49,186)	(527,914)	(153,522)	(16,434)	(94,622)
Finance costs	(18,742)	(21,000)	(56,897)	(10,354)	(18,552)
Share of profits and losses of:					
Associates	(677)	(771)	25,153	(234)	(24,936)
A joint venture	–	99	806	–	154
Profit before tax	242,972	1,189,154	2,367,240	464,870	309,466
Income tax expense	<u>(25,102)</u>	<u>(71,093)</u>	<u>(272,190)</u>	<u>(28,494)</u>	<u>(67,003)</u>
Profit for the year/period	217,870	1,118,061	2,095,050	436,376	242,463

Non-IFRSs Measure

Adjusted EBITDA, as we present it, represents profit for the year before income tax expense, finance costs, bank interest income, depreciation, amortization of land use rights, amortization of intangible assets, impairment loss, losses relating to Shenzhen Meibai's fire incidents and fair value gains from derivative financial instruments. Adjusted EBITDA is not a standard measure under IFRSs.

Adjusted EBITDA is used by our management to evaluate our financial performance and identify underlying trends in our business that could otherwise be distorted if the impact of items that we do not consider indicative of the performance of our business and/or which we do not expect to be recurring are not eliminated. Companies may use different methods of depreciating assets. These differences can result in considerable variability in the relative depreciation and amortization expense among companies. As such, we exclude the depreciation and amortization related expenses in presenting our adjusted EBITDA. In addition, we consider Shenzhen Meibai's fire incidents are isolated and non-recurring in nature. In addition, fair value gains from derivative financial instruments are non-cash other income and expenses, which were mainly related to the compensation agreements with Mr. Li Wanchun and Ms. Hu Yemei. We considered

SUMMARY

the fair value gains are non-recurring in nature and are not relevant to our core business operations. We believe that adjusted EBITDA provides an additional financial measure for investors to assess our operating performance in the same manner as our management and in comparing our financial results across accounting periods and to those of our peer companies.

The use of adjusted EBITDA has certain limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, an analysis of our financial results, performance, or liquidity presented under IFRS, such as profit before tax, profit for the year/period, cash flows from operating, investing and financing activities.

The following table reconciles our profit for the year/period to our definition of adjusted EBITDA for the years and periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the years/periods	217,870	1,118,061	2,095,050	436,376	242,463
Adjustments for:				<i>(unaudited)</i>	
Income tax expense	25,102	71,093	272,190	28,494	67,003
Finance costs	18,742	21,000	56,897	10,354	18,552
Bank interest income	(7,845)	(1,147)	(2,216)	(335)	(3,496)
Depreciation	74,676	83,329	96,534	22,296	28,310
Amortization of land use rights	2,005	2,150	2,536	580	776
Amortization of intangible assets	3,246	5,365	9,203	2,330	2,015
Impairment loss/(gain) ⁽¹⁾	27,104	238,413	29,463	35	(2,738)
Losses relating to Shenzhen Meibai's fire incidents	–	49,620	–	–	–
Net fair value gains from derivative financial instrument ⁽²⁾	(92,296)	(634,019)	(485,805)	(306,424)	–
Adjusted EBITDA (non-IFRS measure)	268,604	953,865	2,073,852	193,706	352,885

Notes:

- (1) Mainly include the impairment of goodwill related to Shenzhen Meibai
- (2) In relation to the fair value changes in the restricted A Shares, which were subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement

Our total revenue increased significantly during the Track Record Period and such robust growth was primarily due to an increase in revenue generated from the sales of our products as a result of the strong market demands and increasing selling price for our lithium products as well as the expansion of our production capacities.

Our gross profit margin was 22.3%, 38.2%, 40.2% and 46.5% for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

Our net profit increased from RMB217.9 million in 2015 to RMB1,118.1 million in 2016, representing a growth rate of 413.1% and further increased to RMB2,095.1 million for the year ended December 31, 2017, representing a growth rate of 87.4%. Our net profit decreased from RMB436.4 million for the three months ended March 31, 2017 to RMB242.5 million for the same period in 2018, representing a decrease of 44.4% primarily due to an increase in net fair value losses of investments at fair value through profit or loss of RMB76.6 million primarily related to the decrease in share price of Pilbara Minerals in the three months

SUMMARY

ended March 31, 2018 and an increase in loss in associates of RMB24.7 million and an increase in expenses relating to employee share scheme of RMB45.6 million. A large portion of our net profit during the Track Record Period was attributable to other income and gains, which mainly represented the fair value gains on derivative financial instruments related to the restricted A Shares we repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to certain compensation agreements. The gains from these compensation agreements were approximately RMB92.3 million, RMB634.0 million, RMB485.8 million, RMB306.4 million and nil for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively.

For more details, please refer to “Financial Information – Principal Components of Consolidated Statements of Profit or Loss.”

Summary of Consolidated Statements of Financial Positions

The following table sets forth a summary of our consolidated statements of financial positions as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	March 31, 2018	July 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 <i>(unaudited)</i>
Assets					
Non-current assets	1,498,414	2,176,744	3,431,418	3,613,855	4,135,931
Current assets	1,098,598	2,105,259	4,567,682	4,670,286	4,425,702
Total assets	2,597,012	4,282,003	7,999,100	8,284,141	8,561,633
Total equity	1,952,645	2,963,767	4,043,170	4,306,817	4,677,482
Liabilities					
Non-current liabilities	161,486	127,358	1,141,601	1,157,191	1,271,062
Current liabilities	482,881	1,190,878	2,814,329	2,820,133	2,613,089
Total liabilities	644,367	1,318,236	3,955,930	3,977,324	3,884,151
Net current assets	615,717	914,381	1,753,353	1,850,153	1,812,613
Total assets less current liabilities	2,114,131	3,091,125	5,184,771	5,464,008	5,948,544

SUMMARY

Summary of Statements of Cash Flow

The following table sets forth a summary of our cash flows for the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 <i>(unaudited)</i>	RMB'000
Net cash flows generated from operating activities	365,965	658,473	503,886	(56,659)	(135,686)
Net cash flows used in investing activities . . .	(550,224)	(884,262)	(840,192)	(300,106)	(675,848)
Net cash flows (used in)/ generated from financing activities	(16,852)	230,917	2,336,662	572,490	(119,460)
Net increase/(decrease) in cash and cash equivalents	(201,111)	5,128	2,000,336	215,725	(930,994)
Cash and cash equivalents at beginning of the year/period	361,951	162,871	169,183	169,183	2,165,352
Net foreign exchange differences	2,031	1,184	(4,167)	(546)	(16,955)
Cash and cash equivalents at end of the year/period	<u>162,871</u>	<u>169,183</u>	<u>2,165,352</u>	<u>384,362</u>	<u>1,217,403</u>

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios for the years or periods or as of the dates indicated.

	Year Ended/As of December 31,			Three months ended/As of March 31,
	2015	2016	2017	2018
Profitability:				
Gross margin	22.3%	38.2%	40.2%	46.5%
Adjusted EBITDA margin ⁽¹⁾	20.0%	36.2%	49.7%	33.8%
Net profit margin	16.2%	42.5%	50.2%	23.2%
Rates of return:				
Return on assets	8.4%	26.1%	26.2%	11.9%
Return on equity	11.2%	37.7%	51.8%	22.8%
Liquidity:				
Debt to equity ratio	0.1	0.2	0.4	0.3
Current ratio	2.3	1.8	1.6	1.7
Quick ratio	1.6	1.3	1.3	1.2

Note:

(1) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue. Adjusted EBITDA is not a standard measure under IFRSs. For the definition of our non-IFRS financial measure, see "Financial Information — Adjusted EBITDA."

For the definition of certain major financial ratios, see "Financial Information — Major Financial Ratios".

OUR SHAREHOLDER STRUCTURE

In 2010, we became the first listed company in China's lithium industry with our A Shares listed on the Shenzhen Stock Exchange (Stock Code: 002460). Mr. Li Liangbin is the founder and largest shareholder

SUMMARY

of our Company. As of September 10, 2018, Mr. Li Liangbin was entitled to exercise voting rights attached to Shares of our Company representing approximately 24.20% of the total issued share capital of our Company. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Li Liangbin will be entitled to exercise voting rights attached to Shares of our Company representing approximately 20.51% of the total issued share capital of our Company.

RECENT DEVELOPMENTS

On March 30, 2018, our board of directors resolved to propose the final dividend for 2017 of RMB0.40 per ordinary share and the conversion of capital reserve into capital by issuing 5 new shares for every 10 existing shares at the registration date of annual profit distribution. These proposals were approved by the shareholders at the general meeting of our Company on May 2, 2018. As of the Latest Practicable Date, we had paid the payments of such final dividend in the amount of RMB297.3 million subsequent to December 31, 2017.

Set forth below are certain material developments on our business and results of operations after March 31, 2018, which is the end of the Track Record Period:

In the six months ended June 30, 2018, our revenue amounted to RMB2,239.3 million, representing an increase of 35.4% from RMB1,653.4 million in the six months ended June 30, 2017, primarily due to the continuous expansion of our production capacity and the increase in revenue generated from lithium compounds and metals.

Our gross profit increased by 65.3% from RMB600.6 million for the six months ended June 30, 2017 to RMB992.7 million for the six months ended June 30, 2018, primarily due to (i) the stable supply of raw material from the commissioning of Mount Marion project since February 2018 which led to the higher utilization rate of our production capacity; and (ii) the significant increase in the price of lithium metals in the end of 2017.

Our adjusted EBITDA, being our profit before tax adjusted for certain items including losses relating to Shenzhen Meibai' fire incidents and fair value gains from derivative financial instruments, increased by 55.3% from RMB599.5 million in the six months ended June 30, 2017 to RMB931.0 million in the corresponding period in 2018.

For the six months ended June 30, 2018, we incurred RMB114.8 million as our employee benefit expenses as a result of cost allocation of our Restricted A Share Incentive Scheme and listing expense, in total.

The financial information disclosed above is derived from the unaudited consolidated financial statements for the six months ended June 30, 2018, set out in Appendix IB to this prospectus, which is subject to review by our reporting accountants.

In furtherance of our development strategy of expanding our access to upstream lithium resources globally, after the Track Record Period, we entered into an acquisition agreement with Lithium Americas and SQM regarding the acquisition of direct equity interests in the Cauchari-Olaroz project from SQM for an initial consideration of US\$87.5 million due at closing and additional payment of US\$50 million upon the Cauchari-Olaroz project meeting certain sales milestones. Immediately upon completion of the acquisition we will directly hold 37.5% equity interests in the Cauchari-Olaroz project and Lithium Americas's equity

SUMMARY

interests in the Cauchari-Olaroz project will increase from 50.0% to 62.5%. As of the Latest Practicable Date, we hold 16.92% equity interests in Lithium Americas. For more details of the acquisition, please refer to "History, Development and Reorganization — Post-Track Record Period Acquisition".

In August 2018, our Company entered into a purchase agreement with LG Chem for a term commencing from January 1, 2019 to December 31, 2022. Pursuant to the purchase agreement, our Company agreed to supply no less than an aggregate of approximately 47,600 tons of lithium hydroxide to LG Chem in the year 2019 to 2022. In addition, due to increasing demand from LG Chem's downstream customers, on September 18, 2018 we entered into a supplemental purchase agreement with LG Chem whereby we agreed to supply LG Chem an incremental 38,000 tons of lithium hydroxide in the year 2021 to 2025 and 7,000 tons of lithium carbonate in the year 2019 to 2021. For more details of the purchase agreement and supplemental purchase agreement, please refer to "Cornerstone Investors — Our Cornerstone Investors — LG Chem, Ltd".

Moreover, we recently entered into a strategic cooperative agreement with Tesla Inc. ("Tesla"), a U.S. based multinational corporation that specialized in electric vehicles, lithium-ion battery energy storage and solar panel manufacturing. Pursuant to the strategic cooperative agreement, we became a selected supplier of battery-grade lithium products for Tesla's designated suppliers. We believe this cooperative relationship with Tesla and its designated suppliers would generate positive impact on our financial results as well as our reputation and brand image.

Despite the above, the recent changes in PRC government's EV subsidy program which resulted in volatility in EV battery demand and lithium carbonate prices in China, our profit for the year ending December 31, 2018 may be adversely affected by these trends.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus and other than as set forth above, there has been no material adverse change in our financial and trading position or prospects since March 31, 2018, and there is no event since March 31, 2018 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix IA to this prospectus.

Adoption of IFRS 9

We have elected to adopt IFRS 9 which has been applied consistently during the Track Record Period. Should IAS 39 have been applied throughout the Track Record Period, net profit (profit after tax) for the year of the Group would be decreased by nil, RMB40.8 million and RMB339.3 million for the year ended December 31, 2015, 2016 and 2017, respectively, and net profit (profit after tax) for the three months ended March 31, 2018 would be increased by RMB94.5 million. Had IAS 39 been applied, the significant decrease in net profit for 2016, 2017 and the significant increase in net profit for the three months ended March 31, 2018 were because of that under IAS 39, the investments at fair value through profit or loss (non-current portion, and the Group has the intention and ability to hold the financial assets for the foreseeable future) should be classified as available-for-sale investments and the fair value change of these investments should be recorded in other comprehensive income during the Track Record Period. When the investments will be disposed, had IAS 39 been applied, the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from equity to profit or loss.

For more details, please refer to "Financial Information — Critical Accounting Policies and Estimates — Adoption of IFRS 9."

LISTING EXPENSE INCURRED AND TO BE INCURRED

In 2017, we incurred approximately RMB4.1 million as listing expenses. For the three months ended March 31, 2018, we incurred approximately RMB15.0 million as listing expenses, of which RMB13.2 million was recognized as administrative expenses and RMB1.8 million will be capitalized. We expect to incur additional listing expenses of approximately RMB103.2 million after March 31, 2018, of which RMB28.0

SUMMARY

million are expected to be recognized as administrative expenses in 2018, and RMB75.2 million is expected to be capitalized. Our Directors do not expect such expenses to have a material and adverse impact on our financial results in 2018.

OFFERING STATISTICS

Offer size	: Initially 15.22% of the enlarged issued share capital of our Company
Offering structure	: Initially 10% for the Hong Kong Public Offering (subject to adjustment) and 90% for the International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option	: Up to 6.44% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share	: HK\$16.50 to HK\$26.50 per Offer Share

	<u>Based on an Offer Price of HK\$16.50 per Offer Share</u>	<u>Based on an Offer Price of HK\$26.50 per Offer Share</u>
Our Company's capitalization upon completion of the Global Offering ⁽¹⁾⁽²⁾	HK\$21,698.8 million	HK\$34,849.7 million
Unaudited pro forma adjusted net tangible asset per Share ⁽³⁾	HK\$6.26	HK\$7.75

Notes:

- (1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 200,185,800 Shares expected to be issued immediately upon completion of the Global Offering and assuming that 1,315,081,160 Shares are issued and outstanding immediately upon completion of the Global Offering.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix IIA "Unaudited Pro Forma Financial Information" in this prospectus and on the basis of 200,185,800 Shares to be issued during the Global Offering and thereafter 1,315,081,160 Shares are outstanding, assuming that i) the Global Offering had been completed on March 31, 2018 and ii) the conversion event of capital reserve into share capital (which was approved by shareholder's meeting on May 2, 2018) such that five new shares were issued for every existing ten shares was completed at March 31, 2018.

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$21.50 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$4,151.3 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately HK\$2,401.0 million (approximately 58% of our total estimated net proceeds, 30% of which is intended to be used for our upstream business, 14% for our midstream business and 14% for our downstream business) 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. We take a number of factors into account prior to acquiring upstream lithium resources. We mainly target projects located in North America, South America and Australia, with resource size over 2 million tons LCE. We will also consider existing infrastructure, accessibility and logistics at the

SUMMARY

location of the resources, which indicate the easiness of future development and potential costs. Specifically, in terms of spodumene resources, we target projects with an above average resource grade, which is approximately 1.2%, and in terms of brine resources, we also consider the water inflow, the evaporation rate, the pumping rate (a higher pumping rate means a faster extraction rate of brine which leads to higher production volume), the original concentration of brine and also the percentage and composition of other chemicals in the brine resources. Moreover, the cost of acquisition, including the estimated development costs, the price of comparable resources as well as expected payback period are also taken into our consideration. However, expected payback period may not be available for investments in upstream resources that are in an early stage and thus sometimes it is not our primary consideration.

- Approximately HK\$920.0 million (approximately 22% of our total estimated net proceeds) is intended to be used to provide financial assistance to Lithium Americas, which will use the funds to cover capital expenditure for construction of Cauchari-Olaroz project;
- Approximately HK\$415.1 million (approximately 10% of our total estimated net proceeds) is intended to be used for our research and development efforts, in particular on solid-state lithium batteries;
- Approximately HK\$415.1 million (approximately 10% of our total estimated net proceeds) is intended to be used for our working capital and general corporate purposes.

For further details, please see the section headed "Future Plans and Use of Proceeds" in this prospectus, for information relating to our future plan and use of proceeds from the Global Offering, including the adjustment on the allocation of the proceeds in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

DIVIDENDS

Pursuant to relevant PRC laws and regulations applicable to us, we are required to set aside a certain amount of our accumulated after tax profits each year, if any, to fund statutory reserves. Dividends may be paid only out of distributable profits, which are our retained earnings as determined in accordance with PRC GAAP or IFRS, whichever is lower, less the above mentioned statutory reserves and any discretionary surplus reserves.

Subject to the PRC Company Law and other applicable laws and regulations, we currently target to distribute to our Shareholders no less than 10% of our distributable profits for any particular year, subject to certain exceptions. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

We declared and paid dividends of RMB35.7 million, RMB56.5 million, RMB72.9 million, respectively, in 2015, 2016 and 2017. All such dividends have been fully settled. As of the Latest Practicable Date, we declared and paid dividends of RMB297.3 million subsequent to December 31, 2017.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and

SUMMARY

business, (ii) risks relating to doing business in the PRC, and (iii) risks relating to the Global Offering. For example, we are heavily exposed to the market forces in the lithium industry, including the current and expected supply and demand of lithium. In addition, we are subject to uncertainties surrounding our estimated resource and reserves of lithium as our raw material, and the volume and grade of lithium we produce may not conform to current estimates, and we may not be able to secure sufficient lithium resources supply to meet our production. A detailed discussion of all the risk factors involved are set forth in “Risk Factors” and you should read the whole section carefully before you decide to invest in the Offer Shares.

HISTORICAL NON-COMPLIANCE

During the Track Record Period, we had certain non-compliance incidents, including failure to comply with (i) relevant securities regulations issued by the CSRC and relevant provisions of Shenzhen Listing Rules and (ii) regulatory requirements regarding safety production. See “Business — Legal and Compliance — Non-compliance” for details.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“A Share(s)”	domestic shares of our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shenzhen Stock Exchange and are traded in Renminbi
“Adjusted EBITDA”	profit for the year before income tax expense, finance costs, bank interest income, depreciation, amortization of land use rights, amortization of intangible assets, impairment loss, losses relating to Shenzhen Meibai’s fire incidents and fair value gains from derivative financial instruments; adjusted EBITDA is not a standard measure under IFRSs
“Albemarle”	Albemarle Corp., a company incorporated in Virginia, the United States and an independent third party, shares of which are traded on the New York Stock Exchange under the symbol ALB
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of the Company adopted on January 15, 2018 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix V
“AUD”	Australian dollars, the lawful currency for the time being of the Commonwealth of Australia
“Audit Committee”	the audit committee of the Board
“Blackstairs Lithium”	Blackstairs Lithium Limited, a limited liability company incorporated in the Republic of Ireland on October 18, 2013 and non-wholly-owned subsidiary of our Company, which is owned as to 55% by GFL International and as to 45% by International Lithium
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“CATL”	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司), a limited liability company established in the PRC on December 16, 2011 and an independent third party

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China”, “PRC” or the “People’s Republic of China”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Convertible Bonds”	the convertible bonds amounting to RMB928 million issued by the Company on December 27, 2017, with a par value of RMB100 each
“CRU”	CRU International Limited, our industry consultant
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dalian Yike”	Dalian Yike Energy Technology Co., Ltd. (大連伊科能源科技有限公司), a limited liability company established in the PRC on April 18, 2008, which is held as to 20% by New Energy Industrial Investment, and as to 77.9% by Yu Miao (於淼) and 2.1% by Hangzhou Weitong Investment Management Partnership Enterprise (Limited Partnership) (杭州惟同投資管理合夥企業(有限合夥)), both of whom are independent third parties
“Director(s)”	the director(s) of our Company
“Dongguan Ganfeng”	Dongguan Ganfeng Electronics Co., Ltd. (東莞贛鋒電子有限公司), a limited liability company established in the PRC on December 29, 2015 and a wholly-owned subsidiary of our Company

DEFINITIONS

"Fengxin Ganfeng"	Fengxin Ganfeng Lithium Co., Ltd. (奉新贛鋒鋰業有限公司), a limited liability company established in the PRC on January 8, 2004 and a wholly-owned subsidiary of our Company
"Fengxin Ganfeng Renewable"	Fengxin Ganfeng Renewable Lithium Resources Co., Ltd. (奉新贛鋒再生鋰資源有限公司), a limited liability company established in the PRC on June 4, 2009 and a wholly-owned subsidiary of our Company
"FMC"	FMC Corp., is a company incorporated in Delaware, the United States, an independent third party, shares of which are traded on the New York Stock Exchange under the symbol FMC
"Ganfeng Battery"	Jiangxi Ganfeng Battery Technology Co., Ltd. (江西贛鋒電池科技有限公司), a limited liability company established in the PRC on June 13, 2011 and a wholly-owned subsidiary of our Company
"Ganfeng Electronics"	Xinyu Ganfeng Electronics Co., Ltd. (新余贛鋒電子有限公司), a limited liability company established in the PRC on April 4, 2018, a non-wholly owned subsidiary of our Company, which is owned as to 71% by Ganfeng Battery, as to 5% by Huang Hao (黃浩), an independent third party other than being a shareholder of our subsidiary, as to 5% by Wang Zhigang (汪志剛), an independent third party other than being a shareholder of our subsidiary, as to 5% by Huizhou Huifeng New Energy Technology Co., Ltd., (惠州市惠鋒新能科技有限公司), an independent third party other than being a shareholder of our subsidiary and as to 14% by Xu Shengwang (徐聖旺), a supervisor of Ganfeng Electronics
"Ganfeng Inspection"	Jiangxi Ganfeng Inspection Consulting Services Co., Ltd. (江西贛鋒檢測諮詢服務有限公司), a limited liability company established in the PRC on April 11, 2007 and a wholly-owned subsidiary of our Company
"Ganfeng Lithium", "Company", "our Company", "we" or "us"	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 Shenzhen Stock Exchange since August 10, 2010 (Stock Code: 002460), and except where the context otherwise requires includes its predecessors and subsidiaries
"Ganfeng New Energy"	Jiangxi Ganfeng New Energy Technology Co., Ltd. (江西贛鋒新能源科技有限公司), a limited liability company established in the PRC on

DEFINITIONS

	September 26, 2017 and a wholly-owned subsidiary of our Company, which is owned as to 99.8% by Ganfeng Battery and as to 0.2% by our Company
“Ganfeng Recycling”	Jiangxi Ganfeng Recycling Technology Co., Ltd. (江西贛鋒循環科技有限公司), a limited liability company established in the PRC on January 25, 2016 and a wholly-owned subsidiary of our Company
“Ganfeng Transportation”	Xinyu Ganfeng Transportation Co., Ltd. (新余贛鋒運輸有限公司), a limited liability company established in the PRC on October 31, 2007 and a wholly-owned subsidiary of our Company
“GFL International”	GFL International Co., Limited, a private company limited by shares incorporated in Hong Kong on March 29, 2011 and a wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Havelock Mining”	Havelock Mining Investment Limited (海洛礦業投資有限公司), a private company limited by shares incorporated in Hong Kong on July 10, 2017, and a non-wholly-owned subsidiary of our Company, which is owned as to 90% by GFL International and as to 10% by Hongze Group Limited, an independent third party (other than being a shareholder of our subsidiary)
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Offer Shares”	the 20,018,800 H Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offering by the Company of initially 20,018,800 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering”) for cash at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 26, 2018 relating to the Hong Kong Public Offering and entered into by our Company, the Joint Global Coordinators and the Hong Kong Underwriters as further described in “Underwriting — Underwriting Arrangements and Expenses”
“IFRSs”	International Financial Reporting Standards
“independent third party(ies)”	a person or entity who/which is not a connected person of the Company under the Hong Kong Listing Rules
“International Lithium”	International Lithium Corp., a company incorporated in Canada on March 26, 2009, shares of which are traded on the Toronto Stock Exchange under the symbol ILC, the Frankfurt Stock Exchange under the symbol IAH, the OTC Markets in the U.S. under the symbol ILHMF and the Stuttgart Stock Exchange and the Berlin Stock Exchange both under the WKN code A1JAZU, and in which we held 16.24% through GFL International as of the Latest Practicable Date
“International Offer Shares”	the 180,167,000 H Shares initially offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S and in the

DEFINITIONS

	United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around October 4, 2018 by, among others, our Company, the Joint Global Coordinators, the Joint Bookrunners, and the International Underwriters in respect of the International Offering, as further described in “Underwriting — The International Offering”
“Jiangli Technology”	Jiangxi Jiangli Technology Co., Ltd. (江西江鋰科技有限公司), a limited liability company established in the PRC on May 17, 2007 and an independent third party
“Jiangsu Youpai”	Jiangsu Youpai New Energy Co., Ltd. (江蘇優派新能源有限公司), a limited liability company established in the PRC on December 14, 2010 and a wholly-owned subsidiary of our Company
“Jiangsu Yuanrong”	Jiangsu Yuanrong New Energy Technology Co., Ltd. (江蘇原容新能源科技有限公司), a limited liability company established in the PRC on August 15, 2016 and a non-wholly-owned subsidiary of our Company, which is owned as to 95% by New Energy Industrial Investment and as to 5% by He Lei (何磊), an independent third party (other than being a shareholder of our subsidiar(ies))
“Jiangxi Lithium”	Jiangxi Western Resources Lithium Co., Ltd. (江西西部資源鋰業有限公司), a limited liability company established in the PRC on March 3, 2010 and a wholly-owned subsidiary of our Company
“Joint Bookrunners”	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China International Capital Corporation Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, ABCI Capital Limited, CCB International Capital Limited, Guotai Junan Securities (Hong Kong) Limited, and ICBC International Capital Limited
“Joint Global Coordinators”	Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited and Deutsche Bank AG, Hong Kong Branch
“Joint Lead Managers”	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), China International Capital Corporation

DEFINITIONS

	Hong Kong Securities Limited, Deutsche Bank AG, Hong Kong Branch, ABCI Securities Company Limited, CCB International Capital Limited, Futu Securities International (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, Head & Shoulders Securities Limited, and ICBC International Securities Limited
"Latest Practicable Date"	September 17, 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around Thursday, October 11, 2018, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Lithium Americas"	Lithium Americas Corp., a company incorporated in Canada on November 27, 2007, shares of which are traded on the Toronto Stock Exchange under the symbol LAC and the OTC Markets in the U.S. under the symbol LACDF, and in which we hold 16.92% of the interest as of the Latest Practicable Date
"LITIO MINERA"	LITIO MINERA AEGENTINA SA, a company incorporated in Argentine on April 5, 2010 and a non-wholly-owned subsidiary of our Company, which is owned as to 82.754% by Mariana Lithium and as to 17.246% by International Lithium. In December 2017, our shareholding in LITIO MINERA increased to 82.754% and International Lithium's shareholding in LITIO MINERA decreased to 17.246% but such shareholding change is pending registration with local authorities
"Lock-up Undertakings"	the lock-up undertakings dated September 26, 2018 provided by Mr. Li Liangbin and Mr. Wang Xiaoshen, respectively, to the Company, the Sole Sponsor, the Joint Global Coordinators and the Underwriters
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on September 29, 1994, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Mariana Lithium”	Mariana Lithium Co., Limited, a private company limited by shares incorporated in Hong Kong on July 7, 2014 and a wholly-owned subsidiary of our Company
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mount Marion Co.”	Mount Marion Lithium Co., Limited, a private company limited by shares incorporated in Hong Kong on May 9, 2017 and a wholly-owned subsidiary of our Company
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Energy Industrial Investment”	Xinyu Ganfeng New Energy Industrial Investment Partnership (Limited Partnership) (新余贛鋒新能源產業投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 4, 2016 with our Company as a limited partner and holding 49.995% of the interest. 49.995% of the interest in New Energy Industrial Investment is held by ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司) as a limited partner, and the remaining 0.01% is held by Tibet Xingfu Investment Management Co., Ltd. (西藏興富投資管理有限公司) as a general partner, both of whom are independent third parties (other than being shareholders of our subsidiar(ies))
“Ningbo Fengli”	Ningbo Fengli Investment Holdings Co., Ltd. (寧波鋒鋰投資控股有限公司), a limited liability company established in the PRC on July 28, 2016 and a non-wholly-owned subsidiary of our Company, which is owned as to 99% by New Energy Industrial Investment, and as to 1% by Yang Jing (楊菁), an independent third party (other than being a shareholder of our subsidiar(ies))
“Ningbo Lisaikang”	Ningbo Lisaikang New Material Technology Co., Ltd. (寧波力賽康新材料科技有限公司), a limited liability company established in the PRC on March 5, 2015 and a wholly-owned subsidiary of our Company, which is owned as to 100% by Zhejiang Fengli
“Ningdu Ganfeng”	Ningdu Ganfeng Lithium Co., Ltd. (寧都縣贛鋒鋰業有限公司), a limited liability company established in the PRC on August 23, 2016 and a wholly-owned subsidiary of our Company
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK\$26.50 and expected to be not less than HK\$16.50, at which Hong Kong Offer Shares are to be subscribed for, and to be determined in the manner further described in “Structure of the Global Offering — Pricing of the Global Offering”
“PRC Legal Advisors”	Llinks Law Offices, our legal advisors as to PRC laws

DEFINITIONS

“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 12,891,600 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in “Structure of the Global Offering”
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“People’s Congress”	the PRC’s legislative apparatus, including the National People’s Congress and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them
“Pilbara Minerals”	Pilbara Minerals Limited, a company incorporated in Australia on January 10, 2005, shares of which are traded on the Australian Securities Exchange under the symbol PLS, and in which we held 4.30% as of the Latest Practicable Date
“PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), which was promulgated by the Standing Committee of the National People’s Congress on December 29, 1993, came into effect on July 1, 1994 and revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on March 1, 2014, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting practices in the PRC
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company on the Price Determination Date to record and fix the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or about Thursday, October 4, 2018 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and we may agree, but in any event no later than Wednesday, October 10, 2018
“Promoters”	the promoters of the Company, whose names are set out in “Statutory and General Information — E. Other Information — 7. Promoters” in Appendix VII
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIB” or “Qualified Institutional Buyer”	a qualified institutional buyer within the meaning of Rule 144A
“Qinghai Liangcheng”	Qinghai Liangcheng Mining Co., Ltd. (青海良承礦業有限公司), a limited liability company established in the PRC on May 2, 2018 and a wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RIM”	Reed Industrial Minerals Pty Ltd., a company incorporated in Australia on August 11, 2009, in which we hold 43.1% through GFL International
“RMB” or “Renminbi”	the lawful currency of the PRC
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Shareholders’ meeting on November 10, 2017, the principal terms of which are set out in the section headed “Statutory and General Information — D. RSU Scheme” in Appendix VII to this prospectus
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

DEFINITIONS

“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of our Shares
“Shares”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares
“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
“Shenzhen Meibai”	Shenzhen Meibai Electronics Co., Ltd. (深圳市美拜電子有限公司), a limited liability company established in the PRC on July 9, 2002 and a wholly-owned subsidiary of our Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所)
“Sole Sponsor”	Citigroup Global Markets Asia Limited
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
“SQM”	Sociedad Química y Minera de Chile S.A., a company incorporated in Chile and an independent third party, shares of which are traded on the New York Stock Exchange under the symbol SQM and the Santiago Stock Exchange under the symbol SQM-A, SQM-B
“Stabilizing Manager”	Citigroup Global Markets Asia Limited
“State Council”	the State Council of the People’s Republic of China (中華人民共和國中央人民政府)
“Strategy Committee”	the strategy committee of the Board
“Supervisor(s)”	one (or all) of our supervisors
“Tianqi”	Tianqi Lithium Corporation (天齊鋰業股份有限公司), a company incorporated in the PRC and an independent third party, shares of which are traded on the Shenzhen Stock Exchange with stock code 002466

DEFINITIONS

"Track Record Period"	years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Person"	a U.S. person, as defined in Rule 902 of Regulation S
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US\$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yichun Ganfeng"	Yichun Ganfeng Lithium Co., Ltd. (宜春贛鋒鋳業有限公司), a limited liability company established in the PRC on July 22, 2008 and a wholly-owned subsidiary of our Company
"Zhejiang Fengli"	Zhejiang Fengli New Energy Technology Co., Ltd. (浙江鋒鋳新能源科技有限公司), a limited liability company established in the PRC on December 28, 2017 and a wholly-owned subsidiary of our Company

Unless the context otherwise requires, the terms including "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction", "controlling shareholder(s)", "subsidiary(ies)", and "substantial shareholder(s)" shall have the meanings ascribed to them under the Hong Kong Listing Rules.

The English translation of the PRC entities, enterprises, nationals, facilities, laws, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, laws, regulations and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"anhydrous lithium chloride"	a kind of material with the appearance of white powder or cubic crystal, molecular weight of 42.39, melting point of 605°C and density of 2.068g/cm ³ . Anhydrous lithium chloride is also soluble in water
"beneficiation"	the process of removing gangue minerals from ores to produce a higher grade product, and a waste stream
"BEV"	battery electric vehicles are zero-emission vehicles which run solely on stored electrical energy, typically in the form of a battery. The source of electricity is connected to an electric motor. Refueling is done directly from an electricity source
"butyllithium"	an organolithium reagent and is widely used as a polymerization initiator in the production of elastomers or employed as a strong base in the synthesis of organic compounds as in the pharmaceutical industry
"carbon footprint"	the total sets of greenhouse gas emissions caused by an organization, event, product or person
"CIM"	Canadian Institute of Mining
"consumer batteries"	batteries that are used in consumer electronics, such as mobile phones, tablets laptops, and DVD players
"eBike"	Electric Bike
"eBus"	Electric Bus
"electrolysis"	the process of using electricity to separate compounds into simpler substances
"eMotorcycle"	Electric Motorcycle
"energy storage battery"	a cell or connected group of cells that converts chemical energy into electrical energy by reversible chemical reactions and that may be recharged by passing a current through it in the direction opposite to that of its discharge
"ERP system"	an enterprise resource planning software
"eScooter"	Electric Scooter

GLOSSARY OF TECHNICAL TERMS

"eTransportation"	Electric Transportation
"EV"	Electric Vehicle
"exploration"	activity to prove the location, volume and quality of an orebody
"grade"	the percentage of metal elements or their component in ore, usually expressed as a percentage or gram per ton
"GWh"	Gigawatt hour, one unit of electrical energy equal to one billion watt hours, one thousand megawatt hours, or 3.6 Tera joules
"HEV"	hybrid electric vehicles are powered by both, a battery connected to an electric motor as well as by an internal combustion engine running on conventional fuel. However, the battery cannot be directly refueled from a power source but is only supplied by a system called regenerative braking installed in the vehicle, which converts the kinetic energy into chemical energy of the battery. Conventionally, this energy is allowed to dissipate
"installed capacity"	the intended full-load sustained output of a facility/device
"JORC"	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves
"kt"	kiloton
"LCE"	lithium carbonate equivalent, a unit of measurement for lithium
"leaching"	metallurgy technique which extracts and separates out the useful elements by chemical reactions with certain leaching agents
"lithium alloy"	a mixture of lithium with other metals or a mixture of lithium another element
"lithium brine"	a solution of lithium in water that naturally occurs on earth's surface, crust, and within brine pools on ocean bottom
"lithium carbonate"	an inorganic compound of colorless monoclinic crystal or white powder, lithium carbonate has density of 2.11g/cm ³ , melting point of 618°C and can be dissolved in dilute acid and is commonly used for lithium-ion battery materials
"lithium concentrate"	an ionic liquid mineral supplement in concentrated form
"lithium fluoride"	an inorganic compound, a colorless solid, that transitions to white with decreasing crystal size

GLOSSARY OF TECHNICAL TERMS

"lithium foil"	a very thin sheet of lithium metal
"lithium hydroxide"	an inorganic compound, a white hygroscopic crystalline material, soluble in water and slightly soluble in ethanol, and is available commercially in anhydrous form and as the monohydrate, both of which are strong bases. It is commonly used for lithium-ion battery materials
"lithium metal"	a soft, silvery-white metal
"MES system"	manufacturing execution system
"mining"	the extraction of useful minerals or other geological materials from the crust, from an orebody, vein or (coal) seam
"mining right"	the licensed right to mine mineral resources and obtain mineral products in areas where mining activities are legal
"motive power batteries"	a kind of batteries that is used to impart motion to machinery such as engines of cars
"MVR system"	mechanical vapor recompression system
"MW"	Megawatt
"NMC"	lithium nickel manganese cobalt oxide
"OEM"	original equipment manufacturer
"offtake agreement"	an agreement between a producer of a resource and a buyer of a resource to purchase/sell portions of the producer's future production
"ore"	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination as to make extraction economic
"PHEV"	plug-in hybrid electric vehicles are equipped with both battery-electric motor system and an internal combustion engine. The power is sourced directly only from the battery, which can be plugged in for charging. The internal combustion is used to power a generator which then feeds the battery to continue driving the vehicle after the battery has been discharge
"R&D"	research and development

GLOSSARY OF TECHNICAL TERMS

"reserves"	the economically mineable part of a measured and/or indicated resource, including diluting materials and allowances for losses which may occur when the material is mined
"resources"	concentration or occurrence of material of intrinsic economic interest upon or inside the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Resources, or mineral resources, are subdivided, in order of increasing geological confidence, into "inferred," "indicated" and "measured" categories
"RFID"	radio-frequency identification technology system
"smelting"	a process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed
"solar evaporation"	the evaporation of water due to the sun's heat
"spodumene"	a pyroxene mineral consisting of lithium aluminum inosilicate, and is a source of lithium. It occurs as colorless to yellowish, purplish, or lilac kunzite, yellowish-green or emerald-green hiddenite, prismatic crystals, often of great size
"ton"	a unit of measure
"USGS"	US Geological Survey
"vacuum distillation"	a method of distillation whereby the pressure above the liquid mixture to be distilled is reduced to less than its vapor pressure causing evaporation of the most volatile liquid(s)

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under "Risk Factors" and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus,

FORWARD-LOOKING STATEMENTS

whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We are heavily exposed to the market forces in the lithium industry, including the current and expected supply and demand of lithium.

We are heavily exposed to the market forces in the lithium industry, including the current and expected supply and demand of lithium which is primarily based on resource availability, the competitive landscape of the lithium industry, discovery of new mines, demand in end markets for products in which lithium is used, technological developments, government policies as well as global and regional economic conditions.

The current or expected supply of lithium may fluctuate, depending on the resource availability in the lithium market. Currently, the lithium industry is competitive and primarily dominated by a limited number of players. As of December 31, 2017, the world's five largest lithium compounds and metals suppliers, including us, accounted for approximately 69% of the global production capacity, according to the CRU Report. As we are operating in a competitive landscape where the lithium compounds and metals suppliers are focused on acquiring the limited available lithium resources, there is no assurance that we may continue to be able to secure stable and high quality lithium resources.

The demand for lithium is dependent on factors such as use of lithium in end markets, new technological developments resulting in product or technology substitutions and general economic conditions. For example, in 2009, the demand for lithium declined, causing a drop in lithium prices and sales volumes. However, in 2010, the demand for lithium recovered and continued to grow throughout 2011 and 2012. According to the CRU Report, global demand for lithium compounds has risen from 134 kilotons LCE in 2012 to 229 kilotons LCE in 2017, representing a CAGR of 11%, and is expected to reach 526 kilotons LCE by 2022, representing a CAGR of 18%. The increase in demand for lithium in recent years has been primarily driven by the explosive growth in demand for electric vehicle batteries and energy storage batteries. The global electric vehicle sales grew from 1.2 million units in 2012 to 3.0 million units in 2017, representing a CAGR of 19%, and is expected to reach 8.6 million units by 2022, representing a CAGR of 23%, according to the CRU Report. The Chinese government has also been focusing on developing the new-energy vehicle industry and has introduced generous incentives to encourage purchases of electric vehicles. From 2016 to 2017, the demand for lithium-based batteries has shifted from a focus on quantity to quality and we have observed a shortage in supply for high quality lithium batteries but an excess supply of low quality lithium batteries. As we believe that the market for high quality lithium-based batteries has good growth potential, we have focused our R&D initiatives on exploring new products. However, there is no assurance that the demand for lithium batteries will continue to increase. In addition, if a more cost-effective substitute for lithium-based batteries gains market acceptance, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to market fluctuations of lithium compounds and metals prices.

Changes in current and expected supply and demand volumes impact the current and expected future prices of lithium compounds and metals. Declines in lithium compounds and metals prices could materially

RISK FACTORS

and adversely affect our business, financial condition and results of operations. There is no assurance that a fall in prices of lithium compounds and metals will not occur. Furthermore, as a result of lithium compounds and metals price declines, we may decide to reduce sales volumes of lithium compounds and metals products. These factors may materially and adversely affect our business, financial condition and results of operations, including but not limited to the following:

- although fluctuation of lithium compounds and metals prices may take place, a significant or sustained reduction or increase in lithium compounds and metals prices could result in customers' unwillingness to honor our contractual commitments to purchase lithium products at pre-agreed pricing terms;
- a tightening of available credit may make it more difficult for us to obtain, or may increase our financing costs for our businesses;
- a decline in the value of lithium products may result in write-downs; and
- production of lithium products may be curtailed or suspended if it is no longer economically viable.

New legislations or changes in the PRC regulatory requirements regarding the end markets of our products may affect our business operations and prospects.

Our products are used in the production of, or are incorporated into final products that are sold into a number of end markets, including battery-related, chemicals and pharmaceuticals. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and growth prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the electric vehicles market. On June 28, 2012, the State Council of PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《節能與新能源汽車產業發展規劃(2012-2020年)》)(國發[2012]22號), granting generous supports and subsidies to electric vehicles and hybrid vehicles. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》)(國辦發[2014]35號) to grant further tax incentives and exemptions for electric vehicles. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》)(交運發[2015]34號). It is clarified that by 2020, the application of new energy vehicles in the transportation industry will be established and should reach 300,000 vehicles in total numbers. A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of electric vehicles. On March 16, 2016, the Chinese People's Political Consultative Conference passed The 13th Five-Year Plan for the National Economic and Social Development (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), which clarified China's next five years' focus on accelerating the development of core technologies in the fields of new energy, new energy vehicles. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may not be able to do so timely and efficiently. Any new legislations or changes in the PRC regulatory requirements could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are subject to uncertainties surrounding our estimated resource and reserves of lithium as our raw material, and the volume and grade of lithium raw material we produce may not conform to current estimates, and we may not be able to secure sufficient lithium resources supply to meet our production.

Our estimated resources and reserves of lithium are based on a number of assumptions in accordance with relevant industry standards, such as JORC Code. There can be no assurance that our estimated lithium resources and reserves will prove to be accurate or that we will be able to mine or process our lithium resources as our raw material at a profit. Estimated resources and reserves of lithium are inherently prone to variability. They involve expressions of judgment with regard to the presence and grade of spodumene, brine and lithium and the ability to economically extract and process the spodumene and brine. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the extraction, sampling results, analysis of the samples, the procedures adopted, and experience of the persons making the estimates. Spodumene and brine extracted may be different from the estimated resources and reserves of lithium in various ways, such as quality, volume, mining costs or processing costs. In addition, spodumene and brine may not ultimately be extracted at a profit. We record our lithium resources located in the PRC according to the Chinese National Standard. We record our lithium resources located overseas according to other international or national resource reporting standards, such as JORC Code.

If we encounter conditions different from those estimated based on historical examinations, such as governmental policies on export and tax rate, geopolitical relationships, natural disasters, transportation disruptions, we may have to adjust our production plans which could materially and adversely affect our business, financial condition and results of operations and reduce the estimated amount of resources and reserves available for production and expansion plans.

We face competition in our business.

The global lithium compounds and metals industry is a relatively orderly market protected by significant barriers to entry. The global lithium compounds and metals market is dominated by a limited number of lithium companies. As of December 31, 2017, the top five lithium compounds suppliers accounted for 69% of global production capacity, according to the CRU Report. Similar to us, our existing competitors endeavor to increase their market shares through measures, such as continued research and development efforts, optimized production process and active marketing campaigns. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic markets and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. If we fail to compete effectively, we may be unable to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition.

We may not be successful in expanding our operations, managing our growth effectively or opening our new facilities in a timely manner.

We experienced significant growth during the Track Record Period. In order to meet growing demands for our products, in the past few years, we increased our production capacity and output, and expanded, trained and managed our rapidly growing workforce. We are undertaking future expansion projects based on our future business planning. During the Track Record Period, we experienced difficulties in managing our rapid growth. Due to our failure to integrate our acquired business into our operations successfully, two fire accidents happened during the transition period after our acquisition of Shenzhen Meibai. We were fined by

RISK FACTORS

relevant regulatory agencies of RMB90,000 and RMB220,000 for the two incidents, respectively, for insufficiency in safety standards, monitoring and emergency plans. We also suffered damages in connection with the two incidents of RMB19.7 million and RMB30.0 million, respectively. For details, please see "Business — Environmental, Occupational, Health and Safety". In addition, as we rapidly expanded our production capacity during the Track Record Period, we have not yet obtained valid title certificates for certain land and building we occupy that allow us to freely use or transfer such properties. See "Business – Properties" for details of our property title defects.

The success of our future expansion projects depends on a few factors beyond our control, such as the progress of the construction conducted by the third party construction companies, local laws and regulations, government support, including in the form of tax breaks, and customer demand for our expanded production capacity. In addition, the integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in delivery of customer orders. Furthermore, as we expand our business operations in the future organically or by acquisition, we expect to incur additional depreciation and operational expenses. While depreciation and operational expenses remained relatively stable as a percentage of our revenue during the Track Record Period, the expenses can increase as a percentage of our revenue in the future and adversely affect our profitability if we cannot manage our growth effectively. Accordingly, we may not be able to achieve the expansion of our operations or the management of our growth in a timely or cost-effective manner. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures which could have a material adverse effect on our results of operation and prospects.

The mines that we hold equity interests in have a limited life and these operations will entail costs and risks regarding monitoring, rehabilitation and compliance with environmental standards.

The mines that we hold equity interests in the PRC and abroad have limited lives and will eventually be depleted. We may need to replenish our lithium reserves from time to time in order to enhance our existing resources. Currently, we primarily rely on Mount Marion project in Australia, in which we hold 43.1% equity interests, for our lithium raw materials supply. Due to the current trend of the lithium industry, there is no assurance that we will be able to discover or acquire new and valuable lithium reserves or resources, or that the actual production results may match the expected results.

In the event of the closure of the mines that we hold equity interests in, we need to perform certain procedures to remedy and rehabilitate the environmental and social impact that the mining operations have had on local communities. Remediation, rehabilitation, closure and removal of facilities will incur various costs and are subject to various risks. The key costs and risks for mine closures are: (i) long-term management of permanent engineered structures; (ii) satisfying environmental closure standards (such as rehabilitation requirements); (iii) orderly retrenchment of employees and third party contractors; and (iv) relinquishment of the sites with associated permanent structures and community development infrastructure and programs to new owners. There is no assurance that such closure of mines will be successful and without delays or additional costs. In addition, we may experience a difficult closure, the consequences of which range from increased closure costs, handover delays and conflicts with local communities in relation to ongoing monitoring and environmental rehabilitation costs and damage to our reputation if desired outcomes cannot be achieved. In the event of a difficult closure, our business, financial condition and results of operations could be materially and adversely affected.

Moreover, we have not made any provision for restoration or rehabilitation costs. Only mines that have commenced exploitation incur restoration or rehabilitation costs. Presently, there are three mineral

RISK FACTORS

subsidiaries within the Group. The mines owned by LITIO MINERA and Blackstairs Lithium are still under exploration period and have not commenced mineral exploitation activities or incurred restoration or rehabilitation obligation. For Jiangxi Lithium, it started mineral exploitation activities during the Track Record Period and the provision for restoration and rehabilitation, if made, would have amounted to RMB1.3 million as of March 31, 2018. In the event that the mines held by us commence exploitation, we may face significant restoration and rehabilitation costs.

We are subject to extensive environmental, chemical manufacturing, health and safety laws and regulations and production standards, and our compliance with these laws, regulations and standards may be onerous and costly.

Our business and/or operational activities, such as manufacturing and sale of our lithium products, storage of raw materials, transportation and exportation of lithium products and certain other activities are affected by laws and regulations, administrative determinations, court decisions and similar constraints, especially the extensive environmental, chemical manufacturing, health and safety laws and regulations and stringent standards of lithium compounds which are promulgated by the PRC Government and the governments of overseas jurisdictions in which we operate. For example, we are required to obtain and maintain valid licenses and certificates, including, among other things, those required for our production of lithium products.

We are also required to comply with the restrictions and conditions imposed by various government authorities in order to conduct our business. If we fail to comply with any of the regulations or to satisfy any of the conditions required for the maintenance of our licenses and certificates, such licenses and certificates could be temporarily suspended or even revoked, rejected upon renewal or delayed for renewal, upon expiry of their original terms, which could materially and adversely affect our business, financial condition and results of operations.

Meanwhile, to comply with the extensive environmental laws and regulations relating to air and water quality, waste management and public health and safety in the PRC, we must obtain the approval for the environmental impact assessment reports and the environmental acceptance approval of our projects in construction and mines, and undergo annual inspection of production facilities by relevant PRC authorities to ensure the safety of our equipment. If we fail to obtain such environmental approval or complete the annual inspection, our projects may be suspended and the relevant authorities may suspend our operation of the production facilities and may impose a fine on us.

Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, termination of government contracts or suspension of their operations. Such events could impact on our results of operations, financial condition and reputation, all of which could adversely affect our ability to be profitable and attract new customers.

In addition, the environmental, chemical manufacturing, health and safety laws and regulations, administrative determinations and court decisions in the PRC and other jurisdictions which we are subject to continue to evolve, which may involve stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed mines or production facilities

RISK FACTORS

as well as a heightened degree of responsibility for companies and their officers, directors and employees. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, costs that may not be able to be passed on to customers, or other obligations or liabilities, which could decrease our capital and our ability to pursue developments in other areas. Furthermore, some of the new overseas markets that we may enter could have more stringent environmental, chemical manufacturing, health and safety regulations than the PRC, and compliance with such regulations may be costly and could hinder our endeavors to enter these new overseas markets.

There can be no assurance that we will be able to comply with the relevant environmental laws or to maintain or renew our existing licenses and certificates or obtain future licenses and certificates required for our continued operations on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary licenses or certificates, our qualification to conduct our various businesses may be adversely affected, which may adversely affect our business, financial condition and results of operations.

Our businesses are subject to operational difficulties, occupational and environmental hazards and other risks, which could damage our reputation, subject us to liability claims and result in substantial costs.

Our production businesses are exposed to various risks, including operational and transportation-related risks, as well as occupational and environmental hazards. We may experience various types of operational difficulties in connection with our production operations. Some of our raw materials and chemicals are hazardous (i.e., toxic or flammable) and their storage and usage in the production process involve inherent risks. Accidents could materially disrupt our production and may give rise to personal injuries and environmental hazards.

Our operations may also be subject to production difficulties such as capacity constraints, mechanical and system failures, construction and upgrade delays and delays in the delivery of machinery, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our production output. Any significant manufacturing disruption could adversely affect our ability to make and sell products, which could have a material adverse effect on our business, financial condition and results of operations.

Our production operations are dependent on our access to adequate transportation channels. We rely on a combination of rail, sea and road transportation both in the PRC and overseas to deliver our products to customers. However, there can be no assurance that the existing or planned transportation systems will be sufficient to meet our transportation requirements. Any shortage, disruption or limitation of transportation capacity may limit the volume of products delivered to customers and may cause us to accumulate inventories and scale back production. Furthermore, any disruption to, or decrease in, the availability or capacity in the transportation networks, such as due to an earthquake, major rail or highway accidents, strikes, seasonal congestion during holidays, or any significant rise in transportation costs, could materially and adversely affect our ability to deliver our products to customers and have a material adverse effect on our overall production business and results of operations.

Due to the nature of our business, we engage in certain inherently risky and hazardous activities, including, among other things, operations at height or on dangerous terrains, underground excavation and construction, use of heavy machinery, handling and discharge of hazardous chemicals such as flammable and explosive materials, production of lithium concentrate through facilities. As a result, we are subject to risks associated with these activities, including, among other things, geological catastrophes, toxic gas and

RISK FACTORS

liquid leakages, equipment failures, industrial accidents, fires, explosions and underground water leakages. These risks and hazards have in some cases resulted in personal injury and fatal casualties, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and damage to our reputation and corporate image. In addition, we may also be subject to claims resulting from subsequent use by the customers or other third parties of the facilities and the products we produced.

We normally seek to lower our exposure to potential claims associated with our businesses through contractual limitations on liability, indemnities from customers, subcontractors and suppliers, and insurance. These measures, however, may not always be effective due to various factors, many of which may be out of our control. The occurrence of any of these risks may harm our business operations and reputation, which could inhibit our ability to take on other contracts or otherwise grow our businesses.

We are exposed to credit risk of our customers and failure to collect our trade and bills receivables in a timely manner may affect our financial condition and results of operations.

Historically, we have not experienced material collection issues in connection with our trade receivables. As of December 31, 2015, 2016 and 2017, our trade receivables turnover days were 77 days, 56 days and 42 days, which were on a decreasing trend. Our trade receivables turnover days were 46 days for the three months ended March 31, 2018. We generally grant our customers a credit period of 30 to 90 days. As of December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our trade and bills receivables amounted to approximately RMB478.7 million, RMB576.9 million, RMB945.4 million and RMB990.3 million, respectively, representing approximately 43.6%, 27.4%, 20.7% and 21.2% of our total current assets, respectively. Moreover, during the Track Record Period, we recognized a reversal of receivables of approximately RMB0.1 million in the year ended December 31, 2015 and approximately RMB10.5 million, RMB20.1 million and RMB1.1 million of impairment of receivables in the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, respectively.

Given that both the amount of our trade and bill receivables and amount of impairment of receivables were on an increasing trend during the Track Record Period, should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial position and results of operations may be materially and adversely affected.

We had negative operating cash flow for the three months ended March 31, 2018.

We recorded net cash outflow from operating activities for the three months ended March 31, 2018 of RMB135.7 million, which was primarily due to an increase of RMB274.3 million in inventories mainly resulting from the increase of spodumene from RIM, an increase of RMB204.3 million in trade and bills receivables reflecting our business growth, as well as an increase of RMB173.7 million in prepayments, deposits and other receivables primarily relating to the prepayments for brine from a supplier and government grants not yet received.

RISK FACTORS

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

Our operation is affected by non-recurring government grants.

During the Track Record Period, we received government grants of RMB22.3 million, RMB15.4 million, RMB61.9 million and RMB53.7 million for the years end December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, representing 10.2%, 1.4%, 3.0% and 22.2% of our profit for the respective years and period. These government grants are non-recurring in nature, and were mainly received from local governments for supporting various industry-related research and development activities. The award of government grants may be discretionary and subject to certain selection criteria and procedures stipulated by the local governments, which we may not qualify in the future. In addition, the focus of research and development activities to be supported by local governments may be switched to other industries over time. There can be no assurance whether and when we will be able to receive any such government grants in the future, or at all. If we do not receive government grants in 2018 or any subsequent periods at the same level as we did during the Track Record Period, our profitability for 2018 or such periods may be adversely affected.

We are exposed to the risk of obsolescence for our inventory.

The scale and nature of our business require us to manage a large volume of inventory effectively. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our inventories amounted to approximately RMB313.1 million, RMB534.4 million, RMB914.8 million and RMB1,148.3 million, respectively. In addition, primarily related to the changes in net realizable value of our inventories, we also recorded approximately RMB5.3 million and RMB10.5 million of impairment of inventories for the year ended December 31, 2015 and 2016 and recognized approximately RMB8.2 million and nil of reversal of inventories for the year ended December 31, 2017 and the three months ended March 31, 2018.

Spodumene, which constitutes a part of our inventory is not exposed to the risk of obsolescence since it does not deteriorate easily. However, during the Track Record Period, for certain of our other inventories, including batteries, battery cells and other auxiliary materials for specific products, we recognized approximately RMB0.1 million, RMB3.9 million, RMB44,000 and nil of impairment of inventories in relation to inventories obsolescence for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

In light of the nature of the such inventories, we have actively managed our inventory turnover days and utilized our RFID solutions system to more effectively plan our production and monitor our inventory level to minimize the risk of obsolescence for our inventory. Given that these inventories inherently face obsolescence risks, if we fail to effectively manage them at a proper level due to various factors, such as interruptions in our production lines, failure to achieve anticipated production expansions, excessive purchases and any unexpected and adverse changes in the optimal storage conditions of our facilities, which may expedite the deterioration of our inventories and increase the volume of obsolete inventory and in turn heighten the risk of inventory obsolescence, we may need to either sell off such inventory at a lower price to other third parties or write off such inventory, in the event of which our financial position and results of operations may be materially and adversely affected.

RISK FACTORS

We may not be adequately insured against losses and liabilities arising from various operational risks and hazards that we are subject to.

We face various operational risks in connection with our businesses, including production interruptions caused by operational errors, electricity outages, the failure of equipment and other risks; operating limitations imposed by environmental or other regulatory requirements; social, political and labor unrest; environmental or industrial accidents; catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters; and risks related to the complicated geological structure of our mine and geological disasters that occur during the mining process such as mine collapses. These risks can result in, among other things, damage to, and destruction of, mineral properties or production facilities; personal injury or loss of life; environmental damage; delays in mining; monetary losses; and legal liability. The occurrence of any of these events may result in the interruption of our operations and subject us to significant losses or liabilities.

We may not have adequate or any insurance coverage on the above operational risks. We maintain property insurance, product liability insurance, employee insurance and overseas investment insurance for our business operations. There can be no assurance that our insurance coverage would be sufficient in case of such major accidents. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

We may not achieve optimal results in future acquisitions and/or investments or may encounter difficulties in integrating and developing the acquired assets or investments successfully.

As part of our expansion plan, we plan to increase our mineral resources through acquisitions of and/or investments in companies with existing exploration rights and additional mining assets. In addition, if we are presented with strategically attractive opportunities, we may acquire or invest in downstream lithium processing plants, battery production plants or other businesses or assets that are complementary to our business. We do not have specific timetables for these plans and we cannot be certain that we will be able to identify additional suitable acquisition or investment candidates available for sale at reasonable prices to consummate any acquisition or investment. We may encounter intense competition during the expansion process and we may fail to select or value targets appropriately. In addition, we must receive various governmental and regulatory approvals and/or permits in order to develop new lithium resources or undertake new downstream processing or battery operations, which approval may not be forthcoming or which may cause significant delay.

Further, acquisitions and/or investments may involve a number of risks, undisclosed issues or legal liabilities. For example, future acquisitions and/or investments may expose us to potential risks such as failure to integrate any acquired business or investments into our operations successfully; diversion of management attention from our existing business; potential loss of our key employees or the key employees of any business that we acquire; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition and/or investments; and decline in the value of acquired assets, companies or assets. These and other risks related to acquiring, integrating and operating acquired assets and companies could cause us not to realize the benefits anticipated to result from the acquisition of and/or investment in assets or companies, and could have a material adverse effect on our ability to grow and on our business, financial condition and results of operations.

RISK FACTORS

Our failure to maintain an effective quality control system may result in a material adverse effect on our business, reputation, financial condition and results of operations.

The quality of our products are critical to the success of our business. These factors depend significantly on the effectiveness of our quality control system, which in turn, depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality control policies and guidelines. We are required to comply with specific guidelines based on international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection of our products are also based on relevant national and industry standards. For details of our quality control, please refer to the section headed "Business — Quality Control" in this prospectus. We cannot assure you that our quality control system will continue to be effective and in compliant with relevant laws and regulations and standards. Any significant failure in or deterioration of the efficacy of our quality control systems could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, reputation, financial condition and results of operations.

We depend on a limited number of major suppliers for a substantial portion of our key raw materials. The unavailability or increase in price of such raw materials could materially and adversely affect our business, financial condition and results of operations.

We purchase a substantial portion of raw materials from a number of major suppliers. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our five largest suppliers accounted for 48.2%, 64.9%, 60.8% and 58.1% of our total amount of purchase, respectively, while the largest supplier accounted for 18.0%, 26.3%, 36.2% and 44.9% of our total amount of purchase, respectively. The concentration of our purchases among a limited number of major suppliers exposes us to a variety of risks that could have a material adverse impact on our revenue and profitability. If we are unable to purchase sufficient amounts of raw materials from these suppliers, or the quality of such raw materials decreases, or could only purchase such raw materials at a premium, the overall productivity and profitability of our operations would be materially and adversely affected, and therefore our business, financial condition and results of operations could be materially and adversely affected. During the Track Record Period, we experienced a shortage of lithium concentrate that resulted in a production suspension in 2016 because one of our lithium concentrate supplier ceased to supply such raw materials due to the high market demand of lithium at the time. Going forward, we intend to primarily rely on Mount Marion project, in which we hold 43.1% equity interests, that started commissioning in 2017 for lithium concentrate supply.

We entered into long-term offtake agreements with certain mines that we hold equity interests in to ensure sufficient and stable supply of raw materials for our business. We may face risks related to lowered liquidity during certain periods, due to the long-term offtake agreements that occupy our working capital which could instead be used to finance our other expansions and acquisitions. We cannot assure you that we will not experience any higher needs of liquidity during the terms of the long-term offtake agreements and that our business, financial position, results of operations and prospects and working capital will not be affected.

Our operations depend on a stable, timely and adequate supply of energy, power and raw materials at commercially reasonable prices.

In addition to lithium raw materials, we depend on the supply of energy, power and other raw materials such as coal and chemicals in order to maintain our production processes. Our production volume

RISK FACTORS

and production costs are dependent on our ability to source such materials at acceptable prices and maintain a stable supply. The prices for these raw materials are subject to price volatility attributable to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for the same materials, the availability of complementary and substitute materials, and local and national regulatory requirements. Furthermore, there can be no assurance that shortages of energy or water will not occur in the future or that we will be able to pass on any cost increases in raw materials, energy or water to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the price of our products accordingly, and may also harm our competitive advantage with respect to the affected products. In particular, increases in energy and raw material prices that we are unable to pass onto our consumers will reduce our profit margins. Moreover, if the supply of such materials is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply in sufficient quantities, of suitable quality and/or at acceptable prices. Any such events may have a material adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

We rely primarily on a combination of our patents, trade secrets, trademarks as well as employee and third-party confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we had six registered trademarks in the PRC, and a total of 107 issued patents, which are material to our business. As of the same date, we were not aware of any material violation or infringement of our patents, trade secrets, trademarks and other intellectual property rights. However, we cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and our other resources away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties.

Our success also depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations.

RISK FACTORS

Our success as a leading lithium products manufacturing company depends to a great extent on our research and development capabilities and failure to derive the desired benefits from our product research and development efforts may hurt our competitiveness and profitability.

Our success as a leading lithium products manufacturing company is dependent on our ability to develop new products and more efficient production capabilities. We make significant investments in product research and development, in particular, to improve the quality of our products and expand our new product offerings, which we believe are crucial factors for our future growth and prospects. In 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, we incurred research and development expenses of RMB17.1 million, RMB23.5 million, RMB38.0 million, RMB10.1 million and RMB14.1 million, respectively. We cannot assure you that our future product research and development projects will be successful or be completed within the anticipated time frame or budget, or that our newly developed products will achieve wide market acceptance. Even if such products can be successfully commercialized, there is no guarantee that they will be accepted by our customers and achieve anticipated sales target or in a profitable manner.

In addition, we cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. As it is often difficult to project the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. If we continuously fail in our product launching efforts, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our business is capital intensive, the sources of our future financing can be uncertain and our working capital can be unstable during certain quarters.

We operate in a capital intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the purchase of machinery. To the extent that we expand or add new manufacturing facilities, we expect to fund the related financial commitments and other capital and operating expenses from a combination of cash on hand, cash generated from operations, banking facilities and proceeds from the Global Offering. We expect to have sufficient cash and/or committed financing to meet our obligations as they fall due. However, no assurance can be given that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are reasonable to us or consistent with our expectations. To the extent we cannot finance our expansion or acquisitions at reasonable rates or at all in the future, our business may be harmed. In addition, part of our expansions require us to procure raw materials, as a result, during certain quarters we may incur higher working capital needs that may affect our working capital operation. We cannot assure that we will not experience any higher working capital needs in the future, and our business, financial position, results of operations and prospects and working capital may be affected.

A material portion of our owned properties may be subject to legal irregularities.

As of the Latest Practicable Date, we did not obtain the required ownership related certificate and/or permits from the local government authorities for a material portion of our owned properties in the PRC. See "Business — Properties" for more details. Based on the confirmation letters issued by the relevant local housing and urban-rural construction bureau, (i) we will be able to continue to use the above-mentioned properties; (ii) we will not be subject to penalties for failure to obtain the building ownership certificate. Based on such confirmation letters, our PRC Legal Advisors are of the opinion that our failure to obtain the

RISK FACTORS

building ownership certificates for certain properties will not have a material adverse impact on our business operations.

Although the relevant local housing and urban-rural construction bureaus are of the opinion that we may continue to use these properties, we cannot guarantee that such properties will not be demolished or forfeited and that we will not be forced to vacate such properties. In the event that these properties are demolished or forfeited, we will be forced to relocate our operations at a number of our manufacturing facility. In addition, we may incur losses of businesses during the relocation process and may be subject to damages claims from our customers due to delayed delivery of products. Any such relocation could disrupt our operations and materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our performance is dependent in part on the industries of our customers and the demand for their end products.

Our customers generally engage us to design, develop and produce our products for use in an end product, such as electric vehicles, consumer electronics, chemicals and pharmaceuticals. Accordingly, demand for our products is determined in part by the demand for the end products that our customers design, develop, produce and sell and the pace of industry acceptance and adoption of new technologies or standards, and any reduction in demand or activity in such industries could cause our customers to place fewer orders or reduce the volume of their orders, materially impacting our business, financial condition and results of operations. If we fail to anticipate the industry trends of the end markets that we serve, our prospects will be materially and adversely affected. Accordingly, a decrease in customer demand and customer orders for our products as a result of a general decline in the global lithium end markets as well as the fluctuations in orders placed by our customers in the global lithium end markets based on their respective product introduction schedules may affect our revenue generated from our sales of goods. We are also subject to seasonality of the end markets we serve.

We are dependent upon third parties for various services in connection with our business.

During the Track Record Period, we relied on third-party service providers for services in connection with our business. We endeavor to obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner or be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of services provided to us, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or that of our customers, our reputation in the industry will be affected. Our reputation in the industry will also be adversely affected if the third-party service providers do not comply with applicable laws and regulations. This, in turn, may materially and adversely affect our business, reputation, financial condition and results of operations.

Disputes with joint venture and other business partners may also adversely affect our businesses.

In the course of our business, we have in the past formed, and will in the future continue to form, joint ventures, consortiums or other cooperative relationships with other parties, including in some cases foreign governmental entities, to jointly engage in certain business activities, which include, among other things, acquiring and operating resources development projects, production of lithium and others.

RISK FACTORS

We may bear joint and several liabilities to the project owners or other parties with other consortium members or joint venture or business partners under the relevant consortium, joint venture or other agreements, and as a result, we may incur damages and other liabilities for any defective work or other breaches by other consortium members or joint venture or business partners. Our joint venture and other business partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests contrary to our policies or objectives;
- be unable or unwilling to fulfill our obligations under the relevant joint venture agreements or other cooperative arrangements, including our obligation to make the required capital contribution; or
- have financial difficulties.

We may have disputes with these counterparties over various aspects, such as performance of each party's obligations, scope of each party's responsibilities and product quality. A serious dispute with our joint venture or other business partners may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. If such dispute or litigation cannot be settled in a timely manner, our financial condition and business may be adversely affected. Such dispute or litigation may also divert our management's attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations.

Our investments in associates are subject to uncertainties.

As part of our business strategy, we make investments in companies that generally focus on the exploration and development of lithium resources from time to time and the profits of which are accounted for using equity accounting. Our share of profit in such associates primarily depends on the performance of these entities which are not completely under our control. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our investments in associates amounted to approximately RMB168.9 million, RMB369.4 million, RMB744.1 million and RMB762.1 million, respectively, representing approximately 11.3%, 17.0%, 21.7% and 21.1% of our total non-current assets respectively. However, we cannot assure you that such associates are able to achieve and maintain their growth, thus having sufficient distributable profits. Moreover, depending on the dividend policy of these associates, even if they are profitable, we cannot guarantee that their board will recommend a distribution of dividends in the future. In addition, there may not be a public market for our investments in associates with adequate liquidity for us to timely dispose of these investments. Therefore, if these associates fail to make profits or do not declare and distribute dividends, our cash flow could be materially and adversely affected.

Short-term orders from customers and counterparty risks may adversely affect our businesses.

Our lithium business is characterized by short-term orders from our major customers. We primarily rely on ongoing communication with our customers in order to predict the future volume of purchase orders. We cannot guarantee that our existing customers will continue to place orders with us in the future, or will place orders of no less than the current volume of lithium products. A variety of conditions, both specific to an individual customer and generally affecting the customer's industry, can cause a customer to reduce or delay orders previously anticipated by us, which could adversely impact the Company's business. Given the volatility of short-term orders, we may experience a material change in our revenue.

RISK FACTORS

While we generally evaluate our customers' credit in accordance with our internal risk management criteria, such as credit history and likelihood of default, we have limited access to information about our customers and may encounter difficulties in the collection of receivables from certain customers or in certain geographical areas that we have less experience in our dealings.

We cannot guarantee that all of our customers will fully perform their obligations under their respective contracts with us, and the deterioration of any customers' credit or payment conditions may result in those customers' defaulting on their contractual obligations, which could materially and adversely affect our business, financial condition and results of operations.

Work stoppage, increases in labor cost and other labor related matters may have an adverse effect on our businesses.

We believe that we have a good working relationship with our employees across our business lines and have not experienced any material work stoppages, strikes or other major labor problems in the past. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses and results of operations.

As of the Latest Practicable Date, we had 4,315 employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers, contractors or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees' labor union or between our suppliers, contractors or customers and their respective unions (if any) could have an adverse effect on our financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

Inadequate contributions to various employee benefits plans as required by PRC regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. Our inadequate contributions to the national standard of certain employee benefit plans and in complying with applicable PRC labor-related laws may subject us to late payment penalties. We may be required to make up the contributions for these plans as well as to pay late fees and fines. If we are subject to late fees or fines in relation to the underpaid employee benefits, our financial condition and results of operations may be adversely affected.

RISK FACTORS

We are exposed to foreign currency exchange fluctuations.

Changes in the value of foreign currencies could increase our Renminbi costs for, or reduce our Renminbi revenues from, our foreign operations, or affect the prices of our exported products and the prices of our imported equipment and materials. Any increased costs or reduced revenues as a result of foreign currency exchange fluctuations could adversely affect our margins. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies, primarily Australian dollars and U.S. dollars.

The value of the Renminbi is subject to changes in the PRC's governmental policies and to international economic and political developments. On July 21, 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies.

On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 percent. to 0.5 percent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 percent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 percent. on April 16, 2012. On August 11, 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

Following the announcement by the PBOC on August 11, 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC Government may adopt further reforms of our exchange rate system in the future.

These changes in policy have resulted in fluctuations of the Renminbi against the U.S. dollar. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. At present, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies. Further appreciation of the Renminbi against these currencies may lead to a decline in the revenues of our overseas operations. Fluctuations in exchange rates may adversely affect the value, translated or converted into foreign currencies, of our net assets, earnings and any declared dividends.

We face uncertainties in relation to derivative financial instruments and investments at fair value through profit or loss.

For the years ended December 31, 2015, 2016 and 2017, we cumulatively recorded RMB92.3 million, RMB634.0 million and RMB485.8 million, respectively, under net fair value gains in derivative financial instruments and investments at fair value through profit or loss, representing approximately 72.0%, 71.0% and 43.3% of our other income and gains for the same years. We did not record any net fair value gains in derivative financial instruments for the three months ended March 31, 2018.

Historically, we were exposed to non-cash accounting impacts associated with derivative financial instruments in connection with the compensation agreements with Mr. Li Wanchun and Ms. Hu Yemei and

RISK FACTORS

the value of which were subject to uncertainties beyond our control. During the Track Record Period, we experienced fluctuations in fair value of the restricted A Shares we subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant due to this arrangement but it has been terminated in 2017. Our financial conditions may be subject to similar uncertainties and fluctuations if we decide to enter into similar arrangements with respect to derivative financial instruments in the future.

In addition, we face risks in relation to the uncertainties of the fair value of investments at fair value through profit or loss which are attributable to the market value of investments at fair value through profit or loss we make from time to time which is affected by various market factors beyond our control. We cannot assure you that we are able to receive the anticipated economic returns from our investments at fair value through profit or loss and our financial condition and results of operations may be materially and adversely affected by the fluctuations in the fair value of our investments at fair value through profit or loss in a given reporting period.

We face risks associated with our overseas operations.

We operate and have investments in various countries in the world, including Australia, Argentina and Ireland, representing several developed and developing countries with different legal frameworks and government policies. Our business, financial condition and results of operations are subject to risks and uncertainties relating to the relevant countries in which we operate or have investments, including but not limited to:

- exposure to international, regional and local economic and political conditions and regulatory policies;
- exposure to different legal standards and ability to enforce contracts in some jurisdictions;
- changes in legal developments and enforcement risks;
- control of foreign exchange and fluctuations in foreign exchange rate;
- developments in labor law and increase in staff cost;
- failure to negotiate the collective labor agreements on satisfactory terms with trade unions;
- restrictions or requirements relating to foreign investments;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations;
- failure to protect our reputation from negative publicity against us; and
- limitation on ability of non-nationals to reside and work in such countries.

The PRC has developed long-term political and economic relationships with many of the countries where we operate or have investments. The PRC has entered into various economic and technical

RISK FACTORS

cooperation treaties with the countries where we operate or have investments, as well as investment, tax and bilateral free trade treaties. However, there is no assurance that such relationships or benefits will continue in future. There is no assurance that governments in the countries where we operate or have investments in the future will not adopt policies detrimental to the relationships with the PRC or the interests of PRC companies in those countries. In the event that there were a material change to the political and economic relationship between those countries and the PRC, this may affect our ability to continue to operate in those countries and may have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

Our success depends upon our key personnel. Any failure to attract and retain necessary talents may materially and adversely affect our business, prospects, financial condition and results of operations.

Our success depends, to a significant extent, on the capability, expertise and continued services of our senior management team. We rely on the expertise and experience of our key executives in developing business strategies, product development, business operation and maintaining relationships with customers. If we lose the services of any of our key executives, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our success also depends on our ability to attract and retain talented personnel. We may not be able to attract or retain all the key personnel we need. We may also need to offer better remuneration and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention cost. Our failure to attract and retain competent personnel, and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and to grow our business. If this occurs, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our businesses are vulnerable to downturns in the general economy.

The global financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global economy has continued to face new challenges, including the escalation of the European sovereign debt crisis in 2011 and the slowdown of the Chinese economy since 2012. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States. There have also been concerns over unrest in the Middle East and Africa, which have resulted in volatility in commodity prices and other markets, over the possibility of a war involving Iran, and over the withdrawal of the United Kingdom from the European Union. The above unfavorable financial or economic conditions may adversely affect the demand for lithium concentrate and lithium compounds. Furthermore, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment, consumer confidence, asset values, capital market volatility and liquidity issues may create difficult operating conditions in the future.

In addition, the PRC Government has from time to time adjusted our monetary, fiscal and other policies and measures to manage the rate of growth of the economy or control the overheating of the general economy or certain industries or markets. As a result, the general economy in the PRC, the world or in any particular industry in which we operate or which we serve may grow at a lower-than-expected rate or even experience a downturn. This in turn could materially and adversely affect our businesses, financial condition and results of operations.

Our business, financial condition and results of operations may be materially and adversely affected in the event of fire, breakdown, failure of our equipment and machinery, power shortage, labor strikes, acts of war, political unrest, outbreak of a contagious or epidemic disease and natural disasters.

Our revenue is dependent on the uninterrupted operation of our manufacturing facilities. Our business operations are subject to risks beyond our control including, among others, fire, breakdown, failure of our equipment and machinery, power shortage, water supply shortage, labor strikes, acts of war, political unrest and outbreak of a contagious or epidemic disease and natural disasters. Any or a combination of these could cause material damage to, or the loss of, our operational facilities. For example, in 2003, certain Asian countries and regions, including the PRC and Taiwan, encountered an outbreak of Severe Acute Respiratory Syndrome, or SARS, a highly contagious form of atypical pneumonia. More recently, the Ebola virus has caused thousands of casualties in African countries and Middle East Respiratory Syndrome ("MERS"), another highly contagious form of atypical pneumonia, has spread in the Middle East and South Korea. A recurrence of SARS, influenza A ("H1N1") or avian flu ("H5N1") in the PRC or any other parts of the world as well as a new outbreak of Ebola and MERS may cause disruption of regional or national economic activity, which can affect consumer activities in the affected areas and, therefore, reduce demand for our products. Such events may also result in limitations on our ability to travel, delays in transportation and delivery of our products, disruption of raw material supplies, as well as temporary closure of our manufacturing facilities for quarantine or for preventive purposes. The time required to rectify such problems could be lengthy, and could result in significant increases in costs or reduction in sales. Frequent or prolonged occurrences of any of the aforesaid events may have a material and adverse effect on our business, financial condition and results of operations.

In addition, we conduct some of our operations under a variety of geographical and other conditions, including on difficult terrain, under harsh conditions, in busy urban centers where delivery of materials and availability of labor may be affected, and on sites which may previously have been exposed to

RISK FACTORS

environmental hazards. Such conditions may result in personal injuries or fatalities or have a negative effect on our work performance and efficiency.

We are subject to extensive and evolving securities regulations and exchange listing rules in the PRC and the compliance and management cost may be material.

As a company listed on the Shenzhen Stock Exchange, we are subject to securities regulations issued by the CSRC and the listing rules of the Shenzhen Stock Exchange. New regulations and rules, and changes in the interpretation or enforcement of existing regulations and rules, may be adopted from time to time. We expect to fully comply with such regulations and rules at all time and such compliance would require us to incur increased expenses and devote considerable time and resources to such compliance. In addition, the CSRC and the Shenzhen Stock Exchange may have periodic or *ad hoc* inspections, examinations and inquiries with respect to our compliance with relevant regulatory requirements. Failure to comply with the applicable regulatory requirements could also result in sanctions, fines and penalties. Accordingly, our business, financial condition and results of operations would be materially and adversely affected. See “Business — Legal and Compliance — Non-compliance” for a discussion on certain non-compliance incidents, which involve our failure to comply with the relevant securities regulations issued by the CSRC and the applicable listing rules of the Shenzhen Stock Exchange.

Goodwill Impairment could negatively affect our results of operations.

As of December 31, 2015, 2016 and 2017, we recorded goodwill impairment of approximately RMB21.9 million, RMB217.4 million, and RMB17.6 million, which mainly arose from our acquisition of Shenzhen Meibai in 2015. During 2015, 2016 and 2017, we recorded approximately RMB19.4 million, RMB217.4 million and RMB17.6 million of impairment of goodwill mainly in relation to the impairment of goodwill of Shenzhen Meibai due to its fire incidents in 2016, which we deemed as isolated one-time incident. We did not record any goodwill impairment for the three months ended March 31, 2018.

We perform our impairment test of goodwill on an annual basis. It should be noted that the goodwill impairment tests involve our estimates and are based on certain assumptions on future performance of the relevant cash generating unit and other factors, such as the terminal growth. Many of these factors are neither predictable nor within in our control. If actual events in the future differ adversely from our assumptions resulting in the recoverable amount being lower than the carrying amount of the cash generating unit, we may need to set aside impairment provisions, which could adversely affect our financial condition and results of operations. If we acquire cash-losing business or incur unexpected incidents in the future similar to Shenzhen Meibai, we may suffer similar goodwill impairment.

We have elected to adopt IFRS 9 which affects the classification and measurement of our financial assets.

In July 2014, the International Accounting Standards Board (“IASB”) issued the final version of IFRS 9 Financial Instruments which replaces the previous IAS 39 and is mandatory to be applied since January 1, 2018. Instead of classifying financial assets into four categories, IFRS 9 requires all financial assets to be classified on the basis of the entity’s business model for management the financial assets and the contractual cash flow characteristics of the financial assets to improve and simplify the approach for the classification and measurement of financial assets under the IAS 39.

Should IAS 39 been applied throughout the Track Record Period, our net profit (profit after tax) for the year would have been decreased by nil, RMB40.8 million and RMB339.3 million for the year ended

RISK FACTORS

December 31, 2015, 2016 and 2017, respectively, and net profit (profit after tax) for the three months ended March 31, 2018 would be increased by RMB94.5 million. Had IAS 39 been applied, the significant decrease in net profit for 2016 and 2017 and the significant increase in net profit for the three months ended March 31, 2018 were because that under IAS 39, the investments at fair value through profit or loss (non-current portion, and the Group has the intention and ability to hold the financial assets for the foreseeable future) should be classified as available-for-sale investments and the fair value change of these investments should be recorded in other comprehensive income during the Track Record Period. When the investments will be disposed, had IAS 39 been applied, the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from equity to profit or loss. Accordingly, due to our early adoption of IFRS 9 and given the above stated effects, our results of operations may not be comparable with companies that haven't adopted IFRS 9.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect our business, financial condition and results of operations.

A majority of our business operations are in the PRC and especially our production operations. Accordingly, our results of operations and prospects are, to a significant degree, subject to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the Chinese Government has implemented measures emphasizing market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a significant portion of productive assets in the PRC is still owned by the Chinese Government. The Chinese Government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in the PRC and, in turn, our business.

Adverse developments in the PRC's economy or an economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct part of our business and generate part of our revenues in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in the past few years has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC decreased from 14.2% in 2007 to 6.9% in 2015, and further slowed down to 6.7% in 2016. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or counterparties could become delinquent in respect of their obligations to us;

RISK FACTORS

- we may not be able to raise additional capital on favorable terms, or at all; or
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC's lithium industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world.

As such, if the PRC's economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

Uncertainties with respect to the PRC's legal system could limit the legal protections available to you and us. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

Some of our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC's legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in the PRC, our operations are principally governed by Chinese laws and regulations. However, since the PRC's legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, certain important aspects of PRC corporate law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Hong Kong Listing Rules. Although, such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions. Intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC's legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

Payment of dividends or gains from the sale or other disposition of H Shares is subject to taxation under PRC law.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("**Non-PRC Resident Individual Holders**") are subject to the PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual

RISK FACTORS

Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號) dated June 28, 2011 and issued by the State Administration of Taxation of the PRC (“SAT”), the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“EIT Law”) and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders’ investments in H Shares may be materially and adversely affected.

Under the PRC Enterprise Income Tax Law, we may not be classified as a “high and new-technology enterprise” of the PRC. Such classification could result in unfavorable tax consequences.

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. On September 25, 2015, Ganfeng Lithium and Yichun Ganfeng respectively obtained the “Certificate of High and New-Technology Enterprise” with the validity period of three years. On November 15, 2016, Fengxin Ganfeng obtained the “Certificate of High and New-Technology Enterprise” with the validity period of three years. The high and new-technology enterprise income tax rate of 15% enjoyed by Ganfeng Lithium and Yichun Ganfeng will expire on September 25, 2018 and the applicable income tax rate of Ganfeng Lithium and Yichun Ganfeng

RISK FACTORS

for the year ended December 31, 2017 is 15%. The high and new-technology enterprise income tax rate of 15% enjoyed by Fengxin Ganfeng will expire on November 15, 2019 and the applicable income tax rate of Fengxin Ganfeng for the year ending December 31, 2018 is 15%.

Despite being eligible for the high and new-technology enterprise rate, there is no assurance that Ganfeng Lithium and its subsidiaries would remain qualified as a high and new-technology enterprise so as to enjoy the high and new-technology enterprise rate after the expiry of the Certificate of High and New-Technology Enterprise, in which case Ganfeng Lithium and its subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect Ganfeng Lithium's profitability, which may have a material adverse effect on Ganfeng Lithium's business, results of operations and financial condition. Also, there can be no assurance that the PRC Enterprise Income Tax Law, its application or its interpretation will not continue to change, in which case the effective income tax rate of Ganfeng Lithium and its subsidiaries may increase significantly.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgments obtained from non-Chinese courts.

Some of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-Chinese courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met.

Therefore recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Our Articles of Association provide that disputes between holders of our H Shares and us, our Directors, Supervisors or senior management, arising out of our Articles of Association, PRC Company Law and related regulations concerning our business and activities, are to be resolved through arbitration by the CIETAC or the HKIAC. Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

The Chinese government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant

RISK FACTORS

documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to Chinese Labor Contract Law, or the Labor Contract law, effective in January 2008 and amended in July 2013, and its implementation rules that became effective in September 2008, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. In addition, as our operating results vary due to the seasonality of our products and are historically stronger in the second half of the year, these seasonality fluctuations may affect our related labor arrangements and our production employees of our PRC subsidiaries may have to work overtime to satisfy customer demand during periods of increased production activity. As confirmed by our PRC Legal Advisors, based on the confirmation letters issued by the competent government authorities, we are in compliance with the relevant laws and regulations relating to labor affairs in all material respects and were not subject to any penalties relating to any failure to comply with the overtime working hours limitations. However, if we were found to be in violation with the overtime working hours limitations as stipulated in the PRC Labor Law, it may subject us to a fine that ranges from RMB100 to RMB500 per person from local government authorities and we may be requested to take rectification measures to reduce the overtime working hours of our production employees.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated Chinese Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations (the "**labor-related laws and regulations**") are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as waste water, noise, smoke and dust. The discharge of waste water and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC imposes stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the Chinese government has implemented various policies from time to time to control inflation. For example, the Chinese government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the Chinese government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by Chinese government measures, our cost of sales will likely increase and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers.

RISKS RELATING TO THE GLOBAL OFFERING

Our A Shares were listed in the PRC in 2010, and the characteristics of the A share and H share markets may differ.

Our A Shares were listed on the Shenzhen Stock Exchange in 2010. Following the Global Offering, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. With different trading characteristics, the H share and A share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H share

RISK FACTORS

and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the previous trading history of our A Shares when evaluating an investment in our H Shares.

An active trading market for our H Shares may not develop.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us, and may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy for products or services as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. Further, derivative transactions that may be entered into by investors in our H Shares (including cornerstone investors during their lock-up period to the extent that such transactions are not in violation of the lock-up restrictions) for hedging purposes, even if these transactions are settled only in cash, could still result in significant price and trading volume volatility of our H Shares. In addition, the stabilization activities to be carried out by the Stabilizing Manager may be curtailed by certain limitations in the over-allocations in the International Offering, which may affect the market price and trading volume of our H Shares as well. See "Structure of the Global Offering — Stabilization". Besides, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Since there will be a gap of several days between the closing of application lists and the trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before the trading of the Offer Shares begins.

Our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the closing of application lists. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse effects, that could occur between the time of the closing of application lists and the time trading begins.

RISK FACTORS

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Our A Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Hong Kong Stock Exchange. If a significant number of A Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

In addition, while investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in this prospectus), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the Global Offering for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date.

Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

As the Offer Price of our H Shares is higher than our consolidated net tangible assets book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible book value per H Share prior to the Global Offering. Therefore, you will experience an immediate dilution in pro forma net tangible book value per H Share. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

In 2015, 2016 and 2017, we distributed dividends of RMB35.7 million, RMB56.5 million and RMB72.9 million, respectively. Under our Articles of Association, dividends may be paid only out of distributable profits. Distributable profits means, as determined under CAS or IFRSs, whichever is lower, our net profits for

RISK FACTORS

a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less statutory reserve fund (determined under CAS), appropriations to general risk reserve, transaction risk reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if our financial statements prepared in accordance with CAS or IFRSs indicate that our operations have been profitable.

Furthermore, future dividend policies will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that our dividend policies will not be changed in the future.

Waivers were granted from compliance with certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not have the benefit of the Hong Kong Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted to us, a number of waivers and consents under the Hong Kong Listing Rules. See "Waivers from Strict Compliance with the Hong Kong Listing Rules" for further details. We cannot assure you that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs, and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC securities industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the underwriters or any of our or their respective affiliates or advisors and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed "Risk Factors," "Industry Overview" and "Business." Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we

RISK FACTORS

publicly release information relating to ourselves on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only, and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Hong Kong Stock Exchange in its discretion.

Since a substantial portion of our Company's business operations and management are located in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As none of our executive Directors or senior management currently resides in Hong Kong, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules. The two authorized representatives are Mr. Li Liangbin, our chairman, and Cheung Kai Cheong Willie, one of our joint company secretaries. The authorized representatives will act as the principal channel of communication between the Hong Kong Stock Exchange and our Company. The authorized representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Hong Kong Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Hong Kong Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Hong Kong Stock Exchange;
- (b) each of the authorized representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:
 - (i) each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the authorized representatives;
 - (ii) each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is traveling; and
 - (iii) each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the Hong Kong Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

- (c) in compliance with Rule 3A.19 of the Hong Kong Listing Rules, we have retained Shenwan Hongyuan Capital (H.K.) Limited to act as our compliance advisor who will act as an additional channel of communication between the Hong Kong Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Hong Kong Listing Rules;
- (d) any meetings between the Hong Kong Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;
- (e) our Company will inform the Hong Kong Stock Exchange promptly in respect of any change in our Company's authorized representatives and the compliance advisor;
- (f) all Directors have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Hong Kong Stock Exchange upon reasonable notice; and
- (g) we will retain a Hong Kong legal advisor to advise us on the application of the Hong Kong Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Ren Yuchen as one of the Joint Company Secretaries. Mr. Ren is familiar with our business operations, corporate culture and matters concerning our corporate governance. However, Mr. Ren does not possess the specified qualifications strictly required by Rule 3.28 of the Hong Kong Listing Rules. As a result, we have appointed Mr. Cheung Kai Cheong Willie, who meets the requirements under Rule 3.28 of the Hong Kong Listing Rules, to act as the other Joint Company Secretary and to provide assistance to Mr. Ren for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Hong Kong Listing Rules.

Mr. Cheung will work closely with Mr. Ren to jointly discharge the duties and responsibilities as company secretary and assist Mr. Ren to acquire the relevant experience as required under Rule 3.28 of the Hong Kong Listing Rules. In addition, Mr. Ren will attend relevant trainings to enhance and improve his knowledge of and familiarity with the Hong Kong Listing Rules and other relevant laws, rules and regulations.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Hong Kong Listing Rules, for an initial period of three years from the Listing Date, on the condition that Mr. Cheung is engaged as a Joint Company Secretary and provides assistance to Mr. Ren during this period. If Mr. Cheung ceases to render assistance to Mr. Ren during this period, the waiver will be immediately withdrawn. Before expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Ren to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Hong Kong Listing Rules can be satisfied. We and Mr. Ren would then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Ren, having had the benefit of Mr. Cheung's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules and there is no need to further apply for a waiver.

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 TO THE HONG KONG LISTING RULES

Rule 10.04 of the Hong Kong Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions in Rule 10.03 of the Hong Kong Listing Rules are fulfilled:

- (i) no securities are offered to existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and
- (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that, unless with the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.04 and its consent under paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules to permit certain existing minority Shareholders who hold a small amount of our A Shares and their close associates to receive allocation of the H Shares in the International Offering as part of the Global Offering, subject to the following conditions:

- (i) each existing minority Shareholder to whom the Company may allocate H Shares in the International Offering is interested in less than 5% of the Company's voting rights before the Listing;
- (ii) each existing minority Shareholder is not, and will not be, a core connected person of the Company or any close associate of any such core connected person immediately prior to or following the Global Offering;
- (iii) such existing minority Shareholders do not have the power to appoint directors of the Company and do not have other special rights in the Company;

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

- (iv) allocation to such existing minority Shareholders and their close associates will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Hong Kong Listing Rules;
- (v) to the best of their knowledge and belief, each of the Company, the Joint Bookrunners and the Sole Sponsor (based on (i) its discussions with the Company and the Joint Bookrunners and (ii) the confirmations provided to the Hong Kong Stock Exchange by the Company and the Joint Bookrunners) shall confirm to the Hong Kong Stock Exchange in writing that it has no reason to believe that such existing minority Shareholders and their close associates received any preferential treatment in any allocation in the International Offering by virtue of their relationship with the Company; and
- (vi) details of the allocation to such existing minority Shareholders and/or their close associates will be disclosed in the allotment results announcement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving our information to the public with regard to the Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus misleading.

APPROVAL OF THE CSRC

The CSRC issued an approval letter on June 12, 2018 for the submission of the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 20,018,800 Offer Shares and the International Offering of initially 180,167,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in "Structure of the Global Offering").

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Global Coordinators, on behalf of the Underwriters, and us. The International Offering is managed by the Joint Global Coordinators and is expected to be underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about October 4, 2018, subject to agreement on the Offer Price between the Company and the Joint Global Coordinators, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators, on behalf of the Underwriters on or before October 10, 2018, or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed. Further details of the Underwriters and the underwriting arrangements are set out in "Underwriting".

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”, and the procedures for applying for our H Shares are set out in “How to Apply for Hong Kong Offer Shares” and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Thursday, October 4, 2018, and in any event no later than Wednesday, October 10, 2018.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before Wednesday, October 10, 2018 or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the H Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the H Shares to, confirm that he is aware of the restrictions on offers and sales of the H Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, H Shares have not been publicly offered or sold, directly or indirectly, in China or the U.S.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares, including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, October 11, 2018. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the H Shares holders thereof; and
- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering".

H SHARE REGISTER AND STAMP DUTY

All the H Shares to be issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members maintained in Hong Kong. We will maintain the Company's principal register of members at our current registered office in China.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, (i) the translations between Renminbi and HK dollars were made at the rate of RMB0.80125 to HK\$1.00 and (ii) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.2881 to US\$1.00, being the middle exchange rates set by PBOC on March 30, 2018. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Li Liangbin (李良彬)	Building 29, Bei Hu Xing Cheng North Changqing Road Yushui District, Xinyu Jiangxi Province, PRC	PRC
Wang Xiaoshen (王曉申)	Room 202, No.11, Alley 1399 Dingxiang Road Pudong New Area Shanghai, PRC	PRC
Shen Haibo (沈海博)	Rooms 1901 and 1901A, No.23, Alley 333 Fangdian Road Pudong New Area Shanghai, PRC	PRC
Deng Zhaonan (鄧招男)	Building 10, Room 401 Shi Ji Qing Hua 666 Changlin Road, Chengbei Yushui District, Xinyu Jiangxi Province, PRC	PRC
Xu Xiaoxiong (許曉雄)	Building 5, Room 902 Shui Mu Qing Hua 158 Hantang Road Zhuangshi Subdistrict Zhenhai District, Ningbo Zhejiang Province, PRC	PRC
<i>Non-executive Director</i>		
Huang Daifang (黃代放)	Building 1, Unit 2, Room 101 Lushan Garden Ru Qin Yuan 730 East Nanjing Road Qingshanhu District, Nanchang Jiangxi Province, PRC	PRC
<i>Independent Non-executive Directors</i>		
Guo Huaping (郭華平)	Collective Household 596 South Qingshan Road Donghu District, Nanchang Jiangxi Province, PRC	PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Huang Huasheng (黃華生)	Building 2, Unit 2, Room 501 168 East Shuanggang Avenue Economic and Technological Development Zone, Nanchang Jiangxi Province, PRC	PRC
Liu Jun (劉駿)	Building 3, Unit 1, Room 801 168 East Shuanggang Avenue Economic and Technological Development Zone, Nanchang Jiangxi Province, PRC	PRC
Wong Sze Wing (黃斯穎)	Flat F, 38/F, Tower 6 88 O King Road, Phase I Ocean Shores Tseung Kwan O, New Territories Hong Kong	Hong Kong

SUPERVISORS

Gong Yong (龔勇)	4 Zhangshuxia Village Baitian Village Committee Fenyi Town, Fenyi County, Xinyu Jiangxi Province, PRC	PRC
Tang Xiaoqiang (湯小強)	Building 62, Unit 3, Room 101 602 Nanlian Road Qingyunpu District, Nanchang Jiangxi Province, PRC	PRC
Zou Jian (鄒健)	Room 802, No.6, Alley 471 Lancun Road Pudong New Area Shanghai, PRC	PRC

For further information, see section "Directors, Supervisors and Senior Management."

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sole Sponsor

Citigroup Global Markets Asia Limited
50/F Champion Tower
3 Garden Road
Central
Hong Kong

Joint Global Coordinators

Citigroup Global Markets Asia Limited
50/F Champion Tower
3 Garden Road
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Bookrunners

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering)
50/F Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Lead Managers

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

ICBC International Capital Limited

37/F ICBC Tower
3 Garden Road
Hong Kong

Citigroup Global Markets Asia Limited

(in relation to the Hong Kong Public Offering)
50/F Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited

(in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch

52/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Futu Securities International (Hong Kong) Limited

11/F, Bangkok Bank Building
18 Bonham Strand West
Sheung Wan
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

ICBC International Securities Limited

37/F ICBC Tower
3 Garden Road
Hong Kong

Auditor and Reporting Accountant

Ernst & Young

Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:

Simpson Thacher & Bartlett

35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC laws:

Llinks Law Offices

16F & 19F, One Lujiazui
68 Yin Cheng Road Middle
Shanghai, PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Sole Sponsor and the Underwriters

As to Hong Kong and U.S. laws:
Freshfields Bruckhaus Deringer
55/F, One Island East
Taikoo Place
Quarry Bay
Hong Kong

As to PRC laws:
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street,
Xicheng District
Beijing, PRC

Industry Consultant

CRU International Limited
Chancery House
53-64 Chancery Lane
London WC2A 1QS
UK

Compliance Advisor

Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

Receiving Bank

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

CORPORATE INFORMATION

Registered office	Longteng Road, Economic Development Zone Xinyu, Jiangxi Province PRC
Head office in the PRC	Longteng Road, Economic Development Zone Xinyu, Jiangxi Province PRC
Principal place of business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's website	http://www.ganfenglithium.com <i>(The information on the website does not form part of this prospectus)</i>
Joint company secretaries	Ren Yuchen (任宇塵) Longteng Road, Economic Development Zone Xinyu, Jiangxi Province PRC Cheung Kai Cheong Willie (張啟昌) (<i>Certified Public Accountant</i>) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Authorized representatives	Li Liangbin (李良彬) Building 29, Bei Hu Xing Cheng, North Changqing Road, Yushui District Xinyu, Jiangxi Province PRC Cheung Kai Cheong Willie (張啟昌) (<i>Certified Public Accountant</i>) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Guo Huaping (郭華平) (<i>Chairman</i>) Huang Huasheng (黃華生) Wong Sze Wing (黃斯穎)
Remuneration Committee	Liu Jun (劉駿) (<i>Chairman</i>) Guo Huaping (郭華平) Deng Zhaonan (鄧招男)

CORPORATE INFORMATION

Nomination Committee	Huang Huasheng (黃華生) (<i>Chairman</i>) Liu Jun (劉駿) Li Liangbin (李良彬)
Strategy Committee	Li Liangbin (李良彬) (<i>Chairman</i>) Wang Xiaoshen (王曉申) Huang Daifang (黃代放) Liu Jun (劉駿) Xu Xiaoxiong (許曉雄)
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Principal Banks	Bank of Communications Co., Ltd. Xinyu Branch 1598 Ganxi Avenue Xinyu, Jiangxi Province PRC Postal Savings Bank of China Co., Ltd. Xinyu Branch 832 Zhongshan Road Xinyu, Jiangxi Province PRC Industrial and Commercial Bank of China Limited Xinyu Branch, Gaoxin Sub-branch 1/F Gui Bi Yuan Yudong Avenue Xinyu, Jiangxi Province PRC Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this document have been derived from various official and government publications, publically available market research sources and from the market research report prepared by CRU, which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Except for being verified by CRU, the information has not been independently verified by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, any other party involved in the global offering, or any of their respective directors, officers, representatives, affiliates or advisors and no representation is given as to its correctness, accuracy and completeness. Certain information and statistics included, including those excerpted from official and government publications and sources in China, may not be consistent with other information and statistics compiled within or outside China by third parties.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned CRU, an independent third party, to conduct an analysis of, and to report on the global lithium industry from 2012. The report we commissioned has been prepared by CRU independent of our influence (the "CRU Report"). We paid CRU a fee of US\$100,000 for the preparation of the report, which we consider in line with market rates. Founded in 1969, CRU and its affiliates have more than 10 global offices with more than 250 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training.

The CRU Report that we commissioned includes information on the global lithium industry and its sub-segments and other market and economic data, which have been quoted in this prospectus. CRU's independent research was undertaken through (i) researching diverse markets in different life cycles; (ii) referencing to publications and reports; (iii) focusing on challenges, problems, and the needs of industry participants; (iv) relying on primary market research; (v) focusing on detailed, comprehensive, "bottom-up" data collection techniques; and (vi) utilizing systematic measurements. Projected data was obtained from historical data analysis plotted against macroeconomic data as well as specific industry-related drivers. In compiling and preparing the CRU Report, CRU has adopted the following assumptions: (i) the global economy is likely to maintain a steady growth in the next decade; (ii) the global social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the global lithium industry; and (iii) there will be no wars or large scale disasters during the forecast period.

Except as otherwise noted, all the data and forecast in this section are derived from CRU Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the CRU Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

OVERVIEW

Lithium is the lightest of all the alkali metals on the periodic table with a standard atomic weight of 6.94. In its metallic form, lithium is a soft, silvery-white metal with high specific heat capacity and electrochemical potential as well as having highly active chemical properties. As a result, lithium does not occur naturally in its pure elemental metallic form but exist within minerals and salts. For lithium to be used

in different commercial applications such as batteries and ceramics, it needs to undergo a series of chemical processes and reactions to form specialty chemical compounds such as lithium carbonate. Recently, the fast-growing EV and energy storage sector have made battery the predominant growth driver for lithium compounds, while consumer electronics and industrial applications have historically grown at a steady rate and are expected to remain so going forward.

GLOBAL LITHIUM RESERVES

Occurrence of lithium

There are two currently commercial viable natural sources of lithium: lithium brines and lithium hardrock.

1) Lithium brines

There are three types of lithium-enriched brines: continental saline brines, geothermal brines and oilfield brines. Continental brines have higher commercial viability, and are formed by the accumulations of saline groundwater that are enriched in dissolved lithium. Continental brines are found in South America, North America, and China.

2) Lithium hardrock

Hardrock lithium deposit (also known as pegmatite), is an intrusive igneous rock formed as part of the cooling and crystallisation process of magma.

- Spodumene is the most commonly mined mineral of lithium, with historical and active deposits exploited in Australia, Canada, and China.
- Lepidolite is a lithium containing mica; it also contains impurities generally not found in spodumene. Lithium extraction using lepidolite is more costly compared to spodumene as additional steps are required to remove these impurities. Commercial extraction currently occurs in Jiangxi, China.
- Petalite lithium sources produce lower grade lithium concentrates compared to spodumene sources, reducing the production of lithium compounds producers.

Location of lithium reserves

According to USGS Mineral Commodity Summaries 2017 published by the United States Geological Survey, global lithium reserves amounted to be approximately 14 million tons (75 million tons LCE) in 2016. Most of mineral reserves are found in Chile, China, Argentina and Australia.

INDUSTRY OVERVIEW

2016 Global Lithium Reserves

<u>Country</u>	<u>Reserve (Tons)</u>	<u>% of Total Reserves</u>
Chile	7,500,000	51.8%
China	3,200,000	22.1%
Argentina	2,000,000	13.8%
Australia	1,600,000	11.1%
Portugal	60,000	0.4%
Brazil	48,000	0.3%
US	38,000	0.3%
Zimbabwe	23,000	0.2%
World Total (Rounded)	14,469,000	100%

Source: USGS Report.

LITHIUM COMPOUNDS AND METALS

Lithium extracted from brine and mineral sources undergo different production processes and chemical reactions to form specialty compounds that can be applied commercially. Below are the main types of products:

Lithium carbonate

Lithium carbonate (Li_2CO_3) is a fine white powder and is stable at room temperature. It is the most commonly used lithium compound across different applications and accounted for 61% of lithium compounds consumed in battery applications globally in 2017. Lithium carbonate can also be processed into other lithium compounds such as lithium hydroxide, lithium bromide and lithium hexafluorophosphate.

Lithium hydroxide

Lithium hydroxide (LiOH) is a white fine powder that can be produced from spodumene or other ores using a high temperature chemical process, or converted from lithium carbonate. Although historically lithium hydroxide is mainly used in grease applications, it is fast becoming an important raw material for Nickel-Cobalt-Manganese (NMC) and Nickel-Cobalt-Aluminum (NCA) battery, as they offer improved energy density compared to other battery technologies. Lithium hydroxide is the second largest market after lithium carbonate representing 39% of global lithium compounds consumed in battery applications in 2017.

Lithium metals and other derivatives

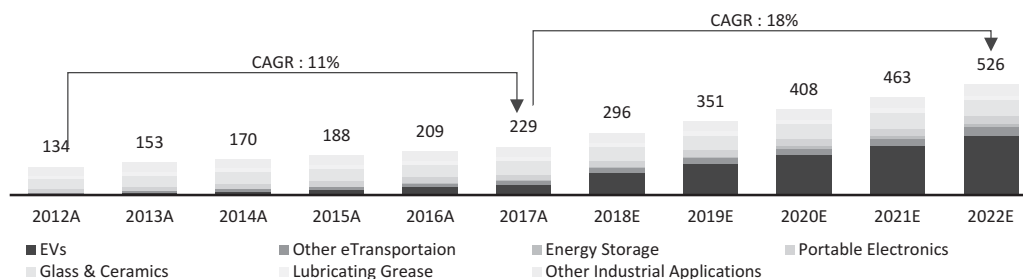
Lithium metal is often used in aluminum alloy for aerospace components as well as anode for primary cells (one-time disposable battery). It can also be used as catalyst in pharmaceutical manufacturing. Recently lithium metal is being applied as anode in the development of solid state battery, eliminating the use of liquid electrolyte to prevent overheating and improve safety. Lithium metal is converted from lithium chloride which itself is another derivative compound commonly used in humidity control. Other types of compounds include butyllithium used in chemical polymerizations, and lithium hydride for hydrogen storage.

INDUSTRY OVERVIEW

LITHIUM COMPOUNDS AND METALS DEMAND

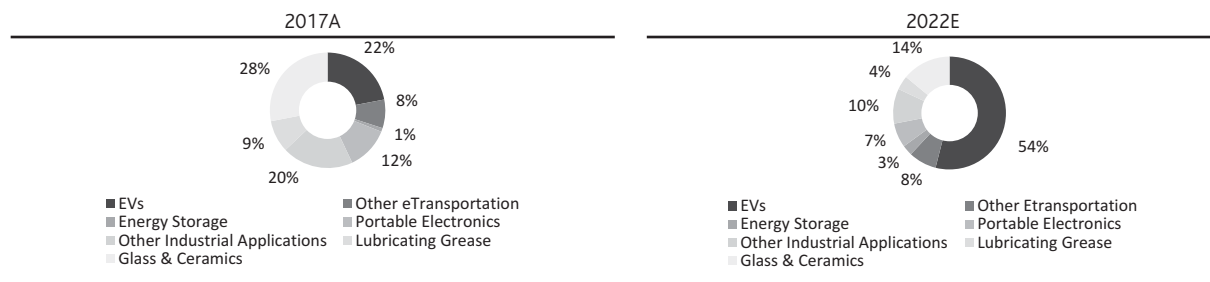
Worldwide lithium compounds and metals consumption is projected to achieve an 18% CAGR between 2017 and 2022, outpacing the 11% achieved between 2012 and 2017, according to CRU. Total volume is expected to reach 526kt LCE by 2022, more than doubling the 2017 amount of 229kt LCE, with 80% of the growth driven by EV battery. In fact, EV is set to account for 54% of global demand by 2022 compared to just 3% in 2012.

Global Lithium Compounds and Metals Demand, 2012 – 2022 (kt LCE)



Source: CRU Report.

Global Lithium Compounds and Metals Demand by End Use



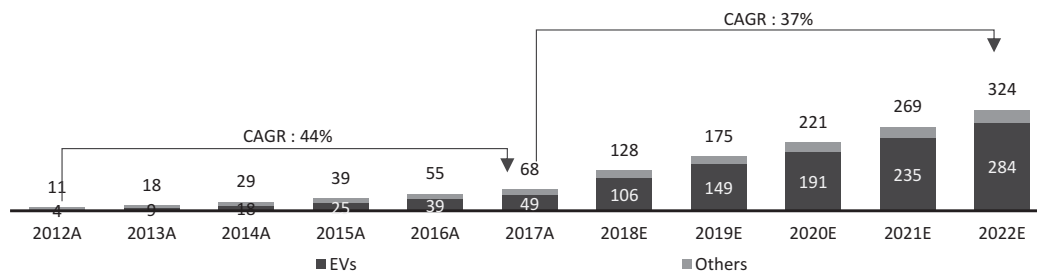
Source: CRU Report.

eTransportation and electric vehicles

The eTransportation segment, comprised of EV, eBus, eBike, eMotorcycle and eScooter, accounts for the largest portion of global lithium compounds consumption during the forecast period until 2022. Within the segment EV is the most important market. Global EV sales grew from 1.2mm units to 3.0mm units between 2012 and 2017, and by 2022 this figure is estimated to reach 8.6mm units, according to CRU. China is set to become the most important EV market in the world, with only 0.6mm units sold in 2017 but forecast to achieve sales of 5.0mm units in 2022 – a 52% CAGR during the period and accounting for 58% of global EV volume. Among the different types of EV, by 2022 CRU estimates that BEV will contribute approximately 50% of worldwide EV sales, with HEV and PHEV accounting for the remaining 27% and 23% respectively.

INDUSTRY OVERVIEW

Global Lithium Compounds Demand for eTransportation, 2012 – 2022 (kt LCE)

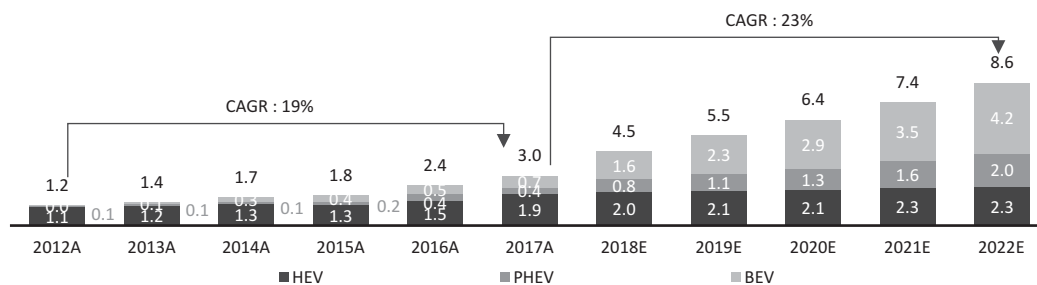


Source: CRU Report.

Policymakers have played an influential role in the evolution and development of the global EV industry through measures including subsidies, tax exemptions, government funding as well as direct regulations to promote EV adoption by the public. European nations have been in the forefront of such policies. For example, the Norwegian government exempts purchasers of EV from the standard 25% VAT applied to vehicle sales. Governments in the countries including United Kingdom, France, Germany have either pledged or are assessing the potential of barring the sales of traditional internal combustion vehicles largely from 2030 to 2040, which is roughly in about 10-20 years' time. In the United Kingdom, the government has also allocated £400mm funding towards the improvement of charging infrastructure throughout the country.

Chinese EV policies were first introduced in 2010 and subsequently in 2012 subsidies were provided to support government mandate in promoting EV production and sales. Chinese government has announced a combined credit and quota system that will come into effect in April 2018, requiring automotive OEMs to increase the proportion of EV in their production over time. Starting in 2019, both domestic and foreign OEMs producing more than 30,000 units annually need to earn points equivalent to 10% of the total number of vehicles they produce and import (based on a pre-determined formula). This ratio will further increase to 12% by 2020 and OEMs failing to meet this target will be compelled to buy credits from the market or subject to penalties.

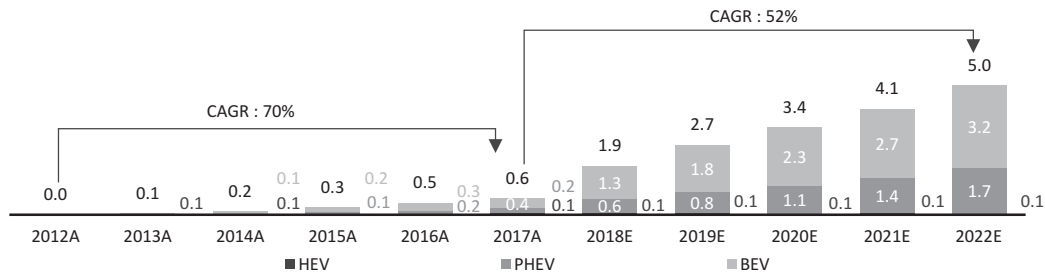
Global EV Sales by Vehicle Type, 2012 – 2022 (Million Units)



Source: CRU Report.

INDUSTRY OVERVIEW

China EV Sales by Vehicle Type, 2012 – 2022 (Million Units)



Source: CRU Report.

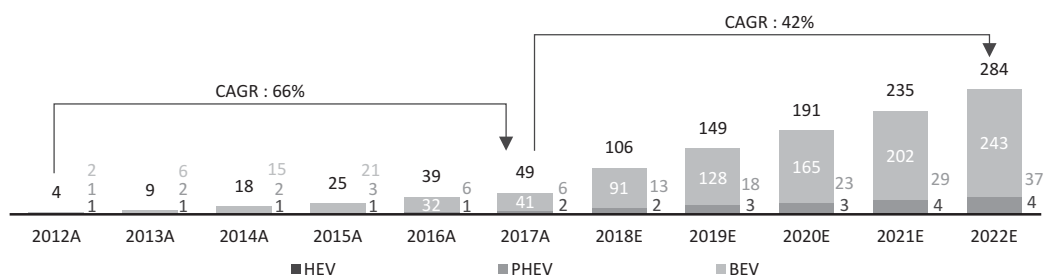
With EV adoption expected to accelerate, both energy requirement and lithium compounds consumption for EV is projected to grow substantially, increasing from 43.1 GWh to 274.4 GWh and from 49.2kt LCE to 284.4kt LCE between 2017 and 2022, respectively. In China, the corresponding figures are 20.4 GWh to 208.8GWh and 24.3kt LCE to 220.9kt LCE for the same period. The lower CAGR in 2017-2022 compared to 2012-2017 mainly reflects a higher base of global energy requirement in EVs in 2017, which is 43.1GWh compared to 3.5Gwh in 2012. CRU expects 231.3GWh volume increase in energy requirement in EVs from 2017 to 2022, much higher than 39.6GWh increase from 2012 to 2017.

Lithium-ion Battery Energy Requirement for EV, 2012 – 2022 (GWh)

	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	2021E	2022E	CAGR 2012-17	CAGR 2017-22
Global													
HEV	1.1	1.2	1.3	1.3	1.5	2.3	2.4	3.1	3.2	4.1	4.7	15%	16%
PHEV	1.1	1.3	1.5	2.4	4.8	5.4	11.5	15.9	20.5	26.8	35.0	38%	45%
BEV	1.3	5.4	12.7	17.6	27.4	35.4	78.6	113.3	148.9	187.8	234.8	93%	46%
Total Global	3.5	7.9	15.5	21.3	33.8	43.1	92.5	132.3	172.7	218.8	274.4	65%	45%
China													
HEV	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	11%	17%
PHEV	0.0	0.0	0.3	0.8	2.6	2.8	8.8	13.1	17.6	23.8	31.9	142%	63%
BEV	0.2	0.2	3.7	7.3	12.7	17.5	57.2	86.2	113.6	142.6	176.8	147%	59%
Total China	0.3	0.3	4.0	8.1	15.3	20.4	66.0	99.3	131.3	166.4	208.8	139%	59%
China % global	7%	3%	26%	38%	45%	47%	71%	75%	76%	76%	76%		

Source: CRU Report.

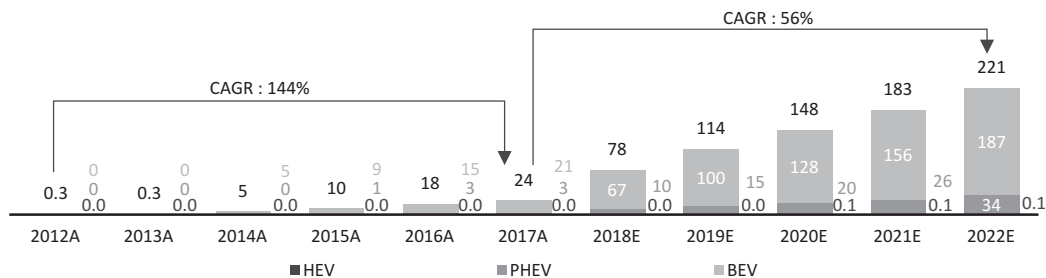
Global Lithium Compounds Demand for EV, 2012 – 2022 (kt LCE)



Source: CRU Report.

INDUSTRY OVERVIEW

China Lithium Compounds Demand for EV, 2012 – 2022 (kt LCE)

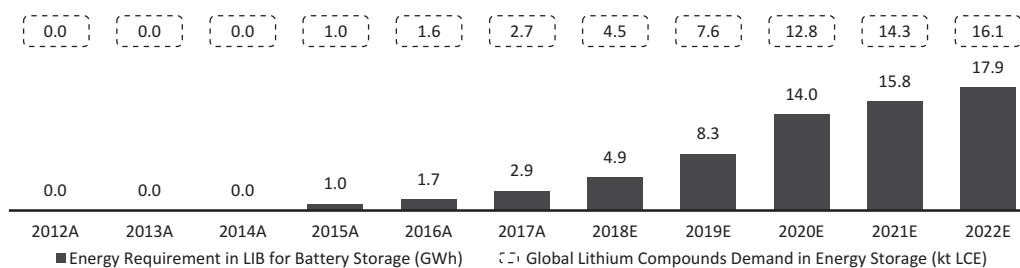


Source: CRU Report.

Energy storage

Energy storage is increasingly being adopted to enhance grid efficiency and energy management. It is useful in managing peak and off-peak electricity demand, and expected to become more prevalent as renewable energy contributes to a larger proportion of overall power generation mix in many parts of the world. Renewable sources including wind and solar are intermittent subject to nature and weather conditions, thus may not align with the timing of electricity demand. Failure in proper management can result in serious repercussions. For example, in December 2016 the state of South Australia experienced blackouts due to load shedding stemmed from power shortage that was partially contributed by the state's reliance on renewable sources which account for at least 40% of total generation. To prevent similar incidents from occurring, the state government subsidized Tesla, Inc. to construct a 100MW energy storage facility that was completed within 100 days and entered commercial operation in November 2017. The facility, if proven commercially and operationally successful, can serve as a model for similar projects in the future. Taking these trends into account, CRU estimates energy requirement for storage applications will reach 17.9GWh by 2022 (a 44% CAGR between 2017 and 2022), equivalent to approximately 16.1kt LCE.

Global Energy Requirement in Lithium-ion Battery for Energy Storage, 2012 – 2022

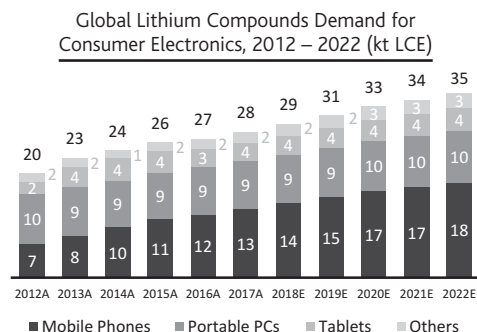


Source: CRU Report.

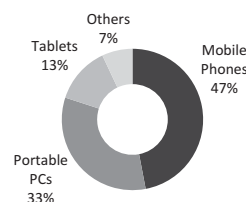
INDUSTRY OVERVIEW

Consumer electronics

The rapid proliferation of consumer electronics in the past decade, mainly in smartphones, portable devices and laptops, contributed to the last wave of demand growth in lithium compounds, growing at 7% CAGR between 2012 and 2017. Consumer electronics will remain an important application going forward, with the segment projected to achieve 5% CAGR between 2017 and 2022.



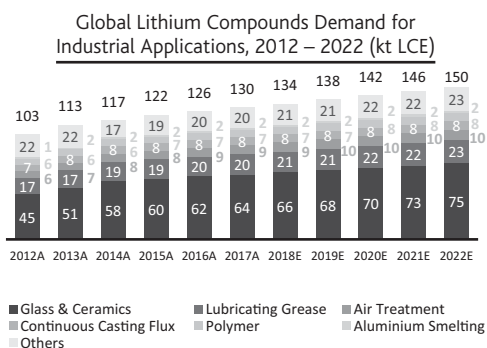
Demand Breakdown – Consumer Electronics, 2017



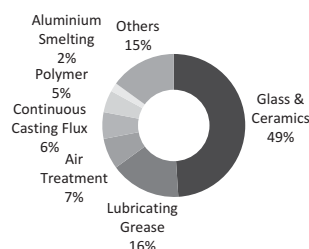
Source: CRU Report.

Industrial applications

Industrial applications including ceramics, glass and lubricants have historically accounted for a meaningful portion of global lithium compounds demand. Glass and ceramics is the largest sub-segment accounting for 49% of overall industrial uses in 2017, followed by lubricating grease at 16%. Between 2017 and 2022, consumption for industrial applications is expected to achieve a 2.8% CAGR reaching 150kt LCE in 2022.



Demand Breakdown – Industrial Applications, 2017



Source: CRU Report.

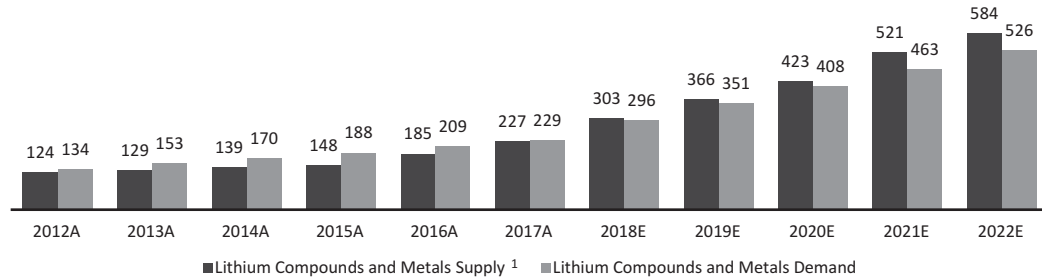
LITHIUM COMPOUNDS AND METALS SUPPLY

According to CRU, global lithium compounds and metals supply and demand are expected to remain relatively balanced until 2022 despite announcement of numerous new projects. Lithium compounds and metals supply is set to increase from 227 kt to 584 kt LCE between 2017 and 2022 at a CAGR of 21%, outpacing the 13% CAGR during the 2012-2017 period. A number of factors including long construction lead time, high technical requirements and limited talent pool may contribute to capacity bottlenecks in meeting the growing demand.

INDUSTRY OVERVIEW

The rapid rise in EV battery demand starting in 2015 led to a global shortage that remained at the end of 2017. Despite new capacity expansions, the market is expected to remain tight in 2018.

Global Lithium Compounds and Metals Supply / Demand Dynamics, 2012 – 2022 (kt LCE)



Source: CRU Report.

Lithium compounds production is a highly concentrated sector with only a limited number of sizeable operators. This group includes Albemarle, SQM, Tianqi, Ganfeng and FMC, and together they account for 69% of global production capacity share at the end of 2017. The top five global producers have historically operated in a rational and disciplined manner to promote healthy development of the industry. The specialty nature of the business creates high barriers to entry for new entrants, including the following:¹

- Production technologies and know-how
- Product development and application expertise
- Customer relationships and product accreditation process
- Secured supply of lithium raw materials at competitive cost
- Operational integration between resource extraction and compound production
- Access to experienced management and technical personnel
- Major capital expenditures and investments
- Long resource project development lead time

Entry Barrier Analysis of Lithium-ion Battery Industry

	Upstream Resources	Lithium Compounds	Cathode Materials	Lithium Hexafluorophosphate	Electrolyte	Lithium Batteries
Entry Barrier	High	High	Low	Medium	Low	Medium
Capital Requirement	High	Medium	Low	Low	Low	Medium
Production Know-how	Medium	High	Low	High	Low	Medium
Clear Industry Standard	Yes	Yes	No	Yes	Yes	Yes
Access to Raw Material	Medium	Hard	Medium	Medium	Medium	Easy

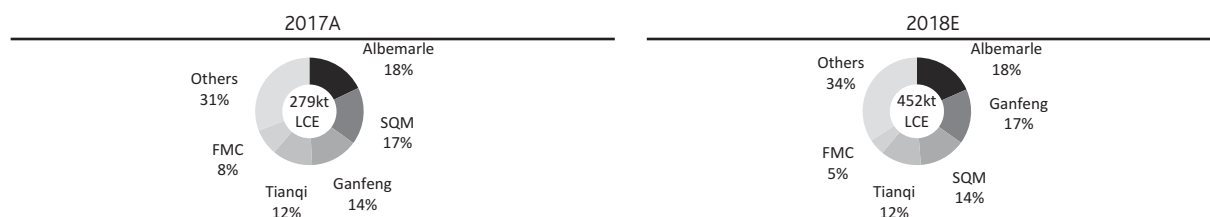
¹ Global lithium compounds and metals supply is based on global lithium raw material supply taking into adjustments of conversion loss from spodumene to lithium compounds and utilisation rate.

INDUSTRY OVERVIEW

These barriers to entry benefit established producers in undertaking capacity expansions to capture demand growth. Unlike other commodity products with readily available designs and equipment that can be purchased from the market, lithium compounds production is highly customized and each operator relies on its own proprietary technology and know-how, thus favoring established players with decades-long experience.

Ganfeng ranked third globally in terms of total lithium compounds capacity in 2017, and its capacity and market share are expected to rise to 75kt LCE and 17% at the end of 2018, respectively. Among the top five players Albemarle, SQM and FMC are diversified specialty chemical companies with an extensive product portfolio, leaving Ganfeng and Tianqi as the only major producers predominantly focusing on lithium chemistry. Ganfeng in turn ranked first in China and Asia based on total compound capacity at the end of 2017, according to CRU.

Global Lithium Compounds Capacity² Split by Players, 2017A and 2018E



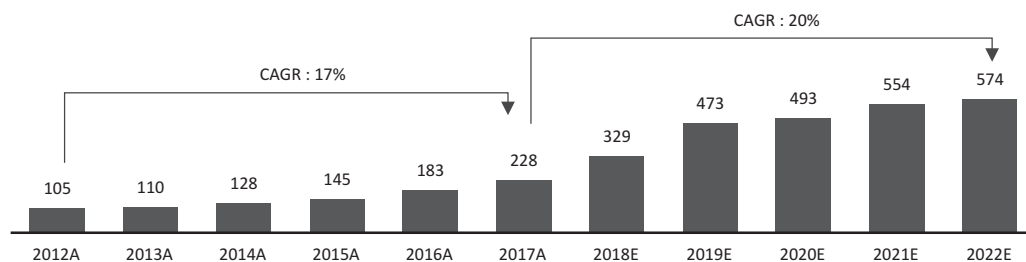
Source: CRU Report.

CRU estimates that a greenfield facility typically requires 18 months to construct, and an additional 6 months of trial run and ramp-up. However, due to the complexities involved in operating a compound production facility, there are no assurances that all the projects will enter commercial operation on time, and such delays may lead to further constraints in global supply.

1) Lithium carbonate

According to CRU, global lithium carbonate capacity grew from 105kt in 2012 to 228kt in 2017 at a CAGR of 17%. Between 2017 and 2022, the growth rate is expected to be 20% CAGR with total capacity reaching 574kt by 2022. At the end of 2017, the top five producers in aggregate control 67% of the global capacity, with Ganfeng ranking fourth globally.

Global Lithium Carbonate Capacity Evolution, 2012 – 2022 (kt)



Source: CRU Report.

² Lithium compounds capacity includes lithium carbonate capacity, lithium hydroxide capacity and lithium chloride capacity after adjustments to exclude double counting. Applied conversion rate of 0.88 for lithium hydroxide and 0.87 for lithium chloride.

INDUSTRY OVERVIEW

Global Lithium Carbonate Capacity Breakdown by Players, 2017A and 2018E

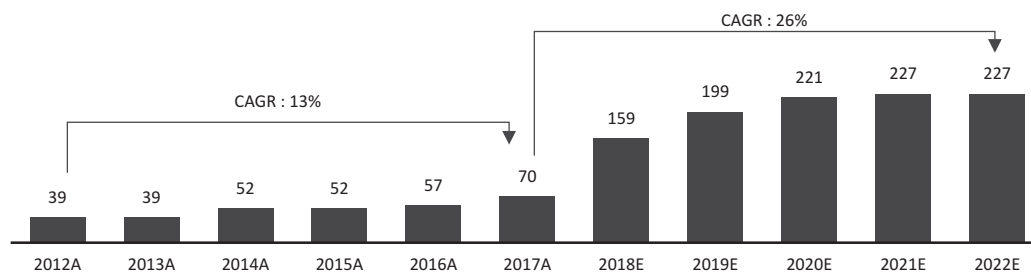


Source: CRU Report.

2) Lithium hydroxide

With EV set to become the primary growth driver in compound consumption going forward, installed capacity for lithium hydroxide is forecast to increase between 2017 and 2022 at 26% CAGR, reaching 227kt in 2022 compared to 70kt in 2017. Market share held by the top five producers was 81% in 2017, with Ganfeng placing third globally.

Global Lithium Hydroxide Capacity Evolution, 2012 – 2022 (kt)



Source: CRU Report.

Global Lithium Hydroxide Capacity Breakdown by Players, 2017A and 2018E



Source: CRU Report.

3) Lithium metals

CRU predicts demand may undergo significant growth should there be breakthroughs in the development of solid state battery which will replace graphite-based anode with lithium metals. Ganfeng has historically been the global leader in lithium metals accounting for 47% of the global market share at the end of 2017.

INDUSTRY OVERVIEW

Global Lithium Metals Capacity Breakdown by Players, 2017A and 2018E

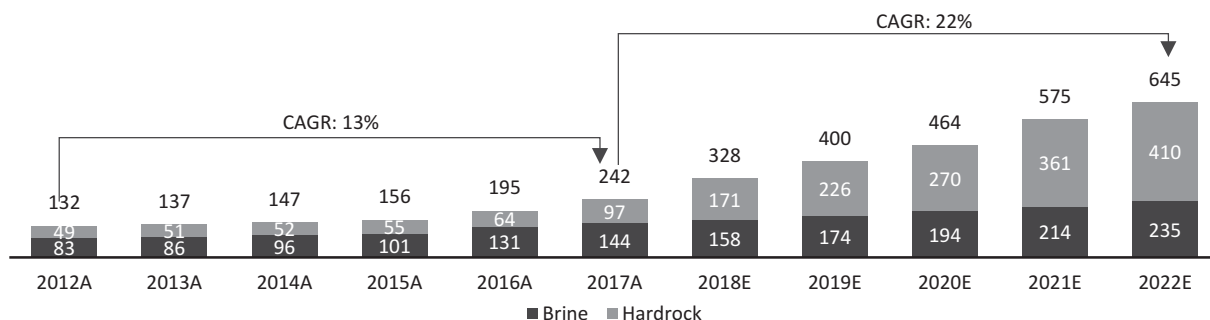


Source: CRU Report.

LITHIUM RAW MATERIAL SUPPLY

Global demand for lithium raw materials has surged in response to the fast-growing consumption for lithium compounds and metals. Both major compounds and metals producers as well as dedicated mining companies have announced capacity additions to satisfy the growing demand. CRU estimates global lithium raw material supply will reach 645kt in 2022 from 242kt LCE in 2017, growing at a CAGR of 22%. This rate significantly outpaces the 13% CAGR achieved during the 2012 – 2017 period.

Global Lithium Raw Material Supply, 2012 – 2022 (kt LCE)



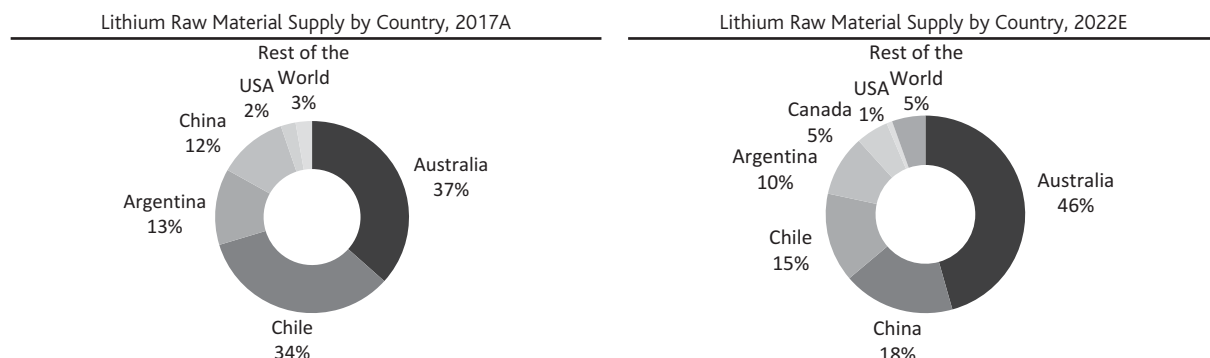
Source: CRU Report.

Lithium raw materials can either be extracted from brine or hardrock sources. In 2017, 60% of global supply was produced from brines with hardrock accounting for the balance. Commercially viable brines occur in a handful of countries and are primarily found in South America, with Chile and Argentina being the predominant suppliers contributing 56% and 22% of total brine-based lithium raw materials in 2017, respectively. However, as brines are often located in harsh environments and politically challenging regions making extraction significantly more difficult despite their low cost, hardrock sources are set to overtake brines and contribute 64% of global supply by 2022.

China has relative abundance of brines, but they are located in Tibet and Qinghai province with much higher average Mg/Li ratios compared to brines in Chile and Argentina, making lithium extraction using the traditional solar evaporation route uneconomical. Chinese brines in Tibet are located in challenging environments that lack infrastructure and labour which further increase the difficulty of investment and operation. Expansion plans of Chinese brines will not fully materialize until commercially proven and cost-effective brine extraction technologies are developed. CRU believes brines in China will still have the highest cash production cost compared to other brines globally in 2022.

INDUSTRY OVERVIEW

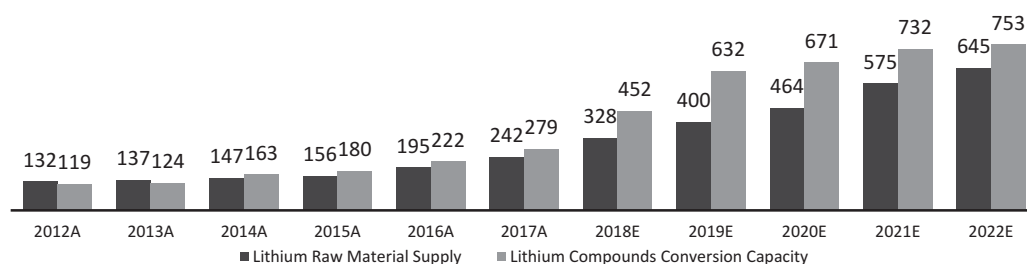
Australia has received the largest share of new investments and is forecast to produce 46% of global lithium raw material by 2022. In fact, total production in the country increased from 52kt LCE to 88kt LCE from 2016 to 2017.



Source: CRU Report.

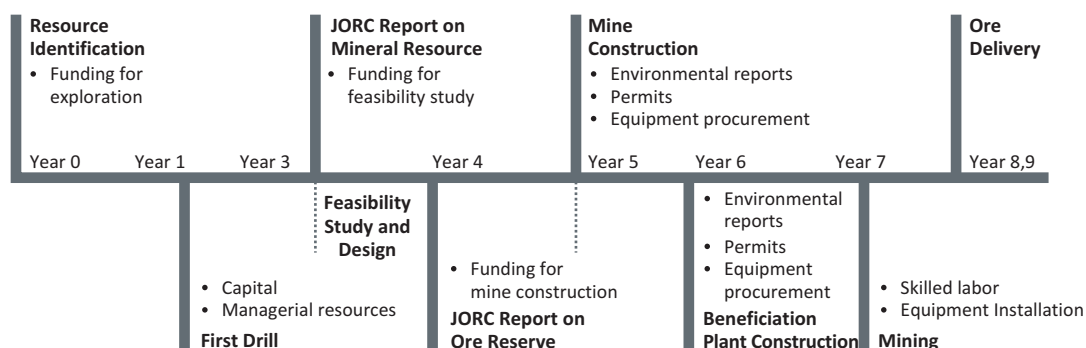
Despite accelerated new investments in extraction capacity, lithium raw material supply is expected to be a major bottleneck in realizing the full potential of installed compound conversion capacity. According to CRU, development of a new brine or hardrock mine typically takes 8-9 years from initial resource identification and exploring to eventual commercial operation. This long lead time constrains producers' ability to ramp up production in a short time to meet rising raw material demand from compound producers.

Global Lithium Compounds Conversion Capacity and Raw Material Supply Comparison, 2012 – 2022 (kt LCE)



Source: CRU Report.

Indicative Lithium Development Timeline for Greenfield Hardrock Projects

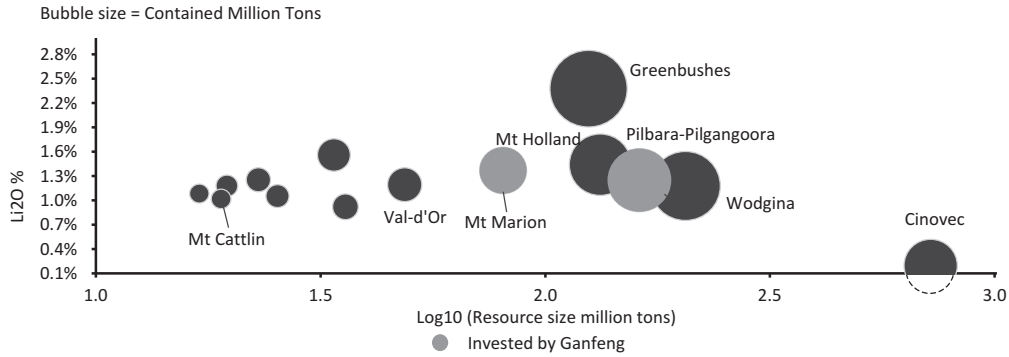


Source: CRU Report.

INDUSTRY OVERVIEW

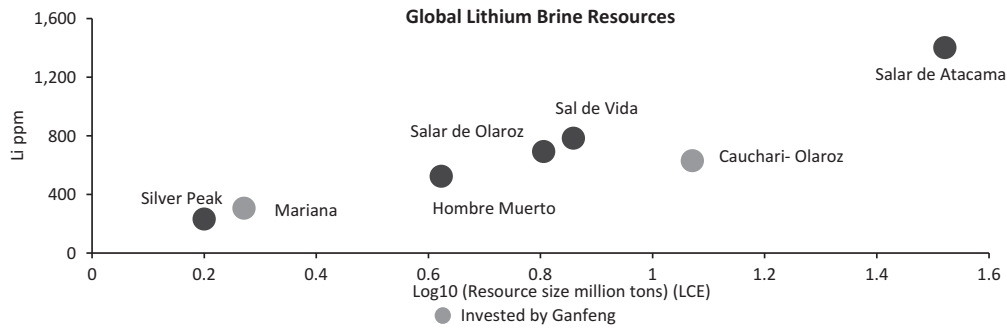
The following charts illustrate resource estimates for both brine and hardrock projects:

Mineral Resource Estimates for Lithium Hardrock Deposits



Source: CRU Report.

Mineral Resource Estimates for Lithium Brine Deposits

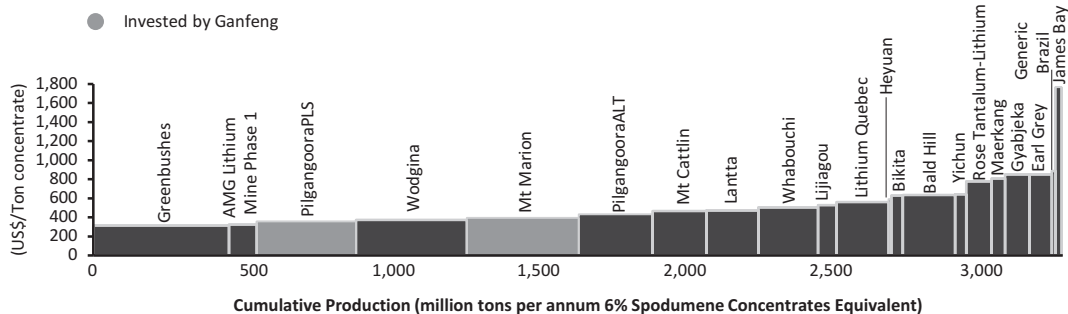


Source: CRU Report.

COST POSITION ANALYSIS

The chart below is the cost curve for spodumene resources:

Estimated Spodumene Concentrate Cost Curve for Existing and Newly-Developed Projects



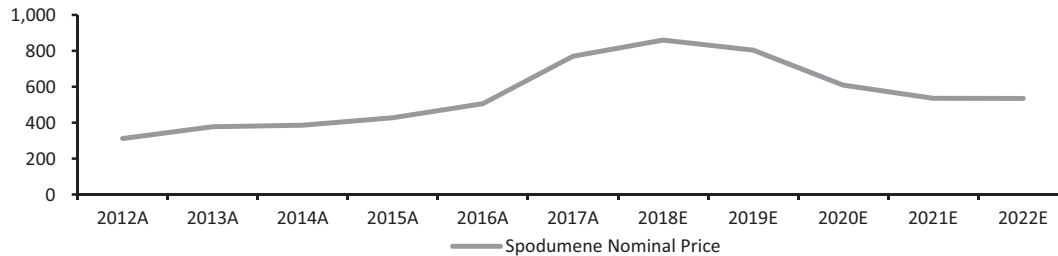
Source: CRU Report.

INDUSTRY OVERVIEW

PRICE TRENDS

Lithium raw material

Spodumene concentrate is a commonly traded lithium raw material. According to CRU, the average price of spodumene was approximately US\$770/ton in 2017.



Source: CRU Report.

Lithium compounds

Due to the high level of concentration in lithium compounds market, no exchange-based market index is currently available. It is also industry practice to negotiate contracts on an individual basis between producers and customers. According to data compiled by CRU, China onshore lithium carbonate price was relatively stable at around US\$6,000/ton prior to 2015. Starting in 2015, due to increasing demand for battery applications driven by EV, lithium carbonate price rose rapidly in the next 36 months, culminating to a spike at the end of 2017 reaching approximately US\$23,000/ton due to supply shortages.

FUTURE TRENDS

Solid state battery

Solid state battery is considered a next generation battery technology for EV application due to its ability to achieve higher energy density which enables longer driving range and faster charging, as well as improved safety features. As the Chinese government has announced ambitious cost efficiency targets for the battery industry, solid state technology offers strong prospect to meet these goals. In fact, leading global companies across industries including Toyota Motor Corporation, Panasonic Corporation and Sakti3, Inc. (acquired by Dyson Corporation) have all invested in this field. Ganfeng is the only major compounds and metals producer focusing on researching and developing this new technology. Its existing global leadership in lithium metals, the key material used to replace graphite-based anode in conventional batteries, is highly complementary and provides the company with unique competitive advantages in its solid state battery initiatives, according to CRU.

Battery recycling

The rapid rise in battery demand is expected to create significant amount of waste batteries after their useful life is reached. Currently there is no large-scale recycling operation in the world as historical battery consumption was insufficient to render such business economical. Nonetheless, if left untreated waste battery could become a serious environmental issue and undermine efforts to promote EV adoption. The Chinese authority has made environmental protection a national priority and been proactive in tackling

INDUSTRY OVERVIEW

pollutions through stringent enforcement. CRU predicts that with China's high EV penetration, the government will likely develop appropriate regulations that require mandatory recycling of batteries to minimize environmental impacts. A few domestic companies including Ganfeng and CATL have established pilot programs to extract high-value metals including cobalt and lithium compounds from waste batteries. For compound producers such as Ganfeng, recycled lithium creates a new source of raw materials and revenues. The Company may also achieve further integration through the provision of recycling services to its customers and repurposing waste batteries for energy storage applications.

REGULATORY OVERVIEW

Our principal business is located in the PRC and we hold significant interests in mining projects in Australia, Argentina and Ireland. Accordingly, laws of those jurisdictions are most relevant to our business. These include, but are not limited to, PRC laws and regulations relating to the lithium industry, production safety and environmental protection as well as foreign investment laws in Australia, Argentina and Ireland.

LAWS AND REGULATIONS IN CHINA

Principal Regulatory Authorities

The industries of rare and light metals and lithium-ion battery manufacturing where the Company operates are subject to the supervision of the National Development and Reform Commission (hereinafter referred to as "NDRC") and the Ministry of Industry and Information Technology of the People's Republic of China (hereinafter referred to as "MIIT"). The main products of the Company including lithium metals, lithium hydroxide, lithium fluoride and butyllithium are hazardous chemicals, which are subject to the regulation of the MIIT and the State Administration of Work Safety.

The main functions of the NDRC include formulating and implementing strategies of national economic and social development; medium and long-term development plans and annual plans, coordinating economic and social development, being responsible for coordinating and addressing major issues in economic operation and adjusting economic operation.

The main functions of the MIIT include proposing new industrialization development strategies and policies; formulating and implementing industry planning, plans and policies of the industries, including the regulations for the industries of lithium-ion battery and power battery; monitoring and analyzing the trend of industry operation; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industry energy conservation and comprehensive utilization of resources and promotion of clean production. By referring to the functions of the MIIT, it is responsible for the planning and layout of the production and storage of hazardous chemicals.

The main functions of the State Administration of Work Safety include guiding and supervising the issuance and administration of the Permits for the Safe Use of Hazardous Chemicals (危險化學品安全使用許可證) and the Operating Licenses for Hazardous Chemicals (危險化學品經營許可證) throughout the country; and being responsible for the supervision over and administration of the Registration of Hazardous Chemicals (危險化學品登記) nationwide.

Industry self-regulatory organizations

The national industry self-regulatory organizations of lithium-ion battery manufacturing industry are mainly China Battery Industry Association and China Industrial Association of Power Sources.

The national industry self-regulatory organizations of lithium compounds smelting processing industry are mainly Lithium Industry Branch of China Nonferrous Metals Industry Association (中國有色金屬工業協會鋰業分會) and Lithium Industry Branch of China Inorganic Salts Industry Association (中國無機鹽協會鋰業分會).

The main functions of China Battery Industry Association are proposing advices on battery industry polices, drafting development plans for the battery industry and standards of battery products, organizing the identification of relevant scientific research projects and technology transformation projects, carrying

out consultations on technologies; information statistics surveys; exchange of information and talent trainings, cultivating the market for the industries, organizing international battery exhibitions within China, and coordinating issues among corporate production, sale and export.

China Industrial Association of Power Sources is a national, industrial, and non-profit social organization voluntarily formed by enterprises in the battery industry. Its main functions include conducting industry surveys, making proposals to government departments on formulating battery industry policies and regulations, organizing to formulate and amend the battery industry association standards, participating in the drafting and amendment of national standards and industry standards and assisting the government to prepare for the battery industry development plans and industrial policies.

Industry Polices

Foreign investors and foreign-funded enterprises investing in China shall comply with the *Catalog for Guiding on Foreign Investments in Industries* (《外商投資產業指導目錄》) which was initially promulgated by the National Planning Commission (國家計劃委員會), the State Economic and Trade Commission (國家經濟貿易委員會) and the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) on June 28, 1995 and subsequently amended on December 31, 2001, March 11, 2002, November 30, 2004, October 31, 2007, December 24, 2011 and March 10, 2015. The latest amendment was made on June 28, 2017 and came into effect on July 28, 2017. The catalog for guiding on foreign investments has served as domestic management and guidance on foreign investments for a long time. It classifies industries into three basic types: Encouraged, Restricted and Prohibited. The business of lithium battery manufacturing of Ganfeng Lithium and its subsidiaries falls into the encouraged category in the *Catalog for Guiding on Foreign Investments in Industries* (《外商投資產業指導目錄》).

Domestic industry development mainly follows the guidance on relevant industry structures introduced by the NDRC. According to the Notice of the National Development and Reform Commission [2017] No. 1 — Guiding Catalog of Key Products and Services for Strategic Emerging Industries (2016) (《國家發展和改革委員會公告2017年第1號——戰略性新興產業重點產品和服務指導目錄(2016版)》) promulgated and implemented by the National Development and Reform Commission on January 25, 2017, the single, module and system of lithium-ion battery; ternary system of lithium nickel cobalt manganese oxide and lithium nickel cobalt aluminum oxide; lithium extracting from carbonate-type brine rich in lithium; manufacturing equipment for recycling and utilizing batteries fall into the key products and services in strategic emerging industries. According to the Guiding Catalog for Industrial Restructuring (2011 Edition) (《產業結構調整指導目錄(2011年本)》), which was promulgated by the National Development and Reform Commission on March 27, 2011, with the latest amendment on February 16, 2013, and was implemented on May 1, 2013, exploration and comprehensive use of scarce chemical mineral resources, such as lithium; new lithium primary batteries including lithium iron disulfide and lithium thionyl chloride, power batteries including lithium-ion, nickel-hydrogen, new structures (including coiled and tubular) sealed lead-acid batteries; energy storage lithium-ion batteries and new high-capacity sealed lead-acid batteries; recycling and comprehensive utilizing renewable resources in an energy-efficient, low-pollution and large-scale way fall into the state-encouraged industries.

REGULATORY OVERVIEW

Save for the macro-control for the industries, the NDRC, the MIIT and other government departments also issued related specific industrial guiding opinions.

Serial Number	Time	Name of Document(s)	Authorit(ies) of Issuance	Details
1	September 2017	Guiding Opinions on Promoting Energy Storage Technology and Industry Development (關於促進儲能技術與產業發展的指導意見)	NDRC, Ministry of Finance, MIIT, Ministry of Science and Technology, National Energy Administration	The guiding opinions clearly propose that research should be concentrated on a batch of energy storage technologies and materials with a key core significance, and propose to examine and demonstrate a batch of energy storage technologies and equipment with an industrialization potential, to apply and promote a batch of energy storage technologies and products with independent intellectual property rights, to improve energy storage product standards and the testing and certification system.
2	February 2017	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)	MIIT, NDRC, Ministry of Science and Technology, Ministry of Finance	To accelerate the development of the capability and standard of Chinese vehicle power battery industry, and to promote a healthy and sustainable development of new energy vehicle industry. By 2020, when the total output of the power battery industry to be exceed 100 billion watts, a leading enterprise with an internationally competitiveness with the production and sale scale of over 40 billion watts will be formed.
3	September 2016	Nonferrous Metal Industry Development Planning (2016-2020) (有色金屬工業發展規劃 (2016-2020年))	MIIT	This document serves as guidance for a sustainable and healthy development of the nonferrous metal industry in the coming five years. The planning covers ten commonly used nonferrous metals, including copper, aluminum, lead, zinc, nickel, tin, antimony, mercury, magnesium and titanium, as well as some major rare and precious metals, including tungsten, molybdenum, lithium, gold, zirconium, indium, germanium, gallium and cobalt. To promote the industrialization of comprehensive utilization of

REGULATORY OVERVIEW

Serial Number	Time	Name of Document(s)	Authorit(ies) of Issuance	Details
				Jiangxi lepidolite resources. To upgrade existing production lines for extracting alumina from high alumina fly ash to build a complete aluminum-electricity industry chain, and reduce costs. For the needs of the areas of energy storage and new energy vehicles, to prioritize the development of high-capacity long-life energy storage battery cathode materials, anode materials, high-performance copper foil and aluminum foil, and low-cost high quality battery grade lithium carbonate, ternary precursors.
4	February 2016	Guiding Opinions on Promoting Green Consumption (關於促進綠色消費的指導意見)	NDRC and other nine ministries	A goal for 2020, the concept of green consumption will become a social consensus to encourage the consumption of green products. To demote greater efforts on promoting new energy vehicles, and accelerate the construction of electric vehicles charging infrastructures.
5	February 2016	More than 50% of government departments' newly purchased vehicles must be new energy vehicles (政府部門新購買車輛50%以上須是新能源汽車)	State Council meeting	Confirmed the measures to further support the new energy vehicle industry and promote green development through structural optimization. The meeting stressed that the ratio for purchased new energy vehicles of central government agencies, city government departments of promoting the application of new energy vehicles and public institutions to the total equipped updated vehicles for the year must be raised to 50% or more.
6	August 2015	Lithium-ion Industry Specification Conditions (鋰離子電池行業規範條件)	MIIT	The specification conditions expressly defined the layout and project-related requirements for the lithium-ion battery industry and established relevant industry standards, including production scale and technique, product quality

REGULATORY OVERVIEW

Serial Number	Time	Name of Document(s)	Authorit(ies) of Issuance	Details
				and performance, comprehensive utilization of resources and environmental protection, safety management, hygiene and social responsibility, supervision and management, and stated clearly that the energy density of a single power battery must not lower than 120Wh / kg, and the energy density of a battery pack must not lower than 85Wh / kg.
7	March 2015	Vehicle Power Storage Battery Industry Specification Conditions (汽車動力蓄電池行業規範條件)	MIIT	The specification conditions propose the requirements for power storage battery enterprises from different aspects, including their qualifications, production conditions, technical capabilities, products, quality assurance capabilities, after-sales service capabilities, standardized management. The vehicle power storage battery enterprises which satisfy the regulating requirements will be announced publicly.
8	January 2006	Catalog for Export Chinese New and High-technology Products(2006) (中國高新技術產品出口目錄(2006))	NDRC, Ministry of Science and Technology, Ministry of Commerce, General Administration of Customs	Catalog for Export Chinese New and High-technology Products (2006) include but not limited to lithium tantalate crystals, lithium niobate crystals, lithium aluminum alloy plates, lithium bromide refrigerants, high-energy lithium primary batteries, lithium-ion batteries

Industry Regulations

PRC Laws and Regulations on Hazardous Chemicals

1. *Administrative Measures for the Registration of Hazardous Chemicals* (《危險化學品登記管理辦法》)

According to the *Administrative Measures for the Registration of Hazardous Chemicals* (《危險化學品登記管理辦法》) promulgated by the State Administration of Work Safety of the People's Republic of China (中華人民共和國國家安全生產監督管理總局) on July 1, 2012 and effective from August 1, 2012, a newly established production enterprise of hazardous chemicals shall proceed with the hazardous chemicals registration procedure before the completion and acceptance of the project. The Hazardous Chemicals

REGULATORY OVERVIEW

Registration Certificate (危險化學品登記證) is valid for three years. The Hazardous Chemicals Registration Certificate (危險化學品登記證) should set out details such as the nature of the enterprise (hazardous chemicals producer, hazardous chemicals exporter or a hazardous chemicals producer and exporter), the registered products and the validity period. An enterprise which engages in the production and storage of hazardous chemicals and an enterprise using such quantities of hyper-toxic and other hazardous chemicals which constitute a material source of danger shall register the hazardous chemicals according to the national laws. The Registration Center for Chemicals under the State Administration of Work Safety shall undertake the specific work and technical management of registration of hazardous chemicals throughout the country. Hazardous chemicals registration offices or hazardous chemicals registration centers established by work safety supervision and administration departments under people's governments of all provinces, autonomous regions and municipalities directly under the Central Government shall undertake the specific work and technical management of registration of hazardous chemicals within their respective administrative regions.

2. *Regulations on Safety Management of Hazardous Chemicals* (《危險化學品安全管理條例》)

The *Regulations on Safety Management of Hazardous Chemicals* (《危險化學品安全管理條例》) were promulgated by the State Council on January 26, 2002 and latest amended on December 7, 2013, which stipulate the administrative and supervisory rules for safety production, storage, use, operation and transportation of hazardous chemicals. Hazardous chemicals include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or accelerative, and that damage human health, facilities and environment. The relevant governmental authorities will promulgate and adjust the Catalog of Hazardous Chemicals from time to time. An enterprise which engages in the production of hazardous chemicals must obtain the Safety Production Permit for Hazardous Chemicals (危險化學品安全生產許可證) prior to the commencement of production. An enterprise producing hazardous chemicals listed in the Catalog of the Industrial Products that are subject to the production licensing system shall obtain the Production License for Industrial Products pursuant to the *Regulations of the People's Republic of China on Administration of Production Licensing of Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》).

The safety conditions of newly built, altered or expanded construction projects for the production and storage of hazardous chemicals are subject to the scrutiny of the work safety administrative department. In the event that the enterprise undertaking such construction projects fails to meet the safety conditions, the relevant work safety administrative department shall order such enterprise to cease operation and rectify within the specified period.

An enterprise which engages in the operation including storage and operation of hazardous chemicals must obtain the Operation Permit for Hazardous Chemicals prior to the commencement of production. If an enterprise engaging in the production of hazardous chemicals which is established according to the laws sells its hazardous chemicals produced by itself in the factory, there is no need to obtain the Operation Permit for Hazardous Chemicals (危險化學品經營許可). If a chemical enterprise uses hazardous chemicals for production and the quantities reaches the prescribed threshold, the enterprise shall obtain the Permits for Safety Use of Hazardous Chemicals (危險化學品安全使用許可證) pursuant to the *Regulations on Safety Management of Hazardous Chemicals* (《危險化學品安全管理條例》), save for those enterprises that belong to enterprises engaging in the production of hazardous chemicals. An enterprise which engages in road transportation of hazardous chemicals should comply with provisions of laws and administrative regulations on road transport, obtain the license for road transportation of hazardous chemicals, and proceed with registration procedures with the Administrative Department of Industry and Commerce (工商行政管理部門). An enterprise engaging in road transportation of hazardous chemicals should be equipped with full-time safety management personnel.

REGULATORY OVERVIEW

3. *Regulations of the People's Republic of China on Administration of Production Licensing of Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》) and the *Decision of the State Council on Adjusting the Catalog for Managing the Production License for Industrial Products and Piloting the Simplified Approval Procedure* (《國務院關於調整工業產品生產許可證管理目錄和試行簡化審批程序的決定》)

The *Regulations of the People's Republic of China on Administration of Production Licensing of Industrial Products* (《中華人民共和國工業產品生產許可證管理條例》) were promulgated by the State Council and became effective on September 1, 2005, and the *Decision of the State Council on Adjusting the Catalog for Managing the Production License for Industrial Products and Piloting the Simplified Approval Procedure* (《國務院關於調整工業產品生產許可證管理目錄和試行簡化審批程序的決定》) was promulgated by the State Council and became effective on June 24, 2017. According to the aforesaid regulations and Catalog, an enterprise which engages in the production of hazardous chemicals needs to obtain the Production License for Industrial Products (工業生產許可證).

4. *Regulations on Safety Production Permit* (《安全生產許可證條例》) and *Measures for Implementation of Safety Production Permit of Hazardous Chemicals Production Enterprises* (《危險化學品生產企業安全生產許可證實施辦法》)

The *Regulations on Safety Production Permit* (《安全生產許可證條例》) were promulgated by the State Council and became effective on January 13, 2004 and were latest revised on July 29, 2014. The *Measures for Implementation of Safety Production Permit of Hazardous Chemicals Production Enterprises* (《危險化學品生產企業安全生產許可證實施辦法》) were promulgated by the State Administration of Work Safety of the PRC and became effective on December 1, 2011 and were revised on May 27, 2015 and March 6, 2017. According to the aforesaid regulations and measures, an enterprise which engages in the production of final products or intermediate products listed in the Catalog of Hazardous Chemicals (危險化學品目錄) must obtain the Safety Production Permit for Hazardous Chemicals (危險化學品安全生產許可證) prior to the commencement of production of hazardous chemicals.

PRC Laws and Regulations on Mining

Our Company is subject to laws and regulations of the PRC relating to mining when carrying out lithium mining business domestically.

1. *Mineral Resources Law of the People's Republic of China* (《中華人民共和國礦產資源法》)

Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法》) was promulgated by the State of Council of the People's Republic of China and became effective on October 1, 1986 and was latest amended on August 27, 2009. Anyone who wishes to explore or mine mineral resources shall make separate application according to the laws and shall register after obtaining the right of exploration or mining upon approval. In mining mineral resources, a mining enterprise or individual must abide by State regulations regarding labor, safety and health and have the necessary conditions to ensure production safety; and, a mining enterprise or individual must observe the legal provisions on environmental protection to prevent pollution of the environment.

REGULATORY OVERVIEW

2. *Mine Safety Law of The People's Republic of China* (《中華人民共和國礦山安全法》) and *Regulations for the Implementation of the Mine Safety Law of The People's Republic of China* (《中華人民共和國礦山安全法實施條例》)

Mine Safety Law of the People's Republic of China (《中華人民共和國礦山安全法》) was promulgated by the Standing Committee of National People's Congress on November 7, 1992 and was implemented on May 1, 1993, and was amended on August 27, 2009. *Regulations for the Implementation of the Mine Safety Law in People's Republic of China* (《中華人民共和國礦山安全法實施條例》) were promulgated by the Ministry of Labor of the People's Republic of China and became effective on October 30, 1996. Pursuant to the aforesaid laws and regulations, safety facilities in mine construction projects must be designed, constructed and put into operation and use at the same time with the principal parts of the projects. For exploitation of mines, requirements that ensure safe production must be met, and the safety rules and technological standards for exploitation of different types of minerals must be observed. Mining enterprises must establish and improve the safe production responsibility system.

3. *Measures on The Implementation of Production Safety Permit for Non-coal Mining Enterprises* (《非煤礦山企業安全生產許可證實施辦法》)

Measures on the Implementation of Production Safety Permit for Non-Coal Mining Enterprises (《非煤礦山企業安全生產許可證實施辦法》) were promulgated by the State Administration of Work Safety on June 8, 2009 and were latest amended on May 26, 2015. Pursuant to the measures, non-coal mining enterprises must obtain production safety permit and are prohibited from engaging in any production activities without obtaining the permit. A production safety permit is valid for three years. If the production safety permit needs to be extended, the enterprise shall apply for an extension with the administrative authority which issued the original license three months prior to the expiration of the original license.

4. *The Procedures for the Registration of Mining of Mineral Resources* (《礦產資源開採登記管理辦法》)

The Procedures for the Registration of Mining of Mineral Resources (《礦產資源開採登記管理辦法》) was promulgated by the State Council on February 12, 1998 and was latest amended on July 29, 2014. Pursuant to the procedures, before the mining of mineral resources can be commenced, approval from competent department of corresponding mine should be acquired. The validity of each mining permit is determined based on the construction scale of mine. If continuation of mining is necessary after the expiration of the mining license, the holder of a mining license shall apply for an extension with the registration authority within 30 days prior to the expiration of the term of the mining license.

Laws and Regulations of the PRC Relating to Production Safety

Our major products, namely lithium metals, lithium fluoride butyllithium and lithium hydroxide are classified as hazardous chemicals, which are inflammable, explosive, corrosive and toxic. The production of such products and relevant projects are required to strictly comply with laws and regulations of the PRC relating to production safety.

1. *Production Safety Law of The People's Republic of China* (《中華人民共和國安全生產法》) and *Regulation of Safe Production Licenses* (《安全生產許可證條例》)

Pursuant to the *Production Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》), which was promulgated by the Standing Committee of National People's Congress on June 29, 2002,

REGULATORY OVERVIEW

became effective on November 1, 2002, and revised for the latest time on August 31, 2014 and became effective on December 1, 2014, together with the *Regulation of Safe Production Licenses* (《安全生產許可證條例》), which was promulgated by the State of Council of the People's Republic of China and implemented on January 13, 2004, and revised for the first time on July 18, 2013, and revised for the second time and implemented on July 29, 2014, any production and business operation entity shall comply with relevant laws regulations concerning the production safety. Entity shall establish and perfect the system of responsibility for production safety and its regulatory framework of production safety. The State implements a safe production licensing system on mining enterprises, construction enterprises and enterprises that produce dangerous chemicals, fireworks and fire crackers, and civil equipment for blasting explosions. Enterprises may not engage in such production activities without safe production licenses. The production and business operation entities shall be satisfy the conditions for safe production as provided in relevant laws, administrative regulations, national standards and industrial standards. Any entity that has not met the conditions for safe production may not engage in production and business operation activities. The department of work safety supervision and administration under the State Council shall be in charge of the central management on the issuance and administration of Safe Production Licenses for enterprises which engage in the non-coal mining, production of hazardous chemicals, fireworks and crackers. The departments of work safety supervision and administration under the people's government of provinces, autonomous regions or municipalities directly under central government, are in charge of the issuance and administration of Safe Production Licenses for enterprises which engage in non-coal mining, the production of hazardous chemicals, fireworks and crackers, other than those under jurisdiction of the previous provision, and such departments are subject to the guidance and supervision of the department of work safety supervision and administration under the State Council.

Entities that engage in the operation of mines, metal smelting, construction and road transport as well as those engaged in the production, selling and storage of hazardous substances shall establish an administrative organ for production safety or have full-time personnel for the administration of production safety. Save for such production entities, the production business operation entities with more than 100 employees shall establish an administrative organ for production safety or have full-time personnel for the administration of production safety; while for those with less than 100 employees, they shall have full-time or part-time personnel for the administration of production safety.

If any entity fails to comply with relevant production safety regulations, fine may be imposed and it may be ordered to suspend production. Person-in-charge may be liable for criminal charges if the regulations were breached.

2. *Administrative Regulations on the Safety Supervision of Construction Project Involving Hazardous Chemical* (《危險化學品建設項目安全監督管理辦法》)

The *Administrative Regulations on the Safety Supervision of Construction Project Involving Hazardous Chemical* (《危險化學品建設項目安全監督管理辦法》), which were promulgated by the State Administration of Work Safety of the People's Republic of China on January 30, 2012 and came into effect on April 1, 2012, and latest amended on May 27, 2015, stipulate that projects involving the construction, alternation and expansion of facilities used in the production or storage of hazardous chemicals, as well as projects which produce hazardous chemicals, are subject to safety scrutiny. Such construction projects must not be undertaken or put into operation (or use) without first completing the safety scrutiny and the acceptance inspection of the completed safety facilities.

REGULATORY OVERVIEW

PRC Laws and Regulations Relating to Environmental Protection

The Company may generate pollutants in its course of production, and shall be strictly abide by the environmental protection laws and regulations in the PRC.

1. *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》)

According to the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 and effective on the same day, and amended on April 24, 2014, the construction of any project that causes pollution to the environment must comply with the regulations on environment protection relating to the construction projects. The environmental protection facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main works. The PRC government implements a system for administering licenses for the discharge of pollutants under the provisions of the laws. Enterprises, units and other production operators under the licensing management for pollutant discharge should only discharge pollutants which satisfy the requirements of pollutant discharge license. Those which have not yet obtained the pollutant discharge license may not discharge pollutants. Pollutant-discharging enterprises, units and other production operators shall pay sewage fees pursuant to the relevant provisions of the State.

2. *Law of the People's Republic of China on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》)

According to the *Law of the People's Republic of China on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and latest amended on July 2, 2016, construction entities shall implement the following procedures for their construction projects in accordance with Classification of Construction Project Lists for Environmental Impact Assessments (建設項目環境影響評價分類管理名錄) promulgated by the Ministry of Environmental Protection: (i) in case the environmental impact is significant, full assessment reports of environmental impacts shall be prepared; (ii) in case the environmental impact is mild, reports containing environmental impact analyzes and specific assessments shall be prepared; and (iii) in case the environmental impact is minimal, environmental impacts registration forms shall be submitted without any assessments. The project in case construction may not proceed its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or which are disapproved after review.

3. *Regulations on the Administration of Environmental Protection for Construction Project* (《建設項目環境保護管理條例》)

According to the *Regulations on the Administration of Environmental Protection for Construction Project* (《建設項目環境保護管理條例》) promulgated by the State Council of the People's Republic of China on November 29, 1998 and effective on November 29, 1998, and latest amended on July 16, 2017 by the State Council and took effect on October 1, 2017, construction units shall assess the environmental impacts for their construction projects before commencing. Construction units shall, depending on the level of the environmental impacts, report environmental impact reports and the required environmental impact forms prepared by institutions which possess relevant qualifications to the relevant construction and protection administration and obtain approval from relevant administration. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, construction units shall file an application with the competent department of environmental protection administration for acceptance checks.

REGULATORY OVERVIEW

4. *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》)

The *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), promulgated by the SCNPC on October 30, 1995 and latest amended on November 7, 2016, stipulates that construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Ancillary facilities necessary for the prevention and control of environmental pollution by solid waste set out in the environmental impact reports of construction projects shall be designed, constructed and put into operation simultaneously with institutional projects. Construction projects shall not be put into operation or used until the relevant competent environmental protection department has checked and accepted the prevention and control of environmental pollution facilities.

5. *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》)

According to the *Law of the People's Republic of China on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 15, 1996 and latest amended on June 27, 2017, an environmental impact assessment must be conducted lawfully in respect of all projects involving the construction, alternation or expansion of water facilities which discharge pollutions directly or indirectly into water. Facilities for prevention and control of water pollution of construction projects must be designed, constructed and put into use or operation simultaneously with the main facility.

6. *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》)

According to the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987 and latest amended on August 29, 2015, when construction projects have an impact on atmospheric environment, enterprises and public institutions shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

7. *Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》)

According to the *Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996 and became effective on March 1, 1997, the newly built, altered and expanded construction projects shall comply with regulations of environmental protection administration of construction projects. Where a construction project might cause environmental noise pollution, the unit undertaking the project must prepare an environmental impact statement which specifies the measures it takes to prevent and control such pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. The facilities for the prevention and control of environmental noise pollution of the construction projects shall be designed, constructed and put into use simultaneously with the body of the project, and such facilities must be inspected and accepted by the competent environmental protection administrative authorities which originally approved the environmental impact statement. Construction projects that fail to fulfill the national requirements shall not be put into operation or use.

REGULATORY OVERVIEW

8. *Environmental Protection Tax Law of the People's Republic of China* (《中華人民共和國環境保護稅法》) and *Implementing Regulations for the Law of the People's Republic of China on Environmental Protection Tax* (《中華人民共和國環境保護稅法實施條例》)

Pursuant to the *Environmental Protection Tax Law of the People's Republic of China* (《中華人民共和國環境保護稅法》) promulgated by the Standing Committee of the National People's Congress on December 25, 2016 and effective on January 1, 2018 and *Implementing Regulations for the Law of the People's Republic of China on Environmental Protection Tax* (《中華人民共和國環境保護稅法實施條例》) promulgated by the State Council on December 25, 2017 and effective on January 1, 2018, enterprises that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas are under the jurisdiction of the PRC. Polluters should pay environmental protection tax based on the pollutant discharged. Polluters who paid pollutant discharge charges shall not be exempted from the liability of preventing and controlling pollution, making compensation relating to the pollution made and other liabilities under laws and administrative regulations.

FOREIGN INVESTMENT LAWS IN AUSTRALIA

Foreign investment in Australia is regulated by the *Foreign Acquisitions and Takeovers Act 1975* (being federal legislation) (FATA), its related regulations, and Australia's Foreign Investment Policy (FIRB Policy). The Australian Federal Treasurer administers FATA and FIRB Policy, assisted by the Foreign Investment Review Board (FIRB). The Treasurer has the authority to refuse proposals for certain foreign investments in Australia, impose conditions on those proposals and make a range of other orders, if the Treasurer considers the proposal to be contrary to the national interest. Certain foreign investment proposals require notification to FIRB and the Treasurer's statement of no objection (commonly referred to as "**FIRB approval**") before being implemented.

In practice, most applications do not raise national interest concerns and generally receive FIRB approval.

The FATA and FIRB Policy apply to foreign investors who are considered "foreign persons". For these purposes, a "foreign person" includes foreign individuals, corporations, trusts, governments and partnerships. An individual is a foreign person if they are not ordinarily resident in Australia (including expatriate Australian citizens) (Foreign Individual). A corporation is a foreign person if:

- at least 20% of the shareholding is held by a single Foreign Individual, foreign corporation or foreign government; or
- at least 40% of the shareholding is held by investors made up of Foreign Individuals, foreign corporations or foreign governments.

All foreign government investors are also foreign persons.

Acquisitions by foreign persons of an Australian mining lease, or a company that holds an Australian mining lease will usually require FIRB approval, although an acquisition of less than 10% in an stock exchange – listed mining entity where the foreign person does not participate in management or policy determination of the listed mining entity does not require FIRB approval.

FOREIGN INVESTMENT LAWS IN ARGENTINA

The Chinese government and Argentine government entered into the Investment Protection Treaty on November 5, 1992 which aims to create favorable conditions for investments by investors of one country in the territory of the other country, thereby promoting and protecting such investments.

The protection of investments afforded by the Investment Protection Treaty mainly covers the following aspects:

- Prohibition of nationalization or expropriation measures against investments made in the territory by investors of the other country, unless certain conditions are met (i.e. that the measures are taken for the requirement of public and social interest, under due domestic legal procedure, without discrimination and against compensation);
- Guarantee of fair and equitable treatment of the investments made in the territory by investors of the other country, which will not be less favorable than that accorded to the investments made by investors of a third nation (i.e. "the most favored nation" type of treatment and protection);
- Guarantee of free transfer of investments and returns back to the investors' home country, which will be effected without delay in freely convertible currency at the normal applicable exchange rate at the date of transfer; and
- Availability of arbitration as a dispute resolution method relating to disputes between the countries, or between an investor of one country and the other country, on matters and the arbitral decisions will be final and binding on the parties to the dispute.

The protection provided by the Investment Protection Treaty would not extend to government entities or entities owned by the People's Republic of China, but only to private companies.

On August 13, 1976, Act No. 21,382 was enacted by the Argentine government and it laid down the provisions for foreign investors. The legislation is mainly a statement to lay down an equal footing between foreign and national investors.

FOREIGN INVESTMENT LAWS IN IRELAND

There are no general restrictions governing foreign direct investment in Ireland. Ireland has neither a general investment screening mechanism in place for foreign investment nor a specific general regime of protection for foreign investors. Non-Irish and non-EU investors are typically not distinguished from domestic investors under Irish law in this context and, accordingly, equivalent rules tend to apply to both domestic and foreign owners of and investors into Irish businesses. For instance, with very few exceptions, there are no upper limits placed on the percentage of foreign ownership permitted, no requirements that shares in Irish companies must be held by Irish nationals and no general restrictions on the purchase or lease of land for industrial purposes by non-nationals. An exception is the EU requirement that EU member state airlines must be majority owned and effectively controlled by EU Member States or residents of EU Member States in order to have access to the single European aviation market, which applies to Irish airlines. A foreign corporation with a branch in Ireland will be required to register and file certain information with the Registrar of Companies.

REGULATORY OVERVIEW

Ireland does not have a sole regulatory authority with exclusive responsibility for regulating inward investment into Ireland but depending on the sector and size and circumstances of the investment, an investment in an Irish business by a foreign investor may be subject to compliance with a regulatory regime and/or require approval from a regulatory authority. Some examples, though not an exhaustive list, are noted below. In addition, foreign investors seeking to receive grants or assistance through the Irish state agency responsible for promoting foreign investment in Ireland, the Industrial Development Authority, are frequently required to meet certain employment and investment criteria. The Irish government can restrict transfers between Ireland and certain designated countries as part of UN/EU restrictive measures (sanctions).

Mergers, joint ventures and acquisitions are subject to Irish and EU anti-trust legislation while media mergers are, in addition, subject to an extra layer of government scrutiny and to certain public interest criteria. The Irish Takeover Panel is responsible for applying the Irish Takeover Rules and EU and Irish public takeover legislation and generally for monitoring and supervising public takeovers. The acquisition of a shareholding or other interest in certain regulated businesses, including an insurance or reinsurance undertaking, investment firm or credit institution, authorized or licensed in Ireland that results in the acquisition of a 'qualifying holding' (10% ownership or ability to exercise 'significant influence') or which increases control above certain thresholds is subject to approval of the Central Bank of Ireland (CBI).

In addition, certain sectors are subject to sectoral regulation and supervision and businesses in those sectors must obtain various authorizations, licenses or permits from the relevant regulatory authorities in respect of their activities. One example is regulation by the CBI of all financial services activities and the banking sector in Ireland. To operate in those sectors, an authorization from CBI is required. In addition, CBI is the competent authority for the securities market in Ireland with securities listed on the Irish Stock Exchange (ISE) also being subject to regulation by the ISE. Other examples include the gas and electricity sectors which are regulated by the Commission for Energy Regulation (CER); the communications industry which is regulated by the Commission for Communications Regulation; the regulation of medicinal products and medical devices by the Irish Medicines Board and regulation of the broadcasting industry by the Broadcasting Authority of Ireland.

The mineral exploration and mining sector in Ireland is regulated by the Exploration and Mining Division of the Department of Communications, Climate Action and the Environment. A Prospecting License is required in order to undertake mineral exploration and a State Mining Facility is required to conduct mining in Ireland. Both the Prospecting License and State Mining Facility are granted by the Minister for Communications, Climate Action and the Environment. There are no general legal restrictions on foreign ownership of these permissions or on non-domestic investment in this sector.

HISTORY, DEVELOPMENT AND REORGANIZATION

OVERVIEW OF OUR HISTORY

Our Company was founded in 2000 by Mr. Li Liangbin. In our almost two-decade-long history, our founder and the management team have transformed us from a lithium compounds processing plant in a niche market industry into a global leader that primed for sustainable development and growth.

In 2010, we became the first listed company in China's lithium industry with our A Shares listed on the Shenzhen Stock Exchange (Stock Code: 002460). Since then, we started to expand upstream and downstream along the lithium industry value chain. Today, we have the most completed industry value chain among all lithium producers in the world.

BUSINESS MILESTONES

The following table sets forth the key milestones in our history:

<u>Year</u>	<u>Event</u>
2000	Our Company was established in Xinyu, Jiangxi Province and was engaged in the processing of lithium metals and lithium chloride.
2007	We launched the production line for extraction of lithium chloride from salt lake brines.
2010	We became the first listed company in China's lithium industry.
2011	We acquired 9.9% interest in International Lithium and expanded into the upstream section of the lithium industry value chain.
2014	We acquired 51% equity interest in Blackstairs Lithium, which owns the Avalonia project, a spodumene ore in Ireland. We subsequently acquired additional equity interest in Blackstairs Lithium and our shareholding in Blackstairs Lithium reached 55% in 2015. We launched a battery grade lithium hydroxide production line.
2015	We started to expand into downstream lithium battery production. We acquired 25% of the equity interest in RIM which holds 100% interest in the Mount Marion project located in Australia. In 2016, we further acquired 18.1% interest in RIM and our shareholding in RIM reached 43.1%.
2016	We established our research and development center for solid-state lithium batteries, the new generation of safer and higher capacity energy storage batteries which will be the key solution to the electric vehicles. We started to build our lithium-ion motive power battery plant in Jiangxi.
2017	We subscribed for new shares representing 19.9% of the total issued share capital in Lithium Americas which holds interests in two lithium development projects, the Cauchari-Olaroz project, which is located in Jujuy province of Argentina and the Lithium Nevada project, which is located in northwestern Nevada, the U.S.

HISTORY, DEVELOPMENT AND REORGANIZATION

<u>Year</u>	<u>Event</u>
	We subscribed for new shares representing 4.84% of the total issued share capital in Pilbara Minerals, which holds interests in Pilgangoora lithium-tantalum project, located in Western Australia.
	We subscribed for new shares representing 15.8% of the total issued share capital in Explorex Resources Inc., which engages in the acquisition, exploration, and development of mineral properties in Eastern Canada.
	We expanded into downstream retired battery recycling.

OUR COMPANY

Our Company was incorporated in Xinyu, Jiangxi Province in 2000. Upon our establishment, Mr. Li Liangbin and Mr. Li Huabiao (李華彪) (brother of Mr. Li Liangbin) held 93.33% and 6.67% equity interest in our Company, respectively. Through a series capital increases with capital contributions from third parties, the shareholding of Mr. Li Liangbin in our Company decreased to 66.9% in 2005. In 2006, all the then existing shareholders transferred all or part of their interests in our Company to Mr. Wang, our Vice Chairman and Mr. Cao Zhiang (曹志昂), an ex-supervisor of our Company and subsequent to the transfers, Mr. Li Liangbin, Mr. Wang and Mr. Cao Zhiang held 62.61%, 26.04% and 11.35% interest in our Company, respectively.

In December 2007, our Company was converted into a joint stock company with limited liability under the PRC Company Law. In 2010, we completed our initial public offering and our A Shares became listed on the Shenzhen Stock Exchange (Stock Code: 002460). In 2012, we implemented a restricted share unit award scheme and granted a total of 2,801,000 restricted share units to 139 employees, none of which remained outstanding as of the Latest Practicable Date. In 2013, we completed a private placing of 25,471,275 A Shares to eight investors. In August 2015, our Company issued 11,549,775 A Shares to Mr. Li Wanchu (李萬春) and 4,949,903 A Shares to Ms. Hu Yemei (胡葉梅) to settle the purchase price for the acquisition of Shenzhen Meibai. See “— Major Acquisitions During the Track Record Period — Acquisition of Shenzhen Meibai” below for details. In December 2015, May 2016 and July 2017, pursuant to the profit guarantee agreement entered into with Mr. Li Wanchun and Ms. Hu Yemei, our Company repurchased 17,776,499 and 7,618,500 A Shares in total from Mr. Li Wanchun and Ms. Hu Yemei, respectively, for a nominal consideration. In November 2017, we adopted the RSU Scheme in order to further motivate our employees. Pursuant to the RSU Scheme, 13,245,000 RSUs were granted to our employees. 12,866,500 restricted A Shares in respect of 12,866,500 granted RSUs were subscribed for and issued in December 2017. Grantees in respect of 378,500 RSUs did not subscribe for the underlying A Shares within the prescribed timeframe and such RSUs lapsed. Additional 2,865,000 reserved RSUs were granted on May 2, 2018 under the scheme. Grantees in respect of 741,920 such reserved RSUs did not subscribe for the underlying A Shares within the prescribed timeframe and such reserved RSUs lapsed. 2,123,080 restricted A Shares in respect of the remaining 2,123,080 granted reserved RSUs were subscribed for and issued in May 2018. No additional RSUs will be granted under the RSU Scheme after the date of this prospectus. See “Statutory and General Information — D. RSU Scheme” in Appendix VII for a summary of the principal terms of the RSU Scheme.

MAJOR ACQUISITIONS DURING THE TRACK RECORD PERIOD

With a view to building an integrated lithium ecosystem and procuring lithium resources for the development of the Group, we acquired interests in certain lithium resource companies during the Track Record Period, details of which are set out below. We have entered into offtake agreements with certain

HISTORY, DEVELOPMENT AND REORGANIZATION

lithium resource companies in which we hold interests. See “Business — Competitive Strengths — Access to Secure, High Quality Supply of Lithium Raw Materials” for details. We also acquired Shenzhen Meibai with a view to expanding into the downstream battery business.

Acquisition of Shenzhen Meibai

In July 2015, our Company acquired 70% and 30% equity interest in Shenzhen Meibai from Mr. Li Wanchun (李萬春) and Ms. Hu Yemei (胡葉梅), for a consideration of RMB256,900,000 and RMB110,100,000, respectively, determined based on an independent valuation. RMB77,070,000 and RMB33,030,000 was paid to Mr. Li Wanchun and Ms. Hu Yemei in cash, respectively. The remaining consideration was settled by issuing 11,549,775 A Shares to Mr. Li Wanchun and 4,949,903 A Shares to Ms. Hu Yemei at a price of RMB15.57 per A Share. In connection with the acquisition, the Company entered into a compensation agreement with Mr. Li Wanchun and Ms. Hu Yemei, pursuant to which, if the audited net profit after deducting non-recurring gains and losses of Shenzhen Meibai is less than RMB33 million, RMB43 million and RMB56 million for 2014, 2015 and 2016, respectively, Mr. Li Wanchun and Ms. Hu Yemei need to compensate the Company based on an agreed formula.

Acquisition of Jiangxi Lithium

In May 2015, the Company acquired 100% equity interest in Jiangxi Lithium from Sichuan Western Resources Holding Co., Ltd. (四川西部資源控股股份有限公司), an independent third party, for a consideration of RMB126,460,000 (determined based on arm’s length negotiation). Jiangxi Lithium holds the mining rights of one spodumene project located in Jiangxi Province, China.

Acquisition of 43.1% Interest in RIM

In September 2015, GFL International acquired 16.21% of the equity interest in RIM from Neometals Ltd., an independent third party, for a consideration of US\$16.21 million (determined based on arm’s length negotiation). At the same time, GFL International also subscribed for new shares representing 8.79% of the total issued share capital in RIM at a subscription price of US\$8.79 million (determined based on arm’s length negotiation). In 2016, GFL International acquired another 18.1% equity interest in RIM from Neometals Ltd. for a consideration of US\$27.15 million (determined based on arm’s length negotiation). After these transactions, GFL International’s shareholding in RIM reached 43.1%.

RIM holds 100% interest in the Mount Marion project located in Australia.

Acquisition of Additional Interest in International Lithium

Since 2011, GFL International has made certain equity investments in International Lithium. In November 2016, GFL International acquired an additional 2.3% equity interest in International Lithium from TNR Gold Corporation, an independent third party, for a consideration of Canadian Dollar 306,000 (determined based on a 10% discount to the previous 30-day volume weighted average price of shares in International Lithium). After the acquisition, GFL International’s shareholding in International Lithium increased to 18.06%. After a series of equity financings by International Lithium, GFL International’s shareholding in International Lithium was diluted and GFL International held 16.24% in International Lithium as of the Latest Practicable Date. International Lithium, listed on the Toronto Stock Exchange (ILC), the Frankfurt Stock Exchange (IAH), the OTC Markets in the U.S. (ILHMF), the Stuttgart Stock Exchange (A1JAZU) and the Berlin Stock Exchange (A1JAZU), is a lithium resource developer which holds interests in the Avalonia lithium project located in Ireland and the Mariana lithium-potassium salt lake located in Argentina while our Group also holds direct interests in these two projects.

HISTORY, DEVELOPMENT AND REORGANIZATION

GFL International extended an exploration loan in principal amount of US\$2 million to International Lithium, at an interest rate of 10% per annum and due in 2024, for the exploration of the Mariana lithium-potassium salt lake located in Argentina. The loan will not constitute a continuing connected transaction upon Listing under Chapter 14A of the Listing Rules, on the ground that LITIO MINERA and Blackstairs Lithium, in which International Lithium holds 17.246% and 45%, respectively, are "insignificant subsidiaries" (as defined under Rule 14A.09 of the Listing Rules) of the Company.

Acquisition of 19.9% Interest in Lithium Americas

In January 2017, GFL International subscribed for new shares representing 19.9% of the total issued share capital in Lithium Americas for a total consideration of Canadian Dollar 63.75 million. Lithium Americas is a resource company focused on the development of lithium development projects, the Cauchari-Olaroz project, which is located in Jujuy province of Argentina and the Lithium Nevada project, which is located in northwestern Nevada, the United States, Shares of Lithium Americas are traded on the Toronto Stock Exchange under the symbol LAC and on the OTC Markets in the U.S. under the symbol LACDF.

GFL International, as the largest shareholder of Lithium Americas after the completion of the said acquisition, agreed to extend a loan in principal amount of US\$125 million to Lithium Americas for a term of 6 years. The loan proceeds shall be used for the development of the Cauchari-Olaroz project. As of the Latest Practicable Date US\$6.5 million has been drawn down.

Acquisition of 4.84% Interest in Pilbara Minerals

In August 2017, GFL International subscribed for new shares representing 4.84% of the total issued share capital in Pilbara Minerals for a total consideration of US\$20 million. Pilbara Minerals is an emerging lithium and tantalum producer listed on the Australian Securities Exchange (PLS) focused on the development of Pilgangoora lithium-tantalum project, located in Western Australia.

Acquisition of 15.8% Interest in Explorex Resources Inc.

In October 2017, GFL International subscribed for new shares representing approximately 15.8% of the total issued share capital in Explorex Resources Inc. at a consideration of Canadian Dollar 500,000 (determined based on arm's length negotiation). Our shareholding in Explorex Resources Inc. was diluted to 15.40% as of the Latest Practicable Date due to further equity financings of Explorex Resources Inc. Explorex Resources Inc. engages in the acquisition, exploration, and development of mineral properties in Eastern Canada.

As advised by our PRC Legal Advisors, approvals from and filings with the MOFCOM have been obtained for the completion of the acquisitions set forth above.

POST-TRACK RECORD PERIOD ACQUISITION

Acquisition of 37.5% Interest in Cauchari-Olaroz Project

On August 13, 2018 we entered into an acquisition agreement with Lithium Americas and SQM regarding the acquisition of equity interest in the Cauchari-Olaroz project from SQM for an initial consideration of US\$87.5 million due at closing and additional payment of US\$50 million upon the

HISTORY, DEVELOPMENT AND REORGANIZATION

Cauchari-Olaroz project meeting certain sales milestones. After Lithium Americas, which held 50% equity interests in the Cauchari-Olaroz project, converted its loan of US\$4.7 million in the Cauchari-Olaroz project into equity interests, our shareholding in the Cauchari-Olaroz project will be diluted and we will hold 37.5% directly in the Cauchari-Olaroz project upon completion of the acquisition. Moreover, combined with our current offtake agreement with Lithium Americas which entitles us to up to 80% of Lithium Americas' 50% of the actual production from stage 1 of the Cauchari-Olaroz resource in the Cauchari-Olaroz project and the 37.5% offtake rights that we will receive upon the completion of the acquisition, we will be entitled to 77.5% of the actual production from stage 1 Cauchari-Olaroz project upon the completion of the acquisition. Minera Exar S.A. ("Minera Exar") is the joint venture company incorporated in Argentina that holds 100% interest in the Cauchari-Olaroz project.

No approval, order, consent of, or filing with, any governmental authority is required on the part of our company in connection with the execution, delivery and performance of the acquisition agreement, except for overseas investment project filings with the PRC National Development and Reform Commission and with the Ministry of Commerce, which filings do not require approval of such authorities. The acquisition also needs to be recorded in the corporate records of Minera Exar at the relevant corporate registry in Argentina and we do not expect any difficulties in completing this recording procedure which does not require any governmental approval.

According to the audited financial statements of Minera Exar, prepared based on IFRSs which were made available to the Company, Minera Exar's total assets amounted to approximately US\$55.4 million as of June 30, 2017 and US\$85.8 million as of June 30, 2018. Its net assets amounted to US\$16.1 million as of June 30, 2017 and US\$35.1 million as of June 30, 2018. Its net loss amounted to US\$9.5 million as of June 30, 2017 and US\$1.0 million as of June 30, 2018. For details of the audited financial information of Minera Exar, please refer to Appendix IC to this prospectus.

In connection with the acquisition and subject to the approval by the general meeting of Shareholders, our Directors have approved GFL International to extend a loan in principal amount of US\$25.0 million to Minera Exar for the exploration and further development of the Cauchari-Olaroz project. The loan is repayable through the profits of Minera Exar.

In addition, in order to deepen the relationship with Lithium Americas, as approved by the general meeting of shareholders, the Company agreed to collaborate and explore future opportunities to jointly develop lithium resources across North and South America and has decided to create a jointly-owned holding company, in which, Lithium Americas will hold 62.5% and GFL International will hold 37.5%, to jointly fund Minera Exar with a loan in the principal amount of US\$33.3 million, including US\$27.2 million from GFL International and US\$6.1 million from Lithium Americas, for the exploration and further development of the Cauchari-Olaroz project.

Moreover, as approved by the general meeting of Shareholders, our Directors have also approved GFL International to extend a loan in principal amount of US\$100 million to Lithium Americas at an interest rate of LIBOR +5.5% capped at 10% and repayable out of 50% of future distributions received by Lithium Americas from Minera Exar.

For details of the unaudited pro forma financial information on our Group immediately following completion of the Acquisition, please refer to Appendix IIB to this prospectus.

ISSUANCE OF CONVERTIBLE BONDS

On December 27, 2017, the Company issued Convertible Bonds of RMB100 each at par value in the aggregate principal amount of RMB928 million. The Convertible Bonds were for a term of six years commencing on December 21, 2017 at an annual interest rate for the first year at 0.3%, the second year at

HISTORY, DEVELOPMENT AND REORGANIZATION

0.5%, the third year at 0.8%, the fourth year at 1%, the fifth year at 1.5% and the sixth year at 1.8%. They are convertible into the A Shares during the period from June 27, 2018 to December 21, 2023. The initial conversion price is RMB71.89 per A Share, subject to adjustment. See “Convertible Bonds” in Appendix VI for details of the principal terms of the Convertible Bonds.

OUR PRINCIPAL SUBSIDIARIES, JOINT VENTURES, ASSOCIATES AND OTHER EQUITY INVESTMENTS

1. Upstream lithium resources

Subsidiaries, Joint Ventures, Associates and Other Key Equity Investments

Jiangxi Lithium is the only subsidiary in the PRC that is engaged in the upstream lithium resources business. Our interests in the offshore subsidiaries and other offshore companies engaged in the upstream lithium resources business are held by GFL International. As of the Latest Practicable Date, save as disclosed in “— Changes in Shareholding” below, there have been no other changes in the shareholding of our subsidiaries or joint ventures since January 1, 2015, the start of the Track Record Period. The names, dates and places of establishment of our subsidiaries and other entities in which we have interests and shareholding by our Group members are as follows:

Name	Date of Establishment	Place of Establishment	Shareholder (a member of our Group)	Shareholding as of the Latest Practicable Date
1. Jiangxi Lithium	March 3, 2010	PRC	our Company	100%
2. Mariana Lithium	July 7, 2014	Hong Kong	GFL International	100%
3. LITIO MINERA	April 5, 2010	Argentina	Mariana Lithium ⁽¹⁾ International Lithium ⁽¹⁾	82.754% 17.246%
4. Blackstairs Lithium . . .	October 18, 2013	Republic of Ireland	GFL International International Lithium ⁽²⁾	55% 45%
5. RIM	August 11, 2009	Australia	GFL International	43.1% ⁽³⁾
6. International Lithium	March 26, 2009	Canada	GFL International	16.24% ⁽²⁾
7. Lithium Americas	November 27, 2007	Canada	GFL International	16.92% ⁽⁴⁾
8. Pilbara Minerals	January 10, 2005	Australia	GFL International	4.30% ⁽⁵⁾
9. Explores Resources Inc.	January 6, 2011	Canada	GFL International	15.40% ⁽⁶⁾
10. Qinghai Liangcheng	May 2, 2018	PRC	our Company	100%

Notes:

- (1) In December 2017, our shareholding in LITIO MINERA increased to 82.754% and International Lithium’s shareholding in LITIO MINERA decreased to 17.246%. The shareholding change is pending registration with local authorities.
- (2) International Lithium is a company listed on the Toronto Stock Exchange, the Frankfurt Stock Exchange, the OTC Markets in the U.S., the Stuttgart Stock Exchange and the Berlin Stock Exchange, which is held as to 16.24% by GFL International, our wholly-owned subsidiary as of the Latest Practicable Date;
- (3) 43.1% of the equity interest in RIM is held by Process Minerals International Pty Ltd. and the remaining 13.8% of the equity interest is held by Neometals Ltd. (a company listed on the Australian Stock Exchange (NMT));
- (4) Lithium Americas is a company listed on the Toronto Stock Exchange and the OTC Markets in the U.S., which is held as to 16.92% by GFL International, our wholly-owned subsidiary as of the Latest Practicable Date;
- (5) Pilbara Minerals is a company listed on the Australian Stock Exchange, which is held as to 4.30% by GFL International, our wholly-owned subsidiary as of the Latest Practicable Date;
- (6) Explores Resources Inc. is a company listed on the Canadian Stock Exchange and the Frankfurt Stock Exchange, which is held as to approximately 15.40% by GFL International, our wholly-owned subsidiary as of the Latest Practicable Date;

HISTORY, DEVELOPMENT AND REORGANIZATION

Changes in Shareholding

For the changes in shareholding in the subsidiaries and associates since January 1, 2015, the start of the Track Record Period, please see “— Major Acquisitions during the Track Record Period — Acquisition of Jiangxi Lithium ” and “— Major Acquisitions during the Track Record Period — Acquisition of 43.1% Interest in RIM.”

In December 2017, our shareholding in LITIO MINERA increased to 82.754% and International Lithium’s shareholding in LITIO MINERA decreased to 17.246%. The shareholding change is pending registration with local authorities.

2. Lithium compounds

Our production of lithium compounds is mainly undertaken by our Company, and one of our wholly-owned subsidiaries, Ningdu Ganfeng. Ningdu Ganfeng was established in 2016, and there have been no changes in the shareholding of Ningdu Ganfeng since its establishment. The name, date and place of establishment and shareholder of Ningdu Ganfeng is as follows:

<u>Name</u>	<u>Date of Establishment</u>	<u>Place of Establishment</u>	<u>Shareholder (a member of our Group)</u>	<u>Shareholding as of the Latest Practicable Date</u>
1. Ningdu Ganfeng	August 23, 2016	PRC	our Company	100%

3. Lithium metals

Our Lithium metals business was mainly conducted through Fengxin Ganfeng and Yichun Ganfeng, two of our wholly-owned subsidiaries. There are no changes in shareholding in these two subsidiaries since January 1, 2015, the start of the Track Record Period. The names, dates and places of establishment of these two subsidiaries and shareholding by our Group members are as follows:

<u>Name</u>	<u>Date of Establishment</u>	<u>Place of Establishment</u>	<u>Shareholder (a member of our Group)</u>	<u>Shareholding as of the Latest Practicable Date</u>
1. Fengxin Ganfeng	January 8, 2004	PRC	our Company	100%
2. Yichun Ganfeng	July 22, 2008	PRC	our Company	100%

4. Lithium batteries

Subsidiaries

New Energy Industrial Investment, an investment holding partnership in which we hold 49.995% equity interest, holds 99% and 95% of the equity interests in each of Ningbo Fengli and Jiangsu Yuanrong, all of which are engaged in the production of lithium batteries. Two of our subsidiaries, Ningbo Lisaikang and Ganfeng New Energy, and their holding companies, Zhejiang Fengli and Ganfeng Battery, respectively, are also engaged in the production of lithium batteries. Apart from these, two other subsidiaries directly wholly owned by our Company, namely Shenzhen Meibai and Dongguan Ganfeng, are also engaged in the

HISTORY, DEVELOPMENT AND REORGANIZATION

production of lithium batteries. Shenzhen Meibai ceased battery production in July 2016. As of the Latest Practicable Date, save as disclosed in “— Changes in Shareholding” below, there have been no other changes in the shareholding of these subsidiaries since January 1, 2015, the start of the Track Record Period or since the day we acquired interest in such subsidiaries. The names, dates and places of establishment of these subsidiaries and shareholding by our Group are as follows:

Name	Date of Establishment	Place of Establishment	Shareholder (a member of our Group)	Shareholding as of the Latest Practicable Date
1. Ganfeng Battery	June 13, 2011	PRC	our Company	100%
2. Shenzhen Meibai	July 9, 2002	PRC	our Company	100%
3. Dongguan Ganfeng	December 29, 2015	PRC	our Company	100%
4. Ganfeng New Energy	September 26, 2017	PRC	Ganfeng Battery	99.8%
5. Ningbo Lisaikang	March 5, 2015	PRC	our Company Zhejiang Fengli	0.2%
6. Jiangsu Yuanrong	August 15, 2016	PRC	New Energy Industrial Investment	95% ⁽¹⁾
7. Ningbo Fengli	July 28, 2016	PRC	New Energy Industrial Investment	99% ⁽²⁾
8. Zhejiang Fengli	December 28, 2017	PRC	our Company	100%
9. Ganfeng Electronics	April 4, 2018	PRC	Ganfeng Battery	71% ⁽³⁾

Notes:

- (1) 5% of the equity interest in Jiangsu Yuanrong is held by He Lei (何磊), an independent third party (other than being a shareholder of our subsidiar(ies));
- (2) 1% of the equity interest in Ningbo Fengli is held by Yang Jing (楊菁), an independent third party (other than being a shareholder of our subsidiar(ies));
- (3) The remaining equity interest in Ganfeng Electronics is owned as to 5% by Huang Hao (黃浩), an independent third party other than being a shareholder of our subsidiary, as to 5% by Wang Zhigang (汪志剛), an independent third party other than being a shareholder of our subsidiary, as to 5% by Huizhou Huifeng New Energy Technology Co., Ltd., (惠州市惠鋒新能科技有限公司), an independent third party other than being a shareholder of our subsidiary and as to 14% by Xu Shengwang (徐聖旺), a supervisor of Ganfeng Electronics.

Changes in Shareholding

Set out below are the changes in shareholding in the subsidiaries since January 1, 2015, the start of the Track Record Period or since the date on which we acquired interests in such subsidiaries:

On April 13, 2017, Ganfeng Battery acquired 73.32%, 20%, 3.34% and 3.34% equity interests in Ningbo Lisaikang from each of Ding Li (丁莉), Xu Bisheng (許必勝), Huang Zhen (黃禎) and Zhu Jun (朱駿) for a consideration of RMB14,664,000, RMB4,000,000, RMB668,000 and RMB668,000, determined based on arm’s length negotiation, respectively.

On December 28, 2017, Zhejiang Fengli was established in the PRC as our wholly-owned subsidiary with a registered capital of RMB250,000,000.

HISTORY, DEVELOPMENT AND REORGANIZATION

On March 8, 2018, 100% of Ganfeng Battery's equity interest in Ningbo Lisaikang was transferred to Zhejiang Fengli.

5. Lithium battery recycling

Fengxin Ganfeng Renewable and Ganfeng Recycling are our wholly-owned subsidiaries engaged in the lithium battery recycling business. There are no changes in shareholding in these two subsidiaries since January 1, 2015, the start of the Track Record Period. The names, dates and places of establishment of our subsidiaries and shareholding by our Group are as follows:

Name	Date of Establishment	Place of Establishment	Shareholder (a member of our Group)	Shareholding as of the Latest Practicable Date
1. Fengxin Ganfeng Renewable	June 4, 2009	PRC	our Company	100%
2. Ganfeng Recycling	January 25, 2016	PRC	our Company	100%

6. Supporting functions

We have two wholly-owned subsidiaries that undertake supporting functions such as inspection of lithium battery products and transportation. There have been no changes in shareholding in these two subsidiaries since January 1, 2015, the start of the Track Record Period. The names, dates and places of establishment of our subsidiaries that undertake supporting functions and shareholding by our Group are as follows:

Name	Date of Establishment	Place of Establishment	Shareholder (a member of our Group)	Shareholding as of the Latest Practicable Date
1. Ganfeng Inspection	April 11, 2007	PRC	our Company	100%
2. Ganfeng Transportation	October 31, 2007	PRC	our Company	100%

7. Others

Set out below are details of other companies, the results of which have been consolidated into those of our Group:

Name	Date of Establishment	Place of Establishment	Shareholder (a member of our Group)	Shareholding as of the Latest Practicable Date
1. GFL International	March 29, 2011	Hong Kong	our Company	100%
2. New Energy Industrial Investment	May 4, 2016	PRC	our Company	49.995% ⁽¹⁾
3. Havelock Mining	July 10, 2017	Hong Kong	GFL International	90% ⁽²⁾
4. Mount Marion Co.	May 9, 2017	Hong Kong	GFL International	100%
5. Jiangsu Youpai ⁽³⁾	December 14, 2010	PRC	our Company	100%

Notes:

- (1) 49.995% of the equity interest in New Energy Industrial Investment is held by ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司), and the remaining 0.01% is held by Tibet Xingfu Investment Management Co., Ltd. (西藏興富投資管理有限公司), both of which are independent third parties (other than being shareholders of our subsidiar(ies)).

HISTORY, DEVELOPMENT AND REORGANIZATION

- (2) 10% of the equity interest in Havelock Mining is held by Hongze Group Limited, an independent third party (other than being a shareholder of our subsidiar(ies)).
- (3) Jiangsu Youpai is principally engaged in the sales of NMC precursors.

On May 4, 2016, New Energy Industrial Investment was established in the PRC with a registered capital of RMB150,000,000 by our Company (holding 99.93% interest) and Tibet Xingfu Investment Management Co., Ltd. (西藏興富投資管理有限公司) (holding 0.07% interest).

On September 7, 2016, ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司) joined New Energy Industrial Investment as a limited partner, and our Company further injected capital to New Energy Industrial Investment, upon the completion of which New Energy Industrial Investment was held as to 49.995% by our Company, 49.995% by ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司), and 0.01% by Tibet Xingfu Investment Management Co., Ltd. (西藏興富投資管理有限公司).

On May 9, 2017, Mount Marion Co. was incorporated in Hong Kong. Upon incorporation, 10,000 shares of Mount Marion Co. was allotted and issued to GFL International at a consideration of HK\$10,000 which was fully paid up.

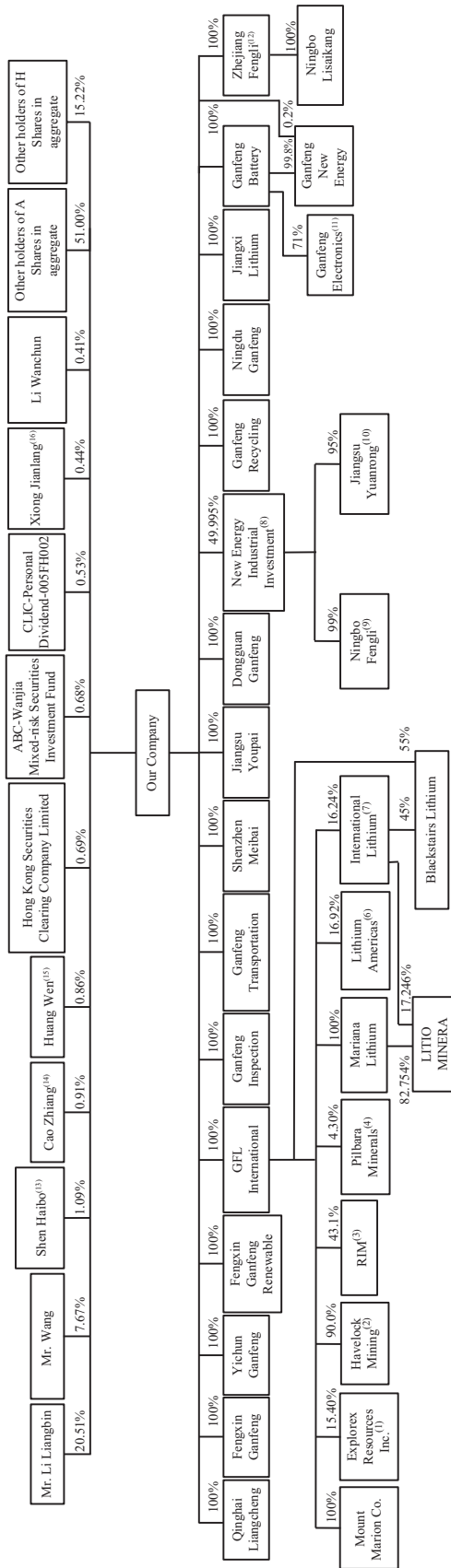
On July 10, 2017, Havelock Mining was incorporated in Hong Kong with an issued capital of HK\$10,000 which was fully paid up. Upon incorporation, 10,000 shares of Havelock Mining was allotted and issued to GFL International (holding 90% interest) and Hongze Group Limited (holding 10% interest).

Save as disclosed above, there have been no other changes in our interest in these four companies since January 1, 2015, the start of our Track Record Period.

- (8) 49.995% of the equity interest in New Energy Industrial Investment is held by ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司), and the remaining 0.01% is held by Tibet Xingfu Investment Management Co., Ltd. (西藏興富投資管理有限公司), both of whom are independent third parties;
- (9) 1% of the equity interest in Ningbo Fengli is held by Yang Jing (楊菁), an independent third party (other than being a shareholder of our subsidiary(ies));
- (10) 5% of the equity interest in Jiangsu Yuanrong is held by He Lei (何磊), an independent third party (other than being a shareholder of our subsidiary(ies));
- (11) The remaining equity interest in Ganfeng Electronics is owned as to 5% by Huang Hao (黃浩), an independent third party other than being a shareholder of our subsidiary, as to 5% by Wang Zhigang (汪志剛), an independent third party other than being a shareholder of our subsidiary and as to 14% by Xu Shengwang (徐聖旺), a supervisor of Ganfeng Electronics;
- (12) In order to incentivize the management and key employees of Zhejiang Fengli and to attract and retain skilled and experienced personnel to strive for the completion and operation of our pilot production line for solid-state lithium batteries, the Board has resolved to transfer no more than 48% of the equity interest in Zhejiang Fengli to the management and key employees of Zhejiang Fengli if certain key performance indicators are satisfied. Such equity interest, if transferred, will be held by the relevant management members and key employees through a limited partnership. As of the Latest Practicable Date the key performance indicators have been satisfied but no transfer had been made as of the Latest Practicable Date or will be made before Listing;
- (13) a Director;
- (14) an employee of the Company;
- (15) Mr. Li Liangbin's brother-in-law; and
- (16) Xiong Jianlang is one of the Promoters.

HISTORY, DEVELOPMENT AND REORGANIZATION

Set forth below is our shareholding structure immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option and no change in shareholding by each of the Shareholders listed below subsequent to September 10, 2018). For more information, see “Share Capital.”



Notes:

See notes starting on page 125.

OVERVIEW

We are 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 as of December 31, 2017, according to CRU. We offer five major categories of more than 40 lithium compounds and metals products, which we believe is one of the most comprehensive product offerings among the lithium compounds and metals suppliers in the world. Our products are widely used in a number of application areas, particularly, in the manufacturing of electric vehicles, chemicals and pharmaceuticals products. Our comprehensive suite of product offerings enables us to effectively address the unique and diverse products needs of our customers, many of whom are global leaders in their respective industries and have a broad variety of requirements and specifications. We have 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. We started as a midstream manufacturer of lithium compounds and lithium metals and have successfully expanded both upstream and downstream along the industry value chain to secure competitive lithium raw material supply, ensure cost and operational efficiency, achieve valuable synergies between various business lines, gather latest market information and develop cutting-edge technologies.

The global lithium compounds and metals industry is a disciplined market protected by significant barriers to entry. The global lithium compounds and metals market is dominated by a limited number of lithium compounds and metals manufacturers, including us. As of December 31, 2017, the top five lithium compounds suppliers, including us, accounted for 69% of global production capacity, according to the CRU Report. According to CRU, the key barriers to entry in the global lithium compounds and metals industry include, among others, (i) access to an adequate, stable supply of lithium raw materials; (ii) high level of technological know-how and R&D capabilities; (iii) significant initial capital expenditure and development lead time; (iv) established relationships with diversified blue-chip customers; and (v) management experience and talent pool. We believe that we are well positioned as a market leader to capture the expansive growth opportunities in the disciplined global lithium compounds and metals market to enhance our profitability.

We first started to acquire equity interests in lithium resources as early as 2011, and strategically increased our investments in lithium resources around the world in 2015. As of December 31, 2017, we had equity interests in a total of six lithium resources in Australia, Argentina, China and Ireland. Among these mine resources, Mount Marion project and the Pilgangoora Lithium-Tantalum mine, which are under operation, and the Cauchari-Olaroz salt lake, which is under development, are of high quality in terms of high resource grade (in Li₂O% or in Li mg/L) and large resource size. According to CRU, our current main lithium source, Mount Marion project in Australia, was the second largest spodumene mine in the world in operation in terms of production capacity and production volume as of December 31, 2017. Through our investments in lithium resources, we are able to secure a stable and high quality supply of lithium raw materials.

We believe it is critical to partner with the best industry players to ensure sustainable and quality growth. We have developed a diversified blue-chip customer base in China and globally as a result of our rich industry experience, our extensive product offering, and the quality of our products. From our origins in China, which remains our largest market, we have expanded to sell products to customers in more than 10 countries. Our products are mainly used in the batteries and pharmaceutical industries. Our diversified blue-chip customers include a group of globally tier-one battery suppliers. We have also been in initial discussions with a number of global leading automotive OEM manufacturers and existing battery material customers regarding establishing long-term strategic relationships with them in connection with potential

BUSINESS

opportunities of supply of lithium compounds and other products and intend to position ourselves as a total solutions provider to accentuate our role in the development and production process of their end use products. We have recently entered into a strategic cooperative agreement with Tesla, pursuant to which we became a selected supplier of battery-grade lithium products for Tesla's designated suppliers for an initial period until the end of 2020. We believe our globally diversified customer base has reinforced our resilience and the stability of our business to avoid over-reliance on a single or a few concentrated customers.

With an enduring dedication to technology, we have been at the forefront of seeking breakthroughs in lithium products. We have developed a series of innovative production techniques, installed advanced equipment and optimized manufacturing processes to enhance our product quality, ensure cost efficiency and promote our overall profitability. Due to our continued technological innovation and investment in research and development, we have undertaken 15 national level R&D projects and 34 provincial level R&D projects, including projects under the State High-tech Development Plan (the "863 Program"), the National Key Industries Rejuvenation Project (國家重點產業振興項目), the National Torch Program (國家火炬計劃) and the National High-end Overseas Experts Project (國家高端海外專家項目). Furthermore, we are conducting extensive research on commercializing the next generation solid-state lithium batteries. Solid-state lithium batteries are a new generation of lithium batteries that use solid electrolytes instead of the liquid electrolytes used in today's lithium-ion batteries. The solid-state lithium batteries are expected to usher in an era of safer, more compact, higher capacity energy storage batteries. We believe solid-state lithium batteries are the key solution to the electric vehicles, and hope to produce such new generation batteries at large scale and at competitive price points in the near future.

We believe that the explosive growth in demand for electric vehicle batteries and energy storage batteries provide ample opportunities for the global lithium compounds and metals market. The global electric vehicle sales grew from 1.2 million units in 2012 to 3.0 million units in 2017, representing a CAGR of 19%, and is expected to reach 8.6 million units by 2022, representing a CAGR of 23%, according to the CRU Report. The rapid increase in demand for lithium batteries used in electric vehicles has resulted in a surge in global demand for lithium compounds. According to the CRU Report, global demand for lithium compounds has risen from 134 kilotons LCE in 2012 to 229 kilotons LCE in 2017, representing a CAGR of 11%, and is expected to reach 526 kilotons LCE by 2022, representing a CAGR of 18%. Due to the high demand for lithium batteries and other lithium-containing end products and relatively limited lithium extraction and processing capacity, lithium battery material manufacturers and lithium battery manufacturers currently and will continue to rely heavily on midstream lithium compounds and metals suppliers with secure upstream lithium resources supply.

Our success and industry leading business is evidenced by our strong financial track record, where we have achieved significant growth and margin improvement during the Track Record Period. Our revenue increased from RMB1,344.2 million in 2015 to RMB2,633.5 million in 2016, representing a growth rate of 95.9% and further increased to RMB4,171.2 million for the year ended December 31, 2017, representing a growth rate of 58.4%. Our revenue increased from RMB623.6 million for the three months ended March 31, 2017 to RMB1,044.4 million for the same period in 2018, representing a growth of 67.5%. Our net profit increased from RMB217.9 million in 2015 to RMB1,118.1 million in 2016, representing a growth rate of 413.1% and further increased to RMB2,095.1 million for the year ended December 31, 2017, representing a growth rate of 87.4%. Our net profit decreased from RMB436.4 million for the three months ended March 31, 2017 to RMB242.5 million for the same period in 2018, representing a decrease of 44.4%. Our adjusted EBITDA, being our profit before tax adjusted for certain items including the losses relating to Shenzhen Meibai's fire incidents and fair value gains from derivative financial instruments, increased by 255.1% from RMB268.6 million in 2015 to RMB953.9 million in 2016 and further increased by 117.4% to RMB2,073.9 million in 2017. Our adjusted EBITDA increased by 84.2% from RMB193.7 million in the three months ended March 31, 2017 to RMB352.9 million in the corresponding period in 2018. For more details about the definition and calculation of our adjusted EBITDA, refer to "Financial Information — Adjusted EBITDA."

COMPETITIVE STRENGTHS

We believe that our following key competitive strengths have contributed to our success:

World's third largest and China's largest lithium compounds producer and the world's largest lithium metals producer well-positioned to capture growth opportunities in the global lithium compounds and metals markets

We are 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 as of December 31, 2017, according to CRU, and occupy a preeminent position in the global lithium compounds and metals industry chain. We have the capability to extract lithium raw materials from both mineral ores and lithium-containing salt lake brines and offer five major categories of more than 40 lithium compounds and metals. We believe we have one of the most comprehensive product offerings among the lithium compounds and metals suppliers in the world.

According to the CRU Report, we achieved leading positions in several market segments in the lithium industry by production capacity in 2017. We ranked fourth globally in terms of lithium carbonate production capacity in 2017 accounting for 10% of global production capacity, according to the CRU Report. We ranked third globally and first in China in terms of lithium hydroxide production capacity in 2017, accounting for 11% of global production capacity, according to the CRU Report. We ranked first globally in terms of lithium metals production capacity in 2017, accounting for 47% of global production capacity, according to the CRU Report.

The explosive growth in demand for electric vehicle batteries and energy storage batteries provide ample opportunities for the global lithium compounds and metals market. The global electric vehicle sales grew from 1.2 million units in 2012 to 3.0 million units in 2017, representing a CAGR of 19%, and is expected to reach 8.6 million units by 2022, representing a CAGR of 23%. The rapid increase in demand for lithium batteries used in electric vehicles has resulted in a surge in the global lithium compounds demand. According to the CRU Report, global demand for lithium compounds has risen from 134 kilotons LCE in 2012 to 229 kilotons LCE in 2017, representing a CAGR of 11%, and is expected to reach 526 kilotons LCE by 2022, representing a CAGR of 18%. China is the world's fastest growing markets for lithium. Due to the high demand for lithium batteries and other lithium-containing end products and relatively limited lithium extraction and processing capacity, lithium battery material manufacturers and lithium battery manufacturers currently and will continue to rely heavily on midstream lithium compounds and metals suppliers with secure upstream lithium resources supply. We believe that we are well positioned as a market leader to capture such growth opportunities and enhance our profitability.

The global lithium compounds and metals industry is a relatively orderly market protected by significant barriers to entry. The global lithium compounds and metals market is dominated by a limited number of lithium companies, including us. As of December 31, 2017, the top five lithium compounds suppliers, including us, accounted for 69% of global production capacity, according to the CRU Report. According to CRU, the key barriers to entry in the global lithium compounds and metals industry include, among others, (i) access to an adequate, stable supply of lithium raw materials; (ii) high level of technological know-how and R&D capabilities; (iii) significant initial capital expenditure and development lead time; (iv) established relationships with diversified blue-chip customers; and (v) management experience and talent pool. We believe that it would be difficult for prospective entrants to join the industry or to imitate our strengths.

Vertically integrated business model with synergies across the industry chain

We believe our vertically integrated and synergistic business model is a key differentiating factor to our leading industry position and success. We have operations along the critical stages of the industry value chain, including upstream lithium extraction, midstream lithium products processing and downstream lithium battery production and recycling. Our business model creates valuable synergies between our various business lines, improving our operational efficiency and profitability and increasing barriers for potential entrants to our industry, thus strengthening our market position.

At our inception, we started as a midstream manufacturer of lithium compounds and lithium metals, which remain the backbone of our vertically integrated business model. Over the past two decades, we have accumulated a vast amount of industry expertise and technological know-how in the lithium compounds and lithium metals production process, which enable us to produce high quality lithium products in a cost effective manner. We have a total of 39 issued patents in relation to lithium compounds and lithium metals. We have also participated in formulating and revising 19 industry and/or national standards in relation to lithium compounds and lithium metals. Furthermore, we have successfully developed and implemented a series of innovative production techniques to enhance product quality and improve profitability. Our strong lithium compounds and lithium metals manufacturing techniques have been awarded with multiple accreditations and recognition from various organizations and entities. For example, we were granted Scientific and Technological Progress Award from All-China Federation of Industry and Commerce for our advanced technology of low-temperature vacuum distillation of battery-grade lithium metals.

Drawing upon our success and experience in lithium products businesses, we have successfully expanded upstream into lithium resources extraction to secure supply of lithium raw materials, as well as downstream into battery production and recycling to capture latest market directions and accumulate cutting-edge industrial know-how. We started to acquire equity interests in lithium resources around the world as early as 2011 and strategically launched our upstream lithium resources business line in 2015. We believe our investments in lithium resources give us a secure, high quality supply of lithium raw materials. In addition to our upstream efforts, we recently expanded downstream into lithium battery production and battery recycling business lines, which allows us to gain early access to and knowledge in emerging technologies, the global lithium trends and market directions and thus adapt our strategies and production in line with the new trends. We believe our access to abundant high quality, stable lithium resources and capability to produce and recycle lithium batteries give us a long-term competitive advantage to support our existing lithium products manufacturing operations.

We have greatly benefitted from synergies among our different business lines. For example, the major supplier for our battery production business is also a customer of our lithium processing business and our battery production operations has facilitated our development of a good relationship with this customer. Our profound understanding of the lithium products industry chain gained through our other business lines enables us to enhance the competitiveness of our battery products in order to seize opportunities offered by the enormous growth in demand for electric vehicle batteries. Furthermore, our ability to recycle lithium batteries addresses the waste management needs of battery manufacturers and electric vehicle producers, which helps solidify our relationships with such customers. In addition, we believe our phase-by-phase development of solid-state batteries is greatly aided and enabled by our vertically integrated business model, including a stable supply of key raw materials through our lithium compounds and metals business lines, long experience in operating scalable manufacturing facilities accumulated through our lithium compounds business line and the talent pool and human capital assembled through our battery production business line. We believe many of our customers place great value on the benefits provided by our vertically integrated business model, which cannot be easily replicated by our competitors.

Access to secure, high quality supply of lithium raw materials

Due to the scarcity of upstream lithium resources, access to an adequate high quality supply of lithium raw materials is crucial to achieving business size and growth in the lithium products industry. We first started to acquire equity interests in lithium resources as early as 2011, and strategically increased our investments in lithium resources globally in 2015. As of March 31, 2018, we had equity interests in a total of six lithium resources in Australia, Argentina, China and Ireland. Among these mine resources, Mount Marion project and the Pilgangoora Lithium-Tantalum mine, which are under operation, and the Cauchari-Olaroz salt lake, which is under development, are of high quality in terms of high resource grade (in $\text{Li}_2\text{O}\%$ or in Li mg/L) and large resource size. The following list sets forth the characteristics of our key lithium resources:

- **Mount Marion Project** is located in Western Australia and was the second largest spodumene mine in the world in operation in terms of production capacity and production volume as of December 31, 2017, according to CRU. Mount Marion project has a JORC compliant proved and probable ore resource of 2.7 million tons LCE, with an average lithium oxide grade of 1.37%. We have entered into a long-term offtake agreement that entitles us to 100% of the lithium concentrate produced from Mount Marion project between 2017 and 2020, while the other shareholders together have an option to purchase up to 51% of the lithium raw materials produced after 2020. Mount Marion project is our primary source of lithium raw materials. We plan to undertake further explorations to upsize our lithium resources at Mount Marion project if additional needs for lithium raw materials arise in the future;
- **Mariana Project** is a lithium-potassium salt lake located in Salta Province, Argentina. According to the first resource estimation report prepared by Geos Mining, the Mariana project has an indicated and inferred effective volume of lithium-rich brine of 1,127 million cubic meters with an indicated and inferred lithium resource of 1,866 kilotons LCE. Initial exploration efforts indicate that Mariana has a homogenous geochemical concentration that can be extracted through conventional solar evaporation process at a relatively low cost;
- **Cauchari-Olaroz** is a lithium salt lake located in Jujuy Province, Argentina. The Cauchari-Olaroz project has a lithium-rich brine resource of 11.8 million tons LCE. We have entered into an offtake agreement that entitles us to up to 80% of Lithium Americas' 50% share of the actual production from stage 1 of the Cauchari-Olaroz resource at market prices. The Cauchari-Olaroz salt lake is targeting commissioning in late 2019 or early 2020;
- **Pilgangoora Lithium-Tantalum Project** is located in Western Australia and is one of the largest spodumene ore deposits in the world, according to CRU. The Pilgangoora Lithium-Tantalum project has a spodumene ore resource of 4.9 million tons LCE, with an average lithium oxide grade of 1.25%. We have entered into a long-term offtake agreement, which entitles us to a supply of 0.16 million tons per annum of lithium raw materials over an initial term of ten years. The Pilgangoora Lithium-Tantalum Project has currently started commissioning in June 2018; and
- **Avalonia** is a spodumene ore project in Ireland. Avalonia is currently at a preliminary stage of exploration and thus has no estimate of its lithium resource.

Through our investments in lithium resources, we are able to secure a stable and high quality supply of lithium raw materials. We believe our current offtake arrangements are able to support the lithium raw

materials needs for our current production capacity and existing expansion plans. Our ability to secure long-term access to high quality, stable lithium raw material is vital to our stable business operations. We believe that our cost advantage will boost our competitiveness, improve our profitability and solidify our industry leading position.

Stable and blue-chip customer base

We have developed a stable blue-chip customer base in China and globally as a result of our rich industry experience, our extensive product offering, and the quality of our products. From our origins in China, which remains our largest market, we have expanded to sell products to customers in more than 10 countries. Our products are mainly used in the batteries, chemicals and pharmaceutical industries. Our diversified blue-chip customers include a group of globally tier-one battery suppliers. We have also been in discussions with a number of global leading automotive OEM manufacturers and existing battery material customers regarding establishing long-term strategic relationship with them in connection with potential opportunities of supply of lithium compounds and other products. We have successfully entered into a strategic cooperative agreement with Tesla recently, pursuant to which we became a selected supplier of battery-grade lithium products for Tesla's designated suppliers for an initial period until the end of 2020.

We have forged strong relationships with many of our customers, which are due to our ability to continually meet or exceed their requirements for quality and reliability of service. Many of our customers are global leaders in their respective industries and their production facilities and processes require the sourcing of lithium products from reliable suppliers to maintain high quality and consistency. Our superior execution capability and quality control have enabled us to constantly meet and exceed the standards set by our customers, which in turn has contributed to our success in building and maintaining solid relationships with them. In addition, many of our international blue-chip customers implement rigorous supplier accreditations that may last up to two years prior to commencing purchasing of our products, which results in high customer stickiness as well as forms a high barrier for new entrants. Our status as an accredited supplier of many blue-chip customers demonstrates our consistently high product quality and leadership in the lithium compounds and metals industry. Our accredited status also enables us to shorten the accreditation period for new products when we extend our sales from one product category into multiple ones. We believe that our strong relationships with existing customers enhance our brand recognition and reputation, which will facilitate the further growth of our customer base.

Advanced technologies and outstanding research and development

We produce various high quality lithium products by utilizing our advanced technologies and production processes. We have developed a total of 96 issued patents, which are material to our business. As a result of our strong research and development capabilities, we offer five major categories of more than 40 industry leading lithium compounds and metals for our customers. In addition, we have developed a series of innovative production techniques and processes, such as the low-temperature vacuum distillation method of lithium metals, and innovative production technique of butyllithium, which significantly enhanced our product quality, ensure cost efficiency and promote our overall profitability. We are also constantly seeking breakthroughs in the fundamental technologies of lithium products industry. Our recent efforts include conducting extensive research on solid-state lithium batteries, which are expected to significantly reduce the safety issues of the first generation lithium-ion batteries and have more potential for energy density. Our solid-state lithium batteries produced at trial phase have passed multiple third party safety tests.

We have been able to generate technological innovations due to our commitment to research and development. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our research and development expenses were RMB17.1 million, RMB23.5 million, RMB38.0

million, RMB10.1 million and RMB14.1 million, respectively. As of the Latest Practicable Date, there were 245 employees in our research and development team. We have established a National Post-doctoral Research Station (國家博士後科研工作站), a National Engineering Research Center (國家級工程研究中心), an Academic Station (院士工作站) and Jiangxi Province Foreign Joint Research Center (江西省對外聯合研究中心) as platforms for research and innovation.

Due to our continued technological innovation and investment in research and development, we have undertaken 15 national level R&D projects and 34 provincial level R&D projects, including projects under the State High-tech Development Plan (the “**863 Program**”), the National Key Industries Rejuvenation Project (國家重點產業振興項目), the National Torch Program (國家火炬計劃) and the National High-end Overseas Experts Project (國家高端海外專家項目). In addition, we participated in the revision of the Chinese national product standards for a number of lithium compounds and lithium metals. We believe that an enduring dedication to technology is critical in the lithium products industry and that our research and development capabilities will enable us to improve our product quality, enhance our profitability and capture new opportunities.

Visionary and experienced management team with an established talent pool

Our management team possesses deep understanding of industry trends and extensive operational expertise, which has enabled us to achieve a preeminent position in our industry. Mr. Li Liangbin, our Chairman and founder, is a visionary leader with approximately 30 years of experience in the lithium industry whose strategic guidance has contributed significantly to our success. Mr. Li Liangbin was named as an “Expert with Outstanding Contribution” (有突出貢獻中青年專家) in 2015 and was selected to join the National Talents Project (國家百千萬人才工程) in 2015. Mr. Li Liangbin was a chemistry major in college and has extensive knowledge in lithium related chemicals. Mr. Wang Xiaoshen, our Vice Chairman, is a seasoned industry veteran with over 25 years of experience in the lithium industry. Mr. Li Liangbin and Mr. Wang are supported by the other members of our senior management team, who on average have 17 years of experience in the lithium products industry. Our senior management team has a proven track record of generating positive financial performance, achieving a CAGR of 31.7% of our revenue over the past ten years. They have played a crucial role in bringing our overall business growth to the next level, mainly through formulating the strategies of expanding into upstream lithium resources as well as being the first few players to research and develop the next generation solid-state lithium batteries. We also have a strong record of continuity and stability in our senior management team, who have spent on average 13 years with us. We believe that under the leadership of our dedicated management team, we will be able to execute our strategies to drive our continued growth and development in the fast-changing lithium industry.

The fast-growing demands for lithium compounds and metals have led to a shortage of technical and skilled labor. We have accumulated a high caliber talent pool of midstream processing personnel through our decade long experience in the lithium compounds and metals industry. We have also assembled a team of battery production and recycling talents through our recent expansion into those businesses lines. We believe our established talent pool of technical and skilled labor positions us to capture more growth opportunities. In addition, we believe our employees are essential to the success of our business and we are committed to attracting, cultivating and retaining talent. We provide our employees with various continuing development opportunities at universities and research institutes. We have adopted a compensation structure and incentive schemes linked to our Group’s performance in order to further motivate our employees. As of the Latest Practicable Date, counting Shares received through our share incentive plans, our Directors, Supervisors and senior management hold approximately 35.1% of our Shares, and a number of members of our Company, including key technical employees and members of our management team and certain directors subscribed for restricted A Shares of our Company through executions of our share incentive plan, which we believe will align their goals with our success.

DEVELOPMENT STRATEGIES

Our goals are to strengthen our leading position in the global lithium industry and to further deepen upstream and downstream integration. We plan to achieve our goals by pursuing the following major strategies:

Expand our access to upstream lithium resources globally

We believe that securing high quality, stable lithium resources is fundamental to the long-term sustainable growth of our business. To this end, we aim to continuously expand our current lithium resources portfolio through further exploration, with a focus on brine-based extraction development. For example, the Cauchari-Olaroz Project in Argentina is targeting commissioning in late 2019 or early 2020. We also intend to continue exploration efforts at the Mariana Project in Argentina and expect to commence construction in 2019 and target commissioning in 2021. Through the increase of our lithium resources, we will be able to further enhance our reliable high quality supply of lithium raw materials for our midstream and downstream operations. We also intend to continue to actively explore the possibility of acquiring further sources of lithium in order to enrich our core portfolio of high quality lithium resources. As an integrated lithium producer, we aim to leverage our experience along the industry value chain and insights into the market trends to identify and evaluate quality lithium resources that are most economical for extraction and compatible with our midstream processing technologies and plant configuration.

Increase the production capacity of our processing operations

We have planned for a series of incremental capacity expansions of our manufacturing facilities to capitalize on the growing demand of lithium as well to solidify our leading position in the lithium products industry. For example, we are in the process of building a new production facility for battery-grade lithium carbonate with a designed production capacity of 17,500 tons per annum in Ningdu, Jiangxi Province and are currently targeting commissioning in 2018. We are also raising the production capacity of our battery-grade lithium hydroxide production lines at Xinyu Basic Lithium Plant with an additional 20,000 tons per annum which had been commissioned before the end of July 2018. These additional manufacturing facilities and workspace will expand our production capacities in order to meet our rapid business growth. We may choose to undertake additional capacity additions subject to evaluation of market demand and conditions. See “— Production — Production Expansion Plan” for more details. Based on future market demands of lithium products, we will consider and pursue additional investments in capacity expansion.

Develop battery production with a focus on solid-state lithium batteries

To underpin future growth, we also intend to further develop and upgrade our existing lithium-ion battery production, which we believe will greatly aid our research and development of the next generation solid-state lithium batteries. We are in the process of constructing a fully-automated lithium polymer batteries production line and to advance our high-capacity lithium-ion battery project, in order to accumulate talent, expertise and technologies for the future production needs of the solid-state lithium batteries. In addition, we will continue to conduct further test work on solid-state lithium batteries and are in the process of building a pilot production line to accelerate the commercialization of our solid-state battery technology so that we are well-positioned to capture demand.

Grow our lithium battery recycling business

We have identified lithium battery recycling as an area with promising growth potential due to the increased demand for battery waste management growing in tandem with the increased use of lithium

batteries in vehicles and consumer electronics. We believe lithium battery recycling will enable us to further diversify our lithium raw material sources. Furthermore, we believe our ability to recycle lithium batteries offers a value-add sustainable solution to battery manufacturers and electric vehicle manufacturers, which helps strengthen our ties with such customers. We intend to form cooperative relationships with battery manufacturers and electric vehicle manufacturers to increase the scale of and improve the technologies of our battery recycling business. To promote sustainability and create additional revenue sources, we aim to leverage the growing volume of retired lithium batteries in China and become one of the leading players in the global lithium battery recycling space. To this end, we will continue to expand downstream by expanding the production capacity of our lithium battery recycling business and developing a specialty in recycling and reusing retired batteries.

Further improve our research and development and innovation capabilities

We are committed to investing significant resources in our research and development efforts. We plan to fully tap into the strength of our National Post-doctoral Research Station (國家博士後科研工作站), National Engineering Research Center (國家級工程研究中心), Academic Station (院士工作站) and other research and development platforms. We will also strengthen our cooperation with research institutes to further enhance our innovation capabilities. We aim to further improve our advanced lithium extraction methods and high purity lithium processing techniques, and maintain our technological edge in the global lithium industry. In particular, we intend to advance our research and development in the following areas:

- Development and production of solid electrolytes and anodes for solid-state lithium batteries, and research and development on solid-state lithium batteries;
- Secondary utilization and recycling of used lithium batteries;
- Improvements in manufacturing techniques and increased level of automation for existing products;
- Customized process and extraction method of lithium raw materials from different types of salt lake brines; and
- Production of lithium motive power batteries and energy storage batteries.

Deepen customer relationships through becoming a total solutions provider

We intend to deepen our relationships with customers through forming strategic alliance, facilitating more frequent communications and providing more comprehensive services, such as improved technical support. We intend to position ourselves as a total solutions provider to accentuate our role in the development and production process of our customers' end use products. Being a vertically integrated supplier, we aim to leverage the synergies among different business lines and provide total solutions to our customers through the industry value chain, including ensuring secure supply of lithium raw materials, providing high quality lithium compounds, supplying advanced lithium batteries and offering lithium battery recycling service, which help our customers optimize production costs, shorten production cycle, realize speed to market and promote sustainability. By deepening our relationships with our blue-chip customers, we will also be able to integrate our products and/or service into a greater number of products of our customers, enabling us to enhance the revenue contributed by each customer.

Strengthen our business operations and management

While pursuing our growth strategies, we aim to further strengthen our business operations and management. Our planned initiatives in this area include the following:

- Optimizing comprehensive quality control policies, enhancing site management and improving observation of work safety protocols;
- Cultivating management talent, accumulating talent pool of technical and skilled labor, and enhancing employee skills training;
- Strengthening marketing, logistics and sales services systems to coordinate production, planning, warehousing and distribution, with a view to optimizing logistics, reducing transport costs, increasing responsiveness to customers and improving our efficiency and service quality; and
- Conserving resources and reducing carbon footprint to achieve sustainable growth.

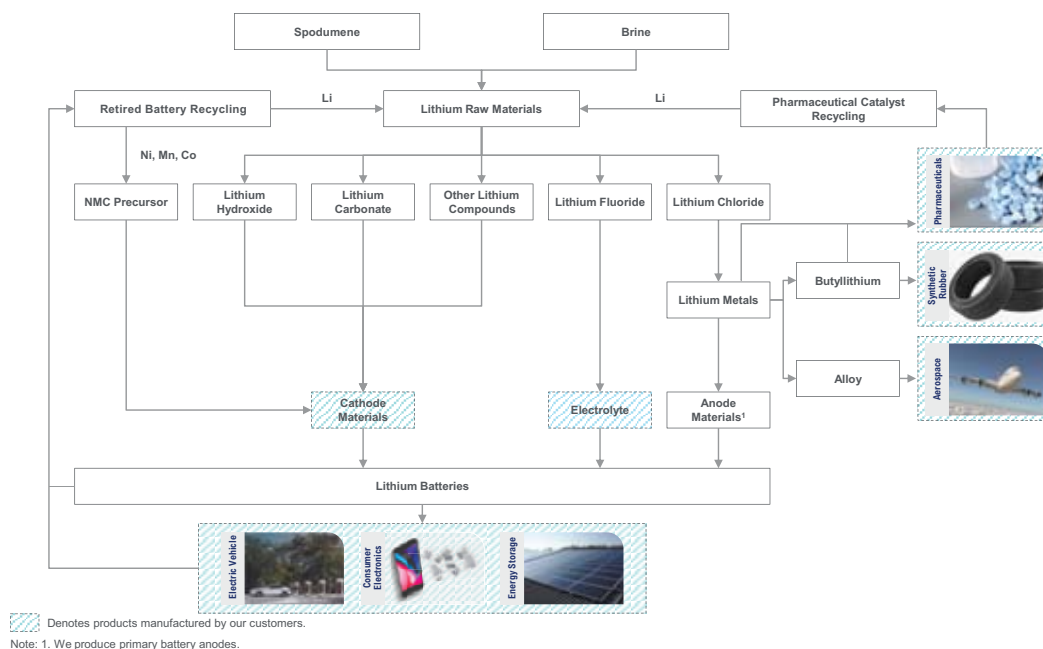
OUR OPERATIONS

We are 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 as of December 31, 2017, according to CRU, and occupy a preeminent position in the global lithium compounds and metals industry chain. We focus on the extraction of upstream lithium resources, the production and processing of lithium compounds and metals, the production of lithium batteries, and the recycling of lithium batteries. We have a comprehensive product offering of five major categories of more than 40 lithium compounds and metals. We have a global footprint and hold equity interests in the world's leading high quality lithium resources to secure long-term supply of lithium raw materials. We believe our ability to produce a diversified portfolio of high quality lithium products at low cost distinguishes us from our worldwide competitors.

The Ganfeng Ecosystem

According to CRU, we have built the most completed industry value chain among all lithium producers in the world, which we refer to as the "Ganfeng Ecosystem". The Ganfeng Ecosystem incorporates all critical aspects of lithium production, including (i) extraction of upstream lithium resources, (ii) deep processing of lithium compounds; (iii) production of lithium metals, (iv) production of lithium batteries; and (v) reclaiming and recycling lithium. By building the Ganfeng Ecosystem on an established and growing portfolio of lithium resources, we believe we are well positioned to achieve long-term and sustainable growth. We also believe through the Ganfeng Ecosystem we are able to strengthen our relationships with customer and enjoy synergies among business lines. For example, being an important supplier of lithium compounds to cathode materials producers has given us easy access to cathode materials from our customers for our lithium batteries segment. As the world's largest lithium metals producer, once we complete the transition to producing anode materials for solid-state batteries with lithium metals, we can be self-sufficient in producing anode materials for solid-state lithium batteries of which lithium metals is a critical raw material. Our battery recycling business is well-positioned to work with automotive OEMs to properly handle retired EV batteries in an environmental and economic manner. Extracted metals such as lithium and cobalt are used to supplement our lithium compound production as well as NMC precursor manufacturing. We believe our business model can contribute to the successful launches of new products and services, allow us to work closely with our customers and end-users and solidify our relationships with them. The diagram below illustrates our integrated supply and production chain and the respective functions and inter-relationship of our business lines within our ecosystem.

BUSINESS



Upstream lithium resources: We have an established and growing portfolio of lithium resources to ensure stable lithium supply for our midstream business line. As of the Latest Practicable Date, we held equity interests in a total of six mine resources in Australia, Argentina, China and Ireland, some of which we have entered into long-term offtake agreements that entitle us to a specified percentage of the production output of such mines. A majority of our mine resources are operated by third party mining companies. We currently internally consume a majority of the lithium raw materials sourced from such mine resources.

Lithium compounds: At the core of our ecosystem is our lithium compounds business line, for which we ranked first and third in 2017 by production capacity in China and globally, accounting for 27% and 14% of their respective capacities, according to CRU. We also achieved leading positions in several market segments in the lithium industry by production capacity in 2017. For example, we ranked fourth in the world by production capacity of lithium carbonate in 2017, accounting for 10% of global production capacity, according to the CRU Report. We ranked third in the world and first in China by production capacity of lithium hydroxide in 2017, accounting for 11% of global production capacity, according to the CRU Report. We produce lithium compounds from lithium raw materials we sourced from our upstream lithium resources business line. We mainly produce four types of lithium compounds, namely (i) battery grade lithium carbonate, (ii) battery-grade lithium hydroxide, (iii) lithium chloride, and (iv) lithium fluoride. Our lithium compounds are mainly used as lithium battery materials which are used in electric vehicles, portable electronics, as well as chemical and pharmaceutical applications. Our customers primarily consist of battery cathode materials manufacturers.

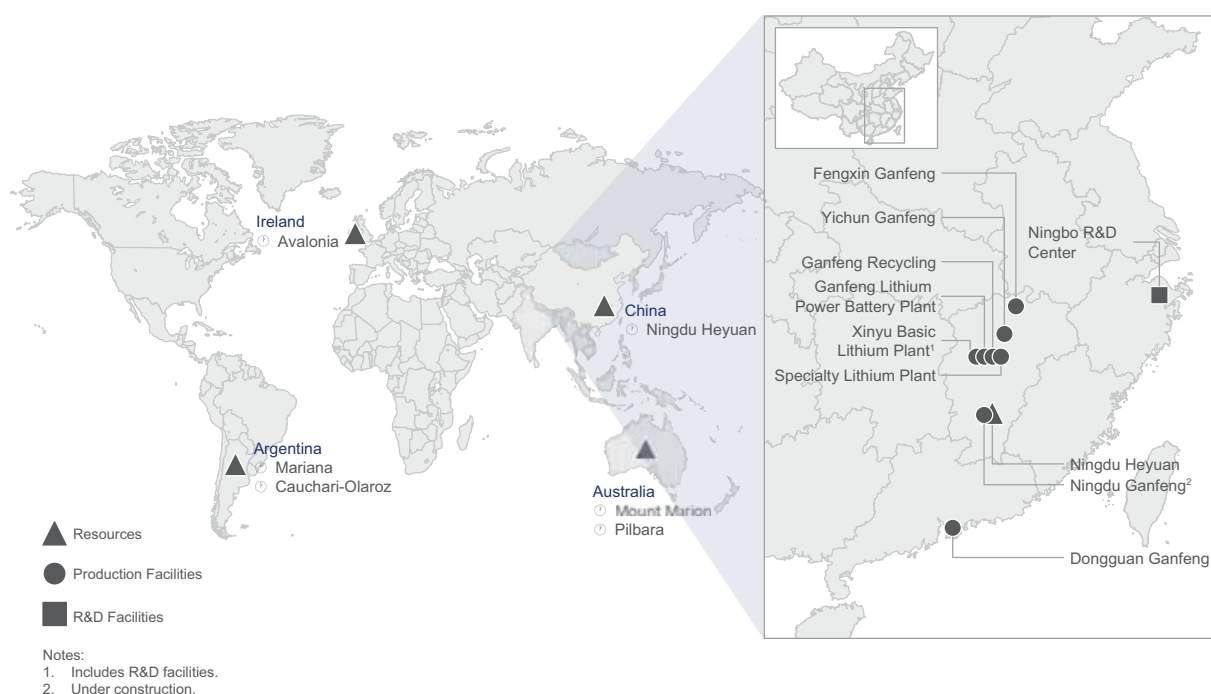
Lithium metals: In 2017, we were ranked first in terms of lithium metals production capacity in the world, accounting for 47% of global production capacity, according to CRU. We produce lithium metals from lithium chloride we sourced from our lithium compounds business line and recovered from our lithium battery recycling business line. We produce a number of lithium metals in the form of ingots, foil and rods in a range of sizes and thickness, as well as lithium alloys in the form of powder and foil. Our lithium metals are used (i) as lithium battery anode materials; (ii) as catalysts in the manufacturing of pharmaceutical intermediaries and (iii) in the manufacturing of alloys and other light-weight materials used in aircrafts. Our customers primarily consist of battery manufacturers as well as pharmaceutical companies. On behalf of our clients, we also recycle pharmaceutical catalysts and extract lithium metals.

BUSINESS

Lithium batteries: In 2015, we expanded downstream into the lithium battery production industry to capture further growth opportunities due to the explosive growth in demand for lithium batteries used in high performance electric vehicles and energy storage devices. We produce lithium-ion motive power batteries, energy storage batteries and consumer batteries from anodes materials, cathodes materials and electrolyte solutions we sourced from third parties, some of whom are also customers of our lithium compounds business line. We also started to seek breakthroughs in the production of solid-state lithium batteries, a new generation of lithium batteries that are expected to significantly improve the safety and energy density of the current lithium-ion batteries. We aim to commercialize and bring to market high performance solid-state batteries in 2019. Our lithium motive power batteries can be used in electric vehicles; our lithium energy storage batteries in a variety of energy storage equipment; and our lithium consumer batteries in a variety of consumer electronic devices, including mobile phones, camcorders, notebook computers. Our customers primarily consist of electric vehicle manufacturers, consumer electronics manufacturers, and energy storage facility operators.

Lithium battery recycling: We recently launched our lithium battery recycling business in 2017, to meet the growing demand for battery waste management in tandem with the increased electric vehicle sales. We utilize a variety of processes to recover and extract lithium materials and other metals from retired batteries with environmental compliance. Currently, we internally consume most of our recovered lithium and other metals. We believe our ability to recycle lithium batteries addresses the waste management needs of battery manufacturers and electric vehicle producers, which further solidifies our relationship with customers from our battery production business and creates an additional revenue source.

The following map sets forth the lithium resources in which we hold equity interests, R&D facilities and manufacturing facilities of lithium compounds, lithium metals, lithium batteries and lithium battery recycling as of the Latest Practicable Date.



OUR PRODUCTS

Our midstream lithium processing and downstream battery manufacturing business lines internally consumed all products from our lithium recycling business lines during the Track Record Period, and we also

BUSINESS

internally consumed most products from the upstream lithium resources, in which we hold equity interests, since February 2017. Our products for external sales are mainly categorized into three product lines, namely, lithium compounds, lithium metals, and lithium batteries. The following table sets forth a breakdown of our revenue by product type each expressed as an absolute amount and as percentage of our total revenue, during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Lithium compound . . .	645,563	48.0	1,734,604	65.9	2,879,700	69.0	384,505	61.7	658,927	63.1
Lithium metal	421,650	31.4	493,459	18.7	818,404	19.6	130,632	20.9	259,308	24.8
Lithium battery	201,154	15.0	333,113	12.6	283,821	6.8	34,006	5.5	74,728	7.2
Others ⁽¹⁾	75,812	5.6	72,280	2.8	189,276	4.6	74,489	11.9	51,471	4.9
Total revenue	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Note:

(1) Include NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

Product Portfolio

Lithium Compounds

We produce a variety of lithium compounds, mainly including (i) battery grade lithium carbonate, (ii) battery grade lithium hydroxide, (iii) lithium chloride, (iv) lithium fluoride and other lithium chemicals and salts. Specifically, lithium carbonate is primarily used for battery cathode material manufacturing.

Lithium Metals

We produce a broad range of lithium metals in the form of ingots, foil and rods in a range of sizes and thickness both at industrial and battery grade. Lithium metals are used (i) in the manufacturing of battery anode materials, such as primary cell anodes; (ii) as catalysts in the manufacturing of pharmaceutical intermediaries and (iii) in the manufacturing of alloys and other light-weight materials used in aircrafts. We also produce a variety of lithium alloys, including lithium-aluminum alloys, lithium-silicon alloys and lithium-magnesium alloys in the form of ingot and foil.

Lithium Batteries

We first entered the lithium battery business in 2015 to capture further growth opportunities in the lithium industry supply chain. Our lithium batteries include lithium-ion motive power battery, energy storage battery and consumer battery. We are also conducting extensive research on solid-state lithium batteries to push the boundaries for battery technology. Solid-state lithium batteries are a new generation of lithium batteries that use solid electrolytes instead of liquid electrolytes used in today's lithium-ion batteries. The solid-state lithium batteries are able to significantly reduce the safety issues of lithium-ion batteries, and have higher energy density. We believe that solid-state lithium batteries are the key solution to the electric vehicles, and aim to produce solid-state lithium batteries at large scale and at competitive price points and bring them to market in 2019.

We have made detailed plans on R&D focusing on enhancing the performance of our first-generation solid-state lithium batteries in three aspects, covering single cell capacity, energy density and capacity

retention ratio. As of the Latest Practicable Date, we had 49 employees in our solid-state lithium battery R&D team. We also plan to step up our R&D activities in making solid-state batteries safer and certain of our trial products have passed third-party safety tests in June and July 2018.

In order to deliver sample products of our first-generation solid-state lithium batteries around the end of 2018 and bring our products to market in 2019, we plan to extend more efforts in developing a pilot production line which is currently under construction with a production capacity of hundred-level MWh for our first generation solid-state lithium batteries and commence its operation by the end of 2018 provided that required governmental approvals including environmental and safety certificates are obtained in time.

In the meantime, we also intend to conduct more feasibility studies on solid-state lithium batteries with higher performance level compared to our first generation solid-state lithium batteries.

PRODUCTION

Our production process is designed to ensure high standards of quality while delivering the ability to rapidly ramp up production of lithium products on short timeframes to meet our customers' needs. Our optimized production process reflects our close to 20 years of industry experience that allow us to accelerate pace of production ramp up, implement products requirement modifications more quickly, and maintain relatively low defect rates.

Lithium Resources

We currently hold equity interests in six mine resources around the world, including spodumene ores and lithium-containing brines. Among these mine resources, Mount Marion project and the Pilgangoora Lithium-Tantalum mine, which are under operation, and the Cauchari-Olaroz salt lake, which is under development, are of high quality. A high quality mine is defined by CRU as having comparably high resource grade (in $\text{Li}_2\text{O}\%$ or in Li mg/L) and larger resource size compared to other lithium mines. Specifically, being a high quality spodumene mine requires the mine to have an above average grade, which is over 1.2%, and an above average resource size, which is over 2.5 million tons LCE. Being a high quality brine mine requires the brine resource to have an above average grade, which is over 645 mg/L, and an above average resource size which is over 9.5 million tons. Cauchari-Olaroz is deemed to have high quality among operating brine projects given that the other projects, namely Silver Peak and Hombre Muerto, are smaller in terms of their resource size and are lower in terms of their grade.

BUSINESS

The following table sets forth our mine resources and their respective acquisition date, lithium reserve amounts and grade or concentration. The amounts of lithium resources listed in the below table are proven and probable resource amount or the indicated and inferred resource amount as the case may be, based on current exploration efforts and may increase based on additional exploration efforts in the future.

Mine resources	Acquisition Date of the Mining Rights Owner	Equity Interest of the Mining/ Exploration Rights Owner ⁽⁶⁾	Location	Type of Resource	Amount of Lithium Resource (in Millions tons LCE)	Grade (in average lithium oxide grade)/ Concentration of lithium-ion (in mg/L) ⁽⁹⁾
In operations						
Mount Marion	2015	43.1%	Kalgoorlie, Australia	Spodumene	2.7 ⁽¹⁾	1.37%
Ningdu Heyuan	2015	100.0%	Jiangxi, China	Spodumene	0.1 ⁽²⁾	1.03%
Pilgangoora Lithium-Tantalum	2017	4.30%	Pilbara, Australia	Spodumene	4.9 ⁽⁴⁾	1.25%
Under development						
Mariana	2014	82.754%	Salta, Argentina	Brine	1.9 ⁽³⁾	306 mg/L
Cauchari-Olaroz	2017	16.92% ⁽⁷⁾	Jujuy, Argentina	Brine	11.8 ⁽³⁾	585 mg/L
Avalonia	2012	55.0%	Wicklow, Ireland	Spodumene	N/A ⁽⁵⁾	N/A ⁽⁵⁾

Notes:

- (1) Measured pursuant to JORC standards.
- (2) Measured pursuant to China national standards.
- (3) Measured pursuant to CIM Guidelines (NI43-101).
- (4) Measured pursuant to JORC standards.
- (5) Avalonia is currently at a preliminary stage of exploration and thus has no estimate of its lithium resource.
- (6) On a fully diluted basis.
- (7) We held 16.92% equity interests in Lithium Americas, which owned 50% equity interests in the Cauchari-Olaroz salt lake as of the Latest Practicable Date.
- (8) The grade of spodumene ore is calculated by the weight of the lithium oxide the ore contains divided by the total weight of the ore and the result is expressed as a percentage (Li₂O%); the grade of lithium-containing brine is determined by the concentration of lithium-ion (Li mg/L) in the brine.

Mines in Operations

Mount Marion Project

The Mount Marion project is located approximately 35 kilometers southwest of Kalgoorlie, Western Australia. It commenced production as an open-pit mine in 2016 and contains mostly spodumene ore. Mount Marion project has a JORC compliant proved and probable ore resource of 2.7 million tons of LCE, with an average lithium oxide grade of 1.37%. As of December 31, 2017, Mount Marion project was the second largest spodumene mine in the world in operation in terms of production capacity and production volume, according to CRU. We hold 43.1% equity interests in Mount Marion project along with Mineral Resources Limited holding 43.1% and Neometals Ltd. holding 13.8%, respectively. Mineral Resources Limited is an Australian based mining services and processing company listed on the Australian Stock Exchange under the symbol MIN, and Neometals Ltd. is a company incorporated in Australia which explores and develops mineral projects with a focus on the exploration and development of its lithium, titanium,

BUSINESS

vanadium and other base mineral properties. Neometals Ltd. is listed on the Australian Securities Exchange under the symbol NMT and the OTC markets in the U.S. under the symbol RDRUY. The Mount Marion project is operated by Mineral Resources Limited, pursuant to a fixed price mining services contract. We entered into a long-term offtake agreement that entitles us to 100% of the lithium raw materials produced from Mount Marion project at benchmarked market prices subject to an agreed price floor, which is 10% more than the landed cost incurred by RIM, between 2017 and 2020 and other two shareholders together have an option to purchase up to 51% of the lithium raw materials produced after 2020. The total amount of raw materials produced from Mount Marion project is estimated at 400,000 dry metric tons per annum, which currently includes 200,000 dry metric tons per annum each for spodumene concentrate at 4% and 6% (equivalent to approximately 50,000 tons LCE per annum after conversion). RIM has also planned to invest in additional equipment to achieve 6% grade for all spodumene concentrate produced. RIM has no right to terminate or rescind the offtake agreement other than to terminate upon our material breach, failure to pay or insolvency. We started to source lithium raw materials from Mount Marion project in February 2017. As of December 31, 2017, the ore resource at the Mount Marion project, which amounts to 77.8 million tons according to a resource estimation report prepared by a mining industry consultant, was expected to support mine production for approximately another 30 years assuming an extraction rate of 2.39 million tons of ore per annum. The extraction rate was determined by our management by annualizing the pre-existing extraction amount which is based on the actual extraction amount Mount Marion project had achieved during its initial operation stage. The current extraction amount at Ningdu Heyuan and Mount Marion project will be used to supply our demand of raw materials for our existing production capacity and the planned expansion in our production capacity. Given the approaching target commissioning dates of the Pilgangoora Lithium-Tantalum Project and the Cauchari-Olaroz Project, we have not formulated a detailed plan on further explorations of the Mount Marion project. We will devise a second stage exploration plan of Mount Marion project based on later production capacity expansion plans and future market condition. We plan to undertake further exploration to upsize our lithium resources at Mount Marion project if additional needs for lithium raw materials arise in the future. Set forth below is the picture of the Mount Marion project:



Ningdu Heyuan

The Ningdu Heyuan mine is located in Ningdu County of Jiangxi, China. We acquired 100% equity interests in the Ningdu Heyuan mine in 2015 and re-commenced commercial operation of the Ningdu Heyuan mine in the same year. Ningdu Heyuan has a spodumene ore resource of 0.1 million tons of LCE, with an average lithium oxide grade of approximately 1.03%. Based on its evaluation report and initial

BUSINESS

design, the total estimated mine life of the Ningdu Heyuan mine was calculated at 10.86 years from December 31, 2014, by dividing the total resource amount, which was approximately 3.7 million tons, by the 0.4 million tons per annum production capacity while taking the ore dilution rate into account. Therefore, currently the remaining mine life for Ningdu Heyuan is approximately seven years. We operate and are engaged in the mining of Ningdu Heyuan mine by ourselves.

The table below sets forth details of the amount of lithium raw materials we purchased from third party suppliers and extracted from upstream lithium resources in which we hold equity interests, including the Mount Marion project and Ningdu Heyuan mine, during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)	Third Party Supplier (ton LCE)	Upstream Resources (ton LCE)
Brine and primary product materials ⁽³⁾	9,210	–	10,089	–	8,694	–	2,609	–	1,402	–
Spodumene and primary product materials ⁽⁴⁾	6,712	–	10,611	389 ⁽¹⁾	1,610	35,399 ⁽²⁾	–	2,673 ⁽⁶⁾	–	11,852 ⁽⁷⁾
Recycled materials ⁽⁵⁾ ..	2,166	–	2,392	–	3,180	–	688	–	742	–
Total	18,088	–	23,091	389	13,485	35,399	3,297	2,673	2,144	11,852

Notes:

- (1) Extracted from the Ningdu Heyuan mine.
- (2) Extracted 378 tons LCE from Ningdu Heyuan and 35,021 tons LCE from Mount Marion project.
- (3) Including brine, primary products of rough lithium carbonate, lithium chloride and lithium hydroxide produced from brine.
- (4) Including spodumene and rough lithium hydroxide produced from spodumene.
- (5) Including recycled pharmaceutical catalyst materials, recycled chemical intermediate and primary lithium products produced from the recycling process of lithium battery materials.
- (6) Extracted 40.5 tons LCE from Ningdu Heyuan and 2,632 tons LCE from Mount Marion project.
- (7) Extracted 142.6 tons LCE from Ningdu Heyuan and 11,709 tons LCE from Mount Marion project.

Although the cost of purchasing spodumene from our upstream lithium investments does not deviate significantly from that of third parties as the purchase prices are typically benchmarked against prevailing market prices, the increasing purchases of spodumene raw materials from our upstream lithium investments have reduced the proportion of other kinds of lithium raw materials, including primary product materials, we sourced from third party suppliers, which typically are more expensive. Therefore, this change in our cost structure has led to a decrease in our unit cost of production for our lithium compounds segment in a given period. For example, in the second quarter of 2017, after we started sourcing from Mount Marion project in February 2017, the unit cost of production of lithium carbonate using spodumene from our upstream investments was RMB55,274 per ton which was 28.7% lower than the average cost of production of lithium carbonate using other kinds of lithium raw materials purchased from third parties which was RMB77,500 per ton. Our total cost savings from sourcing from upstream lithium resources during the Track Record Period amounted to RMB211.6 million. This is calculated based on the total LCE volume produced during the year of 2017 using spodumene multiplied by the average unit cost difference between spodumene and brine materials. For illustration purpose only and assuming that the total cost savings during the Track Record Period have all been recognized in the corresponding periods as cost of sales, without such sourcing from upstream lithium resources, in 2017, the total cost of sales of our lithium compounds segment would

BUSINESS

be approximately RMB1,750.5 million and the cost of sales per unit of the lithium compounds segment would be approximately RMB63,204 per ton if all raw materials had been purchased from outside third parties, as compared to RMB57,042 per ton as currently recognized. Based on this hypothetical cost of sales per unit, our profit margin for our lithium compounds segment would be 39.2%, which is 5.9% lower than what we currently recognized in 2017.

However, despite this cost reduction factor of shifting procurement resources and the increase in average selling price of lithium carbonate, the gross profit margin for our products produced from lithium carbonate still slightly decreased in 2017 compared to 2016, primarily because (i) only a portion of brine was replaced by spodumene sourced from Mount Marion project in our production in 2017, and (ii) the overall average purchase costs of both brine and spodumene increased significantly in 2017. Hence, the cost saving effect of sourcing from upstream lithium resources had been offset. From 2016 to 2017, the average purchase price for brine and primary product materials increased by 27.9% from RMB56,907 per ton to RMB72,803 per ton and the average purchase price for spodumene increased by 40.2% from RMB22,328 per ton to RMB31,301 per ton. Therefore, the unit cost of sales of our lithium compounds segment increased by 23.7% from RMB46,095 per ton in 2016 to RMB57,042 per ton in 2017. To better demonstrate the effect of the increase in average purchase price for brine and primary product materials and spodumene from 2016 to 2017, for illustration purpose only, assume the same spodumene and brine volume intake in 2017 while applying their respective prices from 2016, unit cost of sales of our lithium compounds segment would be approximately RMB40,619 per ton, 28.8% lower than our actual unit cost of sales in 2017. In conclusion, assuming that we have not started sourcing from Mount Marion project and still relied predominantly on third party supplied brine, the gross profit margin of lithium carbonate may be even lower than our current level. As such, our net profit during the Track Record Period has not fully reflected the cost savings from sourcing from upstream lithium resources.

The table below sets forth details of the amount of lithium raw materials we internally consumed or sold to external customers during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Internal Consumption (ton LCE)	External Sales (ton LCE)	Internal Consumption (ton LCE)	External Sales (ton LCE)	Internal Consumption (ton LCE)	External Sales (ton LCE)	Internal Consumption (ton LCE)	External Sales (ton LCE)	Internal Consumption (ton LCE)	External Sales (ton LCE)
Brine and primary product materials ⁽¹⁾ ..	9,467	–	9,109	–	9,319	–	2,884	–	1,402	–
Spodumene and primary product materials ⁽²⁾ ..	6,822	–	9,619	1,850	18,481	3,095 ⁽⁴⁾	1,620	–	5,280	12.97
Recycled materials ⁽³⁾ ..	2,139	–	2,097	–	4,777	–	463	–	742	–
Total	18,428	–	20,824	1,850	32,577	3,095	4,967	–	7,424	12.97

Notes:

- (1) Including brine, primary products of rough lithium carbonate, lithium chloride and lithium hydroxide produced from brine.
- (2) Including spodumene and rough lithium hydroxide produced from spodumene.
- (3) Including recycled pharmaceutical catalyst materials, recycled chemical intermediate and primarily lithium products produced from the recycling process of lithium battery materials.
- (4) Amount of spodumene was converted from dry metric ton into ton LCE for ease of calculation and comparison with other lithium raw materials by applying the approximate conversion rate of 1:10 for 4% spodumene concentrate and 1:8 for 6% grade spodumene concentrate.

In 2016, we purchased 3,462 tons LCE of rough lithium hydroxide from the liquidation of Jiangli Technology and subsequently traded 1,850 tons LCE of lithium hydroxide due to the rising demand for lithium hydroxide. For the year ended December 31, 2017 and the three months ended March 31, 2018, we purchased 35,021 tons LCE and 11,709 tons LCE of spodumene from RIM. This amount of spodumene together with our inventory exceeded our actual production capacity at the time. Therefore, given the favorable market conditions due to the rising demand for lithium raw materials, we subsequently decided to sell approximately 3,110 tons LCE of spodumene to other third parties in the year ended December 31, 2017 and the three months ended March 31, 2018 in order to better manage our inventory level. The proceeds of the above sales were recorded under our other income and gains. Going forward, in addition to certain inventory of spodumene we intend to retain, we expect to be able to eventually consume substantially all of the spodumene produced by Mount Marion project as our production capacity continues to expand as planned and our spodumene-based production lines, including our existing 8,000-ton lithium hydroxide monohydrate and 15,000-ton lithium carbonate production lines, and our newly constructed 20,000-ton lithium hydroxide monohydrate and 17,500-ton lithium carbonate production lines, are expected to reach a 57,140 tons LCE per annum aggregate production capacity as designed once the expansions are completed in 2018.

The Pilgangoora Lithium-Tantalum Project

Pilgangoora Lithium-Tantalum Project is located 120 kilometers from Port Hedland in Western Australia and is one of the largest spodumene ore deposits in the world, according to CRU. The Pilgangoora Lithium-Tantalum Project has a spodumene ore resource of 4.9 million tons LCE, with an average lithium oxide grade of 1.25%. We hold 4.30% equity interests in Pilbara Minerals Limited on a fully diluted basis, who holds 100% equity interests in the Pilgangoora Lithium-Tantalum Project. We have entered into a stage 1 long-term offtake agreement, which entitles us to a supply of 0.16 million tons per annum of lithium raw materials over an initial term of ten years, with two five-year options to extend up to a further ten-year term based on a predetermined formula benchmarked to market prices. We have also recently entered into a stage 2 offtake agreement for an additional 25% of the expanded production of stage 2, capped at 75,000 tons per annum based on a predetermined formula benchmarked to market prices. The Pilgangoora Lithium-Tantalum Project has an estimated mine life of approximately 40 years assuming an extraction rate of 2 million tons per annum according to the June 2017 Quarterly Activities Report of Pilbara Minerals. The Pilgangoora Lithium-Tantalum Project has started commissioning in June 2018.

Mines under Development

We have additional deposits where we are currently undertaking development or exploration, or which provide us with potential to undertake further exploration in the future.

BUSINESS

- **Mariana** is a lithium-potassium salt lake located in the Andes Mountains in Salta Province, Argentina. According to the first resource estimation report prepared by Geos Mining, an Australian geology consulting firm, the Mariana project has an indicated and inferred effective volume of lithium-rich brine of 1,127 million cubic meters with an indicated and inferred lithium resource of 1,866 kilotons LCE. Because the Mariana Project is still at an early exploration stage, no estimation was made as to the project life. We hold 82.754% equity interests in the Mariana project. Set forth below is the picture of our Mariana salt lake:



- **Cauchari-Olaroz** is a lithium salt lake located in Jujuy Province in Northwest Argentina. We held 16.92% equity interests in Lithium Americas and are the largest shareholder of Lithium Americas, who had 50% equity interests in the Cauchari-Olaroz salt lake as of the Latest Practicable Date. On August 13, 2018, we entered into an acquisition agreement with Lithium Americas and SQM regarding the acquisition of equity interests in the Cuachari-Olaroz salt lake. Upon completion of the acquisition, we will hold 37.5% and Lithium Americas will hold 62.5% equity interests in the Cauchari-Olaroz project. For more details, please refer to "History, Development and Reorganization — Post-Track Record Period Acquisition". The Cauchari-Olaroz project has a lithium-rich brine resource of 11.8 million tons LCE. We have entered into an offtake agreement that entitles us to up to 80% of Lithium Americas' 50% share of the actual production from stage 1 of the Cauchari-Olaroz salt lake at market prices. The Cauchari-Olaroz salt lake has a planned production capacity of 25 kilotons LCE per annum at stage 1 production and an expected project life of 40 years. The Cauchari-Olaroz salt lake is targeting commissioning in late 2019 or early 2020.
- **Avalonia** is a spodumene ore project in Ireland. We hold 55% equity interests in Blackstairs Lithium Ltd., who owns the Avalonia mine. Avalonia is currently at a preliminary stage of exploration and thus we are unable to estimate its lithium resource. Our equity interests in the Avalonia mine may increase by an additional 24% if the mine exploration expenses incurred by us exceed 10 million Canadian dollars within ten years after our first acquiring equity interests in

such mine. Because the Avalonia mine is still at an early exploration stage, no estimation was made as to the mine life. As of December 31, 2017, we had incurred an aggregate of 2.93 million Canadian dollars in mine exploration expenses.

We acquired equity interests in the above mine resources mainly to ensure sufficient and stable raw material supply. Among the above lithium resources, we operate Ningdu Heyuan ourselves, and have hired a consultant team to operate Avalonia and Mariana on behalf of us. We do not intend to operate the Mount Marion project, the Cauchari-Olaroz Project and the Pilgangoora Lithium-Tantalum Project since we only hold minority interests in these mines.

If after Listing, upon the completion of a Relevant Notifiable Transaction (as defined under Rule 18.01 of the Hong Kong Listing Rules) involving the acquisition of mineral or petroleum assets, resulting in us being treated as a Mineral Company (as defined under Rule 18.01 of the Hong Kong Listing Rules), we will comply with the relevant requirements of Chapter 18 of the Hong Kong Listing Rules, including but not limited to, producing a Competent Person's Report (as defined under Rule 18.01 of the Hong Kong Listing Rules) and Valuation Report (as defined under Rule 18.01 of the Hong Kong Listing Rules) and make continuous disclosure in our interim and annual reports.

Mine Exploration Expenses Incurred and to be Incurred

For 2015, 2016 and 2017, mine exploration expenses for Mount Marion project that have been incurred after we acquired equity interests in it are 7.62 million Australian dollars, and based on the extent of exploration already carried out at Mount Marion project, we do not expect any further exploration expenses for Mount Marion project in 2018. For 2015, 2016 and 2017, mine exploration expenses for Mariana that have already been incurred are US\$15.4 million, and our budget for the exploration expenses of Mariana for 2018 is US\$17.7 million. Mine exploration expenses for Avalonia that have already been incurred are 2.93 million Canadian dollars as of December 31, 2017, and our budget for the exploration expenses of Avalonia for the period between July 2017 and June 2018 was set at 0.7 million Euros. For the three months ended March 31, 2018, Avalonia incurred 59.0 thousand Canadian dollars of exploration expenses and Mariana incurred US\$68.2 thousand of exploration expenses.

Since the Ningdu Heyuan mine was already developed at the time of our acquisition, no exploration expenses were incurred. Moreover, as we only hold minority interests in, and do not lead the operation of the Cauchari-Olaroz Project and the Pilgangoora Lithium-Tantalum Project, we are not directly responsible for the costs of their exploration.

Mine Extraction and Beneficiation

We are the only corporation in China with both spodumene extraction and lithium-containing brine extraction technologies.

In terms of spodumene extraction, spodumene is extracted from open pit or underground systems using traditional mining techniques. The extracted lumps of spodumene are mechanically crushed to reduce their size. The crushed ore is further milled to produce a finer product, which is more suitable for further separation through density material separation or in floating cells. In these cells, the various other minerals, including quartz, feldspar and micas, are removed, resulting in the formation of a spodumene concentrate which can be processed to create lithium compounds.

In terms of brine extraction, brine containing high concentrations of lithium is pumped from saltwater aquifers using extraction wells. From the wellhead, the brine is diverted to an evaporation pond system.

BUSINESS

Existing Production Facilities

As of the Latest Practicable Date, we operated a total of seven production facilities in China. The below table sets forth the locations, product categories, and year of initial construction or acquisition of each of our key production facilities:

<u>Facility Name</u>	<u>Location</u>	<u>Primary Products Manufactured</u>	<u>Initial Construction Year/Year Acquired</u>
Lithium Compound			
Specialty Lithium Plant (特種鋰廠)	Jiangxi, China	Lithium carbonate, Lithium fluoride	2007
Xinyu Basic Lithium Plant (新余基礎鋰廠)	Jiangxi, China	Lithium carbonate, Lithium hydroxide, Lithium chloride, Butyllithium	2014
Lithium Metal			
Fengxin Ganfeng Lithium Plant (奉新贛鋒鋰廠)	Jiangxi, China	Lithium metal	2011
Yichun Ganfeng Lithium Plant (宜春贛鋒鋰廠)	Jiangxi, China	Lithium metal	2013
Lithium Battery			
Dongguan Ganfeng Battery Plant (東莞贛鋒電池廠)	Guangdong, China	Consumer batteries	2016
Ganfeng Lithium Power Battery Plant (贛鋒動力電池廠)	Jiangxi, China	Lithium-ion motive power batteries, Energy storage Batteries and Consumer batteries	2016
Lithium Battery Recycling			
Ganfeng Recycling Technology Co. (贛鋒循環科技有限公司)	Jiangxi, China	Recycled lithium Solution	2017

During the Track Record Period, according to the nature of the items to be produced and our existing capacity, we engaged one independent third party to assist in our production processes. Such subcontractor handled less technically complex aspects of our production, such as packaging battery cells and packing finished batteries. As of the Latest Practicable Date, we had terminated such subcontracting arrangement.

Production Capacity and Utilization Rate

We have maintained consistently high utilization rates during the Track Record Period. The following table sets forth a summary of our annual production capacity in terms of designed production capacity and utilization rates for our key production lines by product type for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,									
	2015			2016			2017			2018						
	Designed Annual Production Capacity	Effective Production Capacity	Actual output	Utilization Rate ⁽¹⁾	Designed Annual Production Capacity	Effective Production Capacity	Actual output	Utilization Rate ⁽¹⁾	Designed Annual Production Capacity	Effective Production Capacity	Actual output	Utilization Rate ⁽¹⁾				
Lithium carbonate ⁽²⁾	8,000	8,000	7,943	99.3%	14,000	10,500	10,275	97.9%	23,000	18,500	18,298	98.9%	23,000	5,750	4,243	73.8%
Lithium hydroxide ⁽²⁾	5,000	5,000	4,517	90.3%	8,000	8,000	7,978	99.7%	8,000	8,000	6,917	86.5%	8,000	2,000	1,730	86.5%
Lithium metals ⁽²⁾	1,500	1,500	1,341	89.4%	1,500	1,500	1,126	75.1%	1,500	1,500	1,384	92.3%	1,500	375	457 ⁽⁷⁾	121.8
Lithium consumer batteries ⁽³⁾	—	—	—	—	—	—	—	—	36,000,000	36,000,000	27,465,140	76.3%	54,000,000	13,500,000	11,960,973	88.6%
Lithium motive power and energy storage batteries ⁽⁴⁾	—	—	—	—	—	—	—	—	300	100	56.9	56.9%	300	75	54	72.1%
Lithium battery recycling ⁽⁵⁾	—	—	—	—	—	—	—	—	3,000	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾	3,000	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾

Notes:

- (1) The effective production capacity represents the weighted average of each month's designed production capacity for the relevant periods. The utilization rate is calculated based on the actual output for the relevant period divided by the effective production capacity for the relevant period.
 - (2) Measured by tons per annum.
 - (3) Measured by Ah per annum.
 - (4) Measured by MWh per annum.
 - (5) Measured by tons per annum.
 - (6) Such production lines are currently in a ramp-up period and have limited actual output during the relevant periods.
 - (7) Actual output is higher than effective production capacity because temperature and humidity affects the electrolytic process and production in winter is higher than average.
- * We also produce other lithium compounds including lithium chloride, lithium fluoride and butyllithium. With the exception of lithium chloride compounds which are predominantly consumed captively in the production of lithium metals, other lithium compounds accounted for a minor portion of our overall production capacity.
- ** Some of our actual production capacity consists of toll manufacturing.

BUSINESS

Production Expansion Plan

In order to meet the fast growing market demand for lithium products, we plan to further expand our production capacity by increasing production capacity at our existing production lines and constructing additional production lines in multiple regions. We believe that our expansion projects will help us expand our market share worldwide. The table below sets forth the details of our expected capital expenditure, additional planned production capacity and expected timeline.

<u>Production Line</u>	<u>Key Products</u>	<u>Additional Planned Production Capacity</u>	<u>Estimated Capital Expenditure</u>	<u>Expected Timeline of Commencing Operation</u>
20,000-ton lithium hydroxide monohydrate production line ⁽¹⁾	Battery-grade lithium hydroxide	approximately 20,000 tons per annum	RMB366 million	Before the end of July 2018 ⁽²⁾
17,500-ton lithium carbonate production line ⁽¹⁾	Battery-grade lithium carbonate	approximately 17,500 tons per annum	RMB503 million	4 th quarter of 2018 ⁽³⁾
Fully automated consumer battery production line ⁽¹⁾	Consumer batteries	approximately 600,000 Ah per day	RMB228 million	Production expected to commence phase by phase from 2017 to 2018 ⁽⁴⁾
High capacity lithium motive power battery production line ⁽¹⁾	Lithium motive power batteries	approximately 0.6 GWh per annum	RMB500 million	Production expected to commence phase by phase from 2017 to 2018 ⁽⁵⁾
Lithium battery recycling production line ⁽¹⁾	Recycled lithium materials	approximately 34,000 tons of used batteries per annum	RMB36 million	Production expected to commence phase by phase from 2018 ⁽⁶⁾
Solid-state battery pilot production line	Solid-state batteries	hundred-level MWh per annum	RMB250 million	4 th quarter of 2018 ⁽⁷⁾

Notes:

- (1) These projects will be fully funded by our internal resources.
- (2) Has commenced operation.
- (3) Estimated to commence trial production in the 4th quarter of 2018.
- (4) The first phase of the expansion work has commenced operation since January 2017 and is estimated to reach designed capacity in the 4th quarter of 2018.
- (5) The first phase of the expansion work has commenced operation since September 2017 and has currently reached designed capacity.
- (6) This recycling production line is still in trial production.
- (7) Provided that required government approvals including environmental and safety certificates are obtained in time.

BUSINESS

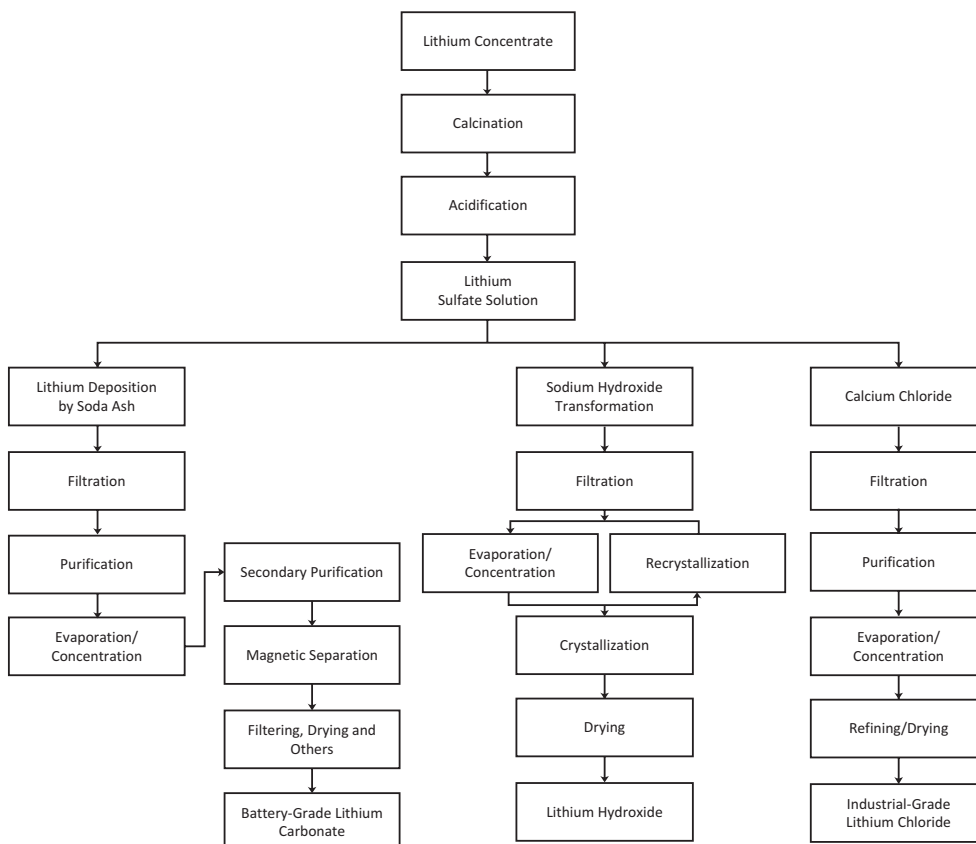
Our production expansion plans have been determined on the basis of, among other things, (i) estimated market supply and demand for relevant products; (ii) prevailing and anticipated prices for relevant products; (iii) utilization of existing manufacturing facilities; (iv) estimated cost of development; and (v) availability and cost of sufficient capital resources. There is no guarantee that any of the expansion projects will proceed as planned. Our Directors may determine in the future that postponing a project is in the best interest of the Company after taking into account the prevailing market conditions, our financial resources and other relevant factors. We may also invest in additional expansion projects as we continue to grow worldwide.

Production Process

The following diagrams summarize the key steps of our manufacturing processes for each of our major products.

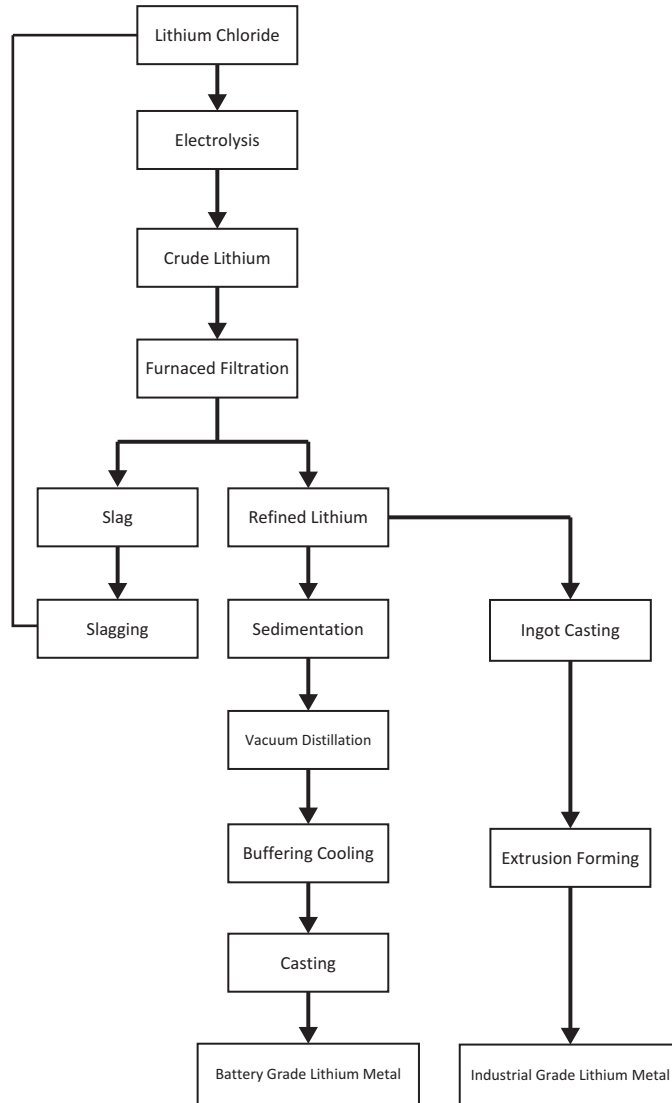
Lithium Compounds

The following chart illustrates the production process for battery grade and industrial grade lithium carbonate and lithium hydroxide, three of our most typical compounds.



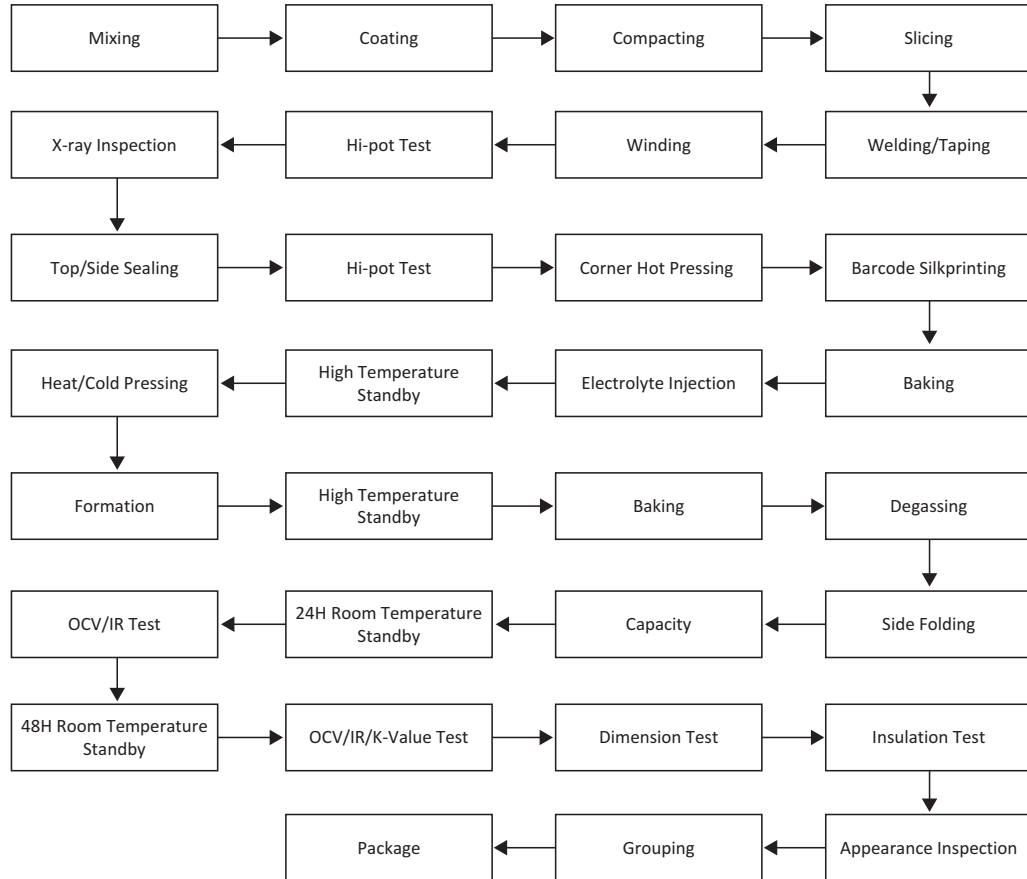
Lithium Metals

The following chart illustrates the production process for industrial grade and battery grade lithium metal, two of our most typical lithium metals.



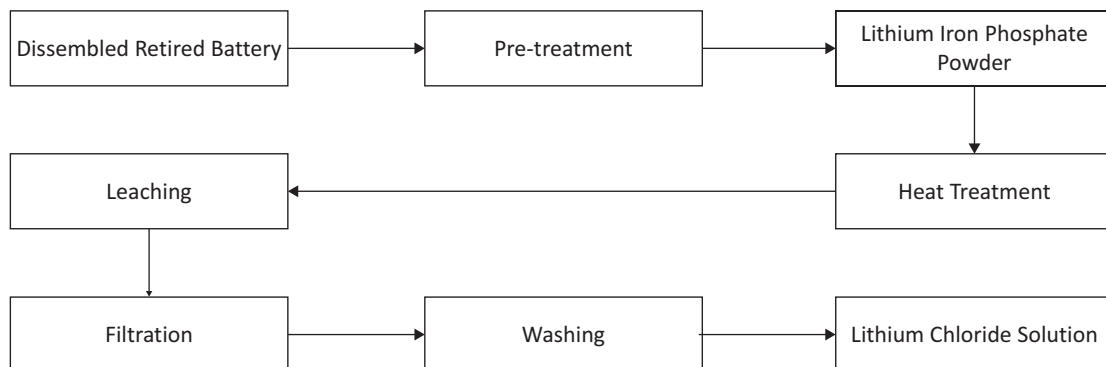
Lithium Battery

We currently produce three kinds of lithium-ion batteries, namely, lithium-ion motive power battery, energy storage battery and consumer battery. The following chart illustrates the typical core production process for a lithium-ion battery cell.



Lithium Battery Recycling

We recover lithium compounds from different types of disassembled lithium batteries using a number of processes and techniques. We source retired lithium batteries from independent third parties and process them with a number of treatments, including heat, leaching, filtration and washing. The following chart illustrates the recycling process to recover lithium chloride solution from lithium iron phosphate battery waste, one of our typical recycling products.



During the Track Record Period, we engaged in a small amount of toll manufacturing of lithium compounds and lithium metals, which accounted for less than 5% of our total revenue during the relevant period.

Critical Machinery and Equipment

We endeavor to equip our manufacturing facilities with state-of-the-art equipment, which we believe is essential to increase automation, ensure reliability as well as cost competitiveness. Many of the machines we utilize require minimal human operation, allowing us to reduce labor costs and focus our manufacturing facility staffing on maintenance and supervisory personnel. We design, customize and integrate a variety advanced technologies into our production processes. Some of our critical production and testing equipment were imported overseas from countries, such as Japan, Germany and the United States. We have also internally developed many of the production technologies and equipment used in our production and testing processes. Key machinery and equipment applied in our production processes are set forth below:

- RFID solutions which improves production management, real-time production status and data collection, allowing more effective production planning and control and internal logistic arrangement;
- Mechanical vapor recompression system ("**MVR system**") which allows the continuous recycling of the vapor stream in the traditional evaporation process by recompressing vapor to a higher pressure and therefore a higher energy content, therefore significantly reducing the energy consumption of the thermal separation processes of lithium compounds;
- A variety of in-house developed electrolytic cells, including multi-anodes electrolytic cells, temperature-controlled electrolytic cells, which cater to different customer specification and requirements of lithium foil products;
- A series of Japan-imported lithium metal manufacturing equipment; and
- A variety of top-grade testing equipment, including the scanning electron microscope, the inductively coupled plasma machine for analyzing trace metals in products and the particle size analyzers to measure certain properties of a particle.

Maintenance

We carry out inspections and maintenance at our production facilities. Our inspections and maintenance are conducted on a periodic basis, while maintenance overhauls are generally carried out on the whole production facility at a particular location from time to time. We have on average three to four weeks of overhaul equipment maintenance each year at some of our production facilities with large scale equipment. We have developed and implemented internal procedures at our production facilities periodically according to the characteristics and requirements of the particular equipment and machinery in order to ensure they function properly. During the Track Record Period, we did not experience any material or prolonged suspensions of operations due to machinery, equipment or other facility failures.

Delivery and Transportation

We generally deliver finished products directly to our customers' warehouses or their designated points. The passing of both the title and the risks as to such products are transferred to the customers once

they confirm receipt of products at their warehouses or when the finished products are loaded onto customers' cargos. We have our own hazardous chemical logistics company to arrange for the delivery of finished products and sometimes engage third party logistic providers to supplement our capacity during peak seasons.

RESEARCH AND DEVELOPMENT

Research and Development Team

As of the Latest Practicable Date, we had assembled a team of 245 employees in our research and development department dedicated to product development and technology advancement. We locate most of our R&D teams at different manufacturing facilities in order to embed production designs into the R&D process and to facilitate the efficient transfer of R&D knowledge to commercial-scale manufacturing. We operate one R&D center at our headquarters in Xinyu, Jiangxi, which is responsible for the innovations in lithium compounds, lithium metals and lithium batteries. We also operate a specialized R&D center at our Ningbo battery manufacturing facility to seek breakthroughs in solid-state lithium batteries.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our research and development expenses amounted to approximately RMB17.1 million, RMB23.5 million, RMB38.0 million, RMB10.1 million and RMB14.1 million, respectively.

Key Features of R&D

- ***Breakthroughs in fundamental technologies*** — We are at the forefront of seeking breakthroughs in lithium batteries and have been conducting extensive research on commercializing the next generation solid-state lithium batteries. Solid-state lithium batteries are a new generation of lithium batteries that use solid electrolytes instead of the liquid electrolytes used in today's lithium-ion batteries. The solid-state lithium batteries are expected to usher in an era of safer, more compact, higher capacity energy storage batteries and believed to be the key solution to the electric vehicles. We are currently conducting extensive test work on solid-state batteries and are constructing a pilot plant in Ningbo, China to accelerate the commercialization of our solid-state lithium battery technology. Our solid-state lithium batteries produced at trial phase have passed multiple third party safety tests. We aim to produce this new generation of batteries at large scale and at competitive price points and bring them to market in 2019.
- ***Constant launching of new products*** — As a result of our strong research and development capabilities, we are able to continuously develop and launch industry leading innovative products. We offer five major categories of more than 40 lithium compounds and lithium metals for our customers. Our broad suite of product offerings enables us to effectively address the unique and diverse needs of our customers, many of whom come from battery related markets and have a broad variety of requirements and specifications.
- ***Optimization of production techniques and processes*** — We constantly seek breakthroughs in the traditional production processes and techniques of lithium products and strive to enhance product quality, ensure cost efficiency, achieve speed to market and promote our overall profitability. We have developed a series of innovative production techniques and installed advanced equipment to optimize the manufacturing process. For example, we utilized the

multiple gas protection and vertical extrusion technologies to produce the ultra-thin lithium foils of thickness less than 0.1 millimeters. Such lithium foils, which are used on the anodes of lithium battery production, enable our customers to significantly decrease the size and weight of lithium batteries they produce. In addition, we have developed a low-temperature vacuum technology to distill and purify battery-grade lithium metal, while the traditional manufacturing process requires extreme temperature as high as 1,000 degrees Celsius. Such technology significantly reduces our energy consumption by more than 50% as well as other production costs, and also improve our production safety. Furthermore, we employed a unique lithium butyl-chloride technology to revolutionize the production process of butyllithium, where we improved significantly our production efficiency. We also successfully increased the purity and safety of our butyllithium products through a special solid-liquid automatic separation machine.

Our R&D efforts have produced a number of technical achievements and also have a proven track record of generating a large amount of intellectual property and industry know-how we use in the production. Our continuous efforts on technological breakthroughs and innovative products in the industry have been awarded with multiple accreditations and recognition from various organizations and entities. For example, we have established a National Post-doctoral Research Station (國家博士後科研工作站), National & Local Joint Engineering Research Center (國家與地方聯合工程研究中心), an Academic Station (院士工作站), Jiangxi Lithium New Materials Engineering Research Center (江西省鋰電新材料工程技術研究中心), Jiangxi Enterprise Technology Center (江西省企業技術中心) and Key Laboratory of Jiangxi Province (江西省重點實驗室) as platforms for research and innovation. We are also recognized as key high-tech enterprise of China Torch Program (國家火炬計劃重點高新技術企業), a leading enterprise of National Lithium Materials and Applications (國家鋰材料及應用高新技術產業化基地龍頭企業), a National Technology Innovation Demonstration Enterprise (國家技術創新示範企業), and a National Intellectual Property Advantages Enterprise (國家知識產權優勢企業).

In addition, we engage in joint R&D collaboration with research institutions, which we believe provides us with insights into industry trends and emerging new technologies, enabling us to focus our current and future research and development efforts more effectively. During the Track Record Period, we had cooperation with six universities and research institutes on eight projects. Specifically, we have formed a partnership with Nanchang University and launched a number of initiatives, including the establishment of "Nanchang University and Ganfeng Lithium Materials Research Center" and "Ganfeng Lithium Post-doctoral Research Station". To keep our technical personnel abreast of the latest technological development in lithium materials, we entered into personnel training and technical cooperation agreements with Yichun College of Chemical and Biological Engineering.

As of the Latest Practicable Date, we had a total of 107 issued patents, which are material to our business. See "— Intellectual Property" for details. We retain rights to self-developed patents and other intellectual properties.

RAW MATERIALS, ENERGY AND SUPPLIERS

Raw Materials

The key raw material for our lithium compounds operations is mainly lithium raw materials. During the Track Record Period, we mainly sourced lithium raw materials from international suppliers. Since February 2017, we have started to source a majority of lithium raw materials from our upstream lithium resources operations, primarily from the Mount Marion project, as well as from independent third parties. The key raw material for our lithium metals operations is mainly lithium chloride purchased from our

lithium compounds operations and from our lithium battery recycling operations. The key raw material for our lithium batteries operations is mainly anodes, cathodes and electrolyte solutions we sourced from third parties, some of whom are also our customers under lithium compounds business line. The key raw materials for our lithium battery recycling operations is mainly used batteries we purchased from independent third parties. In addition, our operations consume many types of ancillary materials, including a variety of reagents. We purchase these ancillary materials from reputable local suppliers.

During the Track Record Period, prices of our raw materials experienced fluctuations. We do not engage in hedging using derivative instruments related to the risk exposures in connection with our raw materials. We take into account such fluctuation in raw material costs when pricing our products. Besides lithium raw materials, most of our other raw materials are commodities that can be readily purchased on public markets at transparent market prices. During the Track Record Period, we experienced a shortage of lithium raw materials that resulted in interruptions in our spodumene-based production in 2016 because one of our competitors acquired a controlling interest in one of our suppliers, which then ceased to supply to us lithium raw materials. There were no material disagreements or disputes between us and this supplier. Purchase from this supplier accounted for all of our spodumene supply in the year ended December 31, 2015. In 2016, we sourced 389 tons LCE of spodumene from Ningdu Heyuan, and 7,149 tons LCE from another supplier amounting to 94.8% of the total supply of spodumene in that year. This other supplier was also our customer in the same year. In this arrangement, which ended in March 2017, we supplied this customer-supplier with battery grade-lithium hydroxide and lithium chloride converted from the spodumene supplied by this customer-supplier. Since we managed to enter into this arrangement and obtained slightly more spodumene from this customer-supplier compared to the previous supplier, this incident had limited effects on our overall business operations and profitability. For more details on this arrangement, see “— Sales and Marketing — Customers.” Since then, we have increased our investments in lithium resources and starting from February 2017 we primarily source lithium raw materials from Mount Marion project, in which we hold equity interests and have entered into a 100% offtake agreement. We believe our increased investments in upstream resources and the recent commissioning of Mount Marion project will ensure an adequate and stable supply of lithium raw materials in the future. We did not experience other shortage of or any quality issues with our raw materials during the Track Record Period that materially affected our operations. We purchased lithium raw materials from RIM pursuant to our long-term offtake agreement at a benchmark price by referring to then prevailing market prices, and therefore the change from purchasing lithium raw materials from third party suppliers to extracting raw materials from our upstream lithium resources had limited effects on our gross profit margin and cost structure.

Nevertheless, the long-term offtake agreement may affect our liquidity and will continue to affect our liquidity throughout the first half of 2018 as we are required to purchase all lithium raw materials produced from Mount Marion project during the relevant period, which may temporarily restrain our liquidity since our production capacity has not been fully utilized at this stage. However, we entered into the offtake agreement on our own initiative. The agreement ensures sufficient and stable supply of raw materials to meet the demands of our future expansions in production capacity of our production lines, which we believe will eventually benefit us in the long run.

See “Risk Factors — Risks Relating to Our Industry and Business — We depend on a limited number of major suppliers for a substantial portion of our key raw materials. The unavailability or increase in price of such raw materials could materially and adversely affect our business, financial condition and results of operations.”

Energy***Electricity***

We consume a substantial amount of electricity in all of our business lines. As our production capabilities increase and our business grows, our consumption of electricity is expected to grow accordingly. We purchase electricity primarily from local power suppliers. Electricity constituted approximately 8.9%, 4.4%, 4.8%, 5.6% and 5.2% of our total cost of sales for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively. During the Track Record Period, we did not experience any material power supply shortages that resulted in prolonged suspension of our production operations.

Coal

Coal is used as fuel in the production processes of our lithium compounds facilities. As part of our continuing cost control measures, we have centralized the purchase of coal for most of our production lines through our headquarters in Jiangxi to obtain better pricing terms from our coal suppliers. Coal constituted approximately 2.2%, 1.8%, 2.0%, 2.8% and 3.2% of our total cost of sales for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively. During the Track Record Period, we did not experience any material coal supply shortages that resulted in prolonged suspension of our production operations.

Suppliers

We carefully select our external suppliers and require them to satisfy certain evaluation and assessment criteria. Before we engage a new supplier, our team evaluates various aspects of a supplier, including its ability to meet our requirements, production capacity, quality control and innovation capability. We place great emphasis on a supplier's ability to provide specific materials and to satisfy our specific research and development requirements.

For lithium raw materials, we enter into the master offtake agreements with some of the mines we hold equity interests in, which entitle us to a certain percentage of lithium raw materials at relevant mines. Specific information on amount of lithium raw material purchases, pricing and quality of lithium are set out in a separate sale contract between us and relevant mines in the relevant quarter. For other raw materials, we generally do not enter into long-term supply agreements with external suppliers. Our other raw material purchases are made on a purchase order basis, and we specify the product type, unit price, quantity, delivery timeline and other items in each purchase order we send to our suppliers. We generally place purchase orders with our suppliers after we have received a purchase order from customers. Payment terms granted by our suppliers vary depending on a number of factors including the size of the transactions and the types of raw materials purchased. While some of our suppliers require us to make payment in advance or do not grant us credit, our other suppliers generally provide us with credit terms of no more than 180 days. We typically settle our trade payables by letter of credit with overseas suppliers and by bank transfers or bank bills with domestic ones.

We closely monitor the quality of all raw materials provided by our suppliers to ensure that all raw materials comply with our stringent requirements. Our quality control system covers from purchase order placing stage, to before-delivery inspection, and to laboratory test. We further utilize our ERP system to manage resource planning effectively and efficiently. We evaluate our suppliers periodically based on a

BUSINESS

range of factors, including quality and on-time delivery. In addition, we have undertaken other quality control measures for raw materials. See “— Quality Control” for more details. During the Track Record Period, we did not have material disputes with our suppliers.

In 2015, 2016 and 2017 and the three months ended March 31, 2018, purchases from our largest supplier accounted for 18.0%, 26.3%, 36.2% and 44.9% of our total amount of purchase, respectively, while our five largest suppliers for the same years/period accounted for 48.2%, 64.9%, 60.8% and 58.1% of our total amount of purchase, respectively. Our five largest suppliers are raw material suppliers located in Australia, Chile, Japan and China. As of December 31, 2017, our five largest suppliers had one to eight years of relationship with us. We believe that we have a good relationship with our key suppliers. See “Risk Factors — Risks Relating to Our Industry and Business — We depend on a limited number of major suppliers for a substantial portion of our key raw materials. The unavailability or increase in price of such raw materials could materially and adversely affect our business, financial condition and results of operations” and “Risk Factors — Risks Relating to Our Industry and Business — Our operations depend on a stable, timely and adequate supply of energy, power and raw materials at commercially reasonable prices.” None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company’s five largest suppliers.

Considering the limited supply and high demand for cobalt and our intention to secure supply of such raw material for our NCM precursor production, we entered into a cobalt raw material sale and procurement agreement with Ganzhou Tengyuan Cobalt New Material Co., Ltd., an independent third party, on July 30, 2018 for it to supply cobalt raw materials to us from December 2018 to May 2019. We made a prepayment of RMB300 million in August 2018 in accordance with the terms of the sale and procurement agreement.

The table below sets out the business profile, years of business relationship, credit terms, payment method and percentage to total purchases for each of our five largest suppliers during the Track Record Period.

For the Year Ended December 31, 2015

Rank	Supplier	Business Profile	Years of Business Relationship	Credit Terms	Payment Method	Percentage to Total Purchase (%)
1	Supplier A	Brine	Over 9 years	90 days	Letter of Credit	18.0
2	Supplier H	Spodumene	7 years	Not provided in agreement	Sight Credit	16.5
3	Supplier I	Exploration and development of a mine in Golmud; production and process lithium carbonate; sale of several chemicals; lithium battery related development	8 years	No credit terms	Bank Payment; Banker’s Acceptance	4.8
4	Supplier J	Sale of electricity	Over 9 years	No credit terms	Bank Payment	4.5
5	Supplier K	R&D on new materials; R&D and production and sales of lithium battery materials	2 years	60 days	Bank Payment; Banker’s Acceptance	4.4
Total						48.2

BUSINESS

For the Year Ended December 31, 2016

Rank	Supplier	Business Profile	Years of Business Relationship	Credit Terms	Payment Method	Percentage to Total Purchase (%)
1	Supplier A	Brine	Over 9 years	90 days	Letter of Credit	26.3
2	Supplier F	Already bankrupt and went through liquidation	One-off transaction	No credit terms	Bank Payment	21.5
3	Supplier D	Wholesale of chemical materials and products and related services	2 years	30 days	Bank Payment	10.9
4	Supplier G	Wholesale of lithium hydrate and potassium hydroxide; sale of minerals and coal; import and export business; corporate management consultancy	6 years	No credit terms	Banker's Acceptance	3.4
5	Supplier C	Lithium	2 years	Not provided in agreement	Sight Credit	2.8
Total						64.9

For the Year Ended December 31, 2017

Rank	Supplier	Business Profile	Years of Business Relationship	Credit Terms	Payment Method	Percentage to Total Purchase (%)
1	Supplier B	Spodumene	1 year	Not provided in agreement	Sight Credit	36.2
2	Supplier A	Brine	Over 9 years	90 days after shipment of letter of credit	Letter of Credit	18.2
3	Supplier D	Wholesale of chemical materials and products and related services	2 years	30 days after receipt of invoice	Not provided in agreement	2.3
4	Supplier E	Ionic membrane caustic soda; PVC; hydrochloric acid; liquid chlorine; hydrazine hydrate	Over 9 years	Pay on receipt of invoice	Banker's Acceptance; Bank Payment	2.1
5	Supplier C	Lithium	2 years	Not provided in agreement	Sight Credit	2.0
Total						60.8

BUSINESS

For the three months ended March 31, 2018

Rank	Supplier	Business Profile	Years of Business Relationship	Credit Terms	Payment Method	Percentage to Total Purchase (%)
1	Supplier B	Spodumen	1 year	Not provided in agreement	Sight Credit	44.9
2	Supplier A	Brine	Over 9 years	90 days after shipment of letter of credit	Letter of Credit	8.6
3	Supplier E	Ionic membrabe caustic soda; PVC; hydrochloric acid; liquid chlorine; hydrazine hydrate	Over 9 years	Pay on receipt of invoice	Banker's Acceptance; Bank Payment	1.7
4	Supplier D	Wholesale of chemical materials and products and related services	2 years	30 days after receipt of invoice	Not provided in agreement	1.7
5	Supplier L	Production and sales of caustic soda, hydrolic acid, liquid chlorine, AC-blowing agent and other chemicals; development, transfer and provision of service on technology of chemical products; sales of equipment and raw material related to the above chemicals; export of equipment and raw material related to the company's business	Over 3 years	Within 1 month after receipt of goods and invoice	Banker's Acceptance; Bank Payment	1.2
Total						58.1

SALES AND MARKETING

Our midstream lithium processing and downstream battery manufacturing business lines internally consumed all products from our lithium recycling business lines during the Track Record Period, and we also internally consumed most products from the upstream lithium resources, in which we hold equity interests, since February 2017. During the Track Record Period, we marketed and sold products from our lithium compounds, lithium metals and lithium batteries business lines to external parties in both domestic and overseas markets. As of the Latest Practicable Date, we had a sales and marketing team of 64 personnel, focusing on business development, customer service and industry coverage. We maintain respective sales teams responsible for our sales efforts both in domestic and overseas markets, for each of our lithium compounds, lithium metals and lithium batteries business lines. Our sales and marketing team analyzes the dynamics of existing customers and trends in key markets to determine where opportunities exist, and our regional sales teams implement strategies within their respective regions.

Our sales and marketing teams regularly contact our existing and potential customers about our current offerings and development plans. They also gather feedbacks from customers on our products and assist us in understanding and responding to design and other demands as to our products. Besides

BUSINESS

maintaining frequent communication with our existing customers, our sales and marketing teams also seek to expand our customer base through presenting our strength and showcasing our products and services to their own existing contacts and potential customers.

In 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our selling and marketing expenses were RMB34.6 million, RMB50.9 million, RMB53.2 million, RMB10.0 million and RMB8.5 million, respectively, accounting for 2.6%, 1.9%, 1.3%, 1.6% and 0.8%, respectively, of our revenue during the same years and periods.

The following table sets forth a breakdown of our revenue by market for the years and periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Domestic	1,033,656	76.9	2,054,135	78.0	3,488,049	83.6	478,099	76.7	799,674	76.6
Overseas	310,523	23.1	579,321	22.0	683,152	16.4	145,533	23.3	244,760	23.4
Total revenue	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

End Markets

Our products are used in the production of, or are incorporated into final products that are primarily sold into a number of end markets, including battery related, chemicals, pharmaceuticals, new materials and others. The following table sets forth a breakdown of our revenue by end market for the years and periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Battery related	856,133	63.7	1,745,143	66.3	3,075,047	73.7	388,732	62.3	769,666	73.7
Chemicals	205,365	15.3	544,665	20.7	528,410	12.7	124,233	19.9	118,701	11.4
Pharmaceuticals . . .	233,059	17.3	272,017	10.3	333,654	8.0	64,775	10.4	95,407	9.1
New materials	16,083	1.2	36,734	1.4	110,554	2.7	20,439	3.3	20,234	1.9
Others	33,539	2.5	34,897	1.3	123,536	2.9	25,453	4.1	40,426	3.9
Total	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Pricing Strategies

We price our products for external sales based on a number of factors, including lithium raw materials costs and production costs, prevailing market conditions and specifications of products requested by customers. The prices of our products are also affected by the global and domestic economic environment and the demand for lithium products as well as market competition in the lithium industry.

Customers

Our external customers primarily consist of battery material companies, battery manufacturers, chemical manufacturers, pharmaceutical companies and manufacturers for electronic devices. As of

BUSINESS

March 31, 2018, our products were sold in more than 10 countries, predominantly in China, Korea, Japan and Singapore. Our customers require sophistication in R&D capabilities, quality production, speed-to-market and reliable delivery. Over the years, our ability to consistently meet and exceed our customers' high quality and sophisticated requirements has allowed us to develop and retain strong relationships with them and to attract more globally leading customers.

We primarily sell our products directly to customers in China and overseas. We generally do not have long term purchase commitments from our customers. We typically enter into customer framework agreements with our major customers setting forth general terms that will be used in each purchase order. They may require us to maintain equipment, facilities and other resources required to support, and to produce products in sufficient quantities to meet our customers' production needs in a given period or otherwise develop a contingency plan. We are also typically required by our customers to provide covenants in connection with our quality and environmental management over the production process of our products. Our customer framework agreements typically do not have a fixed term.

We typically receive purchase orders from our customers that set out the specific terms for the orders of products on a regular basis according to the terms of customer framework agreements. Each purchase order sets forth the terms and conditions of the specified orders, including the pricing terms, specifications of our products to be provided, quantity and date of delivery. We collaborate with our customers for the development of the products and coordinate on our production planning. In general, our customers negotiate the selling prices and confirm the product specifications with us after the provision of a forecast, showing the expected overall volume of products they expect to order from us during the specified period covered by the forecast. These forecasts are not binding, but we are able to secure and allocate our internal resources to plan for our production and manage our inventory level in accordance with these forecasts and any downward or upward revisions that our customers may make. We generally do not provide warranty coverage on our products. We typically grant our customers a credit period ranging from 30 days to 90 days for lithium metals and lithium batteries products, while we require pre-payments from customers for our lithium compounds products to ensure they have the volume they need due to the popular demands of such products in the market.

In addition to our direct customers, we sell limited amounts of our products to third-party distributors, which accounted for 4.2%, 2.5%, 2.4% and 1.9% of our revenue in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively, and the amount of sales to distributors was RMB55.9 million, RMB65.5 million, RMB100.5 million and RMB19.7 million in the same years/period, respectively. We make sales to distributors (i) at the specific order requests of distributors, or (ii) for sales to certain regions, such as Europe, due to the relationships such distributors have established in such regions. Our relationship with our distributors is that of seller and buyer and not principal and agent. We have no ownership or management control over any of our distributors. We typically do not enter into distribution agreements with our distributors, except for one distributor in Wuhan ("**the Wuhan Distributor**"). Our distributors typically make purchases on a per-order basis, and all of our sales to distributors are made according to written orders received. Our sales to distributors are final and we do not allow distributors to return or rotate their stock to us. We treat our distributors substantially the same as our direct customers and offer no preferential arrangements in sales pricing or volume. Our distribution agreement with the Wuhan distributor includes the following principal terms:

Duration	Three years, renewable upon mutual agreement
Geographic or other exclusivity	Exclusive distributor for lithium foils in Wuhan, Hubei Province, China. The distributor is strictly prohibited from expanding its business outside its authorized territory unless otherwise approved by us in written form. The distributor is also prohibited from selling

BUSINESS

	any other products that directly or indirectly compete with our products
Sales and pricing policies	Specified in individual purchase orders
Sales and expansion targets	The distributor shall maintain a no less than 60% market share in Wuhan, Hubei Province, China
Payment and credit limits	We provide the distributor with a credit limit of RMB3 million. If the purchase amounts of the distributor fall under RMB1.5 million per month, the credit limit is adjusted to be equal to two months' worth of the distributor's purchase amounts. We also provide a two-month credit term. If the purchase amounts of the distributor fall under RMB100,000 for two consecutive months, the distributor is required to settle all outstanding payments immediately
Market reports and estimates	Quarterly market reports regarding its authorized territory and regular updates on end-use customers
Conditions for termination and renewal of the agreement	The non-breaching party may terminate the agreement if there is any material breach of the agreement. If the distributor would like to renew the agreement, they need to give three months' notice prior to the agreement's expiration date
Guarantee	An independent third party provides financial guarantee for the distributor for its potential debt liabilities

In 2015, 2016 and 2017 and the three months ended March 31, 2018, sales to our largest customer accounted for 5.2%, 6.5%, 4.4% and 7.7% of our revenue, respectively; and sales to our five largest customers accounted for 17.5%, 18.7%, 18.0% and 23.1% of our revenue, respectively. During the Track Record Period, one of our five largest customers was also our supplier, primarily because we encountered a shortage of lithium raw materials in 2016 and entered into such arrangement to ensure stable supply of lithium raw materials. In this arrangement we supplied this customer-supplier with battery-grade lithium hydroxide and lithium chlorid converted from the spodumene supplied by such customer-supplier. This was a one-time arrangement and was ended in March 2017. We entered into the arrangement with a customer who has sufficient spodumene supply but lacking enough production capacity, so as to address the temporary shortage of spodumene supply we encountered and thus not an industry norm for companies in the lithium industry. Since we have increased our investments in lithium resources including the Mount Marion project to secure our supply chain, we do not expect to enter into any similar arrangement with companies in the lithium industry going forward. In 2015, 2016 and 2017, revenue generated from such customer amounted to nil, RMB171.0 million and RMB143.8 million, respectively; purchasing amount related to such customer amounted to nil, RMB182.7 million and RMB69.6 million, respectively, during the same years.

BUSINESS

The table below sets out the business profile, years of business relationship, credit terms and payment method for each of our five largest customers during the Track Record Period.

For the Year Ended December 31, 2015

Rank	Customer	Business Profile	Years of Business Relationship	Credit Terms	Payment Method
1	Customer J	Motive battery R&D, production and sales	4 years	No credit terms	Bank payment; Banker's acceptance note
2	Customer F	Manufacture and sales of lithium-ion batteries, other batteries and related accessories	8 years	No credit terms	Bank payment; Banker's acceptance note
3	Customer K	Medical intermediate compounds	Over 9 years	90 days	Bank payment; Banker's acceptance note
4	Customer L	Basic drugs, medical intermediate	Over 9 years	90 days	Bank payment; Banker's acceptance note
5	Customer M	R&D, production, sales and renting of lithium emergency power supply, electric tools, transportations and lithium battery chargers	7 years	No credit terms	Bank payment; Banker's acceptance note

BUSINESS

For the Year Ended December 31, 2016

<u>Rank</u>	<u>Customer</u>	<u>Business Profile</u>	<u>Years of Business Relationship</u>	<u>Credit Terms</u>	<u>Payment Method</u>
1	Customer B	Wholesale of chemical materials and products, and related services	2 years	30 days	Bank payment
2	Customer F	Manufacture and sales of lithium-ion batteries, other batteries and related accessories	8 years	No credit terms	Bank payment; Banker's acceptance note
3	Customer G	Acquired by Customer A	2 years	Not provided in agreement	Bank payment
4	Customer H	Hydrofluoric acid, fluoride and other chemicals	5 years	No credit terms	Bank payment; Banker's acceptance note
5	Customer I	R&D and sales of lithium-ion battery and materials; production of other chemicals	8 years	No credit terms	Bank payment; Banker's acceptance note

BUSINESS

For the Year Ended December 31, 2017

<u>Rank</u>	<u>Customer</u>	<u>Business Profile</u>	<u>Years of Business Relationship</u>	<u>Credit Terms</u>	<u>Payment Method</u>
1	Customer A	Manufacture of mobile phones, investment	6 years	60 days	Telegraphic transfer Bank payment
2	Customer C	NCM, lithium cobalt oxide, lithium maganese oxide and lithium iron phosphate	8 years	No credit terms	Banker's acceptance note
3	Customer B	Wholesale of chemical materials and products, and related service.	2 years	30 days	Bank payment
4	Customer D	Production and sales of lithium carbonate, cryolite, silicon dioxide, mixed vitriol, sodium sulfate, anhydrous sodium sulfate, and their import and export within the limits of laws and regulations	1 year	No credit terms	Bank payment; Banker's acceptance note
5	Customer E	R&D, manufacture, process and sales of new energy, new material, battery materials and accessories, and relevant service	2 years	No credit terms	Bank payment; Banker's acceptance notes

BUSINESS

For the three months ended March 31, 2018

Rank	Customer	Business Profile	Years of Business Relationship	Credit Terms	Payment Method
1	Customer N	Development and production of lithium-ion cathode material and related precursor material	less than 1 year	Within 30 days after receipt of invoice	Bank payment; Banker's acceptance notes
2	Customer O	Production of lithium-ion cathode material	3 years	Within 30 days after shipment	Wire transfer
3	Customer P	International trade, transit trade metal and metal products, batteries and battery materials, and other equipments and accessories	1 year	Within 60 days after shipment	Wire transfer
4	Customer M	R&D manufacture, process and sales of new energy, new material, battery materials and accessories and relevant service	2 years	No credit terms	Bank payment; Banker's acceptance notes
5	Customer Q	Disposable lithium battery alkaline battery	3 years	Within 90 days after shipment	Wire transfer

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest customers during the Track Record Period and as of the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we did not have material disputes with our customers.

INVENTORY MANAGEMENT

Our inventory primarily consists of raw materials, work-in-progress and finished goods. We use our ERP system to assist us in planning and managing our inventory control. Our inventory system software is able to produce real time information of inventories, and provides our management team with clear visibility on the inventory data. Our team timely monitors our inventories, including inventory levels, inventory age, inventory composition and inventory turnover rate. We also carry out physical stock counts on a regular basis. In 2015, 2016 and 2017 and the three months end March 31, 2018, our inventory turnover days were 112, 95, 106 and 166 days, respectively. To ensure a stable supply of lithium raw materials, we generally carry a total of three-month worth of lithium raw materials at different locations, including at our warehouse at ports of shipment and at our production facilities.

QUALITY CONTROL

Our commitment to high quality and reliability helps strengthen the recognition and trust among our customers. As of the Latest Practicable Date, we had a quality control workforce of 162 personnel. As a result of our commitment to stringent quality control, during the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us. We implement an internal quality control system to perform various inspections over the course of the entire manufacturing process. We are required to comply with specific guidelines based on international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. During the Track Record Period, we had been in full compliance with our customers' stringent quality control requirements.

We take a holistic approach to quality control and implement stringent standards in all aspects of our business, from procurement, production, warehousing and inventory storage to delivery, to ensure the full compliance with the stringent benchmarks and specifications of our customers and ourselves. We have strong quality control programs in place at our manufacturing facilities. Our quality control team is responsible for establishing the quality control systems and inspection guidelines for our production, while our respective teams at our manufacturing facilities are responsible for implementing the quality control standards and procedures. Our quality control team also carries out regular system audits on manufacturing facilities, conducts performance reviews and statistical analysis and provides training on the concept of quality and inspection techniques, to ensure the effectiveness of the overall system.

Procurement

We typically procure raw materials from suppliers who have passed our quality and reliability assessment. We evaluate our suppliers periodically based on a range of factors, including raw material quality and the ability to meet our delivery timeline. We conduct random sample tests on incoming raw materials upon delivery to ensure a high-quality, low-cost and rapid supply chain. We test the raw materials in our internal laboratory and return raw materials that fail to pass inspection.

Production

We strictly follow our customers' high-quality and sophisticated requirements and specifications and all relevant industry standards for the production of our products, including national standards and our internal quality standards. At designated checkpoint stages on our production lines, our quality control team conducts periodic tests and inspections of semi-finished products in accordance with the our internally designed quality control processes. These tests are intended to ensure that our products meet the quality standards and compliance requirements of both us and our customers at each stage of the production process. In terms of production safety, we have employed a three-tiered safety inspection policy, where our respective production manager inspects the production workshop at least once a day, our respective facility manager inspects at least once a week and our production management department inspects at least once a month to ensure high levels of production safety. Our quality control team prepares quality analysis reports on a monthly basis that are submitted to our senior management as well as the relevant production team to maintain or refine our production processes as necessary.

We have received various certifications from government authorities or recognized organizations. For example, our production facilities are certified to ISO9001:2008 and ISO/TS16949 quality management standards, which is evidence that our quality control system is aligned with international practices. We have also been granted the National Industrial Production Permit by Jiangxi Quality and Technology Supervision Bureau.

Warehousing

Our finished products are first packaged and stored at our warehouses before being transported and delivered. Finished products are stored in designated zones within our warehouses according to type and production date. Additionally, we take safety measures to minimize fire hazards, water damage and other similar risks to our products.

Delivery

We conduct sample checks for every batch of finished products prior to the delivery of products. Our quality control team collaborates with the relevant production team to ensure that our packaging is well-designed and sufficient to safeguard the integrity of our finished products during their transportation. Packaging thereby tends to vary with the volume and sensitivity of each product.

INFORMATION TECHNOLOGY SYSTEMS

We believe that high levels of automation and technology are essential to maintain our competitive position and support our strategic objectives. Our advanced information technology systems and infrastructure empower us in planning and managing our sales management, material procurement, production, financial reporting as well as human resources, thereby both improving our overall operational efficiency and sustaining our business growth. Within our fully integrated information system, the following solutions are the most critical to our success, namely, the ERP system and the MES system.

- **ERP system** — We utilize this enterprise resource planning system to retrieve and analyze our operational data to aid faster decision-making and boost productivity and profitability. The ERP system provides outstanding industrial solutions covering various aspects of our operations, including manufacturing, financial accounting, enterprise performance management and human capital management.
- **MES system** — We utilize an advanced manufacturing execution system in our lithium battery production. This system records the production progress of each production line on a real-time basis and uses radio frequency identification technology to transmit production-related data (including the production volume, time and labor) to the database to ensure an accurate monitoring of the process flow and improve the production efficiency. Our MES system also allows production planning department to promptly monitor production loading and capacity, order scheduling, and production scheduling plan. In addition, we have employed this system to boost production efficiency at our manufacturing facilities, including quality management, energy management and environmental and waste management. All data collected in manufacturing process are highly integrated with our ERP system for further data consolidation, analysis and information reporting.

We plan to improve our information technology systems further to keep up with the growth of our business. We believe such improved systems will strengthen supply chain management as well as improve our ability to develop products that meet the preferences of our customers.

RISK MANAGEMENT

We have in place a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations, including but

BUSINESS

not limited to procurement management, sales management, inventory management, research and development management, investment management, credit risk, connected party transaction controls, information disclosure controls, human resources, IT management and other various financial and operational controls and monitoring procedures. These risk management policies set forth procedures the relevant reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing our overall risk management. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

COMPETITION

We compete with a limited number of Chinese and international lithium compounds companies, particularly the ones with extensive marketing and sales networks and rich reserves of lithium resources. We are 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 as of December 31, 2017, according to CRU. For more information, see "Industry Overview."

According to CRU, the key barriers to entry in the global lithium compounds and metals industry include, among others, (i) access to an adequate, stable supply of lithium raw materials; (ii) high level of technological know-how and R&D capabilities; (iii) significant initial capital expenditure and development lead time; (iv) established relationships with diversified blue-chip customers; and (v) management experience and talent pool.

We believe the most important competitive factors are price, quality of products, research and development capabilities, delivery schedule and customer service. We believe that we are well positioned to compete against industry peers with our high quality lithium resources, strong research and development capabilities, global distribution network and integrated business model from upstream to downstream businesses.

PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our manufacturing facilities, warehouses, offices and dormitories.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of March 31, 2018, none of our properties had a carrying amount of 15% or more of our consolidated total assets.

BUSINESS

Owned Land and Buildings

As of the Latest Practicable Date, we owned properties in three locations in China, with an aggregate area of 242,099.9 square meters used as manufacturing facilities, offices and dormitories to support our business operations. The following table sets forth a summary of certain information regarding our owned properties.

<u>Use of Property</u>	<u>Approximate Gross Floor Area (sq.m.)</u>
Production and office	219,880.1
Others	22,219.9
Total	242,099.9

As of the Latest Practicable Date, we had not obtained required ownership related certificate and/or permits from the local government authorities for certain owned properties in Jiangxi, the PRC, with an aggregate gross floor area (“GFA”) of 62,064.8 sq.m., which accounted for 25.6% of the GFA of our total owned properties. These properties are mainly used as our manufacturing facilities, offices, warehouses and dormitories. Based on the confirmation letters issued by the relevant local housing and urban-rural construction bureau, (i) we will be able to continue to use the above-mentioned facilities; (ii) we will not be subject to penalties for failure to obtain the building ownership certificate. Our PRC Legal Advisors are of the opinion that the government officials who issued the confirmation letters were authorized to give the relevant confirmations, and the above mentioned PRC government authorities are competent authorities. Based on such confirmation letters, our PRC Legal Advisors are of the opinion that our failure to obtain the building ownership certificates for certain properties does not have a material adverse impact on our business operations. Please see “Risk Factors — Risks Relating to Our Industry and Business — A material portion of our owned properties may be subject to legal irregularities.”

As of the Latest Practicable Date, save as disclosed above, our PRC Legal Advisors confirmed that we had obtained all relevant properties title certificates and other relevant land use rights certificates for our material manufacturing facilities in China.

Leased Properties

As of the Latest Practicable Date, we leased properties in four cities in China, with an aggregate area of 49,824.98 square meters used as manufacturing facilities, offices, dormitories and warehouses to support our business operations. These buildings are located in Shanghai, Dongguan, Suzhou and Ningbo, China. Our PRC Legal Advisors confirmed that as of the Latest Practicable Date, the lease agreements we entered into are legal and valid; the lessors have obtained relevant ownership certificates for such properties and have the right to lease the properties to us.

The following table sets forth a summary of certain information regarding our leased properties as of the Latest Practicable Date.

<u>Use of Property</u>	<u>Approximate Gross Floor Area (sq.m.)</u>
Production and office	36,833.54
Others	12,991.44
Total	49,824.98

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. As of the Latest Practicable Date, we had six registered trademarks in China, which are material to our business. In addition, as of the Latest Practicable Date, we had a total of 107 issued patents, which are material to our business.

In addition, some of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us.

For details of our intellectual property portfolio, see "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 2. Our Intellectual Property Rights."

As of the Latest Practicable Date, our Directors confirmed that, so far as they were aware, there was no material violation or infringement of any intellectual property rights owned by us or by any third parties, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. Moreover, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Relating to Our Industry and Business — Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs."

INSURANCE

We maintain property insurance, product liability insurance, employee insurance and overseas investment insurance for our business operations. As of the Latest Practicable Date, we had not received any material insurance claims against us. Consistent with what we believe to be customary practice in our industry, we generally do not carry any business interruption insurance. Our insurance policies are typically reviewed on an annual basis. We believe that the existing insurance coverage of our business is adequate and is standard for our industry. See "Risk Factors — Risks Relating to Our Industry and Business — We may not be adequately insured against losses and liabilities arising from various operational risks and hazards that we are subject to."

BUSINESS

EMPLOYEES

We place great importance on attracting and retaining qualified employees. We are committed to investing in our employees' training and development. As of the Latest Practicable Date, we had 4,315 full-time employees worldwide. A breakdown of our employees by function as of the Latest Practicable Date is set forth below.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage of Total (%)</u>
Management	9	0.2
Research & Development	245	5.7
Sales and Marketing	70	1.6
Procurement and Supply Chain	125	2.9
Production	3,390	78.6
Quality Control	162	3.8
Others ⁽¹⁾	314	7.3
Total	4,315	100

Note:

(1) Includes finance, IT, human resources, administrative and other personnel.

We emphasize the training of our employees in order to enhance their technical and product knowledge as well as their personal development, job challenge and satisfaction, recognition, work environment, work safety and career advancement. We provide our employees with various continuing development opportunities at universities and research institutes. We have adopted a compensation structure and incentive schemes linked to our Group's performance in order to further motivate our employees. As of the Latest Practicable Date, counting Shares received through our share incentive plans, our Directors, Supervisors and senior management hold approximately 35.1% of our Shares, and a number of members of our Company, including key technical employees and members of our management team and certain directors subscribed for restricted A Shares of our Company through executions of our share incentive plan, which we believe will align their goals with our success.

We currently recruit our employees primarily through on-campus recruiting programs and advertisements on recruitment websites. There are labor unions for our employees in a number of jurisdictions where we operate including the PRC. During the Track Record Period, we had no material disputes with the labor unions.

We focus on employee welfare and maintain constant dialog with our employees. We had not experienced any major disputes with our employees during the Track Record Period, and we believe that we maintain a good working relationship with our employees.

ENVIRONMENTAL, OCCUPATIONAL, HEALTH AND SAFETY

We are subject to environmental protection laws and regulations promulgated by the governments in the jurisdictions in which we operate our business. See "Regulatory Overview." We have dedicated a team of personnel to handle our environmental compliance-related matters. We have implemented stringent waste treatment procedures in our manufacturing facilities. Waste produced by us is treated in compliance with applicable environmental standards. Furthermore, we have procedures in place and designated special staff to treat and dispose of any hazardous waste. Our environmental expenses amounted to approximately RMB14.8 million, RMB22.7 million, RMB31.6 million and RMB9.6 million in 2015, 2016 and 2017 and the

BUSINESS

three months ended March 31, 2018, respectively. During the Track Record Period, we had achieved significant progress in environmental protection and are certified to ISO14001:2004 Environmental Management Systems.

We are subject to various safety laws and regulations in the jurisdictions in which we operate. See "Regulatory Overview." As of the Latest Practicable Date, we had complied with applicable laws and regulations on occupational health and work safety in all material respects. We have in place a system of recording and handling accidents, by relevant production team and administrative personnel in accordance with relevant internal policies. We are certified to OHSAS18001:2007 Occupational Health and Safety Management System for the Supply Chain to be in line with international practices. During the Track Record Period, we did not record any material accidents. As of the Latest Practicable Date, no material claim had been brought against us as a result of an accident.

In March 2016, a fire accident happened at Shenzhen Meibai, one of our lithium-ion battery manufacturing facilities in Shenzhen at the time, during non-business hours due to the spontaneous combustion of certain defective raw materials which we intended to return shortly. In July 2016, an explosion accident happened at Shenzhen Meibai during non-business hours due to the spontaneous combustion of certain semi-finished battery products during the aging process. We were fined by relevant regulatory agencies of RMB90,000 and RMB220,000 for the two incidents, respectively, for insufficiency in safety standards, monitoring and emergency plans. We also suffered damages in connection with the two incidents of RMB19.7 million and RMB30.0 million, respectively. Both accidents happened during the transition period after our acquisition of Shenzhen Meibai from its previous management team in 2015. At the time of the accidents, Shenzhen Meibai was operating as an independent entity outside of our system and managed by its previous management team pursuant to the acquisition agreement. Pursuant to the acquisition agreement, although we had obtained the control of Shenzhen Meibai after the acquisition, based on the compensation agreements entered into with the previous management team, in which they promised as to the profitability of Shenzhen Meibai for the profit compensation period, they remained in charge of the daily operation of the facility. Therefore, given that the previous management team executed the daily operation of the facility at the time of the accidents, and that no similar accident has taken place in our other acquired businesses up to the Latest Practicable Date, our Directors are of the view that the accidents at Shenzhen Meibai and the fact that our investment in Shenzhen Meibai was substantially impaired within a short period of time after the acquisition does not indicate a deficiency in or ineffectiveness of our policies and measures regarding integration and supervision of acquired businesses. Moreover, the independent internal control consultant has reviewed the Company's latest internal control policies in its follow up review regarding the management of external investments and has not identified any material deficiency in such policies. These policies cover aspects of external investment management including but not limited to preliminary research and due diligence on the project, environmental impact of the project, and inspection and supervision over the project upon completion of investment. After the accidents and during the Track Record Period, we have successfully sought RMB5 million in cash as indemnity from the previous management team of Shenzhen Meibai. Moreover, pursuant to the resolution passed by the general meeting of Shareholders on January 24, 2018, 632,018 restricted A Shares were repurchased by the Company from Mr. Li Wanchun as part of the compensation for the loss related to Shenzhen Meibai's fire incidents. While there were no major casualties resulting from such incidents, we decided to permanently shut down this facility and relocate our consumer lithium battery production to our Dongguan Ganfeng Battery Plant. In an effort to prevent further recurrence of fire incidents, we have established a number of procedures and processes regarding the safety production and storage of our lithium-ion batteries. For more details of our enhanced internal control measures, please refer to "— Legal and Compliance — Non-Compliance." Moreover, no similar accident has occurred in our other subsidiaries and acquired businesses which we operate ourselves.

BUSINESS

In July 2017, a safety incident occurred at one of our production facilities, which resulted in the death of one worker. The incident was due to workers' violation of rules of operation, our failure to identify risks in operation and inadequate safety training. We were fined by the local work safety supervisory bureau of RMB200,000. After the accident, the Company reviewed its measures for the safety management of lifting operations by referring to the Safety Code of Special Work in Chemical Manufactory (GB30871-2014) and improved the approval process of special operations. The Company also organized trainings for workers to help them better identify the harmful and dangerous factors that exist in daily operations and took steps to enhance mutual supervision among workers. The functional department of the production facility was also required to make daily spot checks on the inspection work permit issued by each workshop.

In addition to these remedial measures, we engaged an independent internal control consultant to perform an internal control review for our Group in November and December 2017 and a follow-up review in early 2018. The material internal control deficiencies identified by the internal control consultant in the original review are remediated in the follow-up review, for more details about the material findings in the original review by our internal control consultant, see "— Legal and Compliance" below. After taking into account the nature and reasons of the safety incident, the written confirmations of the relevant competent government authorities, and the fact that no other similar incident has occurred at our production facilities up to the Latest Practicable Date, as well as considering the review results of our independent internal control consultant, our Directors are also of the view that our enhanced safety measures are sufficient and effective to prevent the occurrence of similar accident in the future. In addition, after making enquiries of the management of our Company, reviewing of the enhanced safety measures and discussing with the internal control consultant regarding the enhanced safety measures, the Sole Sponsor is not aware of any reasons to disagree with our Director's view that the enhanced safety measures are sufficient and effective.

On the basis that (i) the local competent authority classified the incident as a general production safety accident and the amount of fine imposed on the Company was at the low end of the statutory penalty range for general production safety accidents, (ii) the Company has fully settled the fine and the incident did not have any material adverse effect, and (iii) the local work safety supervisory bureau has confirmed that from 2014 to December 11, 2017 none of the Company's activities constituted a material breach of relevant production safety laws and regulations, our PRC Legal Advisors are of the opinion that such incident does not constitute a material non-compliance matter and does not have a material adverse impact on our business operations.

In an effort to ensure the safety of our employees and prevent further recurrence of such incidents, we further strengthen our operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries, electricity safety, and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation.

Our Directors confirm that we comply with the applicable health and safety laws and regulations in all material respects, and that, during the Track Record Period and up to the Latest Practicable Date, we were not in breach of such laws and regulations. We have not encountered any safety-related accidents that had any material impact on our operations during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

AWARDS AND RECOGNITION

We have received numerous awards and recognitions in respect of our products, our research and development capabilities, including:

Award-winning Project	Award Type	Awarding Institutions/ Authority	Award Date
Technology for the preparation of high purity lithium salts from lithium extracted from spodumene ore and its industrialized application (鋰礦石提鋰製備高純鋰鹽技術及產業化應用)	Jiangxi Province Technological Invention Award (Third Prize)	People's Government of Jiangxi Province	2016
Technology for the preparation of copper-lithium composite foils used for high-capacity lithium batteries and its industrialized application (高功率鋰電池專用銅鋰複合帶製備技術及產業化應用)	Jiangxi Province Scientific and Technological Progress Award (Third Prize)	People's Government of Jiangxi Province	2016
Technology for the preparation of battery grade lithium dihydrogen phosphates by high-concentration homogeneous crystal growth method and its industrialized application (高濃度均相晶析法製備電池級磷酸二氫鋰技術及產業化應用)	Jiangxi Province Scientific and Technological Progress Award (Third Prize)	People's Government of Jiangxi Province	2015
Technology for the preparation of high sodium lithium metal particles from recycled lithium-sodium alloys and its industrialized application (回收鋰鈉合金製備高鈉金屬鋰粒子技術及產業化應用)	Jiangxi Province Technological Invention Award (Third Prize)	People's Government of Jiangxi Province	2015
Development and application of the technology for the preparation of battery-grade lithium metals and alloys for high-capacity lithium batteries from lithium-containing pharmaceutical wastewater (含鋰製藥廢水製備高功率鋰電池專用電池級金屬鋰及其合金技術開發與應用)	Jiangxi Province Technological Invention Award (Second Prize)	People's Government of Jiangxi Province	2014
Technology for the direct preparation of high-purity super fine lithium salts from lithium extracted from brine and its industrialization (鹵水提鋰直接製備高純超細鋰鹽技術及產業化)	Jiangxi Province Technological Invention Award (Second Prize)	People's Government of Jiangxi Province	2013
New process for the preparation of serial lithium salts from lithium extracted from lepidolite mine (鋰雲母礦提鋰製備系列鋰鹽新工藝)	Jiangxi Province Technological Invention Award (Second Prize)	People's Government of Jiangxi Province	2011
Project on the preparation of battery-grade lithium carbonates from lithium extracted from lepidolite mine and comprehensive resources utilization (鋰雲母礦提鋰製備電池級碳酸鋰及資源綜合化利用項目)	China Nonferrous Metals Industry Association Scientific and Technological Progress Award (Second Prize)	China Nonferrous Metals Industry Association	2011
Development and application of the technology for the preparation of battery- grade lithium metals by low-temperature vacuum distillation (低溫真空蒸餾製備電池級金屬鋰技術開發與應用)	All-China Federation of Industry and Commerce (Second Prize)	All-China Federation of Industry and Commerce	2011

BUSINESS

CERTIFICATES, LICENSES, PERMITS AND APPROVALS

We confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant applicable laws and regulations in all material respects and had obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our material businesses in the jurisdictions in which we operate, save as disclosed in “— Environmental, Occupational, Health and Safety”.

The table below sets forth our material licenses and permits and their corresponding expiry dates.

Name of Member of the Group	Name/Category of Licenses/Approvals/Permits/Certificates	Number	Expiry Date
Jiangxi Lithium	Mining License	2	October 16, 2018* June 27, 2019
Blackstairs Lithium	Exploration License	8	August 7, 2021
LITIO MINERA	Exploration License	13	N/A ⁽¹⁾
	Environmental License	1	Expired ⁽²⁾
Ganfeng Lithium	Work Safety License	3	December 28, 2018* Expired ⁽³⁾ March 16, 2021
	Registration Certificate of Dangerous Chemicals	4	January 10, 2019 January 2, 2021 March 29, 2021 December 19, 2019
	National Industrial Production License	1	May 15, 2021
	Pollutant Discharge License	1	November 8, 2018*
	Archival Filing and Registration Form of Foreign Trade Operators	1	N/A
	Registration Certificate of the Customs of the People’s Republic of China for the Declaration Enterprises	1	No fixed expiration date
	Certificate of Filing Registration of an Entity Applying for Inspection and Quarantine by Itself	1	N/A
Fengxin Ganfeng	Work Safety License	1	December 22, 2018*
	Registration Certificate of Dangerous Chemicals	1	October 8, 2020
	Emission Permit	1	October 18, 2018 ⁽⁴⁾
	Dangerous Chemicals Business Safety Standardization Certificate (Level 3)	1	February 5, 2020
	Archival Filing and Registration Form of Foreign Trade Operators	1	N/A
	Registration Certificate of the Customs of the People’s Republic of China for the Declaration Enterprises	1	No fixed expiration date
Yichun Ganfeng	Work Safety License	1	October 20, 2019
	Registration Certificate of Dangerous Chemicals	1	June 29, 2019
	Emission Permit	1	August 31, 2018 ⁽⁴⁾
	Dangerous Chemicals Business Safety Standardization Certificate (Level 3)	1	February 5, 2020
	Registration Certificate of the Customs of the People’s Republic of China for the Declaration Enterprises	1	No fixed expiration date

BUSINESS

Name of Member of the Group	Name/Category of Licenses/Approvals/Permits/Certificates	Number	Expiry Date
Ganfeng Transportation	Archival Filing and Registration Form of Foreign Trade Operators	1	N/A
	Registration Form of Entry-Exit Inspection and Quarantine Application for Inspection Enterprises	1	N/A
	Road Transport Business License	1	March 22, 2020
	Transportation and Logistics Enterprise Safety Standardization Certificate	1	March 21, 2021
Ganfeng Battery	Emission Permit	1	November 9, 2018*
	Archival Filing and Registration Form of Foreign Trade Operators	1	N/A
Jiangxi Lithium	Registration Certificate of the Customs of the People's Republic of China for the Declaration Enterprises	1	No fixed expiration date
	Certificate of Filing Registration of an Entity Applying for Inspection and Quarantine by Itself	1	N/A
	Work Safety License	1	January 17, 2019
	Emission Permit	1	December 9, 2019 (3 years from December 9, 2016)
	Blasting Operation Enterprise Certificate (Non-operating)	1	March 6, 2020
Ganfeng Inspection	Inspection and Testing Institutions Certificate	1	December 3, 2023
Fengxin Ganfeng Renewable	Certificate of Registration of Renewable Resource Recovery Business	1	N/A
Dongguan Ganfeng	Archival Filing and Registration Form of Foreign Trade Operators	1	N/A
	Registration Certificate of the Customs of the People's Republic of China for the Declaration Enterprises	1	No fixed expiration date
Shenzhen Meibai	Archival Filing and Registration Form of Foreign Trade Operators	1	N/A
	Registration Certificate of the Customs of the People's Republic of China for the Declaration Enterprises	1	No fixed expiration date

Notes:

- * With respect to these certificates or permits that will expire within 2018, we are in the process of renewing, or intend to renew, such permits with the relevant government authorities prior to their expiration. We do not expect any material legal impediments in renewing such certificates and permits.
- (1) Pursuant to the laws of Argentina, as long as the mines remain active, and that LITIO MINERA fulfills its obligation under the laws of Argentina to keep the mines under good condition, the mining rights shall remain effective indefinitely.
 - (2) LITIO MINERA has submitted application documents for an extension of the license.
 - (3) The plant holding this expired license has relocated. The Company will apply for a new work safety license after the trial production is completed.
 - (4) We have been advised by the competent authority that the renewal procedures of the emission permit has been temporarily suspended until the Ministry of Ecology and Environment officially releases and enacts the new administrative rules in connection with the emission standards. On July 17, 2018, the local environmental protection bureaus have agreed that we may postpone our renewal application until the new administrative rules are released and enacted. Moreover, on August 6, 2018, the original issuing authority of the emission permit of Yichun Ganfeng has issued us a certificate of compliance, stating that we may continue our business operations and they will not require our Company to suspend business operations and production, and will not issue any administrative penalties when this emission permit expires until the new administrative rules are released and enacted and during our application of renewal under the new rules. We will make the renewal application as soon as practicable possible after the new administrative rules are implemented.

LEGAL AND COMPLIANCE

As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations, except as disclosed in “— Properties” and “— Non-compliance” herein. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

Non-compliance

The following table sets forth the non-compliance incidents our Company was involved in relation to our failure to comply with (i) relevant securities regulations issued by the CSRC and relevant provisions of Shenzhen Listing Rules and (ii) regulatory requirements regarding safety production during the Track Record Period and up to the Latest Practicable Date.

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Enhanced Internal Control Measures
Our announcement on abnormal fluctuation of share price made on March 3, 2014, stating that we were not in the process of planning an acquisition at the time was inconsistent with the facts in 2014.	Such non-compliance was primarily due to the misunderstanding by the then secretary of the Board that the signing of a non-disclosure agreement and past discussions with Shenzhen Meibai did not constitute a planned acquisition, that affects the share price and should be disclosed. Before the occurrence of such incident, our chairman and vice chairman, Mr. Li Liangbin and Mr. Wang Xiaoshen, were in discussion with several battery manufacturing companies, including Shenzhen Meibai, regarding potential acquisition opportunities. They made contact with the management of Shenzhen Meibai on November 21, 2013 and entered into a non-disclosure agreement on the same date. Since our discussions with the potential acquisition targets, including Shenzhen Meibai, had all ended in January 2014 due to various factors including disagreements on acquisition price,	On February 10, 2015, the Shenzhen Stock Exchange issued a public reprimand on the Company, Mr. Li Liangbin as Chairman, Mr. Wang Xiaoshen as Vice Chairman, and the then secretary of the Board, and recorded such incidence in our integrity files (誠信檔案). Public announcement was made on the above non-compliance incident.	We have implemented various measures in September 2014 to prevent the occurrence of similar non-compliance incidents and to ensure strict compliance with the laws, regulations and relevant internal guidelines: (i) we have organized trainings for our Directors, Supervisors, senior management and our employees in our securities department on rules and regulations related to information disclosure and reporting of major events of listed companies including the Administrative Measures on Information Disclosure by Listed Companies, and the Internal Reporting System of Major Events of the Company; and (ii) we have also required our employees to strictly follow established operational procedures, continuously

Non-compliance

Reasons for the Non-compliance

the then secretary of the Board did not believe our discussions constituted a planned acquisition that affects the share price and should be disclosed when we published the announcement on abnormal fluctuation of share price on March 3, 2014 according to the Trading Rules of Shenzhen Stock Exchange which require announcement on abnormal price fluctuation when the accumulated closing price deviation of a company reaches $\pm 20\%$ over three consecutive trading days. Instead, the then secretary of the Board was of the view that the abnormal fluctuation in the price of our Shares was attributable to the favorable market conditions when electric car manufacturers and related suppliers in the PRC experienced significant increase in their share prices during late February 2014 to early March 2015.

During this period, the price of our Shares reached the price limit of the Shenzhen Stock Exchange twice, once on February 28 and once on March 4, 2014, with a 13.1% and 15.1% fluctuation compared to the lowest point in previous day, respectively.

Legal Consequences

Enhanced Internal Control Measures

improve professional abilities and to take full responsibility for matters within their work scope in order to guarantee complete, accurate and timely disclosure of all disclosable information.

In addition, the then secretary of the Board, and the subsequent new secretary of board were both required to maintain frequent and continuous communication with the Directors, our financial and legal consultants and regulatory agencies to closely monitor and ensure accurate and complete understanding of legislative, judicial and regulatory developments relating to disclosure of information.

Non-compliance

Reasons for the Non-compliance

For Shenzhen Meibai in particular, Mr. Li Liangbin, Mr. Wang Xiaoshen and Shenzhen Meibai's management agreed upon the basic framework and most terms and conditions of a letter of intent but still ended our negotiation in January 2014 because Mr. Li Liangbin and Mr. Wang Xiaoshen were of the view that the number of consideration shares to be issued by us was not within the range of our consideration. Given these facts, the prevailing market condition and her misunderstanding of the disclosure requirements (which requires disclosure of the planning of major events which may have a significant impact on the price of the shares of a company if the company's share price has experienced unusual fluctuation), our then secretary of the Board did not disclose the signing of a non-disclosure agreement and past discussions with Shenzhen Meibai in the announcement on abnormal fluctuation of share price published on March 3, 2014.

Given the increase in our share price had significantly reduced the numbers of consideration shares to be issued by us for the acquisition, On March 9, 2014, Mr. Wang Xiaoshen requested our then

Legal Consequences

Enhanced Internal Control Measures

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Enhanced Internal Control Measures
<p>Securities affairs representative and employees who were responsible for the registration and administration of insider information in our securities department failed to fully implement the registration and administration system for persons with insider information while in the process of non-public issuance of shares for the acquisition of Shenzhen Meibai in 2014.</p>	<p>financial advisor to provide a draft letter of intent based on our discussions with the vendors of Shenzhen Meibai up to January 2014. On March 10, 2014, our directors, Mr. Li Liangbin, Mr. Wang Xiaoshen, Mr. Shen Haibo and Ms. Deng Zhaonan internally discussed and reassessed the possibility of acquiring Shenzhen Meibai. After our internal discussion, our vice chairman, Mr. Wang Xiaoshen, and the then secretary of the Board contacted Mr. Li Wanchun and Ms. Hu Yemei and signed a letter of intent with them after trading hours on March 10, 2014 regarding the acquisition. On March 11, 2014, according to disclosure requirements of the Shenzhen Stock Exchange, we made an announcement in relation to suspension of trading in our A Shares and the preparation for acquisition.</p>	<p>Jiangxi Securities Regulatory Bureau issued caution letters to our Chairman, Mr. Li Liangbin and the then secretary of the Board, and recorded such incident in our integrity files (誠信檔案) at the securities and futures market. Except for Mr. Li Liangbin, none of our other Director were involved in our found responsible for this non-compliance incident.</p>	<p>We have implemented various measures in or after September 2014 to prevent the occurrence of similar non-compliance incidents:</p> <p>(i) we have organized trainings for our Directors, Supervisors, senior management and securities department and registration and administration on insider information and information disclosure, during</p>

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Enhanced Internal Control Measures
			<p>which we also reemphasized the scope and contents including punitive provisions of our detailed internal guidelines and policy regarding the registration and administration of persons holding insider information;</p> <p>(ii) we have required employees to faithfully register and disclose their holding of insider information;</p> <p>(iii) we have required our Directors and senior management and other management personnel at different levels to oversee the fulfillment of registration and disclosure obligations of our employees;</p> <p>(iv) we have included the level of strict compliance with laws, regulations and internal control policies as a factor to consider in our employees' annual assessment; and also,</p> <p>(v) we have established that in the event of any serious adverse influence or damage to our Company, we may take disciplinary measures to keep the responsible person accountable and require such person to compensate the company for any loss or damages.</p>

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Enhanced Internal Control Measures
<p>There were inconsistencies in disclosure of net profits in the 2016 earnings forecast and the 2016 audited financial reports, and our CFO and vice president, Ms. Yang Manying and employees in our financial department failed to make a revision within the prescribed period.</p>	<p>The inconsistencies in disclosure of net profits in our 2016 earnings forecasts and audited financial reports were primarily because the impairment loss of Shenzhen Meibai's goodwill was re-assessed for our audited financial reports. The employees in our financial department did not make revision to earnings forecasts within the prescribed period primarily due to the prolonged discussions on the appropriate impairment assessment method among our auditors, property valuer and ourselves.</p>	<p>The Shenzhen Stock Exchange found that we violated relevant provisions of the Shenzhen Listing Rules, and that Mr. Li Liangbin as the chairman and CEO, and Ms. Yang Manying as vice president and CFO were primarily responsible for the non-compliance incident. Except for Mr. Li Liangbin, none of our other Directors were involved in or found responsible for such non-compliance incident.</p>	<p>In addition to organizing trainings on the rules and guidelines on disclosures relating to earnings forecasts and periodic reports, we have implemented various measures in July 2017 to prevent the occurrence of similar non-compliance incidents and to ensure that our financial information are prepared accurately in a timely manner to meet disclosure obligations:</p> <ul style="list-style-type: none"> (i) we have enhanced the financial management and audit quality and efficiency at different levels of our Company by providing trainings to our financial department personnel and optimizing their working process; (ii) we have required our management to establish and strictly control the timeline of all significant events of the Company; and (iii) we have also reinforced our internal communication channels and external communication channels with accounting and appraisal firms to ensure prompt discovery and solving of accounting problems.

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Enhanced Internal Control Measures
<p>The employees and securities affairs representative in our securities department failed to issue the social responsibility report as a "Shenzhen 100" index composite stock and to timely issue the 2017 semi-annual report.</p>	<p>The employees and securities affairs representative in our securities department did not issue the social responsibility report due to their oversight and did not timely issue the 2017 semi-annual report due to the additional time required to obtain financial information from overseas companies in which we held equity interests but had no control over. None of our directors were involved in or found responsible for these non-compliance incidents.</p>	<p>The Shenzhen Stock Exchange found that we violated relevant provisions of the Shenzhen Listing Rules.</p>	<p>We have implemented various measures in or after July 2017 to prevent the occurrence of similar non-compliance incidents:</p> <ul style="list-style-type: none"> (i) we have organized trainings for our Directors, Supervisors, senior management and employees in our securities department on the relevant rules of the Shenzhen Stock Exchange and the Small and Medium Sized Enterprise Board of the Shenzhen Stock Exchange related to these incidents; (ii) we have provided trainings to our financial department and other related personnel on handling the increased volume and complexity of financial information from our overseas associated companies; (iii) we have smoothened our internal communication channels and have reinforced the enforcement of our internal control policies related to information disclosure; (iv) we have reinforced our internal auditing supervision, have held our securities departments and personnel accountable for these incidents. It was also made clear that where serious

Non-compliance	Reasons for the Non-compliance	Legal Consequences	Enhanced Internal Control Measures
<p>A fire accident and an explosion happened during non-business hours at Shenzhen Meibai in March and July 2016 respectively</p>	<p>The fire accident occurred due to the spontaneous combustion of certain defective raw materials which we intended to return shortly and the explosion accident occurred due to the spontaneous combustion of certain semi-finished battery products during the aging process.</p> <p>In addition, the fire accident and explosion occurred during the period when the previous management team of Shenzhen Meibai was in charge of the daily operation.</p> <p>None of our Directors were involved in or held responsible for these accidents.</p>	<p>We were fined by relevant regulatory agencies of RMB90,000 and RMB220,000 for the two incidents, respectively, for insufficiency in safety standards, monitoring and emergency plans. We also suffered damages in connection with the two incidents of RMB19.7 million and RMB30.0 million, respectively.</p>	<p>damage or loss was caused to the Company, the Company may seek compensation and take disciplinary measures to effectively implement internal accountability mechanism related to information disclosure.</p> <p>(v) we have also dedicated personnel to carefully implement the above correction measures and supervise the overall compliance on information disclosure requirements.</p> <p>In July 2016, we permanently shut down this facility and relocated our consumer lithium battery production to our Dongguan Ganfeng Battery Plant.</p> <p>In 2016, during the construction of the Dongguan Ganfeng Battery Plant and afterwards, we established a number of procedures and processes regarding the safety production and storage of our lithium-ion batteries:</p> <p>(i) we have installed 24-hour CCTV monitoring system, spraying system, alarm system and smoke and fire detectors in all major production and storage areas;</p> <p>(ii) we have increased non-business hours patrol and inspection in our production facilities;</p>

Non-compliance

Reasons for the Non-compliance

Legal Consequences

Enhanced Internal Control Measures

- (iii) we have formed an emergency plan and placed the head of our security and environment department in charge of the execution of this plan;
- (iv) we have further strengthened our operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries, electricity safety, and emergency evacuation procedures.
- (v) we have provided our employees with occupational safety education and trainings to enhance their awareness of safety issues;
- (vi) we have carried out and continue to carry out equipment maintenance on a regular basis to ensure their smooth and safe operation;
- (vii) we have also entered into a contract with a fire protection engineering company on February 1, 2018 to enhance the maintenance of our fire protection system and aid us in fire protection training;
- (viii) we have filed a list of our fire protection systems/equipment recording their locations and our contingency plan at the

Non-compliance

Reasons for the Non-compliance

Legal Consequences

Enhanced Internal Control Measures

local security bureau subject to renewal every three years; and

(ix) we have also required contingency drills to be carried out in June and December each year.

BUSINESS

Our PRC Legal Advisors are of the opinion that (i) the non-compliance incidents did not cause a material adverse effect on our business, financial conditions and results of operations; and (ii) the measures taken by the Shenzhen Stock Exchange and the relevant securities regulatory authorities are not material administrative punishments and will not affect the suitability of Mr. Li Liangbin and Mr. Wang Xiaoshen as the Directors of the Company.

In an effort to prevent future recurrence of non-compliance incidents, we have also adopted and implemented the following corporate governance measures to enhance our internal control systems and to ensure compliance with various applicable rules and regulations :

- We have established an internal control committee to oversee the internal control procedures, risk management system, compliance policy and procedures on an annual basis for ensuring that the compliance policy and procedures are up to date and in accordance with the regulatory requirements; This committee consists of most key senior management personnel and managers from our key production facilities and operational departments. Our Chairman, Mr. Li Liangbin, has been appointed as the chairman of the internal control committee;
- We have also established an execution office under the internal control committee to monitor our on-going compliance, to oversee the implementation of any necessary measures, and to periodically report its findings, and where necessary discusses any issues that may arise with our external financial advisors;
- We remind and provide continuing training for our employees on a regular basis to ensure due compliance of applicable rules and regulations; we provide our Directors and senior management with continuing training development programs and/or updates regarding the applicable rules and regulations to our business operations and directors' responsibilities respectively on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance; and
- All of our management and staff are required to report to and/or notify our Directors promptly of any non-compliance or potential non-compliance events.

We engaged an independent international internal control consultant to perform an internal control review for the Group from November 2017 to December 2017 and a follow-up review from January 2018 to February 2018 based on the agreed scope with the Company and the Sole Sponsor. The material internal control deficiencies identified by the internal control consultant in the original review mainly in relation to (1) information disclosure management, including disclosure of connected transactions and other disclosable information management, (2) contract management, (3) conflict of interest management, (4) cash management, and (5) anti-fraud management, (6) sales and receivables including sales cut-off, as well as, (7) crisis management, and (8) insurance management, are remediated in the follow-up review.

Having considered the internal control report prepared by the internal control consultant, the results of their review and our remedial actions, our Directors are of the view that our enhanced internal control measures are sufficient and effective to prevent the breach of the securities regulations and disclosure requirements of the places where the Company is listed. After making enquiries of the management of our Company, reviewing of the enhanced internal control measures of our Group and discussing with our Group's internal control consultant regarding our Group's enhanced internal control measures, the Sole Sponsor is not aware of any reasons to disagree with our Director's view that our Group's enhanced internal control measures are sufficient and effective to prevent the breach of the securities regulations and disclosure requirements of the places where the Company is listed.

BUSINESS

The Sole Sponsor is of the view that the Directors are able to manage the Group's business in a law abiding manner and are suitable to act as directors of a listed company as required under Rules 3.08 and 3.09 on the basis that:

- (1) As advised by the Company's PRC Legal Advisors, based on the compliance certificates issued by the local government authorities governing the business operation of each of the operating entities in the Group in respect of industry and commerce, quality supervision, work safety, tax, environmental protection, social security, provident fund, land resources and properties, foreign exchange and custom, the public search conducted by the Company's PRC legal advisors and confirmation provided by the Company, the Group has complied with the applicable PRC laws and regulations for its business operation in all material aspects and the Group did not have any material non-compliance incident during the Track Record Period.
- (2) since the Company's listing on Shenzhen Stock Exchange, in order to comply with Shenzhen Listing Rules and applicable laws and regulations in the PRC, the Company has been consistently improving the internal rules and regulations, including but not limited to, (i) enhancing the internal audit and supervision of internal audit department of the Company, (ii) establishing regular communication mechanism among business and operation departments, compliance and information disclosure departments and third party professional consultants, (iii) organizing regular training in relation to corporate governance and continuing obligations of an issuer listed on Shenzhen Stock Exchange for responsible personnel, and (iv) imposing penalties on the responsible personnel who are held accountable for any non-compliance incident.
- (3) during the preparation of the listing application on Hong Kong Stock Exchange, in order to comply with Hong Kong Listing Rules and applicable laws and regulations in Hong Kong, the Company has further enhanced the internal control system and optimized corporate governance, including but not limited to, (i) revising Administrative Rules for Information Disclosure Affairs, Administrative Rules for Connected Transactions and terms of reference for committees under the Board; (ii) the issue of Administrative Rules for Shareholding Variations of Directors, Supervisors and Senior Management; and (iii) the establishment of internal control committee which consists of most key senior management personnel and managers from our key production facilities and operational departments.
- (4) the occurrence of the non-compliance incidents set out on page 183 to 187 were mainly due to the inaccurate understanding of disclosure requirements or oversight of our responsible personnel (i.e. the then secretary of the Board, the securities affairs representative and employees who were responsible for the registration and administration of insider information in our securities department), which did not involve any dishonesty on Mr. Li Liangbin and Mr. Wang Xiaoshen and accordingly shall not impair their character, industry experience and integrity. The public reprimand issued by the Shenzhen Stock Exchange on Mr. Li Liangbin and Mr. Wang was mainly due to their overall responsibilities for the information disclosure as senior management rather than their personal dishonesty. And the Shenzhen Stock Exchange did not challenge the suitability of Mr. Li Liangbin and Mr. Wang as the directors of the Company due to these non-compliance incidents. As advised by the Company's PRC Legal Advisors, (i) the non-compliance incidents did not cause a material adverse effect on the Company's business, financial conditions and results of operations; and (ii) the measures taken by the Shenzhen Stock Exchange and the relevant securities regulatory authorities are not material administrative punishments and will not affect the suitability of Mr. Li Liangbin and Mr. Wang Xiaoshen as the Directors of the Company. After the occurrence of these non-compliance incidents, the Directors

have procured the Company to actively implement the enhanced internal control measures and there is no similar incident occurred after the happening of the non-compliance incidents and regulatory measures as set out from page 183 to 187.

- (5) According to the Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Small and Medium-Sized Enterprise Board (深圳證券交易所中小企業板上市公司規範運作指引) and the Sole Sponsor's consultation with the Shenzhen Stock Exchange, its decision to record reprimands on the Company, Mr. Li Liangbin as Chairman, Mr. Wang Xiaoshen as Vice Chairman, and the then secretary of the Board in the integrity files is a matter of procedural record for public disclosure purposes. Such record does not (i) constitute a punitive measure; (ii) bear any direct legal consequences; and (iii) affect the suitability of the involved individuals' positions.
- (6) the Directors have attended the training for Hong Kong Listing Rules, Shenzhen Listing Rules and applicable laws and regulations in Hong Kong and in the PRC, which acquaints them with key rules and requirements under the Hong Kong Listing Rules, Shenzhen Listing Rules and other relevant laws and regulations, in relation to, among other things, corporate governance and continuing obligations of an issuer listed on the Hong Kong Stock Exchange and Shenzhen Stock Exchange. All of the Directors, both collectively and individually, are ready to and will be able to fulfil fiduciary duties and duties of skill, care and diligence to a standard commensurate with the standard established by Hong Kong law.
- (7) all the material internal control deficiencies identified by the internal control consultant in its original review in relation to (1) the information disclosure procedure system under the Hong Kong Listing Rules, including the definition of discloseable significant issues, the types and content of the issues to be considered by the Chairman, the Board of Directors, the board of Supervisors and shareholders meetings, the policies and procedures applicable to the discloseable transactions and financial report information disclosure, (2) supervision and disclosure of connected transactions, (3) the information disclosure duty division and the daily supervision on discloseable information of the departments in headquarters and subsidiaries, are remediated by the Company in the follow-up review.
- (8) the Company will engage a professional and experienced law firm to assist in compliance with Hong Kong Listing Rules and applicable laws and regulations in Hong Kong upon Listing; and
- (9) the Company has appointed Shenwan Hongyuan Capital (H.K.) Limited as its compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. The compliance advisor will advise the Company on the matters, among others, in relation to information disclosure and continuing obligations of an issuer listed on the Hong Kong Stock Exchange.

The Sole Sponsor is of the view that Mr. Li Liangbin is an appropriate person to take up the role as chairman of the internal control committee of the Company on the basis that:

- (1) the occurrence of the non-compliance incidents disclosed on page 183 and 187 were mainly due to the inaccurate understanding of disclosure requirements or oversight of our responsible personnel (i.e. the then secretary of the Board, the securities affairs representative and employees who were responsible for the registration and administration of insider information in our securities department), which shall not impair the character, industry experience and integrity of Mr. Li Liangbin. As advised by the Company's PRC Legal Advisors, (i) the non-

BUSINESS

compliance incidents did not cause a material adverse effect on the Company's business, financial conditions and results of operations; and (ii) the measures taken by the Shenzhen Stock Exchange and the relevant securities regulatory authorities are not material administrative punishments and will not affect the suitability of Mr. Li Liangbin as the Director of the Company;

- (2) Mr. Li Liangbin has attended the above-mentioned training for Hong Kong Listing Rules, Shenzhen Listing Rules and applicable laws and regulations in Hong Kong and in the PRC, which acquaints him with key rules and requirements under the Hong Kong Listing Rules, Shenzhen Listing Rules and other relevant laws and regulations, in relation to, among other things, corporate governance and continuing obligations of an issuer listed on the Hong Kong Stock Exchange and Shenzhen Stock Exchange;
- (3) as the Chairman and the President of our Company, Mr. Li Liangbin is responsible for the overall management of our Company's business strategies and operations. The awareness of compliance can be greatly enhanced and the internal control measures can be effectively implemented in the Group, if Mr. Li Liangbin can take up the role as chairman of the internal control committee of the Company; and
- (4) the relevant senior management members who are responsible for compliance, internal control and financial matters will directly report to Mr. Li Liangbin. The issues in relation to internal control can be efficiently resolved as a result of the coordination between various departments supervised by Mr. Li Liangbin.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, and the accompanying notes included in the Accountants' Report set out in Appendix IA to this prospectus. The Accountants' Report has been prepared in accordance with IFRSs. Potential investors should read the Accountants' Report set out in Appendix IA to this prospectus in its entirety and not rely merely on the information contained in this section. Information present in this section, in particular, in respect of the sections headed "— Working Capital" and "— Indebtedness," that are not extracted or derived from the Accountants' Report have been extracted from unaudited management accounts as of and for the seven months ended July 31, 2018 (which are not included in this prospectus) or from other records. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

We are 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 as of December 31, 2017, according to CRU. We offer five major categories of more than 40 lithium compounds and metals products, which we believe is one of the most comprehensive product offerings among the lithium compounds and metals suppliers in the world. Our products are widely used in a number of application areas, particularly, in the manufacturing of electric vehicles, chemicals and pharmaceuticals. Our comprehensive suite of product offerings enables us to effectively address the unique and diverse products needs of our customers, many of whom are global leaders in their respective industries and have a broad variety of requirements and specifications. We have 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. We started as a midstream manufacturer of lithium compounds and lithium metals and have successfully expanded both upstream and downstream along the industry value chain to secure competitive lithium raw material supply, ensure cost and operational efficiency, achieve valuable synergies between various business lines, gather latest market information and develop cutting-edge technologies.

Our business experienced significant revenue and profit growth during the Track Record Period. We recorded a growth rate of 95.9% in revenue, where our revenue increased from RMB1,344.2 million for the year ended December 31, 2015 to RMB2,633.5 million for the year ended December 31, 2016 and further increased to RMB4,171.2 million for the year ended December 31, 2017, representing a growth rate of 58.4%. Our revenue increased from RMB623.6 million for the three months ended March 31, 2017 to RMB1,044.4 million for the same period in 2018, representing a growth of 67.5%. Our net profit increased from RMB217.9 million in 2015 to RMB1,118.1 million in 2016, representing a growth rate of 413.1% and further increased to RMB2,095.1 million for the year ended December 31, 2017, representing a growth rate of 87.4%. Our net profit decreased from RMB436.4 million for the three months ended March 31, 2017 to RMB242.5 million for the same period in 2018, representing a decrease of 44.4% primarily due to an increase in net fair value losses of investments at fair value through profit or loss of RMB76.6 million primarily related to the decrease in share price of Pilbara Minerals in the three months ended March 31, 2018 and an increase in loss in associates of RMB24.7 million and increase in expenses relating to employee share scheme of RMB45.6 million. In the three months ended March 31, 2017, we also recorded net fair value gains from derivative financial instrument in the amount of RMB306.4 million. Our adjusted EBITDA, being our profit before tax adjusted for certain items including the above-mentioned losses relating to Shenzhen Meibai's fire incidents and fair value gains from derivative financial instruments, increased by 255.1% from RMB268.6 million in 2015 to RMB953.9 million in 2016 and further increased by 117.4% to RMB2,073.9 million in 2017. Our adjusted EBITDA increased by 84.2% from RMB193.7 million in the three

FINANCIAL INFORMATION

months ended March 31, 2017 to RMB352.9 million in the corresponding period in 2018. For more details about the definition and calculation of our adjusted EBITDA, refer to “— Adjusted EBITDA.”

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and historical financial condition and results of operations have been affected by a number of important factors which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

- End Markets that We Serve and Fluctuation in Customer Demand;
- Management and Expansion of Our Production Capacity;
- Our Ability to Control Cost of Sales and Operating Expenses;
- Strategic Investments and Acquisitions; and
- Economic Growth in China and Globally.

End Markets that We Serve and Fluctuation in Customer Demand

Our lithium products are used in a variety of application areas due to lithium’s physical and chemical features. Our products are used in the production of, or are incorporated into final products that are primarily sold into a number of end markets, including battery related, chemical, pharmaceutical, new materials and other markets. Accordingly, demands for our lithium products are indirectly affected by the growth and fluctuations of these end markets.

In recent years, growth in our revenue has been, to a substantial extent, driven by the increased use of batteries in electric vehicles as well as electronic products such as laptops and mobile phones. According to the CRU Report, global demand for lithium compounds and metals has risen from 134 kilotons LCE in 2012 to 229 kilotons LCE in 2017, representing a CAGR of 11%, and is expected to reach 526 kilotons LCE by 2022, representing a CAGR of 18%. Revenue attributable to battery related markets grew by 103.8% from RMB856.1 million in 2015 to RMB1,745.1 million in 2016, and further increased by 76.2% to RMB3,075.0 million in 2017. If the demand for lithium batteries fails to continue to increase, or if a more cost-effective substitute for lithium-based batteries gains market acceptance, our business, financial condition and results of operations may be materially and adversely affected.

Historically, our operations and sales tended to fluctuate with demands for our products by manufacturers in the end markets we serve, in particular, the electric vehicle and consumer electronic markets. Companies in these end markets tend to require large volume of our products within a short period of time when they launch new products to take advantage of the high initial demand. Our revenue and gross margin thereby tend to fluctuate in parallel with demands for our products by customers that utilize our lithium products during a given period and the allocation of orders by customers to us. In addition, higher margins are typically associated with the increased sales volume made possible by our efforts in increasing production capacity to meet growing customer demands. Thus, our ability to collaborate with customers is a key factor in maintaining or increasing our profitability.

FINANCIAL INFORMATION

Management and Expansion of Our Production Capacity

Growth in our revenue and market share depends to a large extent on our ability to manage and expand our production capacity. As of March 31, 2018, we operated a network of seven production facilities in China. In order to meet growing customer demands for our products, we have in the past few years increased our production capacity and output, and expanded, trained and managed our workforce. During the Track Record Period, we maintained high utilization rates at our current facilities. The following table sets forth a summary of our annual production capacity in terms of designed production capacity, effective production capacity and utilization rates for our production lines by product type for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,								
	2015			2016			2017			2018					
	Designed Annual Production Capacity	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽¹⁾	Designed Annual Production Capacity	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽¹⁾	Designed Annual Production Capacity	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽¹⁾	Designed Annual Production Capacity	Effective Production Capacity ⁽¹⁾	Utilization Rate ⁽¹⁾			
Lithium carbonate ⁽²⁾	8,000	8,000	99.3%	14,000	10,500	10,275	97.9%	23,000	18,500	18,298	98.9%	23,000	5,750	4,243	73.8%
Lithium hydroxide ⁽²⁾	5,000	5,000	90.3%	8,000	8,000	7,978	99.7%	8,000	8,000	6,917	86.5%	8,000	2,000	1,730	86.5%
Lithium metals ⁽²⁾	1,500	1,500	89.4%	1,500	1,500	1,126	75.1%	1,500	1,500	1,384	92.3%	1,500	375	457 ⁽⁷⁾	121.8
Lithium consumer batteries ⁽³⁾ ..	—	—	—	—	—	—	—	36,000,000	36,000,000	27,465,140	76.3%	54,000,000	13,500,000	11,960,973	86.6%
Lithium motive power and energy storage batteries ⁽⁴⁾	—	—	—	—	—	—	—	300	100	56.9	56.9%	300	75	54	72.1%
Lithium battery recycling ⁽⁵⁾	—	—	—	—	—	—	—	3,000	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾	3,000	N/A ⁽⁶⁾	N/A ⁽⁶⁾	N/A ⁽⁶⁾

Notes:

- (1) The effective production capacity represents the weighted average of each month's designed production capacity for the relevant periods. The utilization rate is calculated based on the actual output for the relevant period divided by the effective production capacity for the relevant period.
 - (2) Measured by tons per annum.
 - (3) Measured by Ah per annum.
 - (4) Measured by MWh per annum.
 - (5) Measured by tons per annum.
 - (6) Such production lines are currently in a ramp-up period and have limited actual output during the relevant periods.
 - (7) Actual output is higher than effective production capacity because temperature and humidity affects the electrolytic process and production in winter is higher than average.
- * We also produce other lithium compounds including lithium chloride, lithium fluoride and butyllithium. With the exception of lithium chloride compounds which are predominantly consumed captively in the production of lithium metals, other lithium compounds accounted for a minor portion of our overall production capacity.
- ** Some of our actual production capacity consists of toll manufacturing.

FINANCIAL INFORMATION

We plan to continue to expand our manufacturing facilities to explore and capture growth opportunities in the growing lithium products industry and expand our market share. Our key expansion plans include expanding our manufacturing capacities at our existing production lines and constructing additional production lines in multiple regions. In the meantime, we intend to increase productivity further through deploying enhanced and automated machinery and equipment at our existing manufacturing facilities and streamlining the production process by leveraging data analysis with support of our ERP system to identify the production bottlenecks and improvement opportunities.

Our Ability to Control Production Costs and Improve Efficiency

Our competitiveness and long-term profitability are significantly dependent upon our ability to control production costs and maintain efficient operations.

Lithium concentrate is the major raw material used in our production. We mainly source lithium concentrate from our upstream lithium resources operations, primary from the Mount Marion project to meet the designed capacities of our production. Other key raw materials used in our production include (i) lithium chloride sourced from our lithium compounds operations and from our lithium battery recycling operations; (ii) anodes, cathodes and electrolyte solutions sourced from third parties; and (iii) used batteries sourced from independent third parties. The prices of raw materials sourced from external suppliers are determined principally by market forces and changes in governmental policies, as well as our bargaining power with our suppliers. Any significant increase in raw materials costs from current levels could increase our cost of sales and have an adverse effect on our gross profit margins if we are unable to manage the price of our lithium products, or pass such price increases to our customers. In response to these risks, we have implemented a number of cost-control measures with respect to our raw material procurement in order to mitigate the impact of rising raw material prices, including optimizing production procedures to monitor the use of raw materials and reduce wastage.

Our ability to maintain and improve our production efficiency also affects our profitability and results of operations. We have taken several initiatives in recent years to improve our production efficiency, including developing new production technologies, installing advanced equipment and machinery, and optimizing the production processes and techniques. Our ability to rapidly implement new technologies and improve manufacturing processes grants us the flexibility to optimize the use of our production lines. We are able to coordinate production across our production facilities and/or alter production schedules in response to the changes in demand. In addition, we are able to rapidly ramp up production and commence large-scale production of technically complex products on short timeframes, which enables us to optimize our allocation of assets and identify the critical resources to quickly ramp up large-scale production.

Strategic Investments and Acquisitions

We may from time to time pursue strategic investment and acquisition opportunities with an aim to strengthen our market positions in industries where we operate or for us to expand into industries that we identify as fast-growing and complementary to our existing businesses. For example, since 2015, we have strategically started to accelerate our investments in lithium resources around the world to ensure stable lithium supply in the future. Investments and acquisitions may result in an increase in costs and expenses, including increase in financing, operation and transition costs, but without an immediate increase in revenue and/or profit. Acquisitions of entities with different margin compositions than our margins will also have an effect on our overall margins. In addition, the performance of acquired entities and businesses may be worse expected, which may cause an adverse effect on our results of operations. We currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any

FINANCIAL INFORMATION

potential targets. We will carefully evaluate suitable and complementary acquisition opportunities that can provide long-term value to our shareholders.

Economic Growth in China and Globally

Lithium products have diverse industrial uses and their market demands depend on, among others, the state of the global economy and stability of international trade. In recent years, China has become an important market and its influence on the global lithium products industry has been increasing. The economic growth in China has been accompanied by growth in demand of lithium compounds and metals at a CAGR of 11% worldwide, from 2012 to 2017, according to the CRU Report. In 2017, 83.6% of our revenue was derived from sales to Mainland China. We expect demand for lithium products to increase as the Chinese economy continues to grow.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies is set forth in Note 2.4 to the Accountants' Report in Appendix IA to this prospectus. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue recognition

Revenue is measured based on the fair value of the consideration received or receivable specified in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the specific criteria has been met for the following activities:

- from the sale of goods, when control of the asset is transferred to the customer, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products; the Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money;
- income from processing service is recognised when the manufacturing service is completed and the processed goods are delivered to customers; the Group does not expect to have any contracts where the period between the transfer of the services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money;
- rental income, on a time proportion basis over the lease terms;

FINANCIAL INFORMATION

- interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- dividend income, when the shareholders' right to receive payment has been established.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customers' needs or competitors' actions in response to the product industry cycle. Our management reassesses these estimates at the end of each of the relevant periods.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction-in-progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

The property, plant and equipment are depreciated on the straight-line basis by taking into account the residual value. We review the estimated useful lives periodically to determine the related depreciation charges for its property, plant and equipment. The estimation is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions, with consideration of market condition. Management will increase the depreciation charges when useful lives become shorter than previously estimated. Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

We assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and aging analysis of the outstanding receivables and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of us were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Adoption of IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces the previous IAS 39 and is mandatory to be applied since January 1, 2018. IFRS 9 introduced new sets of requirements of classification and measurement, impairment and hedge accounting. Instead of classifying financial assets into four categories, IFRS 9 requires all financial assets to be classified on the basis of the entity's business model for management the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets under the IAS 39. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

We have elected to adopt IFRS 9 which has been applied consistently during the Track Record Period. We have assessed the impact of such adoption on our financial information that have been affected:

Under IFRS 9, we measure our investments at fair value through profit or loss and derivative instruments at the end of each reporting period and designates financial instruments at fair value through profit or loss, and it eliminates or significantly reduces the inconsistencies under measurement or recognition. We classify financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. And the relevant changes in fair value are recognized in the profit or loss. Financial assets at fair value through profit or loss also include financial assets not held for trading which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Should IAS 39 have been applied throughout the Track Record Period, our net profit (profit after tax) for the year would be decreased by nil, RMB40.8 million and RMB339.3 million for the year ended December 31, 2015, 2016 and 2017, respectively, and net profit (profit after tax) for the three months ended March 31, 2018 would be increased by RMB94.5 million. Had IAS 39 been applied, the significant decrease in net profit for 2016 and 2017 and the significant increase in

FINANCIAL INFORMATION

net profit for the three months ended March 31, 2018 were because that under IAS 39, the investments at fair value through profit or loss (non-current portion, and the Group has the intention and ability to hold the financial assets for the foreseeable future) should be classified as available-for-sale investments and the fair value change of these investments should be recorded in other comprehensive income during the Track Record Period. When the investments will be disposed, had IAS 39 been applied, the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from equity to profit or loss.

Since we have adopted all IFRSs effective for the accounting period commencing from January 1, 2018 together with the relevant transitional provisions, in the preparation of the historical financial information throughout the relevant periods, we have adopted IFRS 15, which is effective for annual periods beginning on or after January 1, 2018. We have assessed the effects of the adoption of IFRS 15 on our financial statements and the adoption of IFRS 15 had no significant impact on the Group's financial position and performance compared to the requirements of IAS 18.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the Track Record Period, of our consolidated results of operations in absolute amounts and as a percentage of our revenue for the years and periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,344,179	2,633,456	4,171,201	623,632	1,044,434
Cost of sales	(1,043,892)	(1,628,199)	(2,496,146)	(403,161)	(558,672)
Gross profit	300,287	1,005,257	1,675,055	220,471	485,762
Other income and gains	128,182	893,702	1,122,730	310,743	66,028
Selling and distribution expenses	(34,551)	(50,870)	(53,207)	(9,950)	(8,488)
Administrative expenses	(82,341)	(109,349)	(192,878)	(29,372)	(95,880)
Other expenses	(49,186)	(527,914)	(153,522)	(16,434)	(94,622)
Finance costs	(18,742)	(21,000)	(56,897)	(10,354)	(18,552)
Share of profits and losses of:					
Associates	(677)	(771)	25,153	(234)	(24,936)
A joint venture	—	99	806	—	154
Profit before tax	242,972	1,189,154	2,367,240	464,870	309,466
Income tax expense	(25,102)	(71,093)	(272,190)	(28,494)	(67,003)
Profit for the year/period	217,870	1,118,061	2,095,050	436,376	242,463

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived substantially all of our revenue from the sales of our products, including lithium compounds, lithium metals, lithium batteries and other products. Revenue represents the fair value of the consideration received or receivable for the sales of our products, which is stated net of discounts, rebates, returns and value-added tax and after eliminating intra-group sales. In

FINANCIAL INFORMATION

addition, we engaged in the toll manufacturing service of lithium compounds and lithium metals during the Track Record Period, which accounted for less than 5% of our total revenue during the respective periods. Our total revenue increased significantly by 95.9% from RMB1,344.2 million in 2015 to RMB2,633.5 million in 2016 and further increased by 58.4% to RMB4,171.2 million in 2017. Our total revenue increased from RMB623.6 million for the three months ended March 31, 2017 to RMB1,044.4 million for the same period in 2018, representing a growth of 67.5%. Such robust growth was primarily due to an increase in revenue generated from the sales of our products as a result of the strong market demands for our lithium products as well as the expansion of our production capacities. The significant growth in our revenue from the three months ended March 31, 2017 to March 31, 2018 was also related to the continuous release of our production capacity supported by the sufficient supply of raw materials from Mount Marion project.

Revenue by Business Line

The following table sets forth a breakdown of our revenue by business line, each expressed in the absolute amount and as a percentage of our total revenue, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
							<i>(unaudited)</i>			
Lithium										
compound	645,563	48.0	1,734,604	65.9	2,879,700	69.0	384,505	61.7	658,927	63.1
Lithium metal	421,650	31.4	493,459	18.7	818,404	19.6	130,632	20.9	259,308	24.8
Lithium battery . . .	201,154	15.0	333,113	12.6	283,821	6.8	34,006	5.5	74,728	7.2
Others ⁽¹⁾	75,812	5.6	72,280	2.8	189,276	4.6	74,489	11.9	51,471	4.9
Total revenue	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Note:

(1) Include NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

The growth of our revenue during the Track Record Period was primarily driven by a significant increase in average selling price and sales volume of lithium compounds and an increase in average selling price of lithium metals due to the strong market demands of such products. Our lithium compounds business line comprises the majority of our business and was the primary revenue growth driver for our revenue increase during the Track Record Period. Revenue from the sales of lithium compounds increased by 168.7% from RMB645.6 million in 2015 to RMB1,734.6 million in 2016 and further increased by 66.0% to RMB2,879.7 million in 2017. Revenue from sales of lithium compounds increased by 71.4% from RMB384.5 million in the three months ended March 31, 2017 to RMB658.9 million for the same period in 2018 primarily driven by (i) an increase in sales volume attributable to the sufficient supply of raw materials as a result of the recent commissioning of Mount Marion project since February 2017, which resulted in the higher utilization of our production capacity; (ii) an increase in average selling price of lithium compounds due to the increased market demands for lithium compounds. Revenue from sales of lithium batteries decreased by 14.8% from RMB333.1 million in 2016 to RMB283.8 million in 2017, primarily because Shenzhen Meibai ceased production since the second half of 2016 after the fire and explosion incidents. Revenue from sales of lithium batteries increased by 119.7% from RMB34.0 million in the three months ended March 31, 2017 to RMB74.7 million for the same period in 2018, primarily because in the three months ended March 31, 2017 the production lines at our Dongguan Ganfeng Battery Plant were still in the stage of assembly, installation and adjustment. Going forward, we plan to continue to offer a diversified portfolio of lithium products targeted at different customer segments, and expect the sales of lithium compounds to remain the primary driver of our revenue growth in the future. Meanwhile, we believe that there is strong market potential for our lithium batteries, and we expect the sales of these products to also increase in the future.

FINANCIAL INFORMATION

Revenue by Geographic Location

The following table sets out a breakdown of our revenue by geographic region, each expressed as an absolute amount and as a percentage of our total revenue, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Mainland China . . .	1,033,656	76.9	2,054,135	78.0	3,488,049	83.6	478,099	76.7	799,674	76.6
Overseas	310,523	23.1	579,321	22.0	683,152	16.4	145,533	23.3	244,760	23.4
Total revenue . . .	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Mainland China is our key market and had the largest revenue contribution during the Track Record Period, contributing in the aggregate approximately 76.9%, 78.0%, 83.6%, 76.7% and 76.6% of our total revenue in 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively. The revenue contribution of Mainland China market increased over the Track Record Period, primarily due to greater customer demands from Mainland China.

Revenue by End Market

We categorize our revenue by end markets as our products are used in the production of, or are incorporated into final products that are primarily sold into a number of end markets, including battery related, chemicals, pharmaceuticals, new materials and others. The following table sets forth a breakdown of our revenue by end market in absolute amounts and as percentages of revenue for the years and periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Battery related	856,133	63.7	1,745,143	66.3	3,075,047	73.7	388,732	62.3	769,666	73.7
Chemicals	205,365	15.3	544,665	20.7	528,410	12.7	124,233	19.9	118,701	11.4
Pharmaceuticals . . .	233,059	17.3	272,017	10.3	333,654	8.0	64,775	10.4	95,407	9.1
New materials	16,083	1.2	36,734	1.4	110,554	2.7	20,439	3.3	20,234	1.9
Others	33,539	2.5	34,897	1.3	123,536	2.9	25,453	4.1	40,426	3.9
Total	1,344,179	100.0	2,633,456	100.0	4,171,201	100.0	623,632	100.0	1,044,434	100.0

Battery related market had the largest revenue contribution during the Track Record Period, contributing in the aggregate approximately 63.7%, 66.3%, 73.7%, 62.3% and 73.7% of our total revenue in 2015, 2016 and 2017, and the three months ended March 31, 2017 and 2018, respectively. The growth in the revenue generated from the battery related market was primarily driven by the growth in the electric vehicle markets.

FINANCIAL INFORMATION

Sales Volume and Average Selling Price of Our Products

The table below sets forth a breakdown of our sales volume and average selling price by product type during the Track Record Period.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount RMB'000/ (ton)	Amount RMB'000/ ton	Amount RMB'000/ (ton)	Amount RMB'000/ ton	Amount RMB'000/ (ton)	Amount RMB'000/ ton	Amount RMB'000/ (ton)	Amount RMB'000/ ton	Amount RMB'000/ (ton)	Amount RMB'000/ ton
Lithium										
compounds	13,765	47	20,937	83	27,695	104	4,593	84	5,815	113
Lithium metals	1,226	344	1,013	487	1,383	592	265	494	379	684
Lithium										
batteries ⁽¹⁾⁽²⁾	4,904	39	5,717	51	3,441	57	394	53	646	84
Others ⁽³⁾	163,159	0.5	57,420	1.3	153,733	1.2	112,415	0.7	71,121	0.7

Notes:

- (1) Measured by 10,000 Ah.
- (2) Excluding revenue from the sale of battery components amounting to approximately RMB10.3 million, RMB43.2 million, RMB86.7 million, RMB13.0 million and RMB20.4 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.
- (3) Include NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

During the Track Record Period, lithium carbonate was one of our primary revenue growth drivers, the average selling price of which increased by 146.5% from approximately RMB43,000 per ton in 2015 to approximately RMB106,000 per ton in 2016. The average selling price of lithium carbonate further increased to RMB122,000 per ton in 2017 and sales volume also increased by 178.5% from 4,897 tons for the year ended December 31, 2016 to 13,637 tons for the year ended December 31, 2017. The average selling price of lithium carbonate increased from RMB104,000 per ton in the three months ended March 31, 2017 to RMB136,000 per ton in the same period in 2018 and sales volume also increased by 81.6% from 1,264 tons for the three months ended March 31, 2017 to 2,296 tons for the same period in 2018. The significant outperformance of our lithium carbonate business compared to the overall global market was mainly attributable to the significant increase in our lithium carbonate sales volume from 2015 to 2017 due to our rapid development in production capacity and consistent high utilization rates of our lithium carbonate production lines. The actual output of our existing lithium carbonate production lines increased by 29.4% from 7,943 tons in 2015 to 10,275 tons in 2016 and further increased by 78.1% to 18,298 tons in 2017, while the global lithium carbonate capacity only increased by 26.2% from 2015 to 2016 and by 24.6% from 2016 to 2017 according to CRU. We were able to maintain high utilization rates throughout the Track Record Period despite this rapid increase in production capacity mainly because of our sufficient supply of lithium raw materials and timely transition from relying on third party supplies to predominately sourcing raw materials from upstream resources in which we hold equity interests in.

Moreover, since the global market remains underserved, the growing global lithium products demand, especially for battery-grade lithium carbonate and lithium chloride, which led to the increase in average selling price of lithium carbonate also contributed to the outstanding growth in our lithium carbonate business.

Another key driver of our revenue growth was lithium metals, evidenced by the 36.6% sales volume growth combined with 21.5% increase in average selling price for the year ended December 31, 2017.

FINANCIAL INFORMATION

Meanwhile sales volume for our lithium batteries decreased from 57.2 million Ah for the year ended December 31, 2016 to 34.4 million Ah for the year ended December 31, 2017 primarily because Shenzhen Meibai still produced lithium batteries in the first half of 2016 but ceased production since July 2016. Our sales of lithium batteries was primarily attributable to the sale of batteries produced by Ganfeng Battery and also some batteries from third parties.

Cost of Sales

Cost of sales primarily consists of raw material cost, labor cost, depreciation and amortization, utilities and others. Our cost of sales increased by 56.0% from RMB1,043.9 million in 2015 to RMB1,628.2 million in 2016, primarily due to an increase in raw material costs and labor cost, partially offset by a decrease in utilities costs. Our cost of sales increased by 53.3% from RMB1,628.2 million in 2016 to RMB2,496.1 million in 2017, primarily due to an increase in raw material costs and utilities costs. Our cost of sales increased by 38.6% from RMB403.2 million for the three months ended March 31, 2017 to RMB558.7 million for the same period in 2018.

Cost of Sales by Nature

The following table sets forth a breakdown of our cost of sales by nature, expressed as an absolute amount and as a percentage of our total cost of sales, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000 (unaudited)	(%)	RMB'000	(%)
Raw materials	757,372	72.6	1,333,553	81.9	2,065,441	82.7	316,445	78.5	439,456	78.7
Labor	83,937	8.0	107,219	6.6	118,003	4.7	27,319	6.8	37,599	6.7
Depreciation & amortization	56,933	5.5	49,998	3.1	72,592	2.9	14,702	3.6	22,003	3.9
Utilities	116,927	11.2	102,267	6.3	172,139	6.9	34,322	8.5	47,499	8.5
Others ⁽¹⁾	28,723	2.7	35,162	2.1	67,971	2.8	10,373	2.6	12,115	2.2
Total cost of sales	1,043,892	100.0	1,628,199	100.0	2,496,146	100.0	403,161	100.0	558,672	100.0

Note:

(1) Primarily includes maintenance costs.

Raw material cost

Raw material cost was the largest component of our cost of sales and primarily consists of the cost of lithium spodumene and brine. Our raw material cost does not include the write-down of obsolete raw materials, which is accounted for in other expenses. Raw material cost accounted for 72.6%, 81.9%, 82.7%, 78.5% and 78.7%, respectively, of our cost of sales for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our raw material cost accounted for approximately 56.3%, 50.6%, 49.5%, 50.7% and 42.1%, respectively, of our revenue.

FINANCIAL INFORMATION

The table below sets forth a breakdown of cost of our major raw materials during the Track Record Period.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Brine and primary product materials ⁽¹⁾	269,025	480,477	709,383	197,893	111,918
Spodumene and primary product materials ⁽²⁾	143,831	326,604	649,108	40,799	185,146
Recycled materials ⁽³⁾	37,512	60,724	215,669	14,703	34,734
Battery materials	150,834	257,393	236,831	24,902	53,633
Other materials and accessories ...	156,170	208,355	254,450	38,148	54,025
Total	757,372	1,333,553	2,065,441	316,445	439,456

Notes:

- (1) Including brine, primary products of rough lithium carbonate, lithium chloride and lithium hydroxide produced from brine.
- (2) Including spodumene and rough lithium hydroxide produced from spodumene.
- (3) Including recycled pharmaceutical catalyst materials, recycled chemical intermediate and primary lithium products produced from the recycling process of lithium battery materials.

The increase in the total cost of our major raw materials was primarily related to the expansion of our production capacity. Our cost for brine and primary product materials increased from RMB480.5 million for the year ended December 31, 2016 to RMB709.4 million for the year ended December 31, 2017 primarily due to an increase in sales volume and an increase in the market price of lithium raw materials. Our cost for spodumene and primary product materials increased from RMB143.8 million for the year ended December 31, 2015 to RMB326.6 million for the year ended December 31, 2016 primarily due to the purchase of lithium hydroxide from the liquidation of Jiangli Technology in 2016. The cost for spodumene and primary product materials increased from RMB326.6 million in 2016 to RMB649.1 million in 2017 primarily due to the large amount of spodumene we purchased from RIM. The cost for battery materials decreased from RMB257.4 million to RMB236.8 million primarily because Shenzhen Meibai ceased production since July 2016 after the fire and explosion incidents. The cost of recycled materials increased significantly during the Track Record Period because of the development of our recycling business. The total cost of our major raw materials increased by 38.9% from RMB316.4 million for the three months ended March 31, 2017 to RMB439.5 million for the same period in 2018 primarily due to the expansion of our production capacity and especially because of the large amount of spodumene purchased from Mount Marion Project.

Labor cost

Labor cost represents salaries and other staff-related costs of our own manufacturing operations. Our labor cost depends on wage levels and the number of our production staff employed. Labor cost accounted for 8.0%, 6.6%, 4.7%, 6.8% and 6.7%, respectively, of our cost of sales for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our labor cost represented approximately 6.2%, 4.1%, 2.8%, 4.4% and 3.6%, respectively, of our revenue.

FINANCIAL INFORMATION

Utilities cost

Utilities cost represents energy and power costs of our own manufacturing operations. Utilities cost accounted for 11.2%, 6.3%, 6.9%, 8.5% and 8.5%, respectively, of our cost of sales for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our utilities cost represented approximately 8.7%, 3.9%, 4.1%, 5.5% and 4.5%, respectively, of our revenue.

The following sensitivity analysis illustrates the impact of a decrease/an increase of 5%, 8%, 10% and 67% in our raw material cost, with all other things being held constant, and how that would have increased/decreased our gross profit for each of the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018, respectively, as follows:

	<u>Decrease/Increase by 5%</u>	<u>Decrease/Increase by 8%</u>	<u>Decrease/Increase by 10%</u>	<u>Decrease/Increase by 67%*</u>
Change in gross profit (RMB'000)				
Year ended December 31, 2015	+/-37,869	+/-60,590	+/-75,737	+/-507,439
Year ended December 31, 2016	+/-66,678	+/-106,684	+/-133,355	+/-893,480
Year ended December 31, 2017	+/-103,272	+/-165,235	+/-206,544	+/-1,383,845
Three months ended March 31, 2017 (unaudited)	+/-15,822	+/-25,316	+/-31,645	+/-212,018
Three months ended March 31, 2018	+/-21,973	+/-35,156	+/-43,946	+/-294,436

Note:

* Maximum fluctuation in the Track Record Period.

The following sensitivity analysis illustrates the impact of a decrease/an increase of 5%, 8% and 10% in our labor cost, with all other things being held constant, and how that would have increased/decreased our gross profit for each of the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018, respectively, as follows:

	<u>Decrease/Increase by 5%</u>	<u>Decrease/Increase by 8%</u>	<u>Decrease/Increase by 10%*</u>
Change in gross profit (RMB'000)			
Year ended December 31, 2015	+/-4,197	+/-6,715	+/-8,394
Year ended December 31, 2016	+/-5,361	+/-8,578	+/-10,722
Year ended December 31, 2017	+/-5,900	+/-9,440	+/-11,800
Three months ended March 31, 2017 (unaudited)	+/-1,366	+/-2,186	+/-2,732
Three months ended March 31, 2018	+/-1,880	+/-3,008	+/-3,760

Note:

* Maximum fluctuation during the Track Record Period.

FINANCIAL INFORMATION

Cost of Sales by Business Line

The following table sets forth a breakdown of our cost of sales by business line, expressed as an absolute amount and as a percentage of our total cost of sales, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
							<i>(unaudited)</i>			
Lithium compound	509,283	48.8	965,101	59.3	1,579,778	63.3	239,103	59.3	333,598	59.7
Lithium metal	322,756	30.9	299,345	18.4	453,373	18.2	80,751	20.0	117,215	21.0
Lithium battery	161,215	15.4	299,396	18.4	306,103	12.3	31,499	7.8	68,292	12.2
Others	50,638	4.9	64,357	3.9	156,892	6.2	51,808	12.9	39,567	7.1
Total cost of sales	<u>1,043,892</u>	<u>100.0</u>	<u>1,628,199</u>	<u>100.0</u>	<u>2,496,146</u>	<u>100.0</u>	<u>403,161</u>	<u>100.0</u>	<u>558,672</u>	<u>100.0</u>

Cost of Sales by Geographic Location

The following table sets forth a breakdown of our cost of sales by geographic location, expressed as an absolute amount and as a percentage of our total cost of sales, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
							<i>(unaudited)</i>			
Mainland China	822,204	78.8	1,292,390	79.4	2,149,277	86.1	284,168	70.5	338,677	60.6
Overseas	221,688	21.2	335,809	20.6	346,869	13.9	118,993	29.5	219,995	39.4
Total cost of sales	<u>1,043,892</u>	<u>100.0</u>	<u>1,628,199</u>	<u>100.0</u>	<u>2,496,146</u>	<u>100.0</u>	<u>403,161</u>	<u>100.0</u>	<u>558,672</u>	<u>100.0</u>

Gross Profit and Gross Profit Margin

In 2015, 2016 and 2017, our gross profit was RMB300.3 million, RMB1,005.3 million and RMB1,675.1 million, respectively. Our overall gross profit margin was 22.3%, 38.2% and 40.2%, respectively, in the same years. In the three months ended March 31, 2017 and 2018, our gross profit was RMB220.5 million and RMB485.8 million, respectively. Our gross profit margin was 35.4% and 46.5%, respectively, in the same periods.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin by Business Line

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin	Gross profit	Gross Profit Margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
	<i>(unaudited)</i>									
Lithium compound ...	136,280	21.1	769,503	44.4	1,299,922	45.1	145,402	37.8	325,329	49.4
Lithium metal ...	98,894	23.5	194,114	39.3	365,031	44.6	49,881	38.2	142,093	54.8
Lithium battery	39,939	19.9	33,717	10.1	(22,282)	(7.9)	2,507	7.4	6,436	8.6
Others	25,174	33.2	7,923	11.0	32,384	17.1	22,681	30.4	11,904	23.1
Total gross profit	<u>300,287</u>	<u>22.3</u>	<u>1,005,257</u>	<u>38.2</u>	<u>1,675,055</u>	<u>40.2</u>	<u>220,471</u>	<u>35.4</u>	<u>485,762</u>	<u>46.5</u>

From 2015 to 2016, the gross profit margin for our lithium compounds and lithium metals increased from 21.1% and 23.5% to 44.4% and 39.3%, respectively, but only further increased to 45.1% and 44.6% from 2016 to 2017 primarily because of the significant increase in average selling price of these products from 2015 to 2016 was caught up by the significant increase in raw material costs in 2016 and 2017. The 49.2% decrease in the gross profit margin of our lithium batteries was also related to an increase in raw material costs. For the year ended December 31, 2017, we recorded a negative gross profit of RMB22.3 million and a negative gross profit margin of 7.9% for our lithium batteries business line, primarily due to (i) the production ramp-up at our Dongguan battery facility; and (ii) to a lesser extent the sales of Shenzhen Meibai inventory at a loss. Certain customers who placed order with Shenzhen Meibai in 2016 subsequently cancelled their orders after the fire incidents of Shenzhen Meibai and in 2017 we sold products originally produced for these orders at a loss of approximately RMB0.9 million. For the three months ended March 31, 2017 and 2018, the gross profit margin for our lithium compounds and metals increased from 37.8% and 38.2% to 49.4% and 54.8%, respectively, primarily due to the price increase of lithium metals and the price increase of lithium compounds from the three months ended March 31, 2017 to March 31, 2018. In addition, the gross profit margin for our lithium batteries business line increased from 7.4% to 8.6% from the three months ended March 31, 2017 to the same period in 2018.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin by Geographic Location

The following table sets out a breakdown of our gross profit and gross profit margin by geographic location for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
	<i>(unaudited)</i>									
Mainland										
China	211,452	20.5	761,745	37.1	1,338,772	38.4	193,931	40.6	460,997	57.6
Overseas	88,835	28.6	243,512	42.0	336,283	49.2	26,540	18.2	24,765	10.1
Total	300,287	22.3	1,005,257	38.2	1,675,055	40.2	220,471	35.4	485,762	46.5

Other Income and Gains

Our other income and gains primarily consists of fair value gains on derivative financial instruments and investments at fair value through profit or loss, dividends and interests from investments at fair value through profit or loss, sales of raw materials, foreign exchange gain, gain on disposal of items of property, plant and equipment, bank interest income and others. In 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our other income and gains were RMB128.2 million, RMB893.7 million, RMB1,122.7 million, RMB310.7 million and RMB66.0 million, respectively. The following table sets forth a breakdown of the key components of our other income and gains, each expressed as an absolute amount and as a percentage of other income and gains, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
	<i>(unaudited)</i>									
Fair value gains, net:										
— Derivative financial instruments ⁽¹⁾	92,296	72.0	634,019	71.0	485,805	43.3	306,424	98.6	—	—
— Investments at fair value through profit or loss	—	—	42,855	4.8	382,170	34.0	—	—	—	—
Gain on disposal of investments at fair value through profit or loss	—	—	—	—	—	—	—	—	4,106	6.2
Dividends and interests from investments at fair value through profit or loss	1,729	1.3	87	—	5,669	0.5	1,331	0.4	1,677	2.5
Sales of raw materials	3,832	3.0	195,124	21.8	173,733	15.5	918	0.3	2,783	4.2
Government grants	22,317	17.4	15,425	1.7	61,885	5.5	1,601	0.5	53,724	81.4
Foreign exchange gain	—	—	4,229	0.5	7,593	0.7	—	—	—	—
Gain on disposal of property, plant and equipment	48	—	3	—	131	—	56	—	80	0.1
Bank interest income	7,845	6.1	1,147	0.1	2,216	0.2	335	0.1	3,496	5.3
Others	115	0.2	813	0.1	3,528	0.3	78	0.1	162	0.3
Total	128,182	100.0	893,702	100.0	1,122,730	100.0	310,743	100.0	66,028	100.0

FINANCIAL INFORMATION

Note:

(1) refers to the fair value gain of the compensation agreement with Mr. Li Wanchun and Ms. Hu Yemei

Our revenue generated from the sales of raw materials recorded under other income and gains primarily represented the trading of raw materials, including the trading of ancillary materials, the trading of lithium hydroxide we purchased from the liquidation of Jiangli Technology in 2016, and the trading of spodumene raw materials we purchased from Reed Industrial Minerals pursuant to an offtake agreement in 2017.

The table below sets forth the breakdown of the sales of raw materials recorded under our other income and gains, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount (ton LCE)	RMB'000	Amount (ton LCE)	RMB'000	Amount (ton LCE)	RMB'000	Amount (ton LCE)	RMB'000	Amount (ton LCE)	RMB'000
Lithium hydroxide	–	–	1,850	192,231	–	–	–	–	–	–
Spodumene	–	–	–	–	3,095	167,445	–	–	13	716
Ancillary materials and others (including hydrochloric acid and sodium carbonate)	–	3,832	–	2,893	–	6,288	–	918	–	2,067
Other income and gains-sales of raw materials	–	3,832	1,850	195,124	3,095	173,733	–	918	13	2,783

In 2016, we purchased 3,462 tons LCE of lithium hydroxide from the liquidation of Jiangli Technology and subsequently traded 1,850 tons LCE of lithium hydroxide due to the rising demand for lithium hydroxide. In 2017, we purchased 35,021 tons LCE of spodumene from RIM. This amount of spodumene together with our inventory exceeded our actual production capacity at the time. Therefore, given the favorable market conditions due to the rising demand for lithium raw materials, we subsequently decided to sell 3,095 tons LCE of spodumene to other third parties in order to better manage our inventory level. Going forward, in addition to inventory of spodumene we intend to retain, we expect to be able to eventually consume substantially all of the spodumene produced by Mount Marion project as our production capacity continues to expand as planned and our spodumene-based production lines, including our existing 8,000-ton lithium hydroxide monohydrate and 15,000-ton lithium carbonate production lines, and our newly constructed 20,000-ton lithium hydroxide monohydrate and 17,500-ton lithium carbonate production lines, are expected to reach a 57,140 tons LCE per annum aggregate production capacity as designed once the expansions are completed in 2018.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of employee benefit expense, transportation expense, warehouse and port expense, rental expense, sales commission, travel expense, and other expenses. The following table sets forth a breakdown of the key components of our selling and distribution expenses, each expressed as an absolute amount and as a percentage of our total selling and distribution expenses, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Employee benefit expenses ...	4,537	13.1	6,036	11.9	5,035	9.5	1,116	11.2	1,578	18.6
Transportation expenses	17,915	51.9	22,281	43.8	28,629	53.8	5,987	60.2	2,834	33.4
Warehouse and port expenses	2,613	7.6	3,675	7.2	7,112	13.4	1,580	15.9	1,339	15.8
Rental expenses	306	0.9	379	0.7	–	–	–	–	–	–
Sales commission	6,033	17.5	13,615	26.8	8,497	16.0	715	7.2	1,208	14.2
Travel expenses	1,152	3.3	863	1.7	1,020	1.9	219	2.2	349	4.1
Others	1,995	5.7	4,021	7.9	2,914	5.4	333	3.3	1,180	13.9
Total	34,551	100.0	50,870	100.0	53,207	100.0	9,950	100.0	8,488	100.0

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expense, office expense, travel expense, intermediary expense, research and development expense, bank service, and other expenses and depreciation and amortization of intangible assets. In 2015, 2016 and 2017, our administrative expenses were RMB82.3 million, RMB109.3 million and RMB192.9 million, respectively. In the three months ended March 31, 2017 and 2018, our administrative expenses were RMB29.4 million and RMB95.9 million, respectively. The following table sets forth a breakdown of the key components of our administrative expenses, each expressed as an absolute amount and as a percentage of our total administrative expenses, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Employee benefit expenses ...	31,201	37.9	40,537	37.1	92,249	47.8	4,755	16.2	48,647	50.7
Depreciation	9,564	11.6	10,162	9.3	8,536	4.4	2,425	8.3	2,120	2.2
Amortization of intangible assets	3,364	4.1	4,569	4.2	8,090	4.2	1,931	6.6	1,968	2.1
Office expenses	2,456	2.9	11,472	10.5	12,963	6.7	3,209	10.9	8,676	9.0
Travel expenses	792	1.0	1,214	1.0	1,775	0.9	271	0.9	364	0.4
Intermediary expenses	6,587	8.0	4,115	3.8	10,563	5.5	1,908	6.5	15,182	15.8
Tax expenses	5,729	7.0	7,730	7.1	11,489	6.0	2,322	7.9	3,388	3.5
Research and development expenses	17,064	20.7	23,459	21.5	37,968	19.7	10,070	34.3	14,120	14.7
Bank service expenses	1,332	1.6	1,700	1.5	6,448	3.3	1,555	5.3	431	0.4
Others	4,252	5.2	4,391	4.0	2,797	1.5	926	3.1	984	1.2
Total	82,341	100.0	109,349	100.0	192,878	100.0	29,372	100.0	95,880	100.0

FINANCIAL INFORMATION

Other Expenses

Our other expenses primarily consist of cost of raw materials, impairment loss, loss on disposal of items of property, plant and equipment and others. In 2015, 2016 and 2017, our other expenses were RMB49.2 million, RMB527.9 million and RMB153.5 million, respectively. In the three months ended March 31, 2017 and 2018, our other expenses were RMB16.4 million and RMB94.6 million, respectively. The following table sets forth a breakdown of the key components of our other expenses, each expressed as an absolute amount and as a percentage of our total other expenses, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	<i>(unaudited)</i>			
Loss on disposal of property, plant and equipment	1,592	3.2	7,271	1.4	12,644	8.2	–	–	2	–
Foreign exchange loss ...	6,494	13.2	–	–	–	–	1	–	1,645	1.7
Cost of raw materials ...	4,193	8.5	191,132	36.2	103,600	67.5	970	5.9	2,135	2.3
Cost of exploration	10,097	20.5	40,852	7.7	3,026	2.0	614	3.7	725	0.8
Impairment loss ⁽¹⁾	26,337	53.5	238,413	45.2	29,530	19.2	35	0.2	1,118	1.2
Fair value losses, net:										
Investment at fair value through profit or loss	–	–	–	–	–	–	12,365	75.2	88,932	94.0
Others	473	1.1	50,246	9.5	4,722	3.1	2,449	15.0	65	–
Total	49,186	100.0	527,914	100.0	153,522	100.0	16,434	100.0	94,622	100.0

Note:

(1) mainly represents the impairment of goodwill of Shenzhen Meibai due to its fire incidents in 2016.

Our cost of raw materials under other expenses represents the cost of raw materials we traded, including ancillary raw materials, lithium hydroxide we purchased from the liquidation of Jiangli Technology, and spodumene raw materials we purchased from Reed Industrial Minerals. Our other expenses also cover our mine exploration expenses. In 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our mine exploration expenses amounted to RMB10.1 million, RMB40.9 million, RMB3.0 million, RMB0.6 million and RMB0.7 million, respectively. Our net fair value losses of investments at fair value through profit or loss in the amount of RMB88.9 million for the three months ended March 31, 2018 was due to the decrease in share price of Pilbara Minerals.

FINANCIAL INFORMATION

Finance Costs

Our finance costs primarily consist of interest expense on bank borrowings wholly repayable within five years and interest expense on discounted bills. In 2015, 2016 and 2017, our finance costs were RMB18.7 million, RMB21.0 million and RMB56.9 million, respectively. In the three months ended March 31, 2017 and 2018, our finance costs were RMB10.4 million and RMB18.6 million, respectively. The following table sets forth a breakdown of the key components of our finance costs, each expressed as an absolute amount and as a percentage of our total finance costs, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Interest expense on bank borrowings wholly repayable within five years	15,828	84.5	20,062	95.5	46,858	82.4	6,860	66.3	14,033	75.6
Interest expense on discounted bills	2,914	15.5	938	4.5	8,559	15.0	3,494	33.7	–	–
Interest expense on Convertible Bonds	–	–	–	–	1,480	2.6	–	–	4,519	24.4
Total	18,742	100.0	21,000	100.0	56,897	100.0	10,354	100.0	18,552	100.0

Share of Profits and Losses of Associates and a Joint Venture

Our share of profits and losses primarily consists of share of profits from associates and a joint venture. In 2015 and 2016, our share of losses of associates and a joint venture were RMB0.7 million and RMB0.7 million, respectively. For the year ended December 31, 2017, our share of profit of associates and a joint venture were RMB26.0 million. For the three months ended March 31, 2017 and 2018, our share of losses of associates and a joint venture were RMB0.2 million and RMB24.8 million, respectively. The following table sets forth a breakdown of our share of profits and losses of associates and a joint venture, each expressed as an absolute amount and as a percentage of our share of profits and losses of associates and a joint venture, for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Associates ..	(677)	100.0	(771)	114.7	25,153	96.9	(234)	100.0	(24,936)	100.6
A joint venture ...	–	0.0	99	(14.7)	806	3.1	–	–	154	(0.6)
Total	(677)	100.0	(672)	100.0	25,959	100.0	(234)	100.0	(24,782)	100.0

Income Tax Expense

Income tax expense primarily represents our total current and deferred tax expenses under the relevant income tax rules and regulations in the jurisdictions where we operate. Current income tax consists of PRC enterprise income tax, which is generally assessed at a rate of 25.0% and paid by our PRC subsidiaries on their taxable income. Our subsidiaries incorporated in Hong Kong were subject to a profit tax

FINANCIAL INFORMATION

at the rate of 16.5% during the Track Record Period. In 2015, 2016 and 2017 and the three months ended March 31, 2018, our effective tax rates were 10.3%, 6.0%, 11.5% and 21.7%, respectively, which were lower than the PRC statutory income tax rate of 25%. These lower effective tax rates were mainly attributable to the Company's status as a high and new technology enterprise. Based on the Enterprise Income Tax Law and related regulations, the applicable tax rate of the Company, which is recognized as a high and new technology enterprise and supported by the government, is 15% provided that the Company complies with conditions set out in relevant requirements. During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all of our tax obligations and did not have any unresolved tax disputes.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATION

Three months ended March 31, 2017 compared to the three months ended March 31, 2018

Revenue

Our revenue increased by 67.5% from RMB623.6 million for the three months ended March 31, 2017 to RMB1,044.4 million for the three months ended March 31, 2018. The increase was primarily due to the continuous expansion of our production capacity and the increase in revenue generated from lithium compounds and lithium metals.

Lithium compounds

Revenue generated from sales of lithium compounds increased by 71.4% from RMB384.5 million for the three months ended March 31, 2017 to RMB658.9 million for the three months ended March 31, 2018, primarily driven by (i) an increase in sales volume attributable to the sufficient supply of raw materials as a result of the recent commissioning of Mount Marion project since February 2017, which resulted in the higher utilization of our production capacity; and (ii) an increase in average selling price of lithium compounds due to the increased market demands for lithium compounds.

Lithium metals

Revenue generated from sales of lithium metals increased by 98.5% from RMB130.6 million for the three months ended March 31, 2017 to RMB259.3 million for the three months ended March 31, 2018, primarily driven by (i) an increase in sales volume attributable to increased market demands for lithium metals from the battery related market and the sufficient supply of raw materials from Mount Marion project; and (ii) an increase in average selling price of lithium metals due to increased market price of lithium metals in the end of 2017 related to the increased market demands for lithium metals.

Lithium batteries

Revenue generated from sales of lithium batteries increased by 119.7% from RMB34.0 million for the three months ended March 31, 2017 to RMB74.7 million for the three months ended March 31, 2018, primarily related to the steady production of our Dongguan Ganfeng Battery Plant.

Others

Revenue generated from others decreased by 30.9% from RMB74.5 million for the three months ended March 31, 2017 to RMB51.5 million for the three months ended March 31, 2018, primarily because we engaged in processing service of NMC precursors for certain customers rather than producing ourselves due to the volatility in the price of nickel and cobalt.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales increased by 38.6% from RMB403.2 million for the three months ended March 31, 2017 to RMB558.7 million for the three months ended March 31, 2018. The increase was primarily due to an increase in raw materials costs and utilities costs.

Raw material costs

Our raw materials costs increased by 38.9% from RMB316.4 million for the three months ended March 31, 2017 to RMB439.5 million for the three months ended March 31, 2018, primarily due to (i) an increase in sales volume; and (ii) an increase in the market price of lithium raw materials. Our raw material costs as a percentage of our total revenues decreased from 50.7% in the three months ended March 31, 2017 to 42.1% in the three months ended March 31, 2018.

Labor costs

Our labor costs increased by 37.6% from RMB27.3 million for the three months ended March 31, 2017 to RMB37.6 million for the three months ended March 31, 2018, primarily due to an increase in headcount in relation to our newly commissioned production lines. Our labor costs as a percentage of our total revenues decreased from 4.4% in the three months ended March 31, 2017 to 3.6% in the three months ended March 31, 2018.

Utilities costs

Our utilities costs increased by 38.4% from RMB34.3 million for the three months ended March 31, 2017 to RMB47.5 million for the three months ended March 31, 2018, primarily due to an increase in production volume of our lithium compounds and lithium metals products. Our utilities costs as a percentage of our total revenues decreased from 5.5% in the three months ended March 31, 2017 to 4.5% in the three months ended March 31, 2018.

Gross Profit

As a result of the foregoing, our gross profit increased by 120.3% from RMB220.5 million for the three months ended March 31, 2017 to RMB485.8 million in the same period in 2018. Our overall gross profit margin increased from 35.4% for the three months ended March 31, 2017 to 46.5% in the same period in 2018, primarily due to (i) the stable supply of raw material from the commissioning of Mount Marion project since February 2017 which led to the higher utilization rate of our production capacity; and (ii) the significant increase in the price of lithium metals in the end of 2017.

Other Income and Gains

Our other income and gains decreased by 78.8% from RMB310.7 million for the three months ended March 31, 2017 to RMB66.0 million for the three months ended March 31, 2018, primarily due to a decrease of derivative financial instruments of RMB306.4 million primarily related to fair value gain of the compensation agreement with Mr. Li Wanchun and Ms. Hu Yemei, partially offset by an increase in government grant of RMB52.1 million primarily related to Xinyu city's grant of RMB43.9 million to support our lithium battery business following its industry policy. Our other income and gains as a percentage of our total revenue decreased from 49.8% for the three months ended March 31, 2017 to 6.3% for the three months ended March 31, 2018.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 14.7% from approximately RMB10.0 million for the three months ended March 31, 2017 to approximately RMB8.5 million for the three months ended March 31, 2018 primarily due to the decrease in transportation expenses, partially offset by an increase in employee benefit expenses and sales commission. Our selling and distribution expenses as a percentage of our total revenue decreased from 1.6% for the three months ended March 31, 2017 to 0.8% for the three months ended March 31, 2018.

Administrative Expenses

Our administrative expenses increased by 226.4% from RMB29.4 million for the three months ended March 31, 2017 to RMB95.9 million for the three months ended March 31, 2018, primarily due to an increase in our employee benefit expenses of RMB43.9 million as a result of cost allocation of our Restricted A Share Incentive Scheme and listing expenses. Our administrative expenses as a percentage of our total revenue increased from 4.7% for the three months ended March 31, 2017 to 9.2% for the three months ended March 31, 2018.

Other Expenses

Our other expenses increased by 475.8% from RMB16.4 million for the three months ended March 31, 2017 to RMB94.6 million for the three months ended March 31, 2018, primarily due to an increase in net fair value losses of investments at fair value through profit or loss of RMB76.6 million related to the decrease in share price of Pilbara Minerals. Our other expenses as a percentage of our total revenue increased from 2.6% for the three months ended March 31, 2017 to 9.1% for the three months ended March 31, 2018.

Finance Costs

Our financial cost increased by 79.2% from RMB10.4 million in the three months ended March 31, 2017 to RMB18.6 million for the same period in 2018, primarily due to an increase in interest expenses related to our short-term bank borrowings to support our working capital needs in line with our business growth and increase in interest expenses on our Convertible Bonds. Our financial cost as a percentage of our total revenue remained relatively stable at 1.7% for the three months ended March 31, 2017 and 1.8% for the three months ended March 31, 2018.

Share of Profits and Losses of Associates and a Joint Venture

We recorded a share of loss of associates and a joint venture of RMB0.2 million for the three months ended March 31, 2017, while we recorded a share of loss of associates and a joint venture of RMB24.8 million for the same period in 2018, primarily because of the elimination of unrealized profit generated from intra-group transactions in connection with upstream purchases of raw materials from RIM, one of our associates.

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by 33.4% from RMB464.9 million for the three months ended March 31, 2017 to RMB309.5 million for the same period in 2018.

FINANCIAL INFORMATION

Income Tax Expense

Our income tax expense increased by 135.1% from RMB28.5 million for the three months ended March 31, 2017 to RMB67.0 million for the same period in 2018, primarily due to a significant increase in our taxable income due to an increase in sales revenue. Additionally, for the three months ended March 31, 2017 and 2018, our effective tax rate was 6.1% and 21.7%, which is lower than the PRC statutory income tax rate of 25%. This increase was primarily because of the non-deductible nature of the loss related to the decrease in the share price of Pilbara Minerals in the three months ended March 31, 2018 and the fair value gains of the compensation agreement with Mr. Li Wanchun and Ms. Hu Yemei in the three months ended March 31, 2017 was not taxable.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 44.4% from RMB436.4 million for the three months ended March 31, 2017 to RMB242.5 million for the three months ended March 31, 2018. Our net profit margin decreased from 70.0% for the three months ended March 31, 2017 to 23.2% for the three months ended March 31, 2018.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 58.4% from RMB2,633.5 million for the year ended December 31, 2016 to RMB4,171.2 million in 2017. The increase in our revenue was primarily due to an increase in revenue generated from lithium compounds and lithium metals.

Lithium compounds

Revenue generated from sales of lithium compounds increased by 66.0% from RMB1,734.6 million for the year ended December 31, 2016 to RMB2,879.7 million for the year ended December 31, 2017, primarily driven by (i) an increase in sales volume attributable to the commencement of operations of our newly-added battery grade lithium carbonate production line in 2017; and (ii) an increase in average selling price of lithium compounds due to the increased market demands for lithium compounds primarily from the battery related market.

Lithium metals

Revenue generated from sales of lithium metals increased by 65.9% from RMB493.5 million for the year ended December 31, 2016 to RMB818.4 million for the year ended December 31, 2017, primarily driven by (i) an increase in average selling price of lithium metals due to the increased market demands for lithium metals primarily from the battery related market; and (ii) an increase in sales volume due to the sufficient supply of lithium raw materials as a result of the recent commissioning of Mount Marion project since February 2017, which resulted in the higher utilization of our production capacity.

Lithium batteries

Revenue generated from sales of lithium batteries decreased by 14.8% from RMB333.1 million for the year ended December 31, 2016 to RMB283.8 million for the year ended December 31, 2017, primarily

FINANCIAL INFORMATION

because Shenzhen Meibai ceased production since the second half of 2016 after the fire and explosion incidents, partially offset by an increase in the sales revenue of our consumer battery products resulting from a production ramp-up of our Dongguan battery production lines.

Others

Revenue generated from others increased by 161.9% from RMB72.3 million for the year ended December 31, 2016 to RMB189.3 million for the year ended December 31, 2017, primarily due to an increase in the sales of NMC precursors because our NMC precursor production line commenced operations in August 2016.

Cost of Sales

Our cost of sales increased by 53.3% from RMB1,628.2 million for the year ended December 31, 2016 to RMB2,496.1 million for the year ended December 31, 2017, largely driven by an increase in raw material costs and utilities cost.

Raw material costs

Our raw material costs increased by 54.9% from RMB1,333.6 million for the year ended December 31, 2016 to RMB2,065.4 million for the year ended December 31, 2017, primarily due to (i) an increase in sales volume; and (ii) an increase in the market price of lithium raw materials. Our raw material costs as a percentage of our total revenues decreased from 50.6% in 2016 to 49.5% in 2017.

Utilities costs

Our utilities costs increased by 68.3% from RMB102.3 million for the year ended December 31, 2016 to RMB172.1 million for the year ended December 31, 2017, primarily due to an increase in production volume of our lithium compounds and lithium metals products. In particular, an increase in production volume of lithium metals, which typically required more electricity inputs. Our utilities costs as a percentage of our total revenues increased from 3.9% for the year ended December 31, 2016 and to 4.1% for the year ended December 31, 2017.

Gross Profit

As a result of the foregoing, our gross profit increased by 66.6% from RMB1,005.3 million for the year ended December 31, 2016 to RMB1,675.1 million for the year ended December 31, 2017. Our overall gross profit margin increased from 38.2% for the year ended December 31, 2016 to 40.2% for the year ended December 31, 2017, primarily due to (i) the stable supply of raw material from the commissioning of Mount Marion project since February 2017 which led to the higher utilization rate of our production capacity; and (ii) the slight increase in average selling price of our products.

Other Income and Gains

Our other income and gains increased by 25.6% from RMB893.7 million for the year ended December 31, 2016 to RMB1,122.7 million for the year ended December 31, 2017, primarily due to an increase in net fair value gains on investments at fair value of RMB360.6 million primarily attributable to the increase of share price of Pilbara Minerals in 2017, partially offset by a net decrease in the aggregate

FINANCIAL INFORMATION

gains in derivative financial instruments of RMB148.2 million due to the compensation agreements with Mr. Li Wanchun and Ms. Hu Yemei and the subsequent cancellation of the restricted A Shares we repurchased from Mr. Li Wanchun and Ms. Hu Yemei. Our other income and gains as a percentage of our total revenue decreased from 33.9% for the year ended December 31, 2016 to 26.9% for the year ended December 31, 2017.

Selling and Distribution Expenses

Our selling and distribution expenses slightly increased by 4.6% from RMB50.9 million for the year ended December 31, 2016 to RMB53.2 million for the year ended December 31, 2017 primarily due to the increase in transportation expenses in relation to the increase of the sales volume of our products, partially offset by a decrease in our sales commission because we started to lower our sales commission starting from 2017 for overseas sales and our revenue contribution of domestic market increased, for which we did not incur sales commission. Our selling and distribution expenses as a percentage of our total revenue decreased from 1.9% for the year ended December 31, 2016 to 1.3% for the year ended December 31, 2017.

Administrative Expenses

Our administrative expenses increased by 76.4% from RMB109.3 million for the year ended December 31, 2016 to RMB192.9 million for the year ended December 31, 2017, primarily due to an increase in our employee benefit expenses as a result of the cost allocation of our Restricted A Share Incentive Scheme of approximately RMB9.2 million as well as an increase in headcount and research and development expenses in line with our business growth and approximately RMB25.0 million provision that was made for managerial bonuses since we met the performance target, which is the achievement of a net profit growth rate no less than 150% of the net profit of 2016 in 2017 and achieving an annual output no less than 35,000 tons LCE, pursuant to the measures for administration of our incentive fund approved by the general meeting of Shareholders and Board of Directors in 2017. The size of the incentive fund is a percentage, depending on the growth rate of our net profit, of the exceeding portion of our net profit of 2017 over the net profit of 2016. In addition, in 2017, listing expense of RMB3.3 million was recognized as administrative expenses which did not occur in 2016. Our administrative expenses as a percentage of our total revenue increased from 4.2% for the year ended December 31, 2016 to 4.6% for the year ended December 31, 2017.

Other Expenses

Our other expenses decreased by 70.9% from RMB527.9 million for the year ended December 31, 2016 to RMB153.5 million for the year ended December 31, 2017, primarily due to (i) a decrease in the cost of our trading of raw materials in 2017 since we did not engage in the trading of lithium hydroxide in 2017 like we did in 2016; (ii) a decrease in cost of exploration since the exploration expenses of Mariana was capitalized; and (iii) we incurred a one-time expense of RMB49.7 million in relation to Shenzhen Meibai's fire incidents in 2016 and the impairment of goodwill related to Shenzhen Meibai. Our other expenses as a percentage of our total revenue decreased from 20.0% for the year ended December 31, 2016 to 3.7% for the year ended December 31, 2017.

Finance Costs

Our financial cost increased by 170.9% from RMB21.0 million in the year ended December 31, 2016 to RMB56.9 million in 2017, primarily due to an increase in our short-term bank borrowings to support our

FINANCIAL INFORMATION

working capital needs in line with our business growth. Our financial cost as a percentage of our total revenue slightly increased from 0.8% for the year ended December 31, 2016 to 1.4% for the year ended December 31, 2017.

Share of Profits and Losses of Associates and a Joint Venture

We recorded a share of loss of associates and joint venture of RMB0.7 million for the year ended December 31, 2016, while we recorded a share of profit of associates and joint venture of RMB26.0 million for the year ended December 31, 2017, primarily because Reed Industrial Minerals recorded profits in 2017.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 99.1% from RMB1,189.2 million for year ended December 31, 2016 to RMB2,367.2 million for the year ended December 31, 2017.

Income Tax Expense

Our income tax expense increased by 282.9% from RMB71.1 million for the year ended December 31, 2016 to RMB272.2 million for the year ended December 31, 2017, primarily due to a significant increase in our taxable income due to an increase in sales revenue. Additionally, for the years ended December 31, 2016 and 2017, our effective tax rate was 6.0% and 11.5%, which is lower than the PRC statutory income tax rate of 25%. This lowered effective tax rate is attributable to (i) our high and new technology enterprise status and its related benefits; and (ii) the non-taxable nature of a portion of our income from the repurchases of the restricted A Shares held by Mr. Li Wanchun and Ms. Hu Yemei pursuant to the compensation agreements.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB1,118.1 million for the year ended December 31, 2016 to RMB2,095.1 million for the year ended December 31, 2017. Our net profit margin slightly increased from 42.5% for the year ended December 31, 2016 to 50.2% for the year ended December 31, 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 95.9% from RMB1,344.2 million in 2015 to RMB2,633.5 million in 2016, primarily due to an increase in revenue generated from lithium compounds and lithium metals.

Lithium compounds

Revenue generated from sales of lithium compounds increased by 168.7% from RMB645.6 million in 2015 to RMB1,734.6 million in 2016, primarily driven by (i) an increase in sales volume due to the increased market demands for lithium compounds from the battery related market as well as the expansion of our production capacity, and (ii) an increase in average selling price due to the increased market demands for lithium compounds.

FINANCIAL INFORMATION

Lithium metals

Revenue generated from sales of lithium metals increased by 17.0% from RMB421.7 million in 2015 to RMB493.5 million in 2016, primarily driven by an increase in average selling price due to the increased market demands for lithium metals from the battery related market, partially offset by a slight decrease in sales volume. The slight decrease in sales volume was primarily because we encountered a shortage of lithium raw materials in 2016 and strategically allocated lithium raw materials to the production of lithium compounds due to the higher gross profit margin of those products. For details of such shortage, please see "Business — Raw Materials, Energy and Suppliers."

Lithium batteries

Revenue generated from sales of lithium batteries increased 65.6% from RMB201.2 million in 2015 to RMB333.1 million in 2016, primarily because (i) the acquisition of Shenzhen Meibai happened in the second half of 2015 and thus only a portion of Shenzhen Meibai's revenue in 2015 is consolidated into our total revenue; and (ii) Shenzhen Meibai continued to sell products in its inventory after it ceased manufacturing in the second half of 2016.

Others

Revenue generated from others slightly decreased by 4.7% from RMB75.8 million in 2015 to RMB72.3 million in 2016.

Cost of Sales

Our cost of sales increased by 56.0% from RMB1,043.9 million in 2015 to RMB1,628.2 million in 2016, largely driven by an increase in raw material costs and labor costs.

Raw material costs

Our raw material costs increased by 76.1% from RMB757.4 million in 2015 to RMB1,333.6 million in 2016, primarily due to (i) an increase in sales volume; and (ii) an increase in the market price of lithium raw materials. Our raw material costs as a percentage of our total revenues slightly decreased from 56.3% to 50.6% during the same period, primarily because our average selling price grew at a faster rate than the costs of our raw materials.

Labor costs

Our labor costs increased by 27.7% from RMB83.9 million in 2015 to RMB107.2 million in 2016, primarily due to an increase in headcount in relation to our newly added production lines. Our labor costs as a percentage of our total revenues decreased from 6.2% in 2015 to 4.1% in 2016, primarily due to the significant increase in our total revenues that has resulted in economies of scale.

Utilities costs

Our utilities costs decreased by 12.5% from RMB116.9 million in 2015 to RMB102.3 million in 2016, primarily due to a decrease in production volume of lithium metals, which typically required significant electricity inputs. Our utilities costs as a percentage of our total revenues decreased from 8.7% in 2015 to 3.9% in 2016.

FINANCIAL INFORMATION

Gross Profit

As a result of the foregoing, our gross profit increased by 234.8% from RMB300.3 million in 2015 to RMB1,005.3 million in 2016. Our overall gross profit margin increased from 22.3% in 2015 to 38.2% in 2016, primarily because the average selling prices of our key products, such as lithium compounds and lithium metals, grew at a much faster pace than the increase in cost of sales as a result of strong market demands for lithium compounds and metals.

Other Income and Gains

Our other income and gains increased by 597.1% from RMB128.2 million in 2015 to RMB893.7 million in 2016, primarily due to (i) an increase in changes in fair value of derivative financial instruments, resulting from the fair value changes in the restricted A Shares we subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement; and (ii) an increase in the trading of raw materials in relation to the sales of lithium hydroxide we purchased from the liquidation of Jiangli Technology in 2016.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 47.1% from RMB34.6 million in 2015 to RMB50.9 million in 2016, primarily due to (i) the acquisition of Shenzhen Meibai happened during the second half of 2015 and therefore only a portion of Shenzhen Meibai's costs and expenses were consolidated; (ii) an increase in sales commission in tandem with the growth of sales revenue. Our selling and distribution expenses as a percentage of our total revenue decreased from 2.6% in 2015 to 1.9% in 2016, due to the significant increase in our total revenues that has resulted in economies of scale.

Administrative Expenses

Our administrative expenses increased by 32.8% from RMB82.3 million in 2015 to RMB109.3 million in 2016, primarily because the acquisition of Shenzhen Meibai happened during the second half of 2015 and therefore only a portion of Shenzhen Meibai's costs and expenses were consolidated. Our administrative expenses as a percentage of our total revenue decreased from 6.1% in 2015 to 4.2% in 2016, due to the significant increase in our total revenues that has resulted in economies of scale.

Other Expenses

Other expenses increased by 973.0% from RMB49.2 million in 2015 to RMB527.9 million in 2016, primarily due to (i) the costs of lithium hydroxide we traded; and (ii) an increase in impairment loss in relation to the impairment of goodwill of Shenzhen Meibai due to its fire incidents in 2016.

Finance Costs

Our finance costs increased by 12.3% from RMB18.7 million in 2015 to RMB21.0 million in 2016 primarily due to an increase in bank borrowings in connection with our production expansion plans.

Share of Profits and Losses of Associates and a Joint Venture

Our share of losses of associates and a joint venture remained stable around RMB0.7 million in 2015 and 2016, primarily due to our share of loss from International Lithium, partially offset by our share of profit from Dalian Yike.

FINANCIAL INFORMATION

Profit Before Tax

As a result of the foregoing, our profit before tax increased by 389.4% from RMB243.0 million in 2015 to RMB1,189.2 million in 2016.

Income Tax Expense

Our income tax expense increased by 183.3% from RMB25.1 million 2015 to RMB71.1 million in 2016, primarily due to a significant increase in our taxable income. Additionally, in 2015 and 2016, our effective tax rate was 10.3% and 6.0%, which are lower than the PRC statutory income tax rate of 25%. This lowered effective tax rate is mainly attributable to (i) our high and new technology enterprise status and its related benefits; and (ii) the non-taxable nature of a portion of our income from the repurchases of the restricted A Shares held by Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement in 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB217.9 million in 2015 to RMB1,118.1 million in 2016. Our net profit margin increased from 16.2% in 2015 to 42.5% in 2016.

ADJUSTED EBITDA

Adjusted EBITDA, as we present it, represents profit for the year before income tax expense, finance costs, bank interest income, depreciation, amortization of land use rights, amortization of intangible assets, impairment loss, losses relating to Shenzhen Meibai's fire incidents and fair value gains from derivative financial instruments. Adjusted EBITDA is not a standard measure under IFRSs.

While adjusted EBITDA provides an additional financial measure for investors to assess our operating performance, the use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expense that affect our operations. The items that are adjusted for may continue to be incurred in our business and should be considered in the overall understanding and assessment of our results. In addition, adjusted EBITDA does not reflect changes in working capital, capital expenditures and other investing and financing activities and should not be considered a measure of our liquidity.

FINANCIAL INFORMATION

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to adjusted EBITDA is profit for the year or period. The following table reconciles profit for the year or period under IFRSs to adjusted EBITDA for the years or periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the years/periods	217,870	1,118,061	2,095,050	436,376	242,463
Adjustments for:				<i>(unaudited)</i>	
Income tax expense	25,102	71,093	272,190	28,494	67,003
Finance costs	18,742	21,000	56,897	10,354	18,552
Bank interest income	(7,845)	(1,147)	(2,216)	(335)	(3,496)
Depreciation	74,676	83,329	96,534	22,296	28,310
Amortization of land use rights	2,005	2,150	2,536	580	776
Amortization of intangible assets	3,246	5,365	9,203	2,330	2,015
Impairment loss/(gain) ⁽¹⁾	27,104	238,413	29,463	35	(2,738)
Losses relating to Shenzhen Meibai's fire incidents	–	49,620	–	–	–
Net fair value gains from derivative financial instrument ⁽²⁾	(92,296)	(634,019)	(485,805)	(306,424)	–
Adjusted EBITDA (non-IFRS measure)	268,604	953,865	2,073,852	193,706	352,885

Notes:

- (1) Mainly include the impairment of goodwill related to Shenzhen Meibai
- (2) In relation to the fair value changes in the restricted A Shares, which were subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement

Adjusted EBITDA should not be considered in isolation or construed as a substitute for analysis of IFRSs financial measures, such as operating profit before fair value change of investment properties, operating profit, or profit for the year. In addition, because adjusted EBITDA may not be calculated in the same manner by all companies, our adjusted EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we funded our operations primarily with net cash generated from our operations, bank borrowings and equity and debt fund raising. As of July 31, 2018, we had RMB1,204.7 million in cash and cash equivalents, most of which were denominated in RMB and U.S. dollars. Our cash and cash equivalents primarily consist of cash on hand and bank balances.

FINANCIAL INFORMATION

Consolidated Cash Flow Statements

The following table sets forth a summary of our consolidated cash flow statements for the years and periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash flows generated from operating activities	365,965	658,473	503,866	(56,659)	(135,686)
Net cash flows used in investing activities . . .	(550,224)	(884,262)	(840,192)	(300,106)	(675,848)
Net cash flows (used in)/generated from financing activities	(16,852)	230,917	2,336,662	572,490	(119,460)
Net increase/(decrease) in cash and cash equivalents	(201,111)	5,128	2,000,336	215,725	(930,994)
Cash and cash equivalents at beginning of the year/period	361,951	162,871	169,183	169,183	2,165,352
Effect of foreign exchange rate	2,031	1,184	4,167	(546)	(16,955)
Cash and cash equivalents at end of the year/period	162,871	169,183	2,165,352	384,362	1,217,403

Net Cash from Operating Activities

Net cash used in operating activities for the three months ended March 31, 2018 was RMB135.7 million, derived primarily by deducting from profit before tax of RMB309.5 million the following items: (i) an increase in inventories of RMB274.3 million, primarily because of the increase of spodumene from RIM; (ii) an increase in trade and bills receivables of RMB204.3 million in line with the growth of our business; (iii) increase in prepayments, deposits and other receivables of RMB173.7 million, primarily related to the prepayments for brine from a supplier and government grants not yet received, adding back (iv) changes in fair value of investments at fair value through profit or loss of RMB84.8 million; and (v) an increase in trade and bills payables of RMB60.2 million also in line with the growth of our business.

Net cash generated from operating activities for the year ended December 31, 2017 was RMB503.9 million, derived primarily by deducting the following items from profit before tax of RMB2,367.2 million: (i) an increase in trade and bills receivables of RMB397.2 million, which is in line with the growth of our business; (ii) an increase in inventories of RMB401.4 million, primarily due to our procurement of raw materials from Reed Industrial Minerals and our reserves of raw materials in anticipation of increased production capacity in 2018; (iii) other gain from derivative financial instruments of RMB485.8 million, primarily because we subsequently repurchased restricted A Shares from Mr. Li Wanchun and Ms. Hu Yemei pursuant to the compensation agreements and (iv) a non-cash RMB360.6 million change in fair value of financial instruments at fair value through profit or loss primarily attributable to the increase of share price of Pilbara Minerals, adding back (v) an increase in other payables and accruals of RMB195.4 million, primarily due to the customer pre-payments for lithium compounds as a result of high market demands and our sales growth; and (vi) non-cash items, including RMB96.5 million of depreciation of property, plant and equipment.

Net cash generated from operating activities in 2016 was RMB658.5 million, derived primarily by deducting from profit before tax of RMB1,189.2 million the following items: (i) changes in fair value of

FINANCIAL INFORMATION

derivative financial instruments of RMB630.7 million, primarily due to the fair value changes in the restricted A Shares we subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement; (ii) an increase in inventories of RMB229.7 million, primarily due to a large procurement of lithium raw materials toward the year end of 2016; (iii) an increase in trade and bills receivables of RMB108.6 million, primarily due to an increase in the sales of our products; adding back (iv) an impairment of goodwill of RMB217.4 million, primarily due to the impairment of Shenzhen Meibai's goodwill in relation to the fire and explosion incidents; (v) an increase in trade and bills payable of RMB130.2 million primarily due to an increase in the procurement of raw materials and (vi) an increase in other payables and accruals of RMB119.5 million in relation to the expansion of our production capacity.

Net cash generated from operating activities in 2015 was RMB366.0 million, derived primarily by deducting from profit before tax of RMB243.0 million the following items: (i) changes in fair value of derivative financial instrument of RMB92.3 million, primarily due to the fair value changes in the restricted A Shares we subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement; (ii) a decrease in trade and bills payables of RMB85.3; adding back (iii) a decrease in inventories of RMB66.2 million; and (iv) non-cash items, including RMB74.7 million of depreciation of property, plant and equipment.

Net Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2018 was RMB675.8 million, which was primarily attributable to (i) purchase of investments at fair value through profit or loss of RMB800.4 million, including the purchase of financial products, structural deposits and the subscription of Convertible Bonds; partially offset by (ii) proceeds from sales of financial products of RMB201.4 million and (iii) proceeds from disposal of investments at fair value through profit or loss of RMB50.4 million.

Net cash used in investing activities in 2017 was RMB840.2 million, which was primarily attributable to (i) purchase of property, plant and equipment and prepaid land lease payments of RMB297.1 million, primarily in connection with the expansion of our production capacity; and (ii) purchase of a shareholding in associates of RMB316.8 million, primarily due to our equity investment in Lithium Americas.

Net cash used in investing activities in 2016 was RMB884.3 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB506.2 million, primarily in connection with the expansion of our production capacity; and (ii) purchase of a shareholding in associates of RMB177.4 million, primarily due to an increase in our equity interests in Reed Industrial Minerals; slightly offset by receipts of government grants of RMB20.2 million.

Net cash used in investing activities in 2015 was RMB550.2 million, which was primarily attributable to (i) acquisition of subsidiaries of RMB232.6 million, primarily due to our acquisition of Shenzhen Meibai and Jiangxi Lithium; (ii) purchases of financial instruments of RMB220.0 million, primarily for investment purposes; and (iii) purchase of a shareholding in associates of RMB162.3 million, primarily due to our acquisition of equity interests in Reed Industrial Minerals; partially offset by proceeds from sales of financial instruments of RMB280.0 million.

Net Cash (Used in)/Generated from Financing Activities

Net cash used in financing activities for the three months ended March 31, 2018 was RMB119.5 million, which was attributable to repayment of bank loans of RMB375.9 million, partially offset by new bank loans of RMB270.0 million.

FINANCIAL INFORMATION

Net cash generated from financing activities in 2017 was RMB2,336.7 million, which was attributable to (i) new bank loans of RMB3,413.0 million to support the procurement of raw materials; (ii) RMB916.7 million of newly issued Convertible Bonds, and (iii) RMB588.1 million in relation to the payment received under our new incentive scheme, partially offset by (i) repayment of bank loans of RMB2,448.0 million and (ii) the payment of dividend of RMB71.1 million.

Net cash generated from financing activities in 2016 was RMB230.9 million, which was attributable to (i) new bank borrowing raised of RMB668.3 million mainly in connection with the expansion of our production capacity, partially offset by (i) repayment of bank loans of RMB360.3 million and (ii) the payment of dividend of RMB57.2 million.

Net cash used in financing activities in 2015 was RMB16.9 million, which was attributable to (i) repayment of bank loans of RMB532.3 million, partially offset by (i) new bank borrowing raised of RMB459.4 million to replace our own funds as working capital, so our own funds could be further used in the expansion of our production capacity and (ii) proceeds from issue of shares of RMB111.0 million, mainly in connection with the private placement for the acquisition of Shenzhen Meibai.

CAPITAL EXPENDITURES

Our capital expenditures increased from RMB526.3 million in 2015 to RMB683.6 million in 2016, and further increased to RMB688.9 million in 2017. Our capital expenditures decreased by 12.1% from RMB145.8 million for the three months ended March 31, 2017 to RMB128.1 million for the three months ended March 31, 2018. Our capital expenditures were used primarily for the expansion of our manufacturing capacities, including the construction of additional manufacturing facilities and the upgrading of our existing machinery and equipment. The following table sets forth our capital expenditures for the years and periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2015		2016		2017		2017		2018	
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Property, plant and equipment and prepaid land lease payments	131,048	24.9	506,200	74.0	297,133	43.1	128,917	88.4	126,031	98.4
Intangible assets	289	0.1	5	—	55,783	8.1	16,854	11.6	2,080	1.6
Investment in newly acquired subsidiaries	232,607	44.2	—	—	19,151	2.8	—	—	—	—
Prepaid for long-term assets	—	—	—	—	—	—	—	—	—	—
Investment in associates	162,340	30.8	177,418	26.0	316,807	46.0	—	—	—	—
Total	<u>526,284</u>	<u>100.0</u>	<u>683,623</u>	<u>100.0</u>	<u>688,874</u>	<u>100.0</u>	<u>145,771</u>	<u>100.0</u>	<u>128,111</u>	<u>100.0</u>

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to the acquisition of property, plant and equipment. As of December 31, 2015, 2016 and 2017, and March 31, 2018, the total

FINANCIAL INFORMATION

amount of our capital expenditures contracted for but not yet incurred was RMB50.2 million, RMB354.4 million, RMB513.7 million and RMB582.5 million, respectively.

Operating Lease Arrangements

We lease our investment properties under operating lease arrangements with negotiated terms of three years. The following table sets forth the future aggregate minimum lease receivables under non-cancellable operating leases as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year.	143	143	150	116
In the second to three years, inclusive	286	143	—	5
Over three years	—	—	—	—
Total	429	286	150	121

We lease certain of our office properties, land and plant buildings under operating lease commitments with negotiated terms ranging from one to ten years. The following table sets forth the future aggregate minimum lease payments under non-cancellable operating leases as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year.	2,224	9,164	7,884	7,434
In the second to fifth years, inclusive	1,933	25,803	25,125	25,054
Over five years	4,157	23,965	17,713	16,150
Total	8,314	58,932	50,722	48,638

WORKING CAPITAL

We consider our working capital cycle as the length of time from cash expenses to purchase raw materials until the collection of cash after selling our products, which generally involves the turnovers of inventories, trade and bills receivables and trade and bills payables. As such, our overall working capital cycle for a given period is calculated using the sum of inventories turnover days and trade and bills receivables turnover days, minus trade and bills payables turnover days, in the relevant period. Our overall working capital cycle was approximately 179 days, 116 days, 129 days, 161 days and 197 days, respectively, in the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018. Our working capital turnover fluctuated during the Track Record Period and is affected by various factors, including that:

- our overall working capital cycle improved in 2016 compared to 2015 primarily due to (i) the increase in demand for our products in 2016, which resulted in the improved inventory turnover days as a result of the higher production volume, as well as the improved trade and bills receivable turnover days as a result of the enhanced payment settlement practice and the shorter credit terms we granted to customers in response to the strong market demands, and (ii) the higher level of inventory and trade and bills receivables as of December 31, 2015 resulting from the consolidation of Shenzhen Meibai in the same year;

FINANCIAL INFORMATION

- our overall working capital cycle increased in 2017 compared to 2016 primarily as a result of the increase in inventory turnover days contributed by the purchase of lithium raw materials from RIM which we have 100% offtake; this was part of the initiative to secure our own reliable sources of lithium raw materials to meet our increased production needs; and
- our overall working capital cycle was longer in the three months ended March 31, 2018 compared to the corresponding period in 2017 primarily due to the increase in inventory turnover days resulting from purchase of lithium raw materials from RIM pursuant to the existing offtake agreement to meet the two new lithium compound production lines that are expected to enter commercial operation in July and the fourth quarter of 2018, respectively.

We recorded net current assets of RMB615.7 million, RMB914.4 million, RMB1,753.4 million, RMB1,850.2 million and RMB1,812.6 million, respectively, as of December 31, 2015, 2016 and 2017, March 31, 2018 and July 31, 2018. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	March 31, 2018	July 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	313,146	534,354	914,835	1,148,348	1,503,452
Trade and bills receivables	478,703	576,895	945,436	990,296	1,018,125
Amount due from a related party	—	—	122,702	111,096	—
Prepayments, deposits and other receivables	32,288	114,265	156,358	329,561	425,991
Investments at fair value through profit or loss ⁽¹⁾	1,432	51,304	191,151	791,605	121,446
Derivative financial instruments	92,296	630,690	—	—	—
Pledged deposits	17,862	28,568	71,848	81,977	152,008
Cash and cash equivalents	162,871	169,183	2,165,352	1,217,403	1,204,680
Total current assets	1,098,598	2,105,259	4,567,682	4,670,286	4,425,702
Current liabilities					
Interest-bearing bank and other borrowings	178,697	538,635	1,210,873	1,067,919	699,219
Trade and bills payables	167,641	297,807	299,771	359,971	535,866
Amount due to a related party ⁽²⁾	—	—	6,464	3,669	1,460
Other payables and accruals	106,470	246,305	497,567	529,214	554,123
Income tax payable	21,030	108,131	211,526	271,232	137,247
Current portion of other long-term liabilities	9,043	—	588,128	588,128	685,174
Total current liabilities	482,881	1,190,878	2,814,329	2,820,133	2,613,089
Net current assets	615,717	914,381	1,753,353	1,850,153	1,812,613

Notes:

(1) Include our purchases of wealth management products and short-term investments in stocks of companies on secondary markets and subscription of Convertible Bonds.

(2) All amount due to a related party is of trade nature.

Our net current assets decrease by RMB37.5 million from RMB1,850.2 million as of March 31, 2018 to RMB1,812.6 million as of July 31, 2018, primarily due to (i) a decrease of RMB670.2 million in investments at fair value through profit or loss in relation to our financial products that have reached maturity; and (ii) an increase of RMB175.9 million in trade and bills payables attributable to bills payables in relation to our purchase of brine raw materials, partially offset by (i) an increase of RMB355.1 million in inventories

FINANCIAL INFORMATION

related to our purchases of spodumene from Mount Marion Project; and (ii) a decrease of RMB134.0 million in income tax payable since we have paid off our income tax of 2017 in May 2018.

Our net current assets increased by RMB96.8 million from RMB1,753.4 million as of December 31, 2017 to RMB1,850.2 million as of March 31, 2018, primarily due to (i) an increase of RMB600.5 million of fair value through profit or loss in relation to our purchase of financial products, structural deposits and the subscription of a Convertible Bond of Qiantu Auto, an independent third party with which the Company has strategic dealings; (ii) an increase of RMB233.5 million of inventories attributable to the raw materials sourced from Mount Marion project since February 2017; (iii) an increase of RMB173.2 million of prepayments, deposits and other receivables primarily attributable to our prepayments made to third party suppliers for brine and government refunds; partially offset by (iv) a decrease of RMB947.9 million of cash and cash equivalents in relation to our investments in financial products.

Our net current assets increased by RMB839.0 million from RMB914.4 million as of December 31, 2016 to RMB1,753.4 million as of December 31, 2017, primarily due to (i) an increase of RMB1,996.2 million in cash and cash equivalents in relation to the payment received under our new incentive scheme and our newly issued Convertible Bonds; and (ii) an increase of RMB368.5 million in trade and bills receivables, which is in line with the growth of our business, partially offset by (i) an increase of RMB672.2 million in interest-bearing bank and other borrowings to support raw material procurement; and (ii) a decrease of RMB630.7 million in derivative financial instruments upon the completion of the repurchase of restricted A Shares from Mr. Li Wanchun and Ms. Hu Yemei.

Our net current assets increased by RMB298.7 million from RMB615.7 million as of December 31, 2015 to RMB914.4 million as of December 31, 2016, primarily due to (i) an increase of RMB221.3 million in inventories, attributable to the large procurement of lithium raw materials toward the year end of 2016, and (ii) an increase of RMB538.4 million in derivative financial instruments, resulting from the fair value changes in the restricted A Shares we subsequently repurchased from Mr. Li Wanchun and Ms. Hu Yemei pursuant to a compensation agreement, partially offset by an increase of RMB359.9 million in interest-bearing bank and other borrowings, to finance the expansion of our production capacity.

We from time to time make investments in stocks traded on secondary markets and purchase wealth management products and also Convertible Bonds to better utilize our idle cash, all of which are recorded under our investments at fair value through profit or loss within our current assets. As of December 31, 2015, 2016, 2017 and March 31, 2018, our wealth management products amounted to nil, RMB50.0 million, RMB151.0 million and RMB650.0 million, respectively, and secondary market investments amounted to RMB1.4 million, RMB1.3 million, RMB40.1 million and RMB41.6 million. In addition, our subscription of Convertible Bond amounted to RMB100.0 million as of March 31, 2018 in relation to our strategic dealings with Qiantu Auto.

Most of our secondary market investments are made in companies that operate in the mineral industry or are electric vehicle related companies while taking potential opportunities of realizing strategic synergies into account. The wealth management products we purchased mainly consisted of investment products issued by commercial banks in the PRC, most of which are short-term and low-risk/principal-protected or with a guaranteed return.

We have established external investment and venture investment management policies to monitor and control risks relating to our investment activities. In general, we may only make investments that fit our development strategies and asset structure. In addition, we may only engage in investment activities when

FINANCIAL INFORMATION

we have sufficient idle cash in hand and the investment shall not have material and adverse impacts on the operation of our main businesses.

In principle, any proposed investment activity is subject to a feasibility study, prepared by our general manager based on studies and due diligence carried out by our investment development department on the market prospect, future growth potential, regulatory restriction and other factors. The proposal with the feasibility study will then be submitted to our Board of Directors for review, external institutions or experts would also be consulted if necessary. We have also only authorized our Directors to approve investments within a set investment limit. For investments that exceed these limits, the proposal must also be submitted to the General Meeting of Shareholders. Moreover, any significant, adverse fluctuation or material omission which may result in the failure of our investments must be reported to our Board of Directors. Our independent directors are also entitled to review and inspect our investment activities.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. As of July 31, 2018, we had cash and cash equivalents of RMB1,204.7 million.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue debt securities or borrow from lending institutions. See "Risk Factors — Risks Relating to Our Industry and Business — Our business is capital intensive, the sources of our future financing can be uncertain and our working capital can be unstable during certain quarters."

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Leasehold improvements	30	68	27,904	27,053
Building	185,162	198,046	233,413	246,670
Plant and machinery	262,613	268,291	356,566	350,020
Office equipment	138,089	174,634	199,890	198,215
Motor vehicles	3,735	5,200	5,392	5,278
Construction in progress	154,403	519,761	797,039	1,108,157
Total	744,032	1,166,000	1,620,204	1,935,393

Our property, plant and equipment increased by 56.7% from RMB744.0 million as of December 31, 2015 to RMB1,166.0 million as of December 31, 2016, primarily due to a significant increase in construction in progress in connection with the production capacity expansion of our lithium compounds and lithium batteries.

FINANCIAL INFORMATION

Our property, plant and equipment increased by 39.0% from RMB1,166.0 million as of December 31, 2016 to RMB1,620.2 million as of December 31, 2017, primarily due to (i) an increase in plant and machinery attributable to additional capacity in a number of production lines; and (ii) an increase in construction in progress attributable to the production capacity expansion of our lithium compounds.

Our property, plant and equipment increased by 19.5% from RMB1,620.2 million as of December 31, 2017 to RMB1,935.4 million as of March 31, 2018, primarily due to a significant increase in construction in progress in connection with the production capacity expansion of our lithium compounds and lithium batteries.

As of the Latest Practicable Date, we are still in the process of applying for the property ownership certificates for certain buildings we own, with a net book value of approximately RMB91.5 million and RMB107.8 million, RMB91.7 million and RMB44.5 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

Certain of our buildings with aggregate net book values of approximately RMB10.3 million as of December 31, 2016 were pledged as security for our interest-bearing bank and other borrowings. For details, please see “— Analysis of Selected Consolidated Statements of Financial Position — Interest-bearing Bank and Other Borrowings.”

Inventories

Our inventories consist of raw materials, work in progress and finished goods. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 28.5%, 25.4%, 20.0% and 24.6% of our total current assets as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	99,961	259,921	553,844	710,783
Work in progress	87,968	103,086	124,587	127,657
Finished goods	133,430	188,066	242,253	311,901
Less: impairment	(8,213)	(16,719)	(5,849)	(1,993)
Total	313,146	534,354	914,835	1,148,348

Our inventory increased by 70.6% from RMB313.1 million as of December 31, 2015 to RMB534.4 million as of December 31, 2016, primarily due to an increase in raw materials attributable to the large procurement of lithium raw materials toward the year end of 2016. Our inventory increased from RMB534.4 million as of December 31, 2016 to RMB914.8 million as of December 31, 2017, primarily due to an increase in raw materials (i) as a result of our purchases of lithium raw materials from Reed Industrial Minerals pursuant to an offtake agreement; and (ii) as a result of our reserves of raw materials in anticipation of increased production capacity due to the expected commissioning of certain new production lines. Our inventory increased by 25.5% from RMB914.8 million as of December 31, 2017 to RMB1,148.3

FINANCIAL INFORMATION

million as of March 31, 2018, primarily due to an increase in raw materials as a result of purchases of lithium raw materials from RIM pursuant to an offtake agreement. Our impairment for inventory increased by 103.6% from RMB8.2 million as of December 31, 2015 to RMB16.7 million as of December 31, 2016, and decreased by 65.0% to RMB5.8 million as of December 31, 2017, then our impairment for inventories further decreased by 65.9% to RMB2.0 million as of March 31, 2018, primarily due to changes in net realizable value of our NMC materials as a result of fluctuations in nickel and cobalt prices. As of July 31, 2018, RMB903.9 million, or 78.7% of our inventory had been used or consumed subsequent to March 31, 2018.

The following table sets forth our inventories turnover days for the years indicated.

	Year ended December 31,			Three months ended
	2015	2016	2017	March 31, 2018
Inventory turnover days	112	95	106	166

Note:

- (1) Inventory turnover days are equal to the average balance of inventory at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 365 days for the years ended December 31, 2015, 2016 and 2017 and 90 days for the three months ended March 31, 2018.

Our inventory turnover days decreased from 112 days in 2015 to 95 days in 2016, primarily due to the higher demand for our products resulting in a faster turnover of our inventory. Our inventory turnover days increased to 106 days in 2017, primarily because we strategically reserved lithium raw materials in anticipation of increased production capacity due to the expected commissioning of certain new production lines in 2018. Our inventory turnover days increased from 106 days in 2017 to 166 days in the three months ended March 31, 2018, primarily related to the sufficient supply of raw materials from Mount Marion project. We aim to continue to manage actively our inventory turnover days in the future.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,			As of
	2015	2016	2017	March 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	361,371	443,727	507,581	554,214
Bills receivables	117,332	133,168	437,855	436,082
Total	478,703	576,895	945,436	990,296

Our trade and bills receivables increased by 20.5% from RMB478.7 million as of December 31, 2015 to RMB576.9 million as of December 31, 2016, primarily due to an increase in the sales of our products. Our trade and bills receivables increased by 63.9% from RMB576.9 million as of December 31, 2016 to RMB945.4 million as of December 31, 2017, primarily due to an increase in bills receivables because we chose not to discount bills receivables due to the lower interest rates of bank loans compared to the discount rates. Our trade and bills receivables slightly increased by 4.7% from RMB945.4 million as of December 31, 2017 to RMB990.3 million as of March 31, 2018.

FINANCIAL INFORMATION

The following table sets forth our trade receivables turnover days for the years indicated.

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
Trade receivables turnover days ⁽¹⁾	77	56	42	46

Note:

- (1) Trade receivables turnover days are equal to the average balance of trade receivables at the beginning and the end of the relevant period divided by revenue for such period and multiplied by 365 days for the years ended December 31, 2015, 2016 and 2017 and 90 days for the three months ended March 31, 2018.

Our trade receivables turnover days decreased from 77 days in 2015 to 56 days in 2016, decreased to 42 days in 2017 and slightly increased to 46 days in the three months ended March 31, 2018, primarily due to improved payment settlement practice and shorter credit terms granted to customers due to strong market demands of our products. We generally grant our customers a credit period of 30 to 90 days. We maintain strict control over our outstanding receivables and has a credit control department to minimize credit risks. Overdue balances are reviewed regularly by senior management.

The following table sets forth the aging analysis of our trade receivables, presented based on the invoice date, as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within six months	305,156	403,652	476,069	541,377
More than six months but less than one year	41,794	17,309	23,758	10,128
One to two years	14,333	29,016	31,980	22,211
Two to three years	1,962	4,495	2,343	7,103
More than three years	1,517	1,604	5,358	6,317
Less: impairment	(3,391)	(12,349)	(31,927)	(32,922)
Total	361,371	443,727	507,581	554,214

The following table sets forth the movement in the provision for impairment of trade receivables as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	4,158	3,391	12,349	31,927
Impairment losses (recognized) / reversed	(347)	10,446	19,613	1,118
Amount written-off as uncollectible	(420)	(1,488)	(35)	(123)
Total	3,391	12,349	31,927	32,922

FINANCIAL INFORMATION

The following table sets forth the aging analysis of our trade receivables, which are not individually nor collectively considered to be impaired as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within six months	305,156	403,652	469,538	537,789
More than six months but less than one year	41,248	15,521	14,592	8,431
One to two years	14,100	23,655	23,041	6,632
Two to three years	867	899	410	1,362
Total	361,371	443,727	507,581	554,214

We consider an amount that is not paid on schedule pursuant to the agreement with us to be past due. Our trade receivables past due were primarily due to late payments by customers. As of December 31, 2015, 2016 and 2017 and March 31, 2018, we had no past due but not impaired trade receivables. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our trade and bills receivables with a carrying amount of approximately RMB11.4 million, RMB19.7 million, RMB281.4 million and RMB288.6 million were pledged to issue bank's acceptance bills. As of July 31, 2018, RMB394.5 million, or 71.2% of our trade receivables had been settled subsequent to March 31, 2018. In addition, as of the July 31, 2018, RMB272.8 million, or 62.6% of our bills receivables had been settled subsequent to March 31, 2018.

We from time to time endorse certain bills receivable accepted by domestic banks to certain of our suppliers in order to settle the trade payables due to such suppliers. We have established internal procedures monitoring the bill endorsement. Our internal accounting personnel are required to perform a physical count of the bills on hand on a monthly basis. For any proposed payment utilizing bill endorsement, an application form shall be completed by relevant departments with the proposed endorsement payment method specified. The application shall be reviewed and approved by designated management personnel and details of the bill to be used for each payment, such as bill number, will be specified. The payment shall only be proceeded after the Company's legal representative stamp and financial stamp are released upon review and approval. In addition, on a monthly basis, our finance department shall prepare a monthly settlement summary of bank's acceptance bills and submit such to our Chief Financial Officer, Chairman and President for review.

Trade and Bills Payables

The following table sets forth our trade and bills payables as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	134,809	192,538	219,761	198,215
Bills payables	32,832	105,269	80,010	161,756
Total	167,641	297,807	299,771	359,971

Our trade payables mainly relate to the procurement of raw materials from our suppliers. The trade payables are non-interest-bearing and normally settled within 180 days. Our trade and bills payables increased by 77.6% from RMB167.6 million as of December 31, 2015 to RMB297.8 million as of December 31, 2016, primarily due to our large procurement of lithium raw material toward the end of

FINANCIAL INFORMATION

2016. Our trade and bills payables increased slightly by 0.7% from RMB297.8 million as of December 31, 2016 to RMB299.8 million as of December 31, 2017. Our trade and bills payables increased by 20.1% from RMB299.8 million as of December 31, 2017 to RMB360.0 million as of March 31, 2018 primarily because we made a prepayment of RMB100.0 million to one of our suppliers of brine related raw materials with banker's acceptance bill.

The following table sets forth our trade payables turnover days for the years indicated.

	Year ended December 31,			Three months
	2015	2016	2017	ended March 31, 2018
Trade payables turnover days ⁽¹⁾	32	37	30	34

Note:

- (1) Trade payables turnover days are equal to the average balance of trade payables at the beginning and the end of the relevant period divided by Cost of Sales for such period and multiplied by 365 days for the years ended December 31, 2015, 2016 and 2017 and 90 days for the three months ended March 31, 2018.

Our trade payables turnover days increased from 32 days in 2015 to 37 days in 2016, and further decreased to 30 days in 2017 and then increased to 34 days in the three months ended March 31, 2018.

The following table sets forth the aging analysis of our trade and bill payables as of the dates indicated, based on the invoice date.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within Three months	68,363	95,059	178,173	126,610
Three to six months	53,938	96,230	19,151	52,118
Six to twelve months	12,508	1,249	13,355	12,070
One to two years	—	—	9,082	7,417
Total	134,809	192,538	219,761	198,215

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables. As of July 31, 2018, RMB154.6 million, or 78.0% of trade payables as of March 31, 2018 had been settled.

Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses and other payables	42,438	103,449	219,232	279,307
Advances from customer	23,629	62,705	101,026	157,383
Other taxes payables (other than income tax)	22,477	58,073	119,352	38,651
Payroll and welfare payables	16,899	21,587	54,744	47,863
Dividends payable	722	—	1,764	1,764
Interest payable	305	491	1,449	4,246
Total	106,470	246,305	497,567	529,214

FINANCIAL INFORMATION

Our other payables and accruals mainly relate to advances from customers, other taxes payable (other than income tax), payroll and welfare payable, accrued expenses and other payables, dividends payable and interest payable. Our other payables and accruals increased by 131.3% from RMB106.5 million as of December 31, 2015 to RMB246.3 million as of December 31, 2016, primarily due to (i) an increase in accrued expenses and other payables in connection with a provision for potential expenses related to Shenzhen Meibai's fire incidents in 2016; (ii) an increase in advances from customers due to the pre-payments for lithium compounds as a result of high market demands. Our other payables and accruals increased by 102.0% from RMB246.3 million as of December 31, 2016 to RMB497.6 million as of December 31, 2017, primarily due to (i) an increase in advances from customers due to the pre-payments for lithium compounds as a result of high market demands and our sales growth; (ii) an increase in accrued expenses and other payables in relation to the 20,000-ton lithium hydroxide monohydrate production line and our lithium battery recycling production line; and (iii) an increase in value-added tax payables. Our other payables and accruals increased by 6.4% from RMB497.6 million as of December 31, 2017 to RMB529.2 million as of March 31, 2018, primarily related to government grants not yet received, deductible input tax and increase in advances from our customers.

Interest-bearing Bank and Other Borrowings

As of December 31, 2015, 2016 and 2017 and March 31, 2018, our bank and other borrowings totaled RMB284.7 million, RMB594.6 million, RMB2,229.2 million and RMB2,109.0 million, respectively.

Our bank and other borrowings increased by 108.9% from RMB284.7 million as of December 31, 2015 to RMB594.6 million as of December 31, 2016, primarily due to the new bank borrowing raised to replace our own fund as working capital, so that our own funds could be used in the expansion of our production capacity. Our bank and other borrowings increased by 274.9% from RMB594.6 million as of December 31, 2016 to RMB2,229.2 million as of December 31, 2017, primarily due to an increase in short-term bank borrowings to support our procurement of lithium raw materials from Reed Industrial Minerals, which requires immediate or cash payments. Our bank and other borrowings slightly decreased by 5.4% from RMB2,229.2 million as of December 31, 2017 to RMB2,109.0 million as of March 31, 2018.

During the Track Record Period, we used bank loans to manage our working capital requirements and capital expenditure. The following table sets forth the breakdown of our bank and other borrowings as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	March 31,	July 31,
	RMB'000	RMB'000	RMB'000	2018	2018
Unsecured	171,697	438,635	748,736	505,251	486,221
Secured	113,000	156,000	813,279	924,896	678,836
Convertible Bonds	—	—	667,231	678,809	694,236
Total	<u>284,697</u>	<u>594,635</u>	<u>2,229,246</u>	<u>2,108,956</u>	<u>1,859,293</u>

FINANCIAL INFORMATION

The following table sets forth the maturity profile of our bank and other borrowings as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	March 31, 2018	July 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Within one year	178,697	538,635	1,210,873	1,067,919	699,219
In the second year	100,000	56,000	35,227	35,030	171,783
In the third year	6,000	–	35,227	77,668	79,993
Over three years	–	–	947,919	928,339	908,298
Total	<u>284,697</u>	<u>594,635</u>	<u>2,229,246</u>	<u>2,108,956</u>	<u>1,859,293</u>

As of December 31, 2015, 2016 and 2017, March 31, 2018 and July 31, 2018, the effective interest rates of our variable rate borrowings ranged from 0.00% to 5.46% per annum, 0.00% to 4.99% per annum, 0.00% to 7.27% per annum, 0.00% to 5.95% per annum, and 0.00% to 5.95% per annum, respectively. During the Track Record Period, we had secured interest free loans from Jiangxi State-owned Assets Venture Capital Investment Management Limited (江西國資創業投資管理有限公司) in support of the upgrade and expansion of our production capacity. Most of our outstanding bank borrowings are denominated in RMB and USD. As of December 31, 2015, 2016 and 2017 and March 31, 2018, certain of our outstanding bank borrowings were secured by the pledge of certain of our property, plant and equipment with a net book value of RMB10.8 million, RMB10.3 million, nil and nil, respectively, prepaid land lease payments with a net book value of RMB64.3 million, RMB62.9 million, nil and nil, respectively, investment property with a net book value of RMB0.2 million, RMB0.2 million, nil and nil, respectively, and investments at fair value through profit or loss with a net book value of nil, RMB50.0 million, nil and nil, respectively.

Mr. Li Liangbin pledged 24 million A Shares he held in favor of a bank in China to guarantee the payment of a loan extended from this commercial bank to our Company in principal amount of RMB200 million, due in 2024. Mr. Li Liangbin also pledged 600,000 A Shares he held in favor of an investment entity controlled by the State-owned Assets Supervision and Administration Commission of Jiangxi Province to guarantee the payment of a loan extended from this entity to our Company in principal amount of RMB20 million, due in 2021. The pledge will not be released prior to Listing. However, we have obtained a confirmation from a major bank in China for a credit facility in principal amount of RMB300 million without guarantee or pledge from Mr. Li Liangbin. The confirmation was obtained in November 2016 and has a term of two years. The Company will apply to renew the term for another two years upon expiration.

The agreements under our bank and other borrowings do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we did not have any default in payment of trade payables, bank and other borrowings during the Track Record Period.

As of March 31, 2018 and July 31, 2018, we had unutilized banking facilities of approximately RMB4,382.9 million and RMB6,409.8 million, respectively.

Restricted A Share Incentive Scheme

Restricted A Shares are commonly used as a kind of incentive measure by A-share listed companies, under which these companies grant a certain amount of their restricted shares to eligible incentive

FINANCIAL INFORMATION

participants in accordance with the predefined conditions. Pursuant to the applicable laws and regulations and listing rules, including the detailed implementation rules of the China Securities Depository and Clearing Company Limited in connection with the share incentive method for a listed company, the incentive scheme participants should fulfil the relevant subscription payment obligations in advance before they are granted with the restricted shares. We have adopted our Restricted A Share Incentive Scheme to motivate our employees. The incentive scheme participants of our Scheme may only sell and get benefits from the sale of the restricted shares when their working performance targets meet the vesting requirements of the Scheme. The eligible participants of our Restricted A Share Incentive Scheme need to fulfill the above mentioned subscription payment obligations in advance when they are granted with our Restricted A Shares. Pursuant to our Restricted A Share Incentive Scheme, as of the Latest Practicable Date, we had granted 12,866,500 A shares to eligible participants at a grant price of RMB45.71 per share and we received a total cash consideration amounting to approximately RMB588,128,000. We recognized share capital of RMB12,866,000 (being the total amount received based on the par value of our shares) and share premium of RMB575,262,000 (being the total amount received based on the difference between the initial grant price and the par value of our shares) when we received the subscription payments from eligible participants of our Restricted A Share Incentive Scheme.

Our Restricted A Share Incentive Scheme provides the lockup period i.e. the vesting period. During the lockup period, the relevant restricted shares cannot be transferred or disposed otherwise. Restricted A Shares held by the eligible participants may be unlocked once the vesting requirements are achieved. Generally, if the restricted shares fails to be unlocked or the eligible participants leave the Company during the lockup period, we will buy back the restricted shares at the initial exercise price of RMB45.71 per share immediately. Such repurchased shares will be subject to cancellation. Therefore, we assume the repurchase obligation of all restricted shares granted under our Restricted A Share Incentive Scheme. As such, we recognized other current liabilities and treasury shares of RMB588,128,000 (by crediting to other current liabilities and debiting to treasury shares), when we received the full subscription payments from the eligible participants. Generally, if the vesting requirements of certain portion of restricted shares are not fulfilled, the Company will repurchase the shares at RMB45.71 per share (by debiting to other current liabilities and crediting to treasury shares) at the time when we buy back such restricted shares in cash. The previously recognized share capital and share premium will also be reversed accordingly, in proportionate to the unfulfilled restricted shares. If the vesting requirements are fulfilled, it will debit to other current liabilities and credit to the treasury shares directly.

INDEBTEDNESS

As of July 31, 2018, being the latest practicable date for the purpose of the indebtedness statement below, we had RMB1,859.3 million in indebtedness. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of March 31, 2018	As of July 31, 2018
	2015	2016	2017	RMB'000	RMB'000 <i>(unaudited)</i>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 <i>(unaudited)</i>
Indebtedness					
Bank and other borrowings					
— Unsecured	171,697	438,635	748,736	505,251	486,221
— Secured	113,000	156,000	813,279	924,896	678,836
Convertible Bonds	—	—	667,231	678,809	694,236
Total	284,697	594,635	2,229,246	2,108,956	1,859,293

FINANCIAL INFORMATION

As of July 31, 2018, our bank borrowings of RMB486.2 million was unsecured, RMB678.8 million was secured by the group companies. Our total indebtedness slightly decreased by RMB249.7 million from March 31, 2018 to July 31, 2018 primarily because the increase in long-term borrowings. In December 2017, we publicly issued Convertible Bonds amounting to RMB928 million with a par value of RMB100 each.

Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of July 31, 2018, being the latest practicable date for our indebtedness statement.

Except for our indebtedness as disclosed above, since March 31, 2018 and up to the date of this prospectus, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date apart from the Global Offering.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios as of the dates or for the periods indicated.

	Year Ended/As of December 31,			Three months ended/As of March 31,
	2015	2016	2017	2018
Profitability:				
Gross margin	22.3%	38.2%	40.2%	46.5%
Adjusted EBITDA margin ⁽¹⁾	20.0%	36.2%	49.7%	33.8%
Net profit margin	16.2%	42.5%	50.2%	23.2%
Rates of return:				
Return on assets ⁽²⁾	8.4%	26.1%	26.2%	11.9%
Return on equity ⁽³⁾	11.2%	37.7%	51.8%	22.8%
Liquidity:				
Debt to equity ratio ⁽⁴⁾	0.1	0.2	0.4	0.3
Current ratio ⁽⁵⁾	2.3	1.8	1.6	1.7
Quick ratio ⁽⁶⁾	1.6	1.3	1.3	1.2

Notes:

(1) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue. Adjusted EBITDA is not a standard measure under IFRSs. For the definition of our non-IFRS financial measure, see "— Adjusted EBITDA."

FINANCIAL INFORMATION

- (2) Return on assets ratio is calculated using net profit divided by total assets at the end of the year, multiplied by 100%.
- (3) Return on equity ratio is calculated using net profit divided by total equity at the end of the year, multiplied by 100%.
- (4) Debt to equity ratio is calculated using total interest-bearing bank borrowings divided by total equity.
- (5) Current ratio is calculated using total current assets divided by total current liabilities.
- (6) Quick ratio is calculated using total current assets less inventories divided by total current liabilities.

Return on assets ratio. The return on total assets ratio increased from 8.4% in 2015 to 26.1% in 2016, and remained relatively stable at 26.2% in 2017 and then decreased to 11.9% in the three months ended 2018. The significant increase from 2015 to 2016 was primarily a result of an increase in our net profit, partially offset by an increase in total assets.

Return on equity ratio. The return on equity ratio increased from 11.2% in 2015 to 37.7% in 2016, and further increased to 51.8% in 2017 and then decreased to 22.8% in the three months ended 2018, primarily as a result of an increase in net profit, partially offset by an increase in equity.

Debt to equity ratio. The debt to equity ratio increased from 0.1 in 2015 to 0.2 in 2016, and further increased to 0.4 in 2017 and then decreased to 0.3 in the three months ended 2018, primarily as a result of an increase in our interest-bearing bank borrowings to support our procurement of lithium raw materials from Reed Industrial Minerals.

Current ratio. The current ratio decreased from 2.3 as of December 31, 2015 to 1.8 as of December 31, 2016, and further decreased to 1.6 as of December 31, 2017 and then increased to 1.7 in the three months ended 2018, primarily due to a greater increase in current liabilities, resulting from an increase in our interest-bearing short-term bank borrowings.

Quick ratio. The quick ratio decreased from 1.6 as of December 31, 2015 to 1.3 as of December 31, 2016, and remained at 1.3 as of December 31, 2017 and then decreased to 1.2 in the three months ended 2018, primarily due to a greater increase in current liabilities, resulting from an increase in our interest-bearing short-term bank borrowings and also an increase in inventories.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

Our business is located in Mainland China and all transactions are conducted in Renminbi. Most of our assets and liabilities were denominated in RMB, except for certain bank balances denominated in U.S. dollars and other foreign currencies as disclosed in Note 28 to the Accountants' Report in Appendix IA to this prospectus. Our assets and liabilities denominated in U.S. dollars were mainly held by certain subsidiaries incorporated outside Mainland China which had U.S. dollars as their functional currency, and we did not have material foreign currency transactions in Mainland China during the Track Record Period. Therefore, we did not have material foreign currency risks during the Track Record Period.

	Increase/(decrease) in foreign currency rate	Increase/(decrease) in profit before tax
	%	RMB'000
For the year ended December 31, 2015		
If RMB weakens against the United States dollar	5	(1,826)
If RMB strengthens against the United States dollar	(5)	1,826
For the year ended December 31, 2016		
If RMB weakens against the United States dollar	5	(5,024)
If RMB strengthens against the United States dollar	(5)	5,024
For the year ended December 31, 2017		
If RMB weakens against the United States dollar	5	(32,019)
If RMB strengthens against the United States dollar	(5)	32,019
For the three months ended March 31, 2018		
If RMB weakens against the United State dollar	5	(11,465)
If RMB strengthens against the United State dollar	(5)	11,465

Interest Rate Risk

We have no significant interest-bearing assets other than pledged bank deposits, cash and cash equivalents and amounts due from third parties in respect of outstanding considerations from the disposal of subsidiaries and amounts due from disposed subsidiaries. Our interest rate risk arises from our interest-bearing bank and other borrowings. Borrowings at floating rates expose us to the risk of changes in market interest rates.

We have not used any interest rate swaps to hedge our exposure to interest rate risk. Our exposure to the risk of changes in market interest rate relates primarily to our debt obligations with floating interest rates.

FINANCIAL INFORMATION

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
For the year ended December 31, 2015		
RMB	50	(1,070)
RMB	(50)	1,070
For the year ended December 31, 2016		
RMB	50	(645)
RMB	(50)	645
For the year ended December 31, 2017		
RMB	50	(12,142)
RMB	(50)	12,142
For the three months ended March 31, 2018		
RMB	50	(7,610)
RMB	(50)	7,610

Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash in transit, cash and cash equivalents, trade receivables, deposits and other receivables, amounts due from a related party included in the statements of financial position represent our maximum exposure to credit risk in relation to its financial assets.

As of December 31, 2015, 2016 and 2017 and March 31, 2018, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Details of the financial assets included in other long term assets, mainly representing the loans to the associates, RIM and International Lithium, are set out in Note 42(a) to the Accountants' Report in Appendix IA. We have significant influence over the associates. The loans are used for the collaborative projects Mariana Property with International Lithium and the Mount Marion project with RIM. Through pre-approval investigation and subsequent monitoring, our management believes that the credit risk inherent in our outstanding loans to the associates is not significant.

To manage risk arising from trade receivables, We have policies in place to ensure that credit terms are made counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is generally from one to three months and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, we review regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. We have no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

We apply the simplified approach to provide for expected credit losses (the "ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses below also incorporated forward looking information.

FINANCIAL INFORMATION

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

We consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including us, in full (without taking into account any collateral held by us).

Irrespective of the above analysis, we consider that default has occurred when a financial asset is more than 120 days past due unless we have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

We determine the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under our recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Liquidity Risk

We monitor our exposure to a shortage of funds by considering the maturity of both our financial liabilities and financial assets and projected cash flows from operations.

FINANCIAL INFORMATION

The maturity profile of our financial liabilities as of December 31, 2015, based on the contractual undiscounted payments, is as follows:

<u>As of December 31, 2015</u>	<u>On Demand</u>	<u>Less than three months</u>	<u>Three to 12 months</u>	<u>One to five years</u>	<u>Beyond five years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payable	–	41,735	125,906	–	–	167,641
Interest-bearing bank and other borrowings	–	72,223	109,896	115,054	–	297,173
Other payables and accruals	–	13,866	29,599	–	–	43,465
Current portion of other long-terms liabilities	–	–	9,043	–	–	9,043
Total	–	127,824	274,444	115,054	–	517,322

The maturity profile of our financial liabilities as of December 31, 2016, based on the contractual undiscounted payments, is as follows:

<u>As of December 31, 2016</u>	<u>On Demand</u>	<u>Less than three months</u>	<u>Three to 12 months</u>	<u>One to five years</u>	<u>Beyond five years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payable	–	71,782	226,025	–	–	297,807
Interest-bearing bank and other borrowings	–	161,964	388,432	58,230	–	608,626
Other payables and accruals	–	29,595	74,345	–	–	103,940
Total	–	263,341	688,802	58,230	–	1,010,373

The maturity profile of our financial liabilities as of December 31, 2017, based on the contractual undiscounted payments, is as follows:

<u>As of December 31, 2017</u>	<u>On Demand</u>	<u>Less than three months</u>	<u>Three to 12 months</u>	<u>One to five years</u>	<u>Beyond five years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	103,693	196,078	–	–	299,771
Amounts due to a related party	–	6,464	–	–	–	6,464
Interest-bearing bank and other borrowings	–	290,800	934,411	92,698	358,261	1,676,170
Convertible Bonds	–	696	2,088	35,264	944,704	982,752
Other payables and accruals	–	19,195	203,250	–	–	222,445
Other liabilities	588,128	–	–	–	–	588,128
	588,128	420,848	1,335,827	127,962	1,302,965	3,775,730

FINANCIAL INFORMATION

The maturity profile of our financial liabilities as of March 31, 2018, based on the contractual undiscounted payments, is as follows:

As of March 31, 2018	On Demand	Less than three months	Three to 12 months	One to five years	Beyond five years	Total
Trade and bills payables	–	142,203	217,768	–	–	359,971
Amounts due to related party ...	–	3,669	–	–	–	3,669
Interest bearing bank and other borrowings	–	341,007	761,797	344,277	58,989	1,506,070
Convertible Bonds	–	–	2,784	35,264	944,704	982,752
Other payables and accruals	–	13,948	271,369	–	–	285,317
Other liabilities	588,128	–	–	–	–	588,128
	588,128	500,827	1,253,718	379,541	1,003,693	3,725,907

Price Risk

Price risk is the risk that the fair values of equity decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. We were exposed to price risk arising from individual investments classified as investments at fair value through profit or loss and derivative financial instruments at December 31, 2015, 2016 and 2017 and March 31, 2018. Our listed investments that are listed on stock exchanges in Australia and Shenzhen and Shanghai of the PRC.

The following table demonstrates the sensitivity to reasonably possible change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of each of the relevant periods. No account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of investments	Increase/ (decrease) in equity prices	Increase/ (decrease) in profit before tax
	RMB'000	%	RMB'000
For the year ended December 31, 2015			
Investments listed on:			
Shenzhen Stock Exchange			
– Held for trading	446	5 (5)	22 (22)
– Derivative Financial instruments	92,296	5 (5)	4,615 (4,615)
Shanghai Stock Exchange			
– Held for trading	986	5 (5)	49 (49)
For the year ended December 31, 2016			
Investments listed on:			
Australia Securities Exchange			
– Non-trading	90,404	5 (5)	4,520 (4,520)
Shenzhen Stock Exchange			
– Non-trading	95,959	5 (5)	4,798 (4,798)
– Held-for-trading	382	5 (5)	19 (19)
– Derivative Financial instruments	630,690	5 (5)	31,534 (31,534)
Shanghai Stock Exchange			
– Held-for-trading	922	5 (5)	46 (46)

FINANCIAL INFORMATION

	<u>Carrying amount of investments</u>	<u>Increase/ (decrease) in equity prices</u>	<u>Increase/ (decrease) in profit before tax</u>
	RMB'000	%	RMB'000
For the year ended December 31, 2017			
Investments listed on:			
Australia Securities Exchange			
– Non-trading	471,522	5 (5)	23,576 (23,576)
– Held for trading	39,128	5 (5)	1,956 (1,956)
Canadian Securities Exchange			
– Non-trading	4,835	5 (5)	242 (242)
Shenzhen Stock Exchange			
– Non-trading	101,485	5 (5)	5,074 (5,074)
– Held for trading	485	5 (5)	24 (24)
Shanghai Stock Exchange			
– Held for trading	498	5 (5)	25 (25)
For the year ended March 31, 2018			
Investments listed on:			
Australia Securities Exchange			
– Non trading	298,777	5 (5)	14,939 (14,939)
– Held for trading	40,645	5 (5)	2,032 (2,032)
Canada Securities Exchange			
– Non trading	5,184	5 (5)	259 (259)
Shenzhen Stock Exchange			
– Non trading	123,590	5 (5)	6,180 (6,180)
– Held for trading	520	5 (5)	26 (26)
Shanghai Stock Exchange			
– Held for trading	441	5 (5)	22 (22)

RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of us are also considered as related parties. For a discussion of related party transactions, see Note 42 to the Accountants' Report in Appendix IA.

SUBSEQUENT EVENTS

On May 2, 2018, we granted 55 eligible participants 2,123,080 restricted A Shares of the Company at the price of RMB45.71 per share.

Set forth below are certain material developments on our business and results of operations after March 31, 2018, which is the end of the Track Record Period:

In furtherance of our development strategy of expanding our access to upstream lithium resources globally, after the Track Record Period, we entered into an acquisition agreement with Lithium Americas

FINANCIAL INFORMATION

and SQM regarding the acquisition of direct equity interests in the Cauchari-Olaroz project from SQM for an initial consideration of US\$87.5 million due at closing and additional payment of US\$50 million upon the Cauchari-Olaroz project meeting certain sales milestones. Immediately upon completion of the acquisition we will directly hold 37.5% equity interests in the Cauchari-Olaroz project and Lithium Americas's equity interests in the Cauchari-Olaroz project will increase from 50.0% to 62.5%. As of the Latest Practicable Date, we hold 16.92% equity interests in Lithium Americas. For more details of the acquisition, please refer to "History, Development and Reorganization — Post-Track Record Period Acquisition".

After due and careful consideration, our Directors confirm that, up to the date of this prospectus and other than as set forth above, there has been no material adverse change in our financial and trading position or prospects since March 31, 2018, and there is no event since March 31, 2018 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix IA to this prospectus.

DIVIDENDS

Pursuant to relevant PRC laws and regulations applicable to us, we are required to set aside a certain amount of our accumulated after tax profits each year, if any, to fund statutory reserves. Dividends may be paid only out of distributable profits, which are our retained earnings as determined in accordance with PRC GAAP or IFRS, whichever is lower, less the above mentioned statutory reserves and any discretionary surplus reserves.

Subject to the Companies Law and other applicable laws and regulations, we currently target to distribute to our Shareholders no less than 10% of our distributable profits for any particular year, subject to certain exceptions. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

We declared and paid dividends of RMB35.7 million, RMB56.5 million, and RMB72.9 million, respectively, in 2015, 2016 and 2017. All such dividends have been fully settled. As of the Latest Practicable Date, we declared and paid dividends of RMB297.3 million subsequent to December 31, 2017.

DISTRIBUTABLE RESERVES

As of December 31, 2015, 2016, 2017 and the three months ended March 31, 2018, our reserves available for distribution included retained earnings, which amounted to RMB428.8 million, RMB1,438.0 million, RMB2,950.1 million and RMB3,188.0 million, respectively.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position or prospects since March 31, 2018, and there is no event since March 31, 2018 which would materially affect the information shown in the Accountants' Report in Appendix IA.

LISTING EXPENSE INCURRED AND TO BE INCURRED

In 2017, we incurred approximately RMB4.1 million as listing expenses. For the three months ended March 31, 2018, we incurred approximately RMB15.0 million as listing expenses, of which RMB13.2 million

FINANCIAL INFORMATION

was recognized as administrative expenses and RMB1.8 million will be capitalized. We expect to incur additional listing expenses of approximately RMB103.2 million after March 31, 2018, of which RMB28.0 million is expected to be recognized as administrative expenses in 2018, and RMB75.2 million is expected to be capitalized. Our Directors do not expect such expenses to have a material and adverse impact on our financial results in 2018.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below are set out to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the parent as of March 31, 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of March 31, 2018 or at any future dates. It is prepared based on the consolidated net assets of the Group as of March 31, 2018 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix IA, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2018 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of March 31, 2018	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾⁽⁴⁾⁽⁵⁾
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$16.50 per Share	4,057,675	2,540,331	6,598,006	5.02	6.26
Based on an Offer Price of HK\$26.50 per Share	4,057,675	4,112,117	8,169,792	6.21	7.75

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2018 was equal to the consolidated net assets attributable to owners of the parent as of March 31, 2018 of RMB4,304,049,000 after deducting intangible assets of RMB228,072,000 and goodwill of RMB18,302,000 as of March 31, 2018 set out in the Accountants' Report in Appendix IA to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$16.5 and HK\$26.5 respectively, being the minimum Offer Price and the maximum Offer Price in the Offer Price range, after deduction of the estimated underwriting fees and other related expenses payable by the Company, taking no account of shares which may be i) issued upon the Over-allotment Option and the conversion of convertible bonds; and ii) cancelled upon forfeiture under the share award scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis of 200,185,800 Shares to be issued during the Global Offering and thereafter 1,315,081,160 Shares are outstanding, assuming that i) the Global Offering had been completed on March 31, 2018 and ii) the conversion event of capital reserve into share capital (which was approved by shareholder's meeting on May 2, 2018) such that five new shares were issued for every existing ten shares was completed at March 31, 2018. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1.00 to RMB0.80125.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions for the Group entered into subsequent to March 31, 2018.

FINANCIAL INFORMATION

- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.80125.
- (6) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company does not take into account cash dividend of RMB297.3 million to its A Shareholders which has been approved by the shareholders in the shareholder meeting held on May 2, 2018. Had the cash dividend been taken into account as if the cash dividend was paid as of March 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share would be RMB4.79 or HK\$5.98 per Share (based on the Offer Price of HK\$16.50 per Offer Share) or RMB5.99 or HK\$7.47 per Share (based on the Offer Price of HK\$26.50 per Offer Share).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

OUR LARGEST SHAREHOLDER

Mr. Li Liangbin is the founder and largest shareholder of our Company. As of September 10, 2018, Mr. Li Liangbin is entitled to exercise voting rights of approximately 24.20% of the total issued share capital of our Company. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Li Liangbin will be entitled to exercise voting rights attached to Shares of our Company representing approximately 20.51% of the total issued share capital of our Company. Since Mr. Li Liangbin will hold less than 30% of our outstanding Shares following the completion of the Global Offering, he will not be our controlling Shareholder as defined under the Listing Rules. Mr. Li Liangbin will still be our single largest Shareholder upon Listing. Since 2010, five individuals who are relatives of Mr. Li Liangbin followed Mr. Li Liangbin's decisions when exercising voting rights in shareholders' meetings of the Company. Since January 1, 2017, the aggregate shareholding of these five individuals in our Company has remained under 3%.

INDEPENDENCE FROM OUR LARGEST SHAREHOLDER

Each of our Directors confirms that he or she does not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our largest Shareholder and his close associates after the Global Offering.

Management Independence

The Board comprises five executive Directors, one non-executive Director and four independent non-executive Directors. Mr. Li Liangbin, our Chairman, President and executive Director, is also the largest Shareholder. Our management and operational decisions are made collectively by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors, Supervisors and Senior Management" for further details.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

Although Mr. Li Liangbin will retain a substantial interest in our Company and will be our single largest Shareholder after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. As advised by our PRC Legal Advisors, our Company (through our

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

subsidiaries) holds or enjoys the benefit of all material licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the largest Shareholder. In addition, our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business.

Based on the above, our Directors are satisfied that we have been operating independently from our largest Shareholder and his associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs.

In addition, we have independent access to third party financing and our Group does not rely on our largest Shareholder and/or his associates by virtue of their provision of financial assistance. Mr. Li Liangbin pledged 24 million A Shares he held in favor of a commercial bank in China to guarantee the payment of a loan extended from this commercial bank to our Company in principal amount of RMB 200 million, due in 2024. Mr. Li Liangbin also pledged 600,000 A Shares he held in favor of an investment entity controlled by the State-owned Assets Supervision and Administration Commission of Jiangxi Province to guarantee the payment of a loan extended from this entity to our Company in principal amount of RMB 20 million, due in 2021. The pledge will not be released prior to Listing. However, the Company has obtained a confirmation from a major bank in China for a credit facility in principal amount of RMB 300 million without guarantee or pledge from Mr. Li Liangbin. The confirmation was obtained in November 2016 and has a term of two years. The Company will apply to renew the term for another two years upon expiration. Our Directors confirm that, as of the Latest Practicable Date, there are no other subsisting loans, guarantees or pledges provided by our largest Shareholder and/or his close associates to our Company. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our largest Shareholder.

Based on the above, our Directors believe that we have the ability to operate independently of our largest Shareholder and his associates from a financial perspective and are able to maintain financial independence from our largest Shareholder and his close associates.

CORPORATE GOVERNANCE MEASURES

Mr. Li Liangbin has confirmed that he fully comprehends his obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

RELATIONSHIP WITH OUR LARGEST SHAREHOLDER

- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors, Supervisors and Senior Management — Directors — Independent Non-executive Directors”;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our largest Shareholder and/or our Directors on the other, our largest Shareholder and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements; and
- (e) we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with a number of investors (the “**Cornerstone Investors**”), who have agreed to subscribe at the Offer Price for such number of H Shares (rounded down to the nearest whole board lot of 200 H Shares) that may be purchased with an aggregate amount of approximately US\$229.8 million (approximately HK\$1,803.9 million).

Assuming an Offer Price of HK\$16.50 (being the low end of the Offer Price range set forth in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 109,325,000 H Shares, representing approximately (i) 8.31% of the Shares in issue upon completion of the Global Offering and 54.61% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 8.23% of the Shares in issue upon completion of the Global Offering and 51.31% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 83,900,800 H Shares, representing approximately (i) 6.38% of the Shares in issue upon completion of the Global Offering and 41.91% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 6.32% of the Shares in issue upon completion of the Global Offering and 39.38% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$26.50 (being the high end of the Offer Price range set forth in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 68,070,200 H Shares, representing approximately (i) 5.18% of the Shares in issue upon completion of the Global Offering and 34.00% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 5.13% of the Shares in issue upon completion of the Global Offering and 31.95% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

To the best of the knowledge of our Company, each Cornerstone Investor is an independent third party independent from our Company, our connected persons and their respective associates. The Cornerstone Investors will not subscribe for any H Shares under the Global Offering other than pursuant to the relevant cornerstone investment agreement. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation, and none of the Cornerstone Investors will become a substantial shareholder of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and the shareholdings of the Cornerstone Investors will be counted towards the public float of our H Shares.

The cornerstone placing forms part of the International Offering. The H Shares to be purchased by the Cornerstone Investors will not be affected by any reallocation of the H Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering – The Hong Kong Public Offering”.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of the results of allocations in the Hong Kong Public Offering to be published on or around October 10, 2018.

CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$21.50 (being the mid-point of the Offer Price range)					
Cornerstone Investor	Investment Amount	Approximate % of total number of Shares in issue immediately following the completion of the Global Offering		Approximate % of total number of H Shares in issue immediately following the completion of the Global Offering	
		Assuming the Over-allotment Option is not exercised ⁽³⁾	Assuming the Over-allotment Option is exercised in full ⁽³⁾	Assuming the Over-allotment Option is not exercised ⁽³⁾	Assuming the Over-allotment Option is exercised in full ⁽³⁾
China Structural Reform Fund	US\$70,000,000 ⁽¹⁾	1.94%	1.92%	12.76%	11.99%
LG Chem	US\$50,000,000 ⁽¹⁾	1.39%	1.37%	9.12%	8.57%
Samsung SDI	US\$50,000,000 ⁽¹⁾	1.39%	1.37%	9.12%	8.57%
Dongfeng Asset Management	US\$30,000,000 ⁽¹⁾	0.83%	0.82%	5.47%	5.14%
FAW Group	RMB146,000,000 ⁽²⁾	0.59%	0.59%	3.88%	3.65%
Khorgos Haibangcaizhi . . .	RMB58,652,100 ⁽¹⁾	0.24%	0.24%	1.56%	1.47%
Total	US\$229,846,155	6.38%	6.32%	41.91%	39.38%

(1) Excluding brokerage, SFC transaction levy and Stock Exchange trading fee.

(2) Including brokerage, SFC transaction levy and Stock Exchange trading fee.

(3) Adopting an exchange rate of US\$1.00 to HK\$7.85 and RMB1.00 to HK\$1.15. The aforementioned exchange rate is for illustrative purpose only. Pursuant to each of the Cornerstone Investment Agreement, the exchange rate to be used for calculating the number of Investor Shares each of the relevant cornerstone investor is entitled shall be the relevant exchange rate quoted by The Hongkong and Shanghai Banking Corporation Limited after the close of business on the business day immediately prior to the date on which the Offer Price is determined by the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering).

Set out below are brief descriptions of our Cornerstone Investors:

China Structural Reform Fund

China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) (“**China Structural Reform Fund**”) has agreed to subscribe for such number of H Shares (rounded to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US\$70 million at the Offer Price, excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect the H Shares. Assuming an Offer Price of HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), CSR Fund will subscribe for approximately 25,552,200 H Shares, representing approximately (i) 1.94% of the Shares in issue upon completion of the Global Offering and 12.76% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 1.92% of the Shares in issue upon completion of the Global Offering and 11.99% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

China Structural Reform Fund is a company incorporated in the PRC held by several state-owned enterprises. It is mainly engaged in business including non-public raising funds, equity investment, project investment, capital management, investment consulting and enterprise management consulting. For the purpose of this cornerstone investment, China Structural Reform Fund has engaged China Asset Management Co., Ltd., an asset manager that is qualified domestic institutional investor as approved by the relevant PRC authority, in the name of China AMC-CSR Fund 3 Asset Management Plan to subscribe for and hold such Offer Shares on a discretionary basis on behalf of the China Structural Reform Fund.

LG Chem, Ltd.

LG Chem, Ltd. ("**LG Chem**") has agreed to subscribe for such number of H Shares (rounded to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US\$50 million at the Offer Price, excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect the H Shares. Assuming an Offer Price of HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), LG Chem will subscribe for approximately 18,251,600 H Shares, representing approximately (i) 1.39% of the Shares in issue upon completion of the Global Offering and 9.12% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 1.37% of the Shares in issue upon completion of the Global Offering and 8.57% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

LG Chem, founded in 1947, is Korea's largest diversified chemical company which operates four main business units: Basic Materials & Chemicals, Energy Solutions, IT & Electronic Materials and Life Sciences. The chemical business manufactures a wide range of products, from petrochemical goods to high-value added plastics. It also extends its chemical expertise into high-tech areas such as rechargeable batteries, electronic materials and drugs and vaccines. With over 20 years of experience in the development and production of the batteries, LG Chem has established itself as one of the world's largest lithium-ion battery manufacturers with significant market share in mobile phone, hybrid/electric vehicle, and energy storage system (ESS) applications.

LG Chem is one of our customers and we are principally supplying lithium carbonate and hydroxide, one of the core materials used to make batteries, to LG Chem. In August 2018, our Company entered into a purchase agreement with LG Chem for a term commencing from January 1, 2019 to December 31, 2022. Pursuant to the purchase agreement, our Company agreed to supply no less than an aggregate of approximately 47,600 tons of lithium hydroxide to LG Chem in the year 2019 to 2022. The parties agreed and allowed certain fluctuation of the annual targeted purchase volume in each financial year provided that if LG Chem fails to purchase at least the minimum agreed targeted purchase volume for any specific year, LG Chem shall compensate our Company based on a specified amount per kilogram of difference between the actual purchased volume and the minimum targeted purchase volume. Likewise, our Company shall compensate LG Chem based on the same specified amount per kilogram should we fail to supply the minimum targeted volume in any specific year. There is no predetermined purchase price under the framework purchase agreement. However, the parties agreed that the purchase price shall be determined on a quarterly basis based on a pre-agreed pricing formula. In addition, due to increasing demand from LG Chem's downstream customers, on September 18, 2018 we entered into a supplemental purchase agreement with LG Chem whereby we agreed to supply LG Chem an incremental 38,000 tons of lithium hydroxide in the year 2021 to 2025 and 7,000 tons of lithium carbonate in the year 2019 to 2021 based on the same pricing formula. The purchase agreements were entered into on an arm's length basis and on normal commercial terms and in the ordinary course of business of our Company. Save as disclosed above, our Company did not enter into any other transaction, agreement or arrangement with LG Chem concerning the acquisition of our Shares.

Samsung SDI Co., Ltd.

Samsung SDI Co., Ltd. ("**Samsung SDI**") has agreed to subscribe for such number of H Shares (rounded to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US\$50 million at the Offer Price, excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect the H Shares. Assuming an Offer Price of

CORNERSTONE INVESTORS

HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), Samsung SDI will subscribe for approximately 18,251,600 H Shares, representing approximately (i) 1.39% of the Shares in issue upon completion of the Global Offering and 9.12% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 1.37% of the Shares in issue upon completion of the Global Offering and 8.57% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Samsung SDI is a corporation incorporated under the laws of the Republic of Korea and is listed on the Korea Exchange (stock code: 006400). It is principally engaged in the manufacture and distribution of lithium-ion batteries. Samsung SDI operates its business through four business segments: small-sized lithium-ion batteries, automotive batteries, energy storage systems (ESS) and electronic materials. Samsung SDI is a global market leader in small-sized lithium-ion batteries, supplying portable power to products such as cell phones, IT devices, power tools and e-bikes. Its automotive battery business continues to expand quickly, powering the new energy vehicle revolution. Samsung SDI's stationary energy storage systems (ESS) products ensure the integration of renewable energy and the continuity of power supply across four continents from large utility scale arrays to individual homes. The electronic materials segment is engaged in the manufacture of semiconductors and display materials.

Dongfeng Asset Management Co., Ltd.

Dongfeng Asset Management Co., Ltd. ("**Dongfeng Asset Management**") has agreed to subscribe for, through a qualified domestic institutional investor as approved by the relevant PRC authority, such number of H Shares (rounded to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of US\$30 million at the Offer Price, excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect the H Shares. Assuming an Offer Price of HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), Dongfeng Asset Management will subscribe for approximately 10,950,800 H Shares, representing approximately (i) 0.83% of the Shares in issue upon completion of the Global Offering and 5.47% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 0.82% of the Shares in issue upon completion of the Global Offering and 5.14% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Dongfeng Asset Management is a company incorporated in the PRC whose businesses include asset management, industrial investment, venture capital investment, investment management and consultancy, land and real estate development, international economic and technological cooperation, and related technical consulting, technical services, information services and after-sales services. Dongfeng Asset Management is a wholly-owned subsidiary of Dongfeng Motor Corporation, a large state-owned enterprise engaged in the manufacturing of commercial vehicles, passenger vehicles, auto parts, components and equipment as well as other auto-related business.

FAW Group

First Automotive Works Equity Investment (Tianjin) Company Limited (一汽股權投資(天津)有限公司) ("**FAW Investment**") has agreed to subscribe for such number of H Shares (rounded to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of RMB146 million at the Offer Price, including brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect the H Shares. Assuming an Offer Price of HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), FAW Investment will subscribe for

CORNERSTONE INVESTORS

approximately 7,772,400 H Shares, representing approximately (i) 0.59% of the Shares in issue upon completion of the Global Offering and 3.88% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 0.59% of the Shares in issue upon completion of the Global Offering and 3.65% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

FAW Investment is a 100% owned subsidiary of China FAW Group Co., Ltd. (“**FAW Group**”). Currently, FAW Investment has total assets under management of more than RMB10 billion. With strong industrial and capital resources, FAW Investment performs domestic and cross-border private equity investments related to the automotive industry, including top-brand car makers, leading auto parts manufacturers, automotive related high-end technologies and diversified automotive industrial financing and servicing companies.

Khorgos Haibangcaizhi Equity Investment Partnership (Limited Partnership)

Khorgos Haibangcaizhi Equity Investment Partnership (Limited Partnership) (霍爾果斯海邦財智股權投資合夥企業 (有限合夥)) (“**Khorgos Haibangcaizhi**”) has agreed to subscribe for such number of H Shares (rounded to the nearest whole board lot of 200 H Shares) which may be purchased with an aggregate amount of RMB58.65 million at the Offer Price, excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect the H Shares. Assuming an Offer Price of HK\$21.50 (being the mid-point of the Offer Price range set forth in this prospectus), Khorgos Haibangcaizhi will subscribe for approximately 3,122,200 H Shares, representing approximately (i) 0.24% of the Shares in issue upon completion of the Global Offering and 1.56% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised, or (ii) 0.24% of the Shares in issue upon completion of the Global Offering and 1.47% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Khorgos Haibangcaizhi is a limited partnership incorporated under the laws of the PRC. It is a special fund set up by GSR Capital for subscribing for H Shares of our Company. GSR Capital is a reputable private equity investment institution that focuses on the development of emerging industries, especially the new energy sector, through private equity investment and global M&A. GSR Capital has a profound layout in the new energy industry and is dedicated to building world-leading enterprises by promoting the industrialization of mature technologies.

CONSENT FOR ALLOCATION OF OFFER SHARES TO A CONNECTED CLIENT OF CICCHK

In connection with the cornerstone investment by Khorgos Haibangcaizhi, Khorgos Haibangcaizhi has engaged China International Capital Corporation Limited, an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority (the “**CICC QDII Manager**”), to subscribe for and hold its H Shares on a non-discretionary basis on behalf of Khorgos Haibangcaizhi. The CICC QDII Manager acts in accordance with the instructions from Khorgos Haibangcaizhi in order to facilitate the participation by Khorgos Haibangcaizhi in the Global Offering. Other than being a client of the CICC QDII Manager, Khorgos Haibangcaizhi is an independent third party of the Joint Bookrunners. As CICCHK, one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, is an indirect wholly-owned subsidiary of the CICC QDII Manager, the CICC QDII Manager is a “connected client” of CICCHK under paragraph 13(7) of Appendix 6 to the Hong Kong Listing Rules. Accordingly, the participation of Khorgos Haibangcaizhi as a cornerstone investor through the CICC QDII Manager is subject to the consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules from the Hong Kong Stock Exchange.

CORNERSTONE INVESTORS

The Company confirmed that the cornerstone investment agreement entered into with Khorgos Haibangcaizhi does not contain any material terms which are more favorable to Khorgos Haibangcaizhi or the CICC QDII Manager than those in other cornerstone investment agreements.

In addition, other than the preferential treatment of assured entitlement under such cornerstone investment agreement, (a) each of the Company and CICCHKS, and to the best of the knowledge and belief, each of the Joint Bookrunners, confirmed that no preferential treatment has been, nor will be, given to the CICC QDII Manager by virtue of its relationship with CICCHKS; (b) the CICC QDII Manager confirmed that to the best of its knowledge and belief, it has not received and will not receive preferential treatment in the allocation of the Offer Shares under the Global Offering on behalf of Khorgos Haibangcaizhi as a cornerstone investor by virtue of its relationship with CICCHKS; and (c) the Sole Sponsor confirmed that, based on their discussions with the Company, CICCHKS and the Joint Bookrunners, the confirmations (a) and (b) mentioned above and to the best of its knowledge and belief, it has no reason to believe that the CICC QDII Manager received any preferential treatment in the allocation of the Offer Shares under the Global Offering as a cornerstone investor on behalf of Khorgos Haibangcaizhi by virtue of its relationship with CICCHKS.

An application has been made to the Stock Exchange, and the Stock Exchange has granted us, a consent under paragraph 5(1) of Appendix 6 to the Listing Rules to allow the Offer Shares to be allocated to the CICC QDII Manager (to be held on behalf of Khorgos Haibangcaizhi) as a “connected client” of CICCHKS.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and become effective and unconditional and all of the conditions precedent to completion set forth therein having been satisfied or waived (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreements, and neither of the aforesaid agreements having been terminated;
- (b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);
- (c) the Listing Committee granted approval for the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors), as well as other applicable approvals and waivers, and such approvals and waivers not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no law having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the cornerstone investment agreement and there being no orders or injunctions from a court or governmental authority of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

CORNERSTONE INVESTORS

- (e) the representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor being accurate and true in all respects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Joint Global Coordinators and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the H Shares subscribed for by it pursuant to the relevant cornerstone investment agreement, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the restrictions on disposals imposed on such Cornerstone Investor.

SHARE CAPITAL

As of September 10, 2018, the registered share capital of our Company is RMB1,114,895,360 divided into 1,114,895,360 A Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised and no conversion of the Convertible Bonds after September 10, 2018, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
1,114,895,360	A Shares in issue	84.78%
200,185,800	H Shares to be issued under the Global Offering	15.22%
1,315,081,160	Total	100.00%

Assuming the Over-allotment Option is exercised in full and no conversion of the Convertible Bonds after September 10, 2018, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
1,114,895,360	A Shares in issue	83.95%
213,077,400	H Shares to be issued under the Global Offering	16.05%
1,327,972,760	Total	100.00%

CONVERTIBLE BONDS

As of September 10, 2018, the aggregate outstanding principal amount of our Convertible Bonds was RMB927,918,800 of par value RMB100 each. For details of the Convertible Bonds of our Company, see "Convertible Bonds" in Appendix VI for details.

CLASS OF SHARES

The H Shares and A Shares in issue upon completion of the Global Offering will be ordinary Shares in our share capital. Upon the launch of Shenzhen-Hong Kong Stock Connect for establishing mutual stock access between Mainland China and Hong Kong, the A Shares of our Company are eligible securities under the North bound Trading Link approved to be traded between Hong Kong and overseas investors since December 5, 2016 in a limited amount and pursuant to the rules and regulations as prescribed thereunder. A Share can also be subscribed for by, and traded between, legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. The H Shares of our Company will be eligible securities approved to be traded between, legal or natural persons of the PRC in a limited amount and pursuant to the rules and regulations as prescribed under the Shenzhen-Hong Kong Stock Connect. H Shares can also be subscribed for by, or traded by qualified domestic institutional investors. All dividends in respect of H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in Renminbi. H Shares may only be subscribed for and traded in Hong Kong dollars. A Shares, on the other hand, may only be subscribed for and traded in Renminbi.

In addition, A Shares and H Shares are regarded as different classes of Shares under our Articles of Association. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different branches of the register of Shareholders, the method of Share transfer and appointment of dividend receiving agents are set out in our Articles of Association and summarized in "Appendix V — Summary of the Articles of Association." Further, any change or abrogation of the rights of class Shareholders should be approved by way of a special resolution of the general meeting of Shareholders and by a separate meeting of

SHARE CAPITAL

Shareholders convened by the affected class of Shareholders. See “Appendix V — Summary of the Articles of Association” for the circumstances under which general meeting and class meeting are required. However, the procedures for approval by separate class Shareholders shall not apply:

- (i) upon the approval by a special resolution of the general meeting, either separately or concurrently once every 12 months, issue of A Shares and H Shares of not more than 20% of each of its existing issued A Shares and H Shares;
- (ii) where the plan of the Company to issue A Shares and H Shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authority under the State Council; or
- (iii) where the transfer of the A Shares held by holders of the A Shares of the Company to foreign investors and the listing on overseas stock exchange are approved by the securities regulatory institution under the State Council. See “— Conversion of Our A Shares into H Shares” for more details.

A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made.

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

CONVERSION OF OUR A SHARES INTO H SHARES

If any holder of our A Shares wishes to transfer its A Shares to overseas investors for listing and trading on the Hong Kong Stock Exchange as H Shares, it must obtain the approval of the relevant PRC regulatory authorities, including the CSRC for the conversion of the A Shares and the approval of the Hong Kong Stock Exchange for the listing and trading of the converted H Shares, as well as in compliance with the relevant methodology and procedures. To the Company’s best knowledge, such conversion may involve the following steps:

- (i) the holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities approval authorities of the PRC State Council for the conversion of all or part of its A Shares into H Shares;
- (ii) we may apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Hong Kong Stock Exchange before the converted H Shares can be listed and traded on the Hong Kong Stock Exchange;
- (iii) the holder of A Shares shall submit an application to us for the deregistration of the amount of A Shares to be converted from the A Share register, accompanied with the relevant document(s) of title;
- (iv) subject to obtaining the approval of the Board and the Hong Kong Stock Exchange, we would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue to relevant holder H Share certificate(s) for such specified number of H Shares;

SHARE CAPITAL

- (v) such specified number of A Shares to be converted into H Shares are then re-registered on the H Share register maintained in Hong Kong on the condition that:
 - (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificate(s); and
 - (b) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time;
- (vi) upon completion of the conversion, the shareholding of the relevant holder of A Shares in our A Share capital and registered on our A Share register will be reduced by such number of A Shares converted and the number of H Shares will correspondingly be increased by the same number of H Shares; and
- (vii) we will comply with the Hong Kong Listing Rules to inform our Shareholders and the public by way of an announcement of such fact before the proposed effective date.

Approvals from holders of A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of A Shares to convert all or part of its A Shares into H Shares.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the Shareholders' general meeting of our Company held on January 15, 2018 and is subject to the following conditions:

(1) *Size of the offer*

The proposed number of H Shares to be offered shall not exceed 20% of the total enlarged issued share capital after the issue of H Shares assuming the Over-allotment Option is not exercised and the Over-allotment Option shall not exceed 15% of the H Shares initially available under the Global Offering if fully exercised.

(2) *Method of offering*

The method of offering shall be by way of international offering to institutional investors and public offer for subscription in Hong Kong.

(3) *Target investors*

The H Shares shall be issued to overseas professional institutions, enterprises, individual investors and other eligible investors.

(4) *Price determination basis*

The issue price of the H Shares will be determined, among others, after due consideration of the interests of existing Shareholders of our Company, acceptance of investors and the risks related to the

SHARE CAPITAL

offering, according to international practice, through the demands for orders and bookbuilding process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) *Validity period*

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on January 15, 2018.

There is no other approved offering plans for any other shares except the Global Offering.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

According to our Articles of Association, general meetings or class meetings are required under the following circumstances: (i) increase or reduction of the share capital, repurchase of the Company's shares and issue of shares of any class, stock warrants or other similar securities; (ii) the division, merger, dissolution, liquidation or change of corporate forms of the Company; (iii) issuance of bonds or other securities; and (iv) amendments to the Articles of Association.

For further information, see "Appendix V — Summary of the Articles of Association — Shareholders and Shareholders' General Meetings — Voting and Resolutions of Shareholders' General Meetings" and "Appendix V — Summary of the Articles of Association — Shareholders and Shareholders' General Meetings — Special Procedures for Voting by Class Shareholders."

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange 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:

Name	Nature of interest	Class	Immediately prior to the Global Offering			Immediately after the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾		
			Number of Shares	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares of our Company	Number of Shares	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares of our Company
Mr. Li Liangbin . . .	Beneficial Interest	A Shares	269,770,452	24.20%	24.20%	269,770,452	20.51%	24.20%
Ms. Huang Rong ⁽²⁾ (黄蓉)	Interest of spouse	A Shares	269,770,452	24.20%	24.20%	269,770,452	20.51%	24.20%
Mr. Wang Xiaoshen	Beneficial Interest	A Shares	100,898,904	9.05%	9.05%	100,898,904	7.67%	9.05%
Ms. Xiao Xuan ⁽³⁾ (肖璇)	Interest of spouse	A Shares	100,898,904	9.05%	9.05%	100,898,904	7.67%	9.05%

Notes:

- (1) The calculation is based on the total number of 1,315,081,160 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).
- (2) Ms. Huang Rong is the wife 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.
- (3) Ms. Xiao Xuan is the wife 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.
- (4) All interests stated are long positions.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our Directors, Supervisors and senior management as at the date of this prospectus.

Directors

Name	Age	Date of Joining Our Company	Position	Date of Appointment as Director	Roles and Responsibilities
Li Liangbin (李良彬)	51	March 2000	Chairman of the Board and executive Director	December 6, 2007	Overall management of our Company's business strategies and operations
Wang Xiaoshen (王曉申)	49	July 2006	Vice-Chairman of the Board and executive Director	December 6, 2007	Overseeing the marketing, investment and overseas business of our Company
Shen Haibo (沈海博)	50	June 2005	Executive Director	December 6, 2007	Responsible for overseeing the sales and promotion of our products in the PRC
Deng Zhaonan (鄧招男)	50	April 2004	Executive Director	December 3, 2013	Responsible for overseeing the quality control of our products, the production, and daily operations of our Company
Xu Xiaoxiong (許曉雄)	38	April 2017	Executive Director	April 6, 2017	Responsible for overseeing the research and development of our solid-state lithium batteries products
Huang Daifang (黃代放)	55	December 2013	Non-executive Director	December 3, 2013	Providing strategic advice and making recommendations on the operations and management of our Company
Guo Huaping (郭華平)	55	December 2013	Independent non-executive Director	December 3, 2013	Providing independent advice on the operations and management of our Company
Huang Huasheng (黃華生)	49	May 2014	Independent non-executive Director	May 8, 2014	Providing independent advice on the operations and management of our Company
Liu Jun (劉駿)	55	March 2016	Independent non-executive Director	March 31, 2016	Providing independent advice on the operations and management of our Company
Wong Sze Wing (黃斯穎)	39	July 29, 2018	Independent non-executive Director	July 29, 2018	Providing independent advice on the operations and management of our Company

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Supervisors

<u>Name</u>	<u>Age</u>	<u>Date of Joining Our Company</u>	<u>Position</u>	<u>Date of Appointment as Supervisor</u>	<u>Roles and Responsibilities</u>
Gong Yong (龔勇)	34	July 2011	Chairman of the board of Supervisors	March 18, 2017	Supervising the performance of duties by the Directors and senior management
Tang Xiaoqiang (湯小強)	45	May 2017	Supervisor	May 25, 2017	Supervising the performance of duties by the Directors and senior management
Zou Jian (鄒健)	53	April 2017	Supervisor	April 6, 2017	Supervising the performance of duties by the Directors and senior management

Senior Management

<u>Name</u>	<u>Age</u>	<u>Date of Joining/ Rejoining Our Company</u>	<u>Position</u>	<u>Date of Appointment of the Current Role</u>	<u>Roles and Responsibilities</u>
Li Liangbin (李良彬)	51	March 2000	President	December 27, 2010	Overall management of our Company's business strategies and operations
Wang Xiaoshen (王曉申)	49	July 2006	Vice President	December 27, 2010	Overseeing the marketing, investment and overseas business of our Company
Shen Haibo (沈海博)	50	June 2005	Vice President	December 27, 2010	Responsible for overseeing the sales and promotion of our products in the PRC
Deng Zhaonan (鄧招男)	50	April 2004	Vice President	August 12, 2011	Responsible for overseeing the quality control of our products, the production and daily operations of our Company
Xu Jianhua (徐建華)	48	February 2008	Vice President	June 25, 2012	Responsible for overseeing the equipment management and engineering construction of our Company
Liu Ming (劉明)	38	May 2007	Vice President	December 27, 2010	Overseeing the production safety and research and development of our Company
Yang Manying (楊滿英)	53	January 2006	Vice President and Chief Financial Officer	April 11, 2014	Overseeing the overall financial and accounting related matters of the our Company
Ouyang Ming (歐陽明)	42	January 2002	Vice President and secretary of the Board	June 5, 2014	Overseeing administrative, Board, board of Supervisors, Shareholders' meetings and labor union matters

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

As at the date of this prospectus, our Board of Directors consists of ten Directors, comprising five executive directors, one non-executive Director and four independent non-executive Directors. Pursuant to our Articles of Association, our Directors are elected and appointed by our shareholders at a shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

Pursuant to our Articles of Associations, the functions and powers of the Board include, among other things:

- convening shareholders' meetings and reporting the Board's work at the shareholders' meetings;
- implementing the resolutions passed at shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual financial budget and financial accounts;
- formulating our profits distributions plans and plans on making up losses;
- formulating our proposals for the increase or reduction of registered capital and issuance and listing of bonds or other securities of our Company;
- passing resolutions on the Company's mergers, spin-offs, dissolution, liquidation or transformations of the Company;
- determining matters including external investment, acquisition and disposal of assets, pledge of assets, designated financial management and connected transactions of the Company, etc., within the authorization of the general meeting;
- deciding on the setup of the Company's internal management organs;
- appointing or dismissing the Company's general manager and to decide on the remuneration, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the Company and to decide on their remuneration;
- formulating the Company's basic management system;
- formulating the proposals for amendments to the Articles of Association of the Company;
- managing the disclosure of information by the Company;
- formulating the proposals for appointment, removal or non-renewal of the services of an auditor for the Company;
- exercising other powers, functions and duties as conferred by our Articles of Association.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

We have entered into service contracts with each of our executive Directors, non-executive Director and independent non-executive Directors. Pursuant to our Articles of Association, the term of office of the Directors shall be three years. A description of the business experience of each Director is set out below.

Executive Directors

Mr. Li Liangbin (李良彬), aged 51, was appointed as the chairman of the Board and our Director on December 6, 2007. He was then appointed as our executive Director and the President of our Company on December 29, 2017 and December 27, 2010, respectively. Mr. Li Liangbin is our largest Shareholder and founder, and has interest in our Convertible Bonds of RMB107,380,100 with the denomination of RMB100.00 each as of September 10, 2018. He is primarily responsible for the overall management of our Company's business strategies and operations. Mr. Li Liangbin has almost 30 years of experience in the lithium industry. He currently serves as a director in a number of companies in which our Company has equity interests, including certain subsidiaries of our Company. Prior to establishing our Company, Mr. Li Liangbin worked at the scientific research institution of Jiangxi Lithium Plant (江西鋰廠), a state-owned enterprise and founded and served as the general manager Xinyu Ganfeng Mental Lithium Plant (新余市贛鋒金屬鋰廠) from July 1988 to December 1996 and from January 1997 to February 2000, respectively. Mr. Li Liangbin has been serving as the vice president of the China Nonferrous Metal Industry Association, Lithium Branch (中國有色金屬工業協會鋰業分會). He has also been a member of the 9th Standing Committee of the People's Congress of Xinyu City, Jiangxi Province (江西省新余市第九屆人大常委會委員) and the vice chairman of Jiangxi Provincial Federation of Industry and Commerce (江西省工商業聯合會) since October 2016 and June 2017, respectively. Since January 2017, Mr. Li Liangbin has been entitled to the special allowance of the State Council for his technology excellence. He was also awarded the Bauhinia Cup Technology Innovation Awards (紫荊花杯科技創新獎) by the Hong Kong Polytechnic University (香港理工大學) in November 2013. Further, Mr. Li Liangbin was accredited as a Professorate Senior Engineer (教授級高級工程師) by the Qualification Office of Jiangxi Province (江西省職稱工作辦公室) and was selected into the Ganpo Talents 555 Project (贛鄱英才555工程) by Jiangxi Provincial Committee of CPC in April 2013 and in March 2011, respectively. Mr. Li Liangbin obtained an associate's degree in chemistry from Yichun University (宜春學院, formally known as Yichun Normal College (宜春師範專科學校)) in the PRC in July 1988.

Mr. Wang Xiaoshen (王曉申), aged 49, was appointed as our Director on December 6, 2007. He was then appointed as the vice-chairman of the Board and our executive Director on December 3, 2010 and December 29, 2017, respectively. He has been the Vice President of our Company since December 27, 2010. Mr. Wang is a holder of 9.05% of our Shares as of September 10, 2018, and has interest in our Convertible Bonds of RMB75,915,000 with the denomination of RMB100.00 each as of August 20, 2018. He is primarily responsible for the marketing, investment and overseas business of our Company and has over 25 years of experience in sales and marketing of lithium products. Mr. Wang joined our Company in July 2006 as a general manager. Since then, Mr. Wang has been a director of several companies in which our Company has equity interests, including certain subsidiaries of our Company. He has been a director of GFL International, Mariana Lithium, RIM and Lithium Americas (listed on the Toronto Stock Exchange under the symbol LAC and on the OTC Markets in the U.S. under the symbol LACDF) since March 2011, July 2014, September 2015 and June 2017, respectively, and he was previously a non-executive director of International Lithium (listed on the Toronto Stock Exchange (ILC), the Frankfurt Stock Exchange (IAH), the OTC Markets in the U.S. (ILHMF), the Stuttgart Stock Exchange (A1JAZU) and the Berlin Stock Exchange (A1JAZU)) from June 2011 to August 2017. Prior to joining our Company, Mr. Wang worked at China National Nonferrous Metals Industrial Xinjiang Co., Ltd., Xinjiang Lithium Salts Plant (中國有色金屬工業總公司新疆公司新疆鋰鹽廠) from July 1991 to April 1992. He then served as the vice general manager of China National Nonferrous Metals Import and Export Xinjiang Co., Ltd. (中國有色金屬進出口新疆公司), a company principally engaged in import and export trading of nonferrous metals, and was responsible for lithium

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

business from April 1992 to July 2002. From August 2002 to June 2005, he was the chairman of the board and the general manager of Suzhou Taihu Enterprise Co., Ltd. (蘇州太湖企業有限公司), a company principally engaged in production and sales of power tools and hardware tools. Mr. Wang obtained a bachelor's degree in industrial engineering management (工業管理工程) from North China University of Technology (北方工業大學) in the PRC in June 1990. He obtained an EMBA from the China Europe International Business School (中歐國際工商學院) in the PRC in August 2002.

Mr. Shen Haibo (沈海博), aged 50, was appointed as our Director and executive Director on December 6, 2007 and December 29, 2017, respectively. Mr. Shen holds 14,273,568 A Shares representing 1.28% of our total issued share capital as of September 10, 2018. He has been the Vice President of our Company since December 27, 2010. Mr. Shen joined our Company in June 2005 as a marketing controller. He is primarily responsible for overseeing the sales and promotion of our products in the PRC. Mr. Shen has over 20 years of experience in sales and marketing of lithium products. He worked in the Beijing office of China National Nonferrous Metals Import and Export Xinjiang Co., Ltd. as a lithium product manager from September 1996 to September 2002. Mr. Shen was also a manager of Tianjin Development Zone Yuhai Trading Co., Ltd. (天津開發區禦海商貿有限公司) from October 2002 to December 2004. Mr. Shen obtained his bachelor's degree in industrial engineering management from North China University of Technology in July 1991.

Ms. Deng Zhaonan (鄧招男), aged 50, was appointed as our Director and executive Director on December 3, 2013 and December 29, 2017, respectively. Ms. Deng holds 2,852,928 A Shares representing 0.26% of our total issued share capital as of September 10, 2018. She has been the Vice President of our Company since August 12, 2011. She is primarily responsible for overseeing the quality control of our products, the production, and daily operations of our Company. Ms. Deng has over 10 years of experience in the lithium industry. She joined our Company in April 2004 as a deputy general manager and has served various positions in our Company or its subsidiary since then. From December 2007 to October 2008, she was a vice general manager of Xinyu Ganfeng Organic Lithium Co., Ltd. (新余贛鋒有機鋰有限公司). She then served as a director of the technology center and general manager of the basic lithium plant of our Company from October 2008 to October 2010 and from October 2010 to August 2011, respectively. Ms. Deng was accredited as a Professorate Senior Engineer by the Department of Human Resources and Social Security of Jiangxi Province (江西省人力資源和社會保障廳, "JXHRSS") in December 2017. She graduated from the College of Chemical Engineering of Xiangtan University (湘潭大學) in the PRC and obtained a bachelor's degree in food engineering in June 1992.

Mr. Xu Xiaoxiong (許曉雄), aged 38, was appointed as our Director and executive Director on April 6, 2017 and December 29, 2017, respectively. Mr. Xu joined our Company in April 2017 as our Chief Scientist. He is primarily responsible for overseeing the research and development of our solid-state lithium batteries products. Mr. Xu is the general manager of Ningbo Lisaikang, a wholly-owned subsidiary of our Company. He currently also serves as a member of the Fast Ionic Conductor Sub-Committee (固態離子學分會) of the Chinese Ceramic Society (中國硅酸鹽學會) and a member of the Institute of Energy Storage Engineering of the Chemical Industry and Engineering Society of China (中國化工學會儲能工程專業委員會). Mr. Xu has over 10 years of research experience in the material science. Prior to joining our Company, Mr. Xu was a scientific researcher at National Institute for Materials Science in Japan ("NIMS") from September 2007 to March 2011. He then became a PhD tutor and researcher at the Ningbo Institute of Industrial Technology (寧波材料技術與工程研究所) of the Chinese Academy of Sciences (中國科學院, "CAS") from March 2011 to April 2017. Mr. Xu was accredited as a Band Four Researcher in the Professional Technical Position (專業技術職務四級研究員) by the Institute of New Energy Technology (新能源技術研究所) in December 2014. Further, he was awarded the Youth Science and Technology Prize (青年科技獎) by the Chinese Ceramic Society in December 2015. As of the Latest Practicable Date, Mr. Xu had published over 50 papers in

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

connection with industrial technology on journals listed on the Science Citation Index (SCI) and had obtained 11 patents in connection with materials technology and 10 pending patent applications. Mr. Xu obtained a bachelor's degree in engineering from Wuhan University of Technology (武漢理工大學) in the PRC in June 2002 and then a doctoral degree in science from Shanghai Institute of Ceramics (上海硅酸鹽研究所) of CAS in the PRC in July 2007.

Non-executive Director

Mr. Huang Daifang (黃代放), aged 55, was appointed as our Director and non-executive Director on December 3, 2013 and December 29, 2017, respectively. He is primarily responsible for providing strategic advice and making recommendations on the operations and management of our Company. Mr. Huang has almost 30 years of experience in the engineering technology industry. Since July 1988, Mr. Huang has served several positions in Tellhow Group Co., Ltd (泰豪集團有限公司, formerly known as Jiangxi Tsinghua Science and Technology Development (江西清華科技開發部)), a company principally engaged in research and development, production and sales of high-tech products, including general manager from July 1988 to January 1997, executive director from January 1997 to August 2007 and chairman of the board since August 2007. He was also the president of Tellhow Sci-Tech Co., Ltd. (泰豪科技股份有限公司), a company principally engaged in development, production, sales and maintenance of electric and high-tech products, from August 1998 to August 2007. Since May 2015, he has been appointed as a director of Jiangxi Fashion TV Shopping Co., Ltd (江西風尚電視購物股份有限公司) (listed on the New OTC Market with stock code 834446), a company principally engaged in TV retails and advertisement design. He was accredited as a Senior Economist (高級經濟師) by JXHRSS in March 2003. Mr. Huang was also accredited as a Talent with Outstanding Contribution in Jiangxi Province (江西省突出貢獻人才) jointly by the Jiangxi Provincial Committee of CPC and People's Government of Jiangxi Province, one of the Top Ten Industry Entrepreneurs of Jiangxi Province (江西省工業十佳創業能人) by People's Government of Jiangxi Province and a National Outstanding Builder of Socialism with Chinese Characteristics (全國優秀中國特色社會主義事業建設者) jointly by United Front Work Department of CPC (中共中央統一戰線工作部) and other governmental authorities in May 2006, June 2007 and November 2009, respectively. Further, he was awarded the Bauhinia Cup Outstanding Entrepreneur Awards (紫荊花杯傑出企業家獎) by the Hong Kong Polytechnic University in February 2012, and has been entitled to the special allowance of the State Council for his contribution in engineering technology since August 2005. Mr. Huang obtained a bachelor's degree in internal-combustion engine and an EMBA from Tsinghua University (清華大學) in the PRC in July 1986 and January 2006, respectively.

Independent Non-executive Directors

Mr. Guo Huaping (郭華平), aged 55, was appointed as our independent Director and independent non-executive Director on December 3, 2013 and December 29, 2017, respectively. He is responsible for providing independent advice on the operations and management of our Company. Mr. Guo has over 16 years of experience in accounting. He has been serving several positions in Jiangxi University of Finance and Economics (江西財經大學, "JUFE") (formally known as Jiangxi Provincial Business School (江西省立商業學校)) since December 2001, including, among others, professor of accountancy and master tutor.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In addition, Mr. Guo currently holds or has held directorship in several listed companies as set out below:

Name of Entity	Principal Business	Place of listing and stock code	Position and period of time
Jiangxi Hengda Hi-tech Co., Ltd. (江西恒大高新技術股份有限公司, "Jiangxi Hengda")	provision of technical service in connection with protective materials, individualized protection scheme and engineering technology	Shenzhen Stock Exchange (stock code: 002591)	an independent director from July 2008 to August 2014
Renhe Pharmacy Co., Ltd (仁和藥業股份有限公司, "Renhe Pharmacy")	production and sales of Chinese medicine and health-related products	Shenzhen Stock Exchange (stock code: 000650)	an independent director since February 2013
Jiangxi Wannianqing Cement Co., Ltd. (江西萬年青水泥股份有限公司, "Jiangxi Wannianqing")	production and sales of cement	Shenzhen Stock Exchange (stock code: 000789)	an independent non-executive director since September 2015

Mr. Guo obtained a bachelor's degree in accounting from Zhejiang Gongshang University (浙江工商大學, formerly known as Hangzhou College of Commerce (杭州商學院)) in the PRC in July 1987, a master's degree in computer science from Huazhong University of Science and Technology (華中科技大學) in the PRC in December 2001 and then a doctoral degree in industrial economics from JUFU in June 2005.

Mr. Huang Huasheng (黃華生), aged 49, was appointed as our independent Director and independent non-executive Director on May 8, 2014 and December 29, 2017, respectively. He is responsible for providing independent advice on the operations and management of our Company. Mr. Huang has over 10 years of experience in law. He was an associate professor of law in JUFU from August 2004 to October 2009 and has been currently serving as a professor of law in the same university since November 2009. Mr. Huang obtained a master's degree in law from Northwest University of Political Science and Law (西北政法大學) (formally known as Northwest Institute of Political Science and Law (西北政法學院)) in the PRC in July 1999 and then a doctoral degree in law from China University of Political Science and Law (中國政法大學) in the PRC in June 2004.

Mr. Liu Jun (劉駿), aged 55, was appointed as our independent Director and independent non-executive Director on March 31, 2016 and December 29, 2017, respectively. He is responsible for providing independent advice on the operations and management of our Company. Mr. Liu Jun has over 16 years of experience in accounting. He has been serving several positions in JUFU since 2001, including professor of accountancy, Ph.D tutor and postdoctoral advisor since 2001, 2006 and 2010, respectively. He was an associate dean of the School of Accountancy of JUFU from March 2001 to September 2001 and served as a deputy director of the audit office of JUFU from July 2004 to June 2009. Mr. Liu Jun was awarded the First Prize for Outstanding Achievements in Educational Science (江西省教育科學優秀成果一等獎) by the Office of Leading Group of Educational Sciences of Jiangxi Province (江西省教育科學領導小組辦公室) in October 2004. Mr. Liu Jun obtained a bachelor's degree in business finance and accounting (商業財務會計) from Zhejiang Gongshang University (formerly known as Hangzhou College of Commerce) in the PRC in July 1985 and a doctoral degree in industrial economics from JUFU in June 2004.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wong Sze Wing (黃斯穎), aged 39, was appointed as an independent non-executive Director of our Company on July 29, 2018 and is responsible for providing independent advice on the operations and management of our Company. Ms. Wong has over ten years of experience in accounting in the industrial sector. Her working experience includes the following:

Name of Entity	Principal Business	Latest Position	Period of Time
PricewaterhouseCoopers	accounting and auditing services	Manager	From September 2001 to December 2006
Orange Sky Entertainment Group (International) Holding Company Limited (橙天娛樂集團(國際)控股有限公司, "OSEG")	music and musical production, artist management and advertising business	Chief Financial Officer	From January 2007 to January 2008
Arex China Co., Ltd. (艾迴音樂影像製作(中國)有限公司) (a wholly foreign-owned enterprise initially established by OSEG and Avex Group Holdings Inc., a company listed on the Tokyo Stock Exchange with stock code 78600)	music and musical production	Chief Financial Officer	From January 2007 to July 2008
Yingde Gases Group Company Limited (盈德氣體集團有限公司, "Yingde Gases") (a company previously listed on the Hong Kong Stock Exchange with stock code 2168 and a constituent stock of Hang Seng Composite Index)	production and sales of industrial gas products	Chief Financial Officer Joint Company Secretary	Since July 2010 From February 2009 to March 2017
Orange Sky Golden Harvest Entertainment (Holdings) Limited (橙天嘉禾娛樂(集團)有限公司) (a company listed on the Hong Kong Stock Exchange with stock code 1132)	film exhibition operation	Independent Non-Executive Director	Since April 2010

Ms. Wong became a chartered member of the Hong Kong Institute of Certified Public Accountants in February 2004. She obtained a bachelor's degree in business administration from the University of Hong Kong (香港大學) in Hong Kong in November 2001. She also obtained an EMBA from the China Europe International Business School in the PRC in July 2012.

None of our Directors is personally related to any of our other Directors, Supervisors or senior management. Save as disclosed in this prospectus, (i) none of our Directors has been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules and no other matters required to be disclosed under Rule 13.51(2) of the Hong Kong Listing Rules and (ii) none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

The Directors are of the view, and the Sole Sponsor concurs, that the independent non-executive Directors are able to carry out their duties properly for the reasons set out as follows:

Mr. Guo Huaping and Mr. Huang Huasheng have been serving as our Directors for approximately four years. During their long-period service in our Company, Mr. Guo Huaping and Mr. Huang Huasheng have

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

built up their familiarity with the business operations of our Company and also the understanding of the lithium industry.

Besides, Ms. Wong Sze Wing has been a joint company secretary and a chief financial officer of Yingde Gases for approximately eight years, while Mr. Guo Huaping has served as a director in Jiangxi Hengda, Renhe Pharmacy and Jiangxi Wannianqing for over six years, five years and two years, respectively. All of Yingde Gases, Jiangxi Hengda, Renhe Pharmacy and Jiangxi Wannianqing were or currently are listed companies principally engaged in production activities. Their work experiences in such manufacturing companies enhance their familiarity with the business operations and corporate governance matters of the corporations in the manufacturing sectors, which in turn enable them to duly perform their duties in our Company.

Furthermore, all of Mr. Guo Huaping, Mr. Huang Huasheng and Mr. Liu Jun, are reputable professors at JUFU. Their academic experience in either accounting or law equip them with essential knowledge to understand and advise on the financial reporting and corporate governance matters of our Company.

During their service in our Company, the independent non-executive Directors have studied materials regarding the lithium industry. They will continue to study and enhance their industry knowledge.

SUPERVISORS

The PRC Company Law requires a joint stock limited company to establish a board of supervisors. Our board of Supervisors is responsible for monitoring our financial matters and overseeing the actions of our Board and our management personnel. Our board of Supervisors currently consists of three members. Pursuant to our Articles of Association, at least one-third of our Supervisors must be employee representatives elected by our employees. One of the Supervisors is elected by our employees. The other Supervisors are elected and appointed by our shareholders at a shareholders' meeting. Each of the Supervisors elected by our employees or by our shareholder is appointed for a term of three years, which is renewable upon re-election and re-appointment.

Pursuant to our Articles of Association, the functions and powers of the board of Supervisors include, among other things:

- examining the financial affairs of our Company;
- supervising the performance of Directors and senior management members, and monitoring as to whether they had acted in violation of the law, administrative stipulations, Articles of Association and the resolutions passed at shareholders' meetings in the performance of their duties;
- requesting Directors and senior management members to rectify actions which are detrimental to the Company's interest;
- checking the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the Board of Directors to the shareholders' general meetings and, should any queries arise, to authorize in the name of the Company public certified accountants and practising auditors to re-examine the financial information;
- convening extraordinary general meetings;
- making proposals to general meetings;
- representing the Company in negotiation with or bringing an action against a director or general manager according to law and association of the Company; and

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- exercising other powers, functions and duties as conferred by the law, administrative stipulations and our Articles of Association.

A description of the business experience of each Supervisor is set out below.

Gong Yong (龔勇), aged 34, was appointed as our Supervisor on March 18, 2017 and was then elected as the chairman of the board of Supervisors of our Company on December 5, 2017. He is responsible for supervising the performance of duties by the Directors and senior management of our Company. He has approximately 10 years of experience in accounting. He joined our company as an accountant in July 2011 and remained in the position till December 2012. He has been the auditor of our Company since December 2012. Prior to joining our Company, Mr. Gong served as an accountant at Xinyu Xingguang Textile Co., Ltd. (新余市星光紡織廠) in the textile industry from January 2008 to June 2011. He was granted the certificate of accounting professional in June 2007 by the Department of Finance of Jiangxi Province (江西省財政廳). Mr. Gong graduated from JUFE with an associate's degree in accounting computerization in June 2005.

Tang Xiaoqiang (湯小強), aged 45, joined our Company and was appointed as our Supervisor on May 25, 2017. Mr. Tang has interest in 300 A Shares of our Company as of September 10, 2018. He is responsible for supervising the performance of duties by the Directors and senior management of our Company. He has over 16 years of experience in environmental monitoring. Prior to joining our Company, Mr. Tang served as the chief engineer of Nanchang Hangda Energy Conservation and Environmental Protection Service Co., Ltd (南昌航大節能環保服務有限公司) from June 2011 to November 2014. He was also a general manager of Jiangxi Kunsheng Industrial Co., Ltd. (江西省坤盛實業有限公司) from December 2014 to September 2016, where he was primarily responsible for overseeing daily operations. Mr. Tang graduated from Nanchang University (南昌大學) in the PRC with an associate's degree in environmental engineering in July 1995. He graduated from Nanchang University in the PRC with a bachelor's degree in environmental engineering in January 2007.

Zou Jian (鄒健), aged 53, was appointed as a Supervisor of our Company on April 6, 2017. He is responsible for supervising the performance of duties by the Directors and senior management of our Company. He has over 15 years of experience in the non-ferrous metal industry. Prior to joining our Company, he worked at Hengyang Hengye Heavy Machinery Co., Ltd. (衡陽衡冶重型機械有限公司). He was also the chief of marketing division of the Shanghai branch of Beijing New Century Certification Company Limited (北京新世紀認證有限公司) from June 2002 to June 2005. He has been the branch office general manager of the Shanghai branch of Beijing Saixi Certification Co., Ltd. (北京賽西認證有限公司) from April 2012 to April 2014. Mr. Zou was qualified as a Senior Engineer (高級工程師) in November 1999. He completed postgraduate courses in business management from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院) in the PRC in July 1998.

None of our Supervisors is personally related to any of our Directors, other Supervisors or senior management. None of our Supervisors has been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules and no other matters required to be disclosed under Rule 13.51(2) of the Hong Kong Listing Rules. None of our Supervisors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of the business of our Company. A description of the business experience of each senior management member is set out below.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li Liangbin (李良彬), aged 51, is the President of our Company, primarily responsible for the overall management of our Company's business strategies and operations, and was appointed on December 27, 2010. See "— Directors — Executive Directors — Mr. Li Liangbin" above for his biography.

Mr. Wang Xiaoshen (王曉申), aged 49, is the Vice President of our Company, primarily responsible for overseeing the marketing, investment and overseas business of our Company, and was appointed on December 27, 2010. See "— Directors — Executive Directors — Mr. Wang Xiaoshen" above for his biography.

Mr. Shen Haibo (沈海博), aged 50, is the Vice President of our Company, primarily responsible for overseeing the sales and promotion of our products in the PRC, and was appointed on December 27, 2010. See "— Directors — Executive Directors — Mr. Shen Haibo" above for his biography.

Ms. Deng Zhaonan (鄧招男), aged 50, is the Vice President of our Company, primarily responsible for overseeing the quality control of our products, the production, and daily operations of our Company and was appointed on August 12, 2011. See "— Directors — Executive Directors — Ms. Deng Zhaonan" above for her biography.

Mr. Xu Jianhua (徐建華), aged 48, is the Vice President of our Company and was appointed on June 25, 2012. He is mainly responsible for overseeing the equipment management and engineering construction of our Company. Mr. Xu has over 27 years of experience in the mineral industry. Prior to joining our Company, Mr. Xu served as an engineer of a branch plant at Jiangxi Salt Mine (江西鹽礦) from September 1990 to January 2008. Mr. Xu joined our Company in February 2008. He then served as the vice plant manager of the Basic Lithium Plant (基礎鋰廠) from January 2009 to December 2010. From January 2011 to December 2011, he was the chief of the manufacturing center of our Company, and then the chief of the material support center of our Company till June 2012. He was qualified as a Senior Engineer in mechanical and electrical engineering in April 2013 by JXHRSS. He graduated from the East China Institute of Chemical Engineering (華東化工學院) in the PRC with a bachelor's degree in machinery and equipment for chemical engineering in July 1990.

Mr. Liu Ming (劉明), aged 38, is the Vice President of our Company and was appointed on December 27, 2010. He is mainly responsible for the production safety and research and development of our Company. Mr. Liu Ming has over 10 years of experience in the lithium industry. He joined our Company in May 2007 and served several positions in different departments of our Company since then. He was the chief of the design department of our Company from February 2008 to May 2009 and the plant manager of the Basic Lithium Plant from May 2009 to October 2009. He then served as assistant to the general manager of Fengxin Ganfeng from October 2009 to May 2010. He also served as assistant to the general manager of our Company from October 2009 to May 2010 and the chief of the technical center of our Company from May 2010 to October 2012. He was qualified as a Senior Engineer in March 2017 by JXHRSS. Mr. Liu Ming graduated from Anqing Normal University (安慶師範大學, formally know as Anqing Normal College (安慶師範學院)) in the PRC with a bachelor's degree in environmental science in July 2003. Mr. Liu Ming obtained his master's degree in chemical engineering from Nanchang University in the PRC in July 2007.

Ms. Yang Manying (楊滿英), aged 53, is the Vice President and Chief Financial Officer of our Company and was appointed on April 11, 2014. She is responsible for the overall financial and accounting related matters of the our Company. She has over 20 years of experience in accounting and finance. She joined our Company in January 2006 and served various positions in our Company, including our financial manager from January 2006 to December 2007, the chief of our auditing department from January 2008 to

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

January 2009, and the chief of our operation center from February 2009 to March 2014. Prior to joining our Company, Ms. Yang worked at Jiangxi Jianlishi Co., Ltd (江西健力士製藥有限公司) (a Sino-U.S. joint venture) and Jiangxi Oushi Pharmaceuticals Co., Ltd (江西歐氏藥業有限責任公司) from 1995 to 1998 and from 2004 to 2005, respectively. Ms. Yang was accredited as a statistician by National Bureau of Statistics of China (國家統計局) in November 1995. She completed MBA courses in JUFU in July 2011.

Ms. Ouyang Ming (歐陽明), aged 42, is the Vice President and secretary of the Board of our Company and was appointed on June 5, 2014. She is mainly responsible for overseeing administrative, Board and labor union matters. Ms. Ouyang has over 15 years of experience in administration and compliance matters. She joined our Company in January 2002 and served several positions since then. From August 2013 to June 2014, she served as the executive director of Ganfeng Battery. She has been a director of Dalian Yike since October 2016. Ms. Ouyang obtained her certificate of secretary of board of directors from the Shenzhen Stock Exchange in December 2013. She majored in accounting and graduated from the Central Radio and Television University (中央廣播電視大學) in the PRC in July 2007.

None of our senior management is personally related to any of our Directors, Supervisors or other senior management. None of the senior management has been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules and no other matters required to be disclosed under Rule 13.51(2) of Listing Rules. Save as disclosed above, none of our senior management has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Ren Yuchen (任宇塵), aged 27, was appointed as one of our joint company secretaries on December 29, 2017, with effect from Listing. Mr. Ren joined our Company in November 2017. Since then, he has been responsible for corporate governance and secretarial matters of our Company as well as managing and maintaining strategic relationship with our overseas investors. Mr. Ren has approximately 2 years of professional experience in accounting and corporate finance. Prior to joining our Company, he worked in KPMG Huazhen LLP as an accountant from October 2015 to March 2017. Mr. Ren graduated from the University of Nottingham in the U.K. with a bachelor's degree in international business economics with honors in July 2013 and then obtained his master's degree in economic history from the London School of Economics and Political Science in the U.K. in November 2014.

Mr. Cheung Kai Cheong Willie (張啟昌), aged 43, was appointed as one of our joint company secretaries on January 25, 2018, with effect from Listing. He has more than 19 years of professional experience in company secretarial, accounting and finance matters. He has been a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司) (previously known as SW Corporate Services Group Limited (信永方圓企業服務集團有限公司)) since April 2017, mainly responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, he served as the company secretary and finance manager of CMMB Vision Holdings Limited (中國移動多媒體廣播控股有限公司) (a company listed on the Hong Kong Stock Exchange with stock code 471) from August 2008 to June 2014 and the assistant financial controller of Ocean Concept Holdings Limited (富理集團有限公司) from December 2014 to February 2016. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) and the Association of Chartered Certified Accountants in the United Kingdom (英國特許公認會計師公會) since January 2009 and October 2008, respectively. He obtained his bachelor's degree in accounting and finance with honors from the University of Glamorgan in the U.K. in June 1996.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on April 26, 2008. The Company has revised the written terms of reference of the committee with reference to the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The audit committee consists of three independent non-executive Directors, being Mr. Guo Huaping, Mr. Huang Huasheng and Ms. Wong Sze Wing. Mr. Guo Huaping has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include: (i) making recommendations regarding the appointment and removal of external auditors of the Company; (ii) reviewing the accounting policies, financial positions and reporting process of the Company; (iii) reviewing and supervising the internal audit functions and internal control structure of the Company; and (iv) reviewing and overseeing the risk management of the Company.

Remuneration Committee

The Company established a remuneration committee on April 26, 2008. The Company has revised the written terms of reference of the committee with reference to the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The Remuneration Committee consists of three members, namely Mr. Liu Jun, Mr. Guo Huaping and Ms. Deng Zhaonan. Mr. Liu Jun has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include: (i) reviewing and making recommendations to the Board regarding remuneration policies for Directors and senior management; and (ii) supervising the implementation of remuneration policies.

Nomination Committee

The Company established a nomination committee on April 26, 2008. The Company has revised the written terms of reference of the committee with reference to the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules. The Nomination Committee consists of three members, namely Mr. Huang Huasheng, Mr. Liu Jun and Mr. Li Liangbin. Mr. Huang Huasheng has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include: (i) reviewing the composition of the Board of Directors and assessing the ability and experience of Directors; (ii) making recommendations regarding the appointment and removal of Directors and the President; and (iii) assessing the independence of the independent non-executive Directors.

Strategy Committee

The Company established a strategy committee on April 26, 2008. The Strategy Committee consists of five members, namely Mr. Li Liangbin, Mr. Wang Xiaoshen, Mr. Huang Daifang, Mr. Liu Jun and Mr. Xu Xiaoxiong. Mr. Li Liangbin has been appointed as the chairman of the Strategy Committee. The primary duties of the Strategy Committee include: (i) reviewing and making recommendations on the long-term strategic development and business goals of the Company; (ii) reviewing and advising on the investment and financing strategies of the Company; and (iii) reviewing and making recommendations on the capital and assets operations of the Company.

LISTING RULES COMPLIANCE

To ensure compliance with the Hong Kong Listing Rules upon Listing, the Board has designated Mr. Wang Xiaoshen (王曉申) and Ms. Wong Sze Wing (黃斯穎) to oversee the Group's Hong Kong Listing

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Rules compliance matters upon Listing. Mr. Wang Xiaoshen is our vice-Chairman and executive Director, who is familiar with the corporate affairs of the Group. Ms. Wong Sze Wing is an independent non-executive Director, who gained experience on Hong Kong Listing Rule compliance matters while she served as a joint company secretary and the chief financial officer of Yingde Gases during the period in which Yingde Gases was listed on the Hong Kong Stock Exchange with stock code 2168, and has been an independent non-executive director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (a company listed on the Hong Kong Stock Exchange with stock code 1132). The Company believes the combination of Mr. Wang's familiarity with the Group's corporate affairs and Ms. Wong's experience on Hong Kong Listing Rule compliance matters makes them appropriate to take up the role. Mr. Wang and Ms. Wong will review the Company's internal procedures in connection with Hong Kong Listing Rules compliance matters on a quarterly basis. They will also take no less than 15 hours of training on Hong Kong Listing Rules compliance matters every year. The Company's finance, compliance and securities departments shall discuss with Mr. Wang and Ms. Wong on all material Hong Kong Listing Rules compliance matters before taking any actions which may have a Hong Kong Listing Rules compliance implication.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Li Liangbin is the chairman of the Board and the President of our Company. With extensive experience in the lithium industry, Mr. Li Liangbin is responsible for the overall management of our Company's business strategies and operations. We believe that he is instrumental to our growth and business expansion since our establishment in 2000. Our Board considers that vesting the roles of chairman of the Board and President in the same person is beneficial to the management of our Company. We believe that the balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals. Our Board currently comprises five executive Directors (including Mr. Li Liangbin), one non-executive Director and four independent non-executive Directors and therefore we believe that it has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive, in their capacity as our employees, compensation from our Company in the form of salaries, bonuses, allowances and other benefits in kind such as contribution to pension plans.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind which were paid to our Directors for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 was RMB1.8 million, RMB2.5 million, RMB2.7 million and RMB7.3 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind which were paid to our Supervisors for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 was RMB0.5 million, RMB0.6 million, RMB0.9 million and RMB0.2 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind which were paid to our senior management for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 was RMB0.8 million, RMB1.2 million, RMB1.4 million and RMB0.9 million, respectively.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by our Group to our Directors, Supervisors and senior management for the years ended December 31, 2015, 2016 and 2017.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind which were paid by our Group to the five highest paid individuals of our Group, including Directors, for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 was RMB1.8 million, RMB2.4 million, RMB2.7 million and RMB7.3 million, respectively.

No remuneration was paid by our Group to the Directors, Supervisors, senior management or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018. Further, none of our Directors, Supervisors nor senior management waived or agreed to waive any remuneration during the same periods.

Under our arrangements currently in force as of the date of this prospectus, the aggregate remuneration (including benefits in kind and discretionary bonuses) payable to our Directors, Supervisors and senior management by our Company for the year ending December 31, 2018 is estimated to be approximately RMB4.7 million in aggregate.

Our Board will review and determine the remuneration and compensation package of our Directors, Supervisors and senior management, which will receive recommendation from the Nomination and Remuneration Committees following the Listing, taking into account salaries paid by comparable companies, and their time commitment, experience and level of responsibilities in our Company.

SHARE INCENTIVE PLAN

We have adopted the RSU Scheme in order to further motivate our employees. See "Statutory and General Information — D. RSU Scheme" in Appendix VII for further details.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Development Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$21.50 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$4,151.3 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately HK\$2,401.0 million (approximately 58% of our total estimated net proceeds, 30% of which is intended to be used for our upstream business, 14% for our midstream business and 14% for our downstream business) 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. We take a number of factors into account prior to acquiring upstream lithium resources. We mainly target projects located in North America, South America and Australia, with resource size over 2 million tons LCE. We will also consider the existing infrastructure, accessibility and logistics at the location of the resources, which indicate the easiness of future development and potential costs. Specifically, in terms of spodumene resources, we target projects with an above average resource grade, which is approximately 1.2%, and in terms of brine resources, we also consider the water inflow, the evaporation rate, the pumping rate (a higher pumping rate means a faster extraction rate of brine which leads to higher production volume), the original concentration of brine and also the percentage and composition of other chemicals in the brine resources. Moreover, the cost of acquisition, including the estimated development costs, the price of comparable resources as well as expected payback period are also taken into our consideration. However, expected payback period may not be available for investments in upstream resources that are in an early stage and thus sometimes it is not our primary consideration.
- Approximately HK\$920.0 million (approximately 22% of our total estimated net proceeds) is intended to be used to provide financial assistance to Lithium Americas, which will use the funds to cover capital expenditure for construction of the Cauchari-Olaroz project;
- Approximately HK\$415.1 million (approximately 10% of our total estimated net proceeds) is intended to be used for our research and development efforts, in particular on solid-state lithium batteries;
- Approximately HK\$415.1 million (approximately 10% of our total estimated net proceeds) is intended to be used for our working capital and general corporate purposes.

The above allocation of the proceeds (except for the part of proceeds used for repaying loans) will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$26.50 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$980.8 million, assuming the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK\$16.50 per Offer Share (being the low end of the Offer Price range states in this prospectus), the net proceeds we receive will be reduced by approximately HK\$980.8 million, assuming the Over-allotment Option is not exercised.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$1,315.6 million assuming an Offer Price of HK\$26.50 per Share, being the high end of the proposed Offer Price range, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. If the Offer Price is set at HK\$16.50 per Share, being the low end of the proposed Offer Price range, the additional net proceeds upon full exercise of the Over-allotment Option will decrease by approximately HK\$772.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

The Company is seeking an H-share IPO in Hong Kong for a number of reasons. In the past 18 months, due to changes in China Securities Regulatory Commission's ("CSRC") policy toward secondary fundraising in the A-share market, approval process has become increasingly lengthy which restricted the Company's ability to seek equity funding for its capital expenditures. In addition, the Chinese central government's policy in curbing capital outflow in order to maintain Renminbi foreign exchange rate stability has also affected the Company's ability to transfer its Renminbi cash from onshore to offshore China and convert it into foreign currencies to fund committed upstream resource projects in Argentina as well as to meet working capital needs for procurement of lithium raw materials from Australia. Thirdly, as the Company undertakes further expansions to fund both onshore and offshore projects, having an H-share listed platform provides flexibility to the Company which enables its management to raise equity funding in Hong Kong dollars through a wider international investor base when required without potential issues caused by unpredictable policy changes from CSRC and People's Bank of China ("PBOC") in terms of secondary equity fundraising in the A-share market and Renminbi foreign exchange rate. The Company's management is of the view that an H-share listing is an important step in funding the Company's growth plan to capture opportunities in the fast-growing lithium battery market driven by electric vehicles and energy storage applications.

With respect to corporate finance strategy, the Company aims to build capabilities in accessing both onshore and offshore capital markets to raise equity and debt funding as required. The Company's management seeks to utilize a combination of available funding sources and instruments including bank loans, bonds, equity as well as hybrid securities to ensure it has sufficient flexibility in obtaining capital at a competitive rate while maintaining a sustainable capital structure.

UNDERWRITING

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited
China International Capital Corporation Hong Kong Securities Limited
Deutsche Bank AG, Hong Kong Branch
ABCI Securities Company Limited
CCB International Capital Limited
Futu Securities International (Hong Kong) Limited
Guotai Junan Securities (Hong Kong) Limited
Head & Shoulders Securities Limited
ICBC International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 20,018,800 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting approval for listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

- (i) there shall develop, occur, exist or come into effect:
- any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases (including, without limitation, SARS, swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms), economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, Singapore, the PRC, Japan, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”);

UNDERWRITING

- any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
- any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;
- any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions in respect of any jurisdiction relevant to the business operations of any member of the Group;
- any change or development or a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;
- the issue or requirement to issue by the Company of a supplement or amendment to the prospectus, any Application Forms or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules or upon any requirement or request of Hong Kong Stock Exchange and/or the SFC;
- the President, the Chief Financial Officer or any Director of the Company is vacating his office;

UNDERWRITING

- any Director being charged with of an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action;
- any change or development involving a prospective change which has the effect of the materialization of, any of the risks set out in the section headed "Risk Factors" of the prospectus;
- any order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- any litigation, dispute, legal action or claim being threatened or instigated against any member of the Group;
- any contravention by the Company or any member of the Group of any applicable laws and regulations including the Hong Kong Listing Rules; or
- any non-compliance of the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable laws and regulations,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will or is likely to have a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement); (2) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the prospectus; or (4) has or will or is likely to have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Global Coordinators that:

- any statement contained in the prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the

UNDERWRITING

Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering and the Global Offering (including any supplement or amendment thereto (the "**Offer-Related Documents**") but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

- any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents;
- there is a material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Sole Sponsor or the Underwriters), as applicable;
- there is an event, act or omission which gives or is likely to give rise to any material liability of the Company pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, performance, prospectus, position or condition, financial or otherwise, of the Group as a whole;
- there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued upon the exercise of the Over-Allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- any person (other than the Sole Sponsor) has withdrawn its consent to the issue of the Prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- the Company withdraws the prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- any prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional H Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering.

UNDERWRITING

Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules

Undertakings by Our Company

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Company

Except for (i) the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to the Over-Allotment Option); (ii) the issue of A Shares upon the conversion of Convertible Bonds; (iii) the repurchase of restricted A Shares issued pursuant to the share award schemes of the Company in accordance with the terms and conditions of the relevant share award schemes of the Company, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-Month Period"), the Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any transaction described in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-month Period). In the event that,

UNDERWRITING

during the period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), the Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or contracts to or announces, or publicly discloses, any intention to, enter into any such transactions, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Undertakings to the Hong Kong Underwriters pursuant to the Lock-Up Undertakings

Undertakings by Mr. Li Liangbin and Mr. Wang Xiaoshen

Mr. Li Liangbin and Mr. Wang Xiaoshen have undertaken to the Company, the Sole Sponsor and each of the Joint Global Coordinators and the Underwriters that without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters and the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

- during the period commencing on the date of the Lock-Up Undertakings and ending on, and including, the date that is six months after the Listing Date (the **Lock-up Period**), they will not:
 - (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) beneficially owned by them as of the Listing Date, and including Shares converted during the Lock-up Period from the Convertible Bonds held by them as at the date of the Lock-Up Undertakings (the **Locked-up Securities**);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities;
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) offer to or contract to or agree to or publicly disclose that he will or may enter into any transaction described in (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period);
- until the expiry of the Lock-up Period, in the event that he enters into any such transactions specified in (i), (ii) or (iii) above or offers to or agrees to or contracts to, or publicly announces an intention to enter into any such transactions, they will take all reasonable steps to ensure that he will not create a disorderly or false market in the securities of the Company.

The undertakings above shall not:

- apply to Shares acquired by Mr. Li Liangbin or Mr. Wang Xiaoshen subsequent to the completion of the Global Offering (excluding Shares acquired by Mr. Li Liangbin or Mr. Wang Xiaoshen through conversion of the Convertible Bonds held by them as at the date of the Lock-Up Undertakings);

UNDERWRITING

- apply to disposal by Mr. Li Liangbin or Mr. Wang Xiaoshen of the Convertible Bonds held by them as at the date of the Lock-Up Undertakings, or
- prevent Mr. Li Liangbin or Mr. Wang Xiaoshen from using the Shares beneficially owned by them as security (including a charge or a pledge) in favor of a commercial bank or securities broker registered in the PRC for a bona fide commercial loan, provided that (i) they immediately inform the Company and the Joint Global Coordinators of such pledge or charge together with the number of Shares so pledged or charged, and (ii) when they receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately informs the Company and the Joint Global Coordinators of such indications.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, among others, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers for, or themselves to subscribe for their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 12,891,600 additional Offer Shares, representing approximately 6.44% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over allocations (if any) in the International Offering.

It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission equal to 1.5% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). For any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission shall not be paid to the Hong Kong Underwriters as the relevant underwriting commission relating to such Offer Shares will be payable to the International Underwriters in accordance with the International Underwriting Agreement. In addition, the Company may at its sole and absolute discretion pay to any one or all of the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers for their respective accounts

UNDERWRITING

an incentive fee of up to an aggregate of no more than 0.5% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding such Offer Shares reallocated to and from the Hong Kong Public Offering).

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$21.5 per Offer Share (being the mid-point of the indicative Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) are expected to be approximately HK\$91.6 million.

Assuming an Offer Price of HK\$21.5 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (assuming the full payment discretionary incentive fee and no exercise of the Over-allotment Option), together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$152.7 million in total. Such commissions, fees and expenses are payable by our Company.

The commission and expenses were determined after arm's length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

HONG KONG UNDERWRITERS' INTERESTS IN THE COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China and the U.S.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for

UNDERWRITING

the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (i) the Hong Kong Public Offering of 20,018,800 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in “— The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of 180,167,000 Offer Shares (subject to reallocation as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15.22% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option and assuming none of the Convertible Bonds is converted into A Shares after September 10, 2018. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.05% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “— The International Offering — Over-allotment Option” below, assuming none of the Convertible Bonds is converted into A Shares after September 10, 2018.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “— The Hong Kong Public Offering — Reallocation” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 20,018,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 1.52% of the Company’s registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “— Conditions of the Hong Kong Public Offering” below.

Allocation

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 10,009,400 Offer Shares for pool A and 10,009,400 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less.

The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 10,009,400 Offer Shares, being 50% of Offer Shares initially allocated in the Hong Kong Public Offering, are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a

STRUCTURE OF THE GLOBAL OFFERING

result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 60,055,800 Offer Shares (in the case of (a)), 80,074,400 Offer Shares (in the case of (b)) and 100,093,200 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done in the circumstance that the International Offer Shares are undersubscribed or other than pursuant to the clawback mechanism above, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 40,037,600 Offer Shares (representing approximately 20% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative offer price range (i.e., HK\$16.50 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$26.50 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing of the Global Offering" below, is less than the maximum price of HK\$26.50 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 180,167,000 Offer Shares to be offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 12,891,600 additional Offer Shares, representing approximately 6.44% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.97% of the Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will

STRUCTURE OF THE GLOBAL OFFERING

be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, October 4, 2018 and in any event on or before Wednesday, October 10, 2018 by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$26.50 per H Share and is expected to be not less than HK\$16.50 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the written consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of a notice in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. **Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to

STRUCTURE OF THE GLOBAL OFFERING

be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering and assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$5,132.1 million, assuming an Offer Price per H Share of HK\$26.50, or approximately HK\$3,170.5 million, assuming an Offer Price per H Share of HK\$16.50 (or if the Over-allotment Option is exercised in full, approximately HK\$5,466.9 million, assuming an Offer Price per H Share of HK\$26.50, or approximately HK\$3,378.9 million, assuming an Offer Price per H Share of HK\$16.50).

The Offer Price for H Shares under the Global Offering is expected to be announced on Wednesday, October 10, 2018.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, October 10, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ganfenglithium.com.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Citigroup Global Markets Asia Limited, as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

STRUCTURE OF THE GLOBAL OFFERING

- (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;
- (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or
- (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Friday, November 2, 2018. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 12,891,600 additional H Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

STRUCTURE OF THE GLOBAL OFFERING

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 11, 2018, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, October 11, 2018. Our H Shares will be traded in board lots of 200 H Shares each and the stock code will be 1772.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares to be issued (including any additional Offer Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering; and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Hong Kong Listing Rules) of any of the above;
- a connected person (as defined in the Hong Kong Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 27, 2018 till 12:00 noon on Wednesday, October 3, 2018 from:

- (i) any of the following offices of certain Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Deutsche Bank AG, Hong Kong Branch

Level 52, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Futu Securities International (Hong Kong) Limited

11/F, Bangkok Bank Building
18 Bonham Strand West
Sheung Wan
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

ICBC International Securities Limited

37/F ICBC Tower
3 Garden Road
Hong Kong

- (ii) any of the branches of the following receiving bank:

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
New Territories	Tai Po Branch	G/F Shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 27, 2018 till 12:00 noon on Wednesday, October 3, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to **Horsford Nominees Limited — Ganfeng Lithium Public Offer** for

HOW TO APPLY FOR HONG KONG OFFER SHARES

the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, September 27, 2018 — 9:00 a.m. to 5:00 p.m.
Friday, September 28, 2018 — 9:00 a.m. to 5:00 p.m.
Saturday, September 29, 2018 — 9:00 a.m. to 1:00 p.m.
Tuesday, October 2, 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, October 3, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on October 3, 2018, the last application day or such later time as described in “— Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) **agree** that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (viii) **agree** to disclose to the Company, our H Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund check(s) in person;
- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that

HOW TO APPLY FOR HONG KONG OFFER SHARES

person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website at www.eipo.com.hk. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at www.eipo.com.hk, you authorize the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, September 27, 2018 until 11:30 a.m. on Wednesday, October 3, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, October 3, 2018 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each "Ganfeng Lithium Co., Ltd." **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to the Company, our H Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
 - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.
- agree with the Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;
 - (b) that any award made in such arbitration shall be final and conclusive; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each Shareholder) that H Shares are freely transferable by their holders; and
- authorize the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Offer Shares. Instructions for more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, September 27, 2018 — 9:00 a.m. to 8:30 p.m.
Friday, September 28, 2018 — 8:00 a.m. to 8:30 p.m.
Saturday, September 29, 2018 — 8:00 a.m. to 1:00 p.m.
Tuesday, October 2, 2018 — 8:00 a.m. to 8:30 p.m.
Wednesday, October 3, 2018 — 8:00 a.m. to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 27, 2018 until 12:00 noon on Wednesday, October 3, 2018 (24 hours daily, except on Wednesday, October 3, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, October 3, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Wind Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Wind Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Wind Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, October 3, 2018 or such later time under the "Effect of Bad Weather on the Opening of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on October 3, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on October 3, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, October 10, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.ganfenglithium.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.ganfenglithium.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, October 10, 2018;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, October 10, 2018 to 12:00 midnight on Tuesday, October 16, 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 10, 2018 to Saturday, October 13, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, October 10, 2018 to Friday, October 12, 2018 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Wind Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Wind Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected

HOW TO APPLY FOR HONG KONG OFFER SHARES

will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$26.50 per Offer Share (excluding brokerage, SFC

HOW TO APPLY FOR HONG KONG OFFER SHARES

transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, October 10, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or before Wednesday, October 10, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier’s order(s).

H Share certificates will only become valid certificates of title at 8:00 a.m., on Thursday, October 11, 2018 provided that (1) the Global Offering has become unconditional in all respects and (2) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 10, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 10, 2018, by ordinary post and at your own risk.

(ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 10, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, October 10, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies

HOW TO APPLY FOR HONG KONG OFFER SHARES

to HKSCC before 5:00 p.m. on Wednesday, October 10, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 10, 2018, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 10, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 10, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, October 10, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m., Wednesday, October 10, 2018 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, October 10, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 10, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of "Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.



22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

The Directors
Ganfeng Lithium Co., Ltd.
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the historical financial information of Ganfeng Lithium Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-92, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2015, 2016 and 2017 and March 31, 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-92 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 27, 2018 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2015, 2016 and 2017 and March 31, 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended March 31, 2017 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods and the three months ended March 31, 2017.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
September 27, 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSA's") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

1. Consolidated Statements of Profit or Loss

	Section II Notes	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5(a)	1,344,179	2,633,456	4,171,201	623,632	1,044,434
Cost of sales	6(b)	(1,043,892)	(1,628,199)	(2,496,146)	(403,161)	(558,672)
Gross profit		300,287	1,005,257	1,675,055	220,471	485,762
Other income and gains	5(c)	128,182	893,702	1,122,730	310,743	66,028
Selling and distribution expenses ...		(34,551)	(50,870)	(53,207)	(9,950)	(8,488)
Administrative expenses		(82,341)	(109,349)	(192,878)	(29,372)	(95,880)
Other expenses		(49,186)	(527,914)	(153,522)	(16,434)	(94,622)
Finance costs	7	(18,742)	(21,000)	(56,897)	(10,354)	(18,552)
Share of profits and losses of:						
Associates		(677)	(771)	25,153	(234)	(24,936)
A joint venture		–	99	806	–	154
Profit before tax	6	242,972	1,189,154	2,367,240	464,870	309,466
Income tax expense	10	(25,102)	(71,093)	(272,190)	(28,494)	(67,003)
Profit for the year/period		217,870	1,118,061	2,095,050	436,376	242,463
Profit for the year/period attributable to:						
Owners of the parent		218,227	1,117,007	2,095,548	436,498	242,611
Non-controlling interests		(357)	1,054	(498)	(122)	(148)
		217,870	1,118,061	2,095,050	436,376	242,463
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	12					
Basic						
– For profit for the year/period (RMB)		<u>0.20</u>	<u>0.99</u>	<u>1.89</u>	<u>0.39</u>	<u>0.22</u>
Diluted						
– For profit for the year/period (RMB)		<u>0.20</u>	<u>0.99</u>	<u>1.89</u>	<u>0.39</u>	<u>0.22</u>

2. Consolidated Statements of Comprehensive Income

Section II Notes	Year ended December 31,			Three months ended March 31,	
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000 (Unaudited)	2018 RMB'000
Profit for the year/period	<u>217,870</u>	<u>1,118,061</u>	<u>2,095,050</u>	<u>436,376</u>	<u>242,463</u>
Other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	<u>7,813</u>	<u>34,308</u>	<u>(52,797)</u>	<u>(547)</u>	<u>(34,435)</u>
Other comprehensive income/ (loss) for the year/period, net of tax	<u>7,813</u>	<u>34,308</u>	<u>(52,797)</u>	<u>(547)</u>	<u>(34,435)</u>
Total comprehensive income for the year/period, net of tax ...	<u>225,683</u>	<u>1,152,369</u>	<u>2,042,253</u>	<u>435,829</u>	<u>208,028</u>
Total comprehensive income for the year/period attributable to:					
Owners of the parent	226,040	1,151,315	2,045,134	435,875	211,276
Non-controlling interests	<u>(357)</u>	<u>1,054</u>	<u>(2,881)</u>	<u>(46)</u>	<u>(3,248)</u>
	<u>225,683</u>	<u>1,152,369</u>	<u>2,042,253</u>	<u>435,829</u>	<u>208,028</u>

3. Consolidated Statements of Financial Position

	Section II Notes	As at December 31,			As at March 31,
		2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	744,032	1,166,000	1,620,204	1,935,393
Investment properties	15	249	221	194	187
Prepaid land lease payments	16	92,881	111,783	135,407	134,631
Intangible assets	18	139,099	140,946	227,175	228,072
Goodwill	17	235,011	17,580	18,302	18,302
Investments in associates	20	168,927	369,398	744,132	762,113
Investment in a joint venture	21	–	50,099	50,905	51,059
Investments at fair value through profit or loss	22	4,200	190,563	592,051	440,507
Deferred tax assets	33	6,155	50,130	9,980	11,015
Other long-term assets	23	107,860	80,024	33,068	32,576
Total non-current assets		1,498,414	2,176,744	3,431,418	3,613,855
CURRENT ASSETS					
Inventories	24	313,146	534,354	914,835	1,148,348
Trade and bills receivables	25	478,703	576,895	945,436	990,296
Amounts due from a related party	42	–	–	122,702	111,096
Prepayments, deposits and other receivables	26	32,288	114,265	156,358	329,561
Investments at fair value through profit or loss	22	1,432	51,304	191,151	791,605
Derivative financial instruments	27	92,296	630,690	–	–
Pledged deposits	28	17,862	28,568	71,848	81,977
Cash and cash equivalents	28	162,871	169,183	2,165,352	1,217,403
Total current assets		1,098,598	2,105,259	4,567,682	4,670,286
TOTAL ASSETS		2,597,012	4,282,003	7,999,100	8,284,141
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	178,697	538,635	1,210,873	1,067,919
Trade and bills payables	29	167,641	297,807	299,771	359,971
Amounts due to a related party	42	–	–	6,464	3,669
Other payables and accruals	30	106,470	246,305	497,567	529,214
Income tax payable		21,030	108,131	211,526	271,232
Other liabilities	37	9,043	–	588,128	588,128
Total current liabilities		482,881	1,190,878	2,814,329	2,820,133
NET CURRENT ASSETS		615,717	914,381	1,753,353	1,850,153
TOTAL ASSETS LESS CURRENT LIABILITIES		2,114,131	3,091,125	5,184,771	5,464,008
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	106,000	56,000	351,142	362,228
Convertible bonds	32	–	–	667,231	678,809
Deferred income	34	52,438	66,541	59,383	57,910
Deferred tax liabilities	33	3,048	4,817	63,845	58,244
Total non-current liabilities		161,486	127,358	1,141,601	1,157,191
Total liabilities		644,367	1,318,236	3,955,930	3,977,324
Net assets		1,952,645	2,963,767	4,043,170	4,306,817
EQUITY					
Equity attributable to owners of the parent					
Share capital	35	377,814	752,696	741,771	741,139
Equity component of convertible bonds	32	–	–	205,699	205,699
Treasury shares	37	(9,043)	–	(588,128)	(588,128)
Reserves	36	1,583,210	2,208,853	3,677,862	3,945,339
		1,951,981	2,961,549	4,037,204	4,304,049
Non-controlling interests		664	2,218	5,966	2,768
Total equity		1,952,645	2,963,767	4,043,170	4,306,817

4. Consolidated statements of changes in equity

Year ended December 31, 2015

	Attributable to owners of the parent											
	Issued share capital	Share premium*	Treasury shares	Special reserve –			Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity	
				safety fund*	statutory surplus reserve*	Other reserve*						RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	356,500	755,166	(18,180)	270	31,770	9,029	(1,783)	253,777	1,386,549	1,228	1,387,777	
Profit for the year	–	–	–	–	–	–	–	218,227	218,227	(357)	217,870	
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	7,813	–	7,813	–	7,813	
Total comprehensive income for the year	–	–	–	–	–	–	7,813	218,227	226,040	(357)	225,683	
Transfer to reserve	–	–	–	9,054	6,775	–	–	(15,829)	–	–	–	
Utilization of safety fund	–	–	–	(8,277)	–	–	–	8,277	–	–	–	
Issue of restricted A shares	21,329	344,417	–	–	–	–	–	–	365,746	–	365,746	
Share issue expenses	–	(3,287)	–	–	–	–	–	–	(3,287)	–	(3,287)	
Repurchase and cancelation of restricted A shares	(15)	(79)	94	–	–	–	–	–	–	–	–	
Vesting of share awards	–	6,822	9,043	–	–	(6,822)	–	–	9,043	–	9,043	
Share of changes in equity other than comprehensive income	–	–	–	–	–	598	–	–	598	–	598	
Equity-settled share-based payments	–	–	–	–	–	3,361	–	–	3,361	–	3,361	
Acquisition of non-controlling interests	–	–	–	–	–	(419)	–	–	(419)	(207)	(626)	
Dividends	–	–	–	–	–	–	–	(35,650)	(35,650)	–	(35,650)	
At December 31, 2015	377,814	1,103,039	(9,043)	1,047	38,545	5,747	6,030	428,802	1,951,981	664	1,952,645	

Year ended December 31, 2016

	Attributable to owners of the parent										
	Issued share capital	Share premium*	Treasury shares	Special reserve – safety fund *	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
At January 1, 2016	377,814	1,103,039	(9,043)	1,047	38,545	5,747	6,030	428,802	1,951,981	664	1,952,645
Profit for the year	–	–	–	–	–	–	–	1,117,007	1,117,007	1,054	1,118,061
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	34,308	–	34,308	–	34,308
Total comprehensive income for the year	–	–	–	–	–	–	34,308	1,117,007	1,151,315	1,054	1,152,369
Conversion of capital reserve into share capital	376,348	(376,348)	–	–	–	–	–	–	–	–	–
Transfer to reserve	–	–	–	10,590	50,621	–	–	(61,211)	–	–	–
Utilization of safety fund	–	–	–	(9,897)	–	–	–	9,897	–	–	–
Compensation and cancellation of restricted A shares	(1,466)	(94,159)	–	–	–	–	–	–	(95,625)	–	(95,625)
Vesting of share awards	–	6,826	9,043	–	–	(6,826)	–	–	9,043	–	9,043
Equity-settled share-based payments	–	–	–	–	–	1,287	–	–	1,287	–	1,287
Establishment of a new subsidiary	–	–	–	–	–	–	–	–	–	500	500
Dividends	–	–	–	–	–	–	–	(56,452)	(56,452)	–	(56,452)
At December 31, 2016	752,696	639,358	–	1,740	89,166	208	40,338	1,438,043	2,961,549	2,218	2,963,767

Year ended December 31, 2017

	Attributable to owners of the parent											
	Issued share capital	Share premium*	Treasury shares	Special reserve – safety fund*	Statutory surplus reserve*	Other reserve*	Equity component of convertible bonds		Retained profits*	Total	Non-controlling interests	Total equity
							RMB'000	RMB'000				
At January 1, 2017	752,696	639,358	–	1,740	89,166	208	–	40,338	1,438,043	2,961,549	2,218	2,963,767
Profit for the year	–	–	–	–	–	–	–	–	2,095,548	2,095,548	(498)	2,095,050
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(50,414)	–	(50,414)	(2,383)	(52,797)
Total comprehensive income for the year	–	–	–	–	–	–	–	(50,414)	2,045,134	2,045,134	(2,881)	2,042,253
Deemed contribution from non-controlling shareholders	–	–	–	–	–	5,000	–	–	–	5,000	–	5,000
Issue of restricted A shares	12,866	575,262	(588,128)	–	–	–	–	–	–	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	250,870	–	–	250,870	–	250,870
Deferred tax on convertible bonds	–	–	–	–	–	–	(45,171)	–	–	(45,171)	–	(45,171)
Equity-settled share-based payment	–	–	–	–	–	9,206	–	–	–	9,206	–	9,206
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	(157,090)	–	6,379	6,379
Transfer to reserve	–	–	–	16,300	140,790	–	–	–	–	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	250	250
Utilization of safety fund	–	–	–	(10,679)	–	–	–	–	10,679	–	–	–
Compensation and cancellation of restricted A shares	(23,791)	(639,358)	–	–	(89,166)	–	–	–	(364,179)	(1,116,494)	–	(1,116,494)
Dividend	–	–	–	–	–	–	–	–	(72,890)	(72,890)	–	(72,890)
At December 31, 2017	741,771	575,262	(588,128)	7,361	140,790	14,414	205,699	(10,076)	2,950,111	4,037,204	5,966	4,043,170

Three months ended March 31, 2018

	Attributable to owners of the parent											
	Issued share capital	Share premium*	Treasury shares	Special reserve – safety fund*	Statutory surplus reserve*	Other reserve*	Equity component of convertible bonds	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	741,771	575,262	(588,128)	7,361	140,790	14,414	205,699	(10,076)	2,950,111	4,037,204	5,966	4,043,170
Profit for the period	–	–	–	–	–	–	–	–	242,611	242,611	(148)	242,463
Other comprehensive loss for the period:												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(31,335)	–	(31,335)	(3,100)	(34,435)
Total comprehensive income for the period	–	–	–	–	–	–	–	(31,335)	242,611	211,276	(3,248)	208,028
Equity-settled share-based payment	–	–	–	–	–	55,569	–	–	–	55,569	–	55,569
Transfer to reserve	–	–	–	6,757	–	–	–	–	(6,757)	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	50	50
Utilization of safety fund	–	–	–	(2,066)	–	–	–	–	2,066	–	–	–
Repurchase and cancellation of restricted A shares	(632)	(49,449)	–	–	–	50,081	–	–	–	–	–	–
At March 31, 2018	741,139	525,813	(588,128)	12,052	140,790	120,064	205,699	(41,411)	3,188,031	4,304,049	2,768	4,306,817

Three months ended March 31, 2017 (Unaudited)

	Attributable to owners of the parent (Unaudited)							Total	Non-controlling interests	Total equity
	Issued share capital	Share premium*	Special reserve – safety fund*	Statutory surplus reserve*	Other reserve*	Exchange fluctuation reserve*	Retained profits*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	752,696	639,358	1,740	89,166	208	40,338	1,438,043	2,961,549	2,218	2,963,767
Profit for the period	–	–	–	–	–	–	436,498	436,498	(122)	436,376
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(623)	–	(623)	76	(547)
Total comprehensive income for the period	–	–	–	–	–	(623)	436,498	435,875	(46)	435,829
Deemed contribution from non-controlling shareholders	–	–	–	–	5,000	–	–	5,000	–	5,000
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	6,379	6,379
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	250	250
Transfer to reserves	–	–	5,189	–	–	–	(5,189)	–	–	–
Utilization of safety fund	–	–	(2,979)	–	–	–	2,979	–	–	–
At March 31, 2017	752,696	639,358	3,950	89,166	5,208	39,715	1,872,331	3,402,424	8,801	3,411,225

These reserve accounts comprise the consolidated reserves of RMB1,583,210,000, RMB2,208,853,000, RMB3,677,862,000 and RMB3,945,339,000 as at December 31, 2015, 2016 and March 31, 2018, respectively.

5. Consolidated Statements of Cash Flows

	Section II Notes	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		242,972	1,189,154	2,367,240	464,870	309,466
Adjustments for:						
Finance costs	7	18,742	21,000	56,897	10,354	18,552
Share of profits and losses of a joint venture and associates ...		677	672	(25,959)	234	24,782
Net fair value of derivative financial instruments	5(c)	(92,296)	(634,019)	(485,805)	(306,424)	–
Fair value of financial instruments at fair value through profit or loss	6(c)	–	(42,855)	(382,170)	12,356	84,826
Government grants related to deferred income	34	(5,633)	(6,053)	(7,158)	(1,472)	(1,473)
Dividends and interest from investments at fair value through profit or loss	5(c)	(1,729)	(87)	(5,669)	(1,331)	(1,677)
Net loss/(gain) on disposal of property, plant and equipment	6(c)	1,544	7,268	12,591	(56)	(78)
Depreciation	6(c)	74,676	83,329	96,534	22,296	28,310
Amortization of prepaid land lease payments	6(c)	2,005	2,150	2,536	580	776
Amortization of intangible assets	6(c)	3,246	5,365	9,203	2,330	2,015
(Reversal)/impairment of receivables	6(c)	(63)	10,527	20,095	35	1,118
Impairment/(reversal) of inventories	6(c)	5,294	10,455	(8,212)	–	(3,856)
Impairment of goodwill	6(c)	21,873	217,431	17,580	–	–
Others		–	–	–	–	1,637
Exchange losses/(gains) on bank borrowings		8,166	1,971	(30,809)	236	1,645
Equity-settled share-based payment		–	–	9,206	–	45,569
		279,474	866,308	1,646,100	204,008	511,612
(Increase)/decrease in amounts due from a related party		–	–	(122,702)	–	11,606
Increase/(decrease) in amounts due to a related party		–	–	6,464	2,439	(2,795)
Decrease/(increase) in inventories ..		66,172	(229,724)	(401,431)	(129,539)	(274,272)
Decrease/(increase) in trade and bills receivables		26,626	(108,638)	(397,195)	(26,715)	(204,300)
Decrease/(increase) in prepayments, deposits and other receivables ...		38,784	(82,206)	(75,495)	(56,562)	(173,693)

Section II Notes	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Decrease/(increase) in pledged bank deposits	3,470	(10,706)	9,220	(18,325)	(10,129)
(Decrease)/increase in trade and bills payables	(85,329)	130,167	(241,665)	63,493	60,200
Increase/(decrease) in other payables and accruals	53,882	119,470	195,362	(91,631)	(39,982)
	383,079	684,671	618,658	(52,832)	(121,753)
Income taxes paid	(17,114)	(26,198)	(114,792)	(3,827)	(13,933)
Net cash flows generated from/(used in) operating activities	365,965	658,473	503,866	(56,659)	(135,686)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,729	–	5,567	1,331	1,677
Dividends received from listed investments	157	154	102	–	–
Purchases of property, plant and equipment and prepaid land lease payments	(131,048)	(506,200)	(297,133)	(128,917)	(126,031)
Proceeds from disposal of property, plant and equipment	1,613	3,305	2,832	56	391
Purchase of investments at fair value through profit or loss	(54,878)	(92,682)	(156,528)	–	(1,207)
Purchase of financial products	(220,000)	(50,000)	(253,500)	(100,000)	(800,350)
Proceeds from sale of financial products	280,000	–	152,460	–	201,390
Receipt of government grants	700	20,156	–	–	–
Additions to other intangible assets	(289)	(5)	(55,783)	(16,854)	(2,080)
Acquisition of subsidiaries	38 (232,607)	–	(19,151)	–	–
Prepayment of equity interests	–	–	–	(55,722)	–
Purchase of equity interests of associates	(162,340)	(177,418)	(316,807)	–	–
Purchase of a shareholding in a joint venture	–	(50,000)	–	–	–
Advances of loans to associates	(2,601)	(19,572)	–	–	–
(Deposit)/divestment for an equity investment	–	(12,000)	12,000	–	–
Proceeds from disposal of investments at fair value through profit or loss	–	–	85,749	–	50,362
Others	(30,660)	–	–	–	–
Net cash flows used in investing activities	(550,224)	(884,262)	(840,192)	(300,106)	(675,848)

6. Statements of Financial Position of the Company

Information about the statements of financial position of the Company as at the end of each of the Relevant Periods is as follows:

	Section II Notes	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	492,912	581,205	727,112	811,213
Investment properties	15	249	221	194	187
Prepaid land lease payments	16	64,325	62,936	72,149	71,749
Intangible assets	18	6,318	5,432	5,277	5,040
Investments in subsidiaries	19	1,165,262	1,390,852	1,955,618	2,550,544
Investments at fair value through profit or loss	22	4,200	100,159	115,694	136,546
Deferred tax assets	33	2,883	31,453	–	–
Other long-term assets	23	69,860	20,000	125,146	20,000
Total non-current assets		1,806,009	2,192,258	3,001,190	3,595,279
CURRENT ASSETS					
Inventories	24	175,096	334,346	536,248	816,875
Trade and bills receivables	25	113,942	212,023	513,136	538,811
Amounts due from a related party		–	–	5,699	–
Prepayments, deposits and other receivables	26	14,364	44,619	37,631	185,598
Due from subsidiaries		120,268	331,516	1,088,019	902,952
Investments at fair value through profit or loss	22	1,432	1,304	150,983	600,961
Derivative financial instruments	27	92,296	630,690	–	–
Pledged deposits	28	10,252	20,591	69,899	80,027
Cash and cash equivalents	28	60,625	71,066	1,468,378	632,827
Total current assets		588,275	1,646,155	3,869,993	3,758,051
Total assets		2,394,284	3,838,413	6,871,183	7,353,330
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	100,000	50,000	319,889	330,975
Convertible bonds	32	–	–	667,231	678,809
Deferred tax liabilities	33	–	–	12,896	7,197
Deferred income	34	30,109	26,414	22,720	21,797
Total non-current liabilities		130,109	76,414	1,022,736	1,038,778
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	31	168,697	488,635	788,531	799,038
Trade and bills payables	29	29,579	154,031	184,896	214,782
Other payables and accruals	30	51,442	104,417	285,000	285,222
Tax payable		18,156	129,593	180,230	232,887
Due to subsidiaries		213,793	124,377	311,690	341,972
Other liabilities	37	9,043	–	588,128	588,128
Total current liabilities		490,710	1,001,053	2,338,475	2,462,029
NET CURRENT ASSETS		97,565	645,102	1,531,518	1,296,022
TOTAL ASSETS LESS CURRENT LIABILITIES		1,903,574	2,837,360	4,532,708	4,891,301
Net assets		1,773,465	2,760,946	3,509,972	3,852,523
EQUITY					
Share capital	35	377,814	752,696	741,771	741,139
Equity component of convertible bonds	32	–	–	205,699	205,699
Treasury shares	37	(9,043)	–	(588,128)	(588,128)
Reserves	36	1,404,694	2,008,250	3,150,630	3,493,813
Total equity		1,773,465	2,760,946	3,509,972	3,852,523

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was a limited liability company incorporated in Xinyu, Jiangxi Province. On August 10, 2010, it was officially listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (the "A Share Listing"). The registered office of the Company is located at Longteng Road, Xinyu Economic Development Zone, Jiangxi Province.

The Company focuses on the development, manufacture and sale of further processed lithium products, lithium new materials, lithium power and energy storage batteries, lithium resources, lithium battery recycling, etc.

Information about subsidiaries

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, the particulars of which are as follows:

Name	Notes	Place of incorporation/ operations	Issued ordinary / registered share capital	Percentage of ownership interest		Principal activities
				Direct	Indirect	
Fengxin Ganfeng Lithium Co., Ltd. 奉新贛鋒鋳業有限公司	(ii)	Fengxin, Jiangxi Mainland China	Registered share capital of RMB135,000,000	100	–	Manufacture and sale of lithium products
Yichun Ganfeng Lithium Co., Ltd. 宜春贛鋒鋳業有限公司	(ii)	Yichun, Jiangxi Mainland China	Registered share capital of RMB50,000,000	100	–	Manufacture and sale of lithium products
GFL International Co., Limited. 贛鋒國際有限公司	(ii)	Hong Kong	Issued share capital of USD88,748,200	100	–	Sale of lithium products
Shenzhen Meibai Electronics Co., Ltd. 深圳市美拜電子有限公司	(ii)	Shenzhen Mainland China	Registered share capital of RMB33,280,000	100	–	Manufacture and sale of lithium power batteries
Jiangxi Western Resources Lithium Co., Ltd. 江西西部資源鋳業有限公司	(i)	Ganzhou, Jiangxi Mainland China	Registered share capital of RMB100,000,000	100	–	Exploration and sale of lithium products
Dongguan Ganfeng Electronics Co., Ltd. 東莞贛鋒電子有限公司	(i)	Dongguan, Guangdong Mainland China	Registered share capital of RMB100,000,000	100	–	Manufacture and sale of lithium power batteries
Xinyu Ganfeng New Energy Industrial Investments (Limited Partnership) 新余贛鋒新能源產業投資合夥企業 (有限合夥)	(i)/(iii)	Xinyu, Jiangxi Mainland China	Registered share capital of RMB1,000,000,000	49.995	–	Investment holding

Notes:

- No audited financial statements have been prepared for the Company as the subsidiaries were not required by the local authority to prepare statutory accounts during the Relevant Periods.
- The statutory accounts of Shenzhen Meibai Electronics Co., Ltd. for the years ended December 31, 2015 and 2016 were audited by 立信會計師事務所(特殊普通合夥) (BDO China Shu Lun Pan Certified Public Accountants LLP), certified public accountants registered in the People's Republic of China ("PRC"). No statutory accounts have been prepared for Shenzhen Meibai Electronics Co., Ltd. for the year ended December 31, 2017. The statutory accounts of Fengxin Ganfeng Lithium Co., Ltd. for the years ended December 31, 2015, 2016 and 2017 and Yichun Ganfeng Lithium Co., Ltd. for the years ended December 31, 2015 and 2017 were audited by 江西金山會計師事務所有限公司, certified public accountants registered in the PRC. No statutory accounts have been prepared for Yichun Ganfeng Lithium Co., Ltd. for the year ended December 31, 2016. The statutory accounts of GFL International Co., Limited for the year ended December 31, 2015 were audited by 众和国际會計事務所有限公司 and for the years ended December 31, 2016 and 2017, audited by TC-Professional CPA Limited, certified public accountants registered in Hong Kong.
- Xinyu Ganfeng New Energy Industrial Investments (Limited Partnership) is accounted for as a subsidiary of the Group even though the Group has only a 49.995% equity interest in this company based on the factors explained in note 3 to the Historical Financial Information.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for investments at fair value through profit or loss and derivative financial instruments which have been measured at fair value. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ²
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IAS 19	<i>Employee Benefits</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRSs including:
• Amendments to IFRS 3	<i>Business Combinations</i> ¹
• Amendments to IFRS 11	<i>Joint Arrangements</i> ¹
• Amendments to IAS 12	<i>Income Taxes</i> ¹
• Amendments to IAS 23	<i>Borrowing Costs</i> ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after January 1, 2021

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

IFRIC 23 was issued in June 2017. IAS 12 *Income Taxes* specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 includes requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. Management is still assessing the impact on the financial performance and position of the Group resulting from the adoption of IFRIC 23 for the annual period beginning on January 1, 2019.

So far, the directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 16, may result in changes in accounting policies but are unlikely to have a material impact on the Group's results of operations and financial position upon application.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 is effective for annual periods beginning on or after

January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transaction provisions permit certain reliefs. The Group expects to adopt IFRS 16 on January 1, 2019.

As set out in note 40 to the Historical Financial Information, total operating lease commitments of the Group amounted to RMB8,314,000, RMB58,932,000, RMB50,722,000 and RMB48,638,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. Based on the preliminary assessment, the Directors of the Company do not expect that the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that the commitments due after December 31, 2019 will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investments at fair value through profit or loss and derivative instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Plant and machinery	9.5%-19%
Office and other equipment*	63.33%, 9.5%-19%
Leasehold improvement	20%
Motor vehicles	19%

* Electrolytic cells in office and other equipment are depreciated over 1.5 years.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Depreciation of mining infrastructure included in property, plant and equipment is calculated using the units of production basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

Non-current assets and assets classified as held for sale

Non-current assets and assets classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable. All assets and liabilities of a subsidiary classified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents

Purchased patents are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10-16 years.

Non-patent technologies

Non-patent technologies are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of 5-10 years.

Trademarks

Trademarks with finite useful lives are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful lives of not exceeding 10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding four years, commencing from the date when the products are put into commercial production.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proven and probable reserves of the mines using the unit of production ("UOP") method. Mining rights are written off to the consolidated statement of profit or loss if the mining property is abandoned.

Exploration rights

Exploration rights are stated at cost less impairment losses. Exploration rights include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and amortization and depreciation charges in respect of assets consumed during the exploration activities. Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortized by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration rights are written off to profit or loss if the exploration property is abandoned.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 5 to 10 years.

Others

European Union Chemicals Registration License is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 3 to 5 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms. Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Financial instruments

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through profit or loss("FVPL")

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss unless hedge accounting is applied.

Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in profit or loss.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis.

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the effective interest rate, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets or liabilities in the Relevant Periods.

Derecognition of financial assets and liabilities*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Impairment of financial assets

The Group recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of allowance for ECL in the consolidated statement of financial position.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognized as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue is measured based on the fair value of the consideration received or receivable specified in contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when the specific criteria have been met for the following activities:

- (a) from the sale of goods, when control of the asset is transferred to the customer, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products; the group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money;
- (b) income from processing service is recognised when the manufacturing service is completed and the processed goods are delivered to customers; the group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the share price at the grant date, further details of which are given in note 37 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the subsidiaries in Mainland China are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Mainland China. The subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund

Contributions to a defined contribution housing fund administered by the Public Accumulation Funds Administration Centre in Mainland China are charged to profit or loss as incurred. The Group's liability in respect of the housing fund is limited to the contribution payable in each period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Financial Information.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of each of the Relevant Periods.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Operating lease commitments – Group as lessee

The Group has entered into property, plant and equipment leases with various lessors. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Consolidation of entity in which the Group holds less than a majority of voting rights

The Group considers that it controls Xinyu Ganfeng New Energy Industrial Investments (Limited Partnership) ("Xinyu LP") even though it directly owns less than 50% of the voting rights through the Company. This is because the Company is the only limited partner exposed to variable returns from its involvement with the Xinyu LP. After distributing fixed returns to the preferred shareholder, the rest of 98% of earnings will be attributed to the Company. All the investments of Xinyu LP are chosen by the Company and General partner, but the General partner only holds a 0.01% direct interest in Xinyu LP and receives a fee equal to 0.2% of committed capital, earns 2% of excess returns after distribution to the preferred shareholder, which is identified as the agent of the Company. So the Company and the Group have the ability to use its power over Xinyu LP to affect the amount of its return. All of these are sufficient to conclude the Company and the Group's control of Xinyu LP.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at December 31, 2015, 2016 and 2017 and March 31, 2018 were RMB235,011,000, RMB17,580,000, RMB18,302,000 and RMB18,302,000, respectively. Further details are given in note 17 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less

costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgments involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates. Detailed disclosure of depreciation rates is provided in note 2.3 Property, plant and equipment and depreciation.

Impairment of receivables

Impairment of receivables is made based on assessment of their recoverability. The identification of impairment of receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact the carrying value of the receivables and impairment loss/reversal of impairment in the period in which the estimate has been changed.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customers' needs or competitors' actions in response to the product industry cycle. Management reassesses these estimates at the end of each of the Relevant Periods.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income tax

In daily business activities, there is an uncertainty about the final tax filing amounts of many transactions and events. When calculating the income tax expense, the Group needs to make estimation. If the final tax filing results accepted by the tax authorities are different from the initially accounting records, the permanent differences will affect the income tax expense in the consolidated statement of profit or loss.

Fair value of unlisted financial instruments

The unlisted financial instruments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted financial instruments at December 31, 2015, 2016 and 2017 and March 31, 2018 were RMB4,200,000, RMB54,200,000, RMB165,249,000 and RMB762,955,000, respectively. Further details are included in note 22 to the Historical Financial Information.

Valuation of a compensation arrangement

A compensation arrangement is valued at fair value at the acquisition date with the best estimates of the future outcome of the future events. Where the compensation arrangement meets the definition of a financial instrument and is within the scope of IFRS 9, it is subsequently re-measured to fair value at the end of each reporting period. The determination of the fair value is based on the expected adjustment on consideration paid. The key assumptions take into consideration the probability of meeting each profit target. Significant management judgment is required to estimate the probability of meeting each profit target. Further details are included in note 27 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (a) Lithium metal and compound segment: manufacture and sale of lithium products, and rendering of processing services;
- (b) Lithium battery segment: manufacture and sale of lithium batteries; and
- (c) Lithium ore resource and others segment: exploration and sale of lithium ore and other lithium products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

<u>Year ended December 31, 2015</u>	<u>Lithium metal and compound</u>	<u>Lithium battery</u>	<u>Lithium ore resource and others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue:				
Sales to external customers	1,143,025	201,154	–	1,344,179
Revenue				<u>1,344,179</u>
Revenue from contracts with customers - external				
Sale of goods	1,136,828	201,154	–	1,337,982
Rendering of services	6,197	–	–	6,197
Total revenue from contracts with customers	<u>1,143,025</u>	<u>201,154</u>	<u>–</u>	<u>1,344,179</u>
Timing of revenue recognition				
At a point in time	<u>1,143,025</u>	<u>201,154</u>	<u>–</u>	<u>1,344,179</u>
Segment results	259,655	5,055	(10,841)	253,869
<i>Reconciliation:</i>				
Interest income	7,549	294	2	7,845
Finance costs	(17,826)	(916)	–	(18,742)
Profit before tax	249,378	4,433	(10,839)	<u>242,972</u>
Segment assets	2,266,361	295,953	137,794	2,700,108
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(103,096)
Total assets				<u>2,597,012</u>
Segment liabilities	484,801	259,147	3,515	747,463
<i>Reconciliation:</i>				
Elimination of intersegment payables				(103,096)
Total liabilities				<u>644,367</u>
Other segment information:				
Impairment losses recognized in the statement of profit or loss	8,820	18,284	–	27,104
Depreciation and amortization	70,436	8,785	706	79,927
Investments in associates	168,927	–	–	168,927
Capital expenditure*	79,047	3,863	368	83,278

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets excluding those arising from acquisition of a subsidiary.

Year ended December 31, 2016	Lithium metal and compound	Lithium battery	Lithium ore resource and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	2,300,343	333,113	–	2,633,456
Intersegment sales	–	–	8,299	8,299
	<u>2,300,343</u>	<u>333,113</u>	<u>8,299</u>	<u>2,641,755</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(8,299)
Revenue				<u>2,633,456</u>
Revenue from contracts with customers - external				
Sale of goods	2,191,090	333,113	–	2,524,203
Rendering of services	109,253	–	–	109,253
Total revenue from contracts with customers	<u>2,300,343</u>	<u>333,113</u>	<u>–</u>	<u>2,633,456</u>
Timing of revenue recognition				
At a point in time	<u>2,300,343</u>	<u>333,113</u>	<u>–</u>	<u>2,633,456</u>
Segment results	1,541,187	(285,025)	(47,155)	1,209,007
<i>Reconciliation:</i>				
Elimination of intersegment results				
Interest income	792	352	3	1,147
Finance costs	(21,000)	–	–	(21,000)
Profit before tax	1,520,979	(284,673)	(47,152)	<u>1,189,154</u>
Segment assets	4,037,926	350,476	172,946	4,561,348
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(279,345)
Total assets				<u>4,282,003</u>
Segment liabilities	1,106,924	475,081	15,576	1,597,581
<i>Reconciliation:</i>				
Elimination of intersegment payables				(279,345)
Total liabilities				<u>1,318,236</u>
Other segment information:				
Impairment losses recognized in the statement of profit or loss	7,483	230,647	283	238,413
Depreciation and amortization	71,145	17,082	2,617	90,844
Investments in associates	369,398	–	–	369,398
Investments in a joint venture	50,099	–	–	50,099
Capital expenditure*	203,023	317,187	24,255	544,465

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets excluding those arising from acquisition of a subsidiary.

Year ended December 31, 2017	Lithium metal and compound	Lithium battery	Lithium ore resource and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	3,886,513	283,821	867	4,171,201
Intersegment sales	262	969	19,378	20,609
	<u>3,886,775</u>	<u>284,790</u>	<u>20,245</u>	<u>4,191,810</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(20,609)
Revenue				<u>4,171,201</u>
Revenue from contracts with customers - external				
Sale of goods	3,822,811	283,821	867	4,107,499
Rendering of services	63,702	-	-	63,702
Total revenue from contracts with customers	<u>3,886,513</u>	<u>283,821</u>	<u>867</u>	<u>4,171,201</u>
Timing of revenue recognition				
At a point in time	<u>3,886,513</u>	<u>283,821</u>	<u>867</u>	<u>4,171,201</u>
Segment results	2,506,246	(113,838)	29,513	2,421,921
<i>Reconciliation:</i>				
Elimination of intersegment results				
Interest income	2,015	197	4	2,216
Finance costs	(55,412)	(1,485)	-	(56,897)
Profit before tax	2,452,849	(115,126)	29,517	<u>2,367,240</u>
Segment assets	7,079,763	1,398,104	330,295	8,808,162
<i>Reconciliation:</i>				
Elimination of intersegment receivables				
				(809,062)
Total assets				<u>7,999,100</u>
Segment liabilities	3,629,848	1,056,082	79,062	4,764,992
<i>Reconciliation:</i>				
Elimination of intersegment payables				
				(809,062)
Total liabilities				<u>3,955,930</u>
Other segment information:				
Impairment losses recognized in the statement of profit or loss	(8,190)	37,856	(203)	29,463
Depreciation and amortization	90,514	14,618	3,141	108,273
Investments in associates	744,132	-	-	744,132
Investment in a joint venture	50,905	-	-	50,905
Capital expenditure*	389,155	226,359	71,815	687,329

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets excluding those arising from acquisition of a subsidiary.

<u>Three months ended March 31, 2018</u>	<u>Lithium metal and compound</u>	<u>Lithium battery</u>	<u>Lithium ore resource and others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment revenue:				
Sales to external customers	969,196	75,238	–	1,044,434
Intersegment sales	14	4	–	18
	<u>969,210</u>	<u>75,242</u>	<u>–</u>	<u>1,044,452</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(18)
Revenue				<u>1,044,434</u>
Revenue from contracts with customers - external				
Sale of goods	952,717	75,238	–	1,027,955
Rendering of services	16,479	–	–	16,479
Total revenue from contracts with customers	<u>969,196</u>	<u>75,238</u>	<u>–</u>	<u>1,044,434</u>
Timing of revenue recognition				
At a point in time	<u>969,196</u>	<u>75,238</u>	<u>–</u>	<u>1,044,434</u>
Segment results	336,546	(7,218)	(4,806)	324,522
<i>Reconciliation:</i>				
Elimination of intersegment results				
Interest income	3,374	120	2	3,496
Finance costs	(18,081)	(471)	–	(18,552)
Profit before tax	321,839	(7,569)	(4,804)	<u>309,466</u>
Segment assets	6,984,967	1,387,473	338,585	8,711,025
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(426,884)
Total assets				<u>8,284,141</u>
Segment liabilities	3,636,829	686,092	81,287	4,404,208
<i>Reconciliation:</i>				
Elimination of intersegment payables				(426,884)
Total liabilities				<u>3,977,324</u>
Other segment information:				
Impairment losses recognized in the statement of profit or loss	(3,347)	489	120	(2,738)
Depreciation and amortization	22,430	7,274	1,397	31,101
Investments in associates	762,113	–	–	762,113
Investment in a joint venture	51,059	–	–	51,059
Capital expenditure*	195,842	146,881	4,196	346,919

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets excluding those arising from acquisition of a subsidiary.

Three months ended March 31, 2017 (Unaudited)	Lithium metal and compound	Lithium battery	Lithium ore resource and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	589,337	34,295	–	623,632
Intersegment sales	56	–	–	56
	<u>589,393</u>	<u>34,295</u>	<u>–</u>	<u>623,688</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(56)
Revenue				<u>623,632</u>
Revenue from contracts with customers - external				
Sale of goods	568,586	34,295	–	602,881
Rendering of services	20,751	–	–	20,751
Total revenue from contracts with customers	<u>589,337</u>	<u>34,295</u>	<u>–</u>	<u>623,632</u>
Timing of revenue recognition				
At a point in time	<u>589,337</u>	<u>34,295</u>	<u>–</u>	<u>623,632</u>
Segment results	491,416	(14,474)	(2,053)	474,889
<i>Reconciliation:</i>				
Elimination of intersegment results				
Interest income	226	108	1	335
Finance costs	(10,354)	–	–	(10,354)
Profit before tax	<u>481,288</u>	<u>(14,366)</u>	<u>(2,052)</u>	<u>464,870</u>
Other segment information:				
Impairment losses recognized in the statement of profit or loss	35	–	–	35
Depreciation and amortization	19,458	4,231	1,517	25,206

Geographical information

(a) Revenue from external customers

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Mainland China	1,033,656	2,054,135	3,533,482	478,098	797,676
Hong Kong	310,523	579,321	637,719	145,534	246,758
	<u>1,344,179</u>	<u>2,633,456</u>	<u>4,171,201</u>	<u>623,632</u>	<u>1,044,434</u>

(b) Non-current assets

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,267,916	1,495,310	1,997,263	2,311,631
Hong Kong	207,429	408,632	754,934	772,090
Overseas	4,513	3,844	64,122	66,036
	<u>1,479,858</u>	<u>1,907,786</u>	<u>2,816,319</u>	<u>3,149,757</u>

The revenue geographical information above is based on where the Company and the subsidiaries were located in. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during each of the Relevant Periods, no major customer information is presented.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

(a) Disaggregation of revenue from contracts with customers

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sale of goods	1,337,982	2,524,203	4,107,499	602,881	1,027,955
Rendering of services	6,197	109,253	63,702	20,751	16,479
	<u>1,344,179</u>	<u>2,633,456</u>	<u>4,171,201</u>	<u>623,632</u>	<u>1,044,434</u>

(b) Contract assets and liabilities

Group

The Group has recognized the following revenue-related contract liabilities:

	As at December 31,			As at
	2015	2016	2017	March 31,
	RMB'000	RMB'000	RMB'000	2018
Contract liabilities				RMB'000
Advances from customers which are included in other payable and accruals (note 30)	<u>23,629</u>	<u>62,705</u>	<u>101,026</u>	<u>157,383</u>

There were no contract assets at the end of each of Relevant Periods recognized in the consolidated statement of financial position of the Group.

Company

The Company has recognized the following revenue-related contract liabilities:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
Advances from customers which are included in other payable and accruals (note 30)	<u>20,390</u>	<u>46,634</u>	<u>87,370</u>	<u>135,308</u>

There were no contract assets at the end of each of Relevant Periods recognized in the statement of financial position of the Company.

(i) Significant changes in contract liabilities

Contract liabilities of the Group and the Company increased mainly due to the increase of the selling price and sales volume as a result of the growth businesses.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue of the Group recognized in the Relevant Periods and the three months ended March 31, 2017 relates to contract liabilities carried-forward:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue of the Group recognized that was included in the contract liability at the beginning of the year/period	<u>9,203</u>	<u>23,629</u>	<u>62,705</u>	<u>62,705</u>	<u>101,026</u>

(c) Other income and gains

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value gains, net:					
Derivative financial instruments	92,296	634,019	485,805	306,424	–
Investments at fair value through profit or loss	–	42,855	382,170	–	4,106
Dividends and interest from investments at fair value through profit or loss	1,729	87	5,669	1,331	1,677
Sales of raw materials	3,832	195,124	173,733	918	2,783
Government grants	22,317	15,425	61,885	1,601	53,724
Gain on disposal of property, plant and equipment	48	3	131	56	80
Bank interest income	7,845	1,147	2,216	335	3,496
Foreign exchange gain	–	4,229	7,593	–	–
Others	115	813	3,528	78	162
	<u>128,182</u>	<u>893,702</u>	<u>1,122,730</u>	<u>310,743</u>	<u>66,028</u>

Various government grants have been received for setting up research and related projects construction activities in an enterprise zone within Jiangxi Province, Mainland China. Government grants received for which related assets have not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(a) Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):					
Wages and salaries	95,882	136,225	124,450	31,120	44,233
Equity-settled share award expense (note 37)	3,361	1,287	9,206	–	45,569
Other welfare	18,983	28,288	19,377	4,850	6,688
	<u>118,226</u>	<u>165,800</u>	<u>153,033</u>	<u>35,970</u>	<u>96,490</u>
(b) Cost of sales and services:					
Cost of inventories sold	1,014,165	1,518,246	2,393,010	369,047	525,531
Cost of processing services	5,669	46,261	33,551	7,218	7,168
Others	24,058	63,692	69,585	26,896	25,973
	<u>1,043,892</u>	<u>1,628,199</u>	<u>2,496,146</u>	<u>403,161</u>	<u>558,672</u>
(c) Other items:					
Cost of selling raw materials***	4,193	191,132	103,600	970	2,135
Impairment of goodwill* (note 17)	21,873	217,431	17,580	–	–
Impairment/(reversal) of receivables	(63)	10,527	20,095	35	1,118
Losses relating to Shenzhen Meibai's fire incidents**	–	49,620	–	–	–
Impairment/(reversal) of inventories	5,294	10,455	(8,212)	–	(3,856)
Depreciation of property, plant and equipment (note 14)	74,676	83,329	96,534	22,296	28,310
Amortization of prepaid land lease payments (note 16)	2,005	2,150	2,536	580	776
Amortization of intangible assets (note 18)	3,246	5,365	9,203	2,330	2,015
Research and development costs:					
Current year expenditure	17,064	23,459	37,962	10,070	14,120
Foreign exchange loss/(gain), net	6,493	(4,229)	(7,310)	1	1,645
Net loss/(gain) on disposal of property, plant and equipment	1,544	7,268	12,591	(56)	(78)
Minimum lease payments under operating leases	707	8,698	9,832	2,928	1,318
Fair value losses/(gains), net:					
Investments at fair value through profit or loss	–	(42,855)	(382,170)	12,356	84,826
Auditor's remuneration	950	1,112	1,295	–	–
Bank charges	1,332	1,701	6,448	1,555	431
	<u>1,332</u>	<u>1,701</u>	<u>6,448</u>	<u>1,555</u>	<u>431</u>

* The impairment of goodwill is included in 'Other expenses' in the consolidated statement of profit or loss.

** Losses relating to Shenzhen Meibai's fire incidents are included in 'Other expenses' in the consolidated statement of profit or loss. On September 22, 2016, Shenzhen Meibai and its legal representative and general manager Li Wanchun signed an agreement on the compensation for losses of Shenzhen Meibai. Li Wanchun agreed to use his own funds or the shares of the Company held by him to compensate for all the economic losses caused by the two fire incidents. On January 19, 2017, the Group received the first compensation of RMB 5,000,000 from Mr. Li Wanchun, and this resulted in the increase in the Group's 'other reserve'.

*** Cost of selling raw materials is included in 'Other expenses' in the consolidated statement of profit or loss.

7. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense on bank borrowings	15,828	20,062	46,858	6,860	14,033
Interest expense on discounted bills	2,914	938	8,559	3,494	–
Interest expense on convertible bonds	–	–	1,480	–	12,274
Total interest expense	18,742	21,000	56,897	10,354	26,307
Less: Interest capitalised, in respect of convertible bonds	–	–	–	–	(7,755)
	18,742	21,000	56,897	10,354	18,552

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods and the three months ended March 31, 2017, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, is as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	204	204	231	51	60
Other emoluments:					
Salaries, allowances and benefits in kind	1,587	2,216	2,451	454	659
Pension scheme contributions	182	215	215	44	55
	1,973	2,635	2,897	549	774

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the three months ended March 31, 2017 were as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Mr. Li Liangzhi*	60	15	–	–	–
Mr. Huang Huasheng	60	60	60	15	15
Mr. Liu Jun*	–	45	60	15	15
Mr. Guo Huaping	60	60	60	15	15
	180	180	180	45	45

* Mr. Li Liangzhi resigned as a non-executive director of the Company on March 31, 2016 and Mr. Liu Jun has been redesignated as a non-executive director of the Company with effect from March 31, 2016.

(b) Executive directors, a non-executive director and the chief executive

	Year ended December 31, 2015				
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wang Xiaoshen	–	400	43	–	443
Mr. Shen Haibo	–	270	43	–	313
Ms. Deng Zhaonan	–	273	43	–	316
Mr. Fanyu*	–	–	–	–	–
Mr. Li Wanchun*	–	140	10	–	150
Non-executive director:					
Mr. Huang Daifang	24	–	–	–	24
Chief executive:					
Mr. Li Liangbin	–	504	43	–	547
	24	1,587	182	–	1,793

* Mr. Fanyu resigned as an executive director of the Company on March 31, 2015 and Mr. Li Wanchun has been redesignated as an executive director of the Company with effect from December 1, 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the three months ended March 31, 2017.

	Year ended December 31, 2016				
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wang Xiaoshen	–	447	43	–	490
Mr. Shen Haibo	–	354	43	–	397
Ms. Deng Zhaonan	–	333	43	–	376
Mr. Li Wanchun*	–	557	43	–	600
Non-executive director:					
Mr. Huang Daifang	24	–	–	–	24
Chief executive:					
Mr. Li Liangbin	–	525	43	–	568
	<u>24</u>	<u>2,216</u>	<u>215</u>	<u>–</u>	<u>2,455</u>

* Mr. Li Wanchun resigned as an executive director of the Company on September 22, 2016.

	Year ended December 31, 2017				
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Wang Xiaoshen	–	556	43	–	599
Mr. Shen Haibo	–	463	43	–	506
Ms. Deng Zhaonan	–	405	43	–	448
Mr. Xu Xiaoxiong*	–	432	43	–	475
Non-executive director:					
Mr. Huang Daifang	51	–	–	–	51
Chief executive:					
Mr. Li Liangbin	–	595	43	–	638
	<u>51</u>	<u>2,451</u>	<u>215</u>	<u>–</u>	<u>2,717</u>

* Mr. Xu Xiaoxiong has been designated as an executive director of the Company with effect from March 31, 2017.

Three months ended March 31, 2018					
Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors:					
Mr. Wang Xiaoshen	–	142	11	–	153
Mr. Shen Haibo	–	119	11	–	130
Ms. Deng Zhaonan	–	102	11	–	113
Mr. Xu Xiaoxiong*	–	145	11	–	156
Non-executive director:					
Mr. Huang Daifang	15	–	–	–	15
Chief executive:					
Mr. Li Liangbin	–	151	11	–	162
	15	659	55	–	729
Three months ended March 31, 2017 (Unaudited)					
Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share award expense	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors:					
Mr. Wang Xiaoshen	–	124	11	–	135
Mr. Shen Haibo	–	101	11	–	112
Ms. Deng Zhaonan	–	90	11	–	101
Non-executive director:					
Mr. Huang Daifang	6	–	–	–	6
Chief executive:					
Mr. Li Liangbin	–	139	11	–	150
	6	454	44	–	504

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the three months ended March 31, 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest are all directors for each of the Relevant Periods and the three months ended March 31, 2017, whose emoluments are reflected in the analysis presented in note 8 above.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

- (a) Tax in the consolidated statements of profit or loss represents:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current corporate income tax	28,004	113,299	218,183	2,542	73,639
Deferred tax (note 33)	(2,902)	(42,206)	54,007	25,952	(6,636)
	25,102	71,093	272,190	28,494	67,003

The subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the Relevant Periods and the three months ended March 31, 2017. No provision for Hong Kong profits tax has been made as all the profits were derived from offshore, and were not taxable in Hong Kong.

Provision for Mainland China current income tax was based on the statutory rate of 25% of the assessable profits for the years of 2015, 2016 and 2017 and for the three months ended March 31, 2018 of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China, which were taxed at a preferential rate of 15%.

The Company has been recognized as a high and new technology enterprise ("HNTE"), and the effective period is from September 25, 2015 to September 24, 2018. Based on the Enterprise Income Tax Law and related regulations, the applicable tax rate of the Company, which is

recognized as an HNTE and supported by the government, is 15% provided that the Company complies with the conditions set out in the relevant requirements. The subsidiaries are also recognized as HNTEs and the effective periods are as follows:

Name	Effective period
Fengxin Ganfeng Lithium Co., Ltd.	2016/11/15-2019/11/14
Yichun Ganfeng Lithium Co., Ltd.	2015/9/25-2018/9/24
Shenzhen Meibai Electronics Co., Ltd.	2014/7/24-2017/7/23

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	242,972	1,189,154	2,367,240	464,870	309,466
Tax at the applicable tax rate (15%)	36,446	178,373	355,086	69,731	46,420
Influence on tax payment due to lower tax rates for specific provinces or enacted by local authority	(1,581)	(16,325)	(25,960)	(644)	(1,329)
Effect on opening deferred tax of increase in tax rates	86	-	-	-	-
Expenses not deductible for tax	290	5,361	6,133	167	17,625
Income not subject to tax*	(13,859)	(95,115)	(118,940)	(45,964)	(707)
Profit attributable to a joint venture and associates	(102)	(101)	(3,894)	35	3,717
Tax losses and temporary differences not recognized	6,434	6,889	34,114	5,899	2,245
Tax losses utilized	(4)	(1,236)	(1,498)	-	(160)
Adjustments in respect of current tax of previous periods	(1,552)	(5,520)	(19,331)	(80)	(80)
Effect of withholding tax at 25% on the distributable profits subsidiaries	-	-	48,543	-	-
Effect of additional tax deduction for research and development expenditure	(1,056)	(1,233)	(2,063)	(650)	(728)
Tax charge at the Group's effective rate	25,102	71,093	272,190	28,494	67,003

* It mainly represents:

- i) the gains or fair value change derived from the compensation agreements with Mr. Li Wanchun and Ms. Hu Yemei, which was not taxable; and
- ii) the profits derived from the gain or fair value change of equity investments belonging to GFL International Co., Ltd. ("GFL") are not taxable. GFL is located in Hong Kong, but the profits earned by GFL did not arise in or were not derived from Hong Kong.

11. DIVIDENDS

Proposed cash dividend

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
RMB0.15 for 2015, RMB0.10 for 2016 and RMB0.40 for 2017 per ordinary share	56,452	72,890	297,304	-	-

The proposed final dividends for the years 2015 and 2016 were declared and approved by the shareholders at the corresponding annual general meetings of the Company on May 10, 2016 and May 10, 2017. On May 10, 2016, the stock dividend proposal for issuing 10 new shares for every 10 existing shares were approved by the shareholders at the 2016 annual general meeting.

On March 30, 2018, the board of directors of the Company resolved to propose the final dividend for the year ended December 31, 2017 of RMB0.40 per ordinary share and the conversion of capital reserve into share capital by issuing 5 new shares for every 10 existing shares at the registration date of annual profit distribution. It was approved by the shareholders at the general meeting of the Company on May 2, 2018.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Earnings					
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	218,227	1,117,007	2,097,028*	436,498	247,164*
Interest on convertible bonds	–	–	(1,480)	–	(4,553)
Less: Cash dividends distributed to share award scheme	(277)	(207)	–	–	–
Adjusted profit attributable to ordinary equity holders of the parent for the basic earnings per share calculation	217,950	1,116,800	2,095,548	436,498	242,611
Shares					
Weighted average number of ordinary shares for the calculation of basic earnings per share	1,090,545,441	1,127,399,939	1,110,564,800	1,129,043,289	1,112,456,930
Effect of dilution – weighted average number of ordinary shares:					
- Share award scheme	4,626,210	2,906,103	–**	–	–**
- Convertible bonds	–	–	583,541	–	19,362,915
Weighted average number of ordinary shares for the calculation of diluted earnings per share	1,095,171,651	1,130,306,042	1,111,148,341*	1,129,043,289	1,131,819,845*
Basic earnings per share (RMB)	0.20	0.99	1.89	0.39	0.22
Diluted earnings per share (RMB)	0.20	0.99	1.89	0.39	0.22

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended December 31, 2017 and the three months ended March 31, 2018 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year ended December 31, 2017 of RMB2,095,548,000 and the three months ended March 31, 2018 of RMB242,611,000, and the weighted average number of ordinary shares of 1,110,564,800 in issue during 2017 and of 1,112,456,930 in issue during the three months ended March 31, 2018.

** No adjustment has been made in respect of the share award scheme as it had an anti-dilutive effect on the basic earnings per share amounts presented for the year ended December 31, 2017 and the three months ended March 31, 2018.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders under the share award scheme expected to be unlocked in the future (note 37), and the weighted average number of ordinary shares of 1,090,545,441, 1,127,399,939 and 1,110,564,800 in issue during each of the years ended December 31, 2015, 2016 and 2017 and of 1,129,043,289 and 1,112,456,930 for the three months ended March 31, 2017 and 2018, respectively.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders in 2015 and 2016. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue in 2015 and 2016, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting the awarded shares in 2015 and 2016.

On June 24, 2016, the Company implemented the conversion of capital reserve into share capital such that 10 new shares were issued for every 10 existing shares. After the conversion, the number of shares was increased from 376,347,763 to 752,695,526. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest period presented.

On May 29, 2018, the Company implemented the conversion of capital reserve into share capital such that 5 new shares were issued for every 10 existing shares. After the conversion, the number of shares as at May 29, 2018 was increased from 743,262,441 to 1,114,893,661. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest period presented.

13. PLEDGE OF ASSETS

Details of the Group's and the Company's assets pledged for their interest-bearing bank and other borrowings and bills payable are disclosed in notes 14, 15, 16, 22 25 and 28 to the Historical Financial Information.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At January 1, 2015	99	211,812	285,810	233,585	7,101	94,104	832,511
Additions	–	1,128	8,975	1,103	789	70,994	82,989
Acquisition of subsidiaries (note 38)	–	352	35,775	2,892	32	30,430	69,481
Disposals	–	(661)	(4,574)	(3,305)	(149)	–	(8,689)
Transfers	–	10,373	25,017	5,588	147	(41,125)	–
Exchange rate fluctuation	–	–	–	577	–	–	577
At December 31, 2015 and January 1, 2016	99	223,004	351,003	240,440	7,920	154,403	976,869
Additions	67	560	10,205	2,450	2,125	52,936	537,343
Disposals	–	(5,785)	(18,009)	(9,227)	(1,525)	(21,131)	(55,677)
Transfers	–	27,352	42,254	65,076	765	(135,447)	–
Exchange rate fluctuation	–	–	–	690	–	–	690
At December 31, 2016 and January 1, 2017	166	245,131	385,453	299,429	9,285	519,761	1,459,225
Additions	439	–	3,354	4,027	575	557,535	565,930
Acquisition of subsidiaries (note 38)	371	–	1,782	194	–	–	2,347
Disposals	–	(6,134)	(27,659)	(18,265)	(295)	(251)	(52,604)
Transfers	29,155	51,150	137,968	60,633	1,100	(280,006)	–
Exchange rate fluctuation	–	–	–	(628)	–	–	(628)
At December 31, 2017 and January 1, 2018	30,131	290,147	500,898	345,390	10,665	797,039	1,974,270
Additions	–	153	68	1,971	227	341,579	343,998
Disposals	–	–	(208)	(142)	–	–	(350)
Transfers	123	16,518	6,942	6,809	69	(30,461)	–
Exchange rate fluctuation	–	–	–	(386)	–	–	(386)
At March 31, 2018	30,254	306,818	507,700	353,642	10,961	1,108,157	2,317,532

Group

	Leasehold improvements	Buildings	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation							
At January 1, 2015	(49)	(28,016)	(57,969)	(74,193)	(3,146)	–	(163,373)
Depreciation provided during the year	(20)	(10,087)	(33,074)	(30,352)	(1,143)	–	(74,676)
Disposals	–	261	2,653	2,349	104	–	5,367
Exchange rate fluctuation	–	–	–	(155)	–	–	(155)
At December 31, 2015 and January 1, 2016	(69)	(37,842)	(88,390)	(102,351)	(4,185)	–	(232,837)
Depreciation provided during the year	(29)	(10,950)	(42,423)	(28,581)	(1,346)	–	(83,329)
Disposals	–	1,707	13,651	6,386	1,446	–	23,190
Exchange rate fluctuation	–	–	–	(249)	–	–	(249)
At December 31, 2016 and January 1, 2017	(98)	(47,085)	(117,162)	(124,795)	(4,085)	–	(293,225)
Depreciation provided during the year	(2,129)	(12,196)	(46,115)	(34,615)	(1,479)	–	(96,534)
Disposals	–	2,547	18,945	13,654	291	–	35,437
Exchange rate fluctuation	–	–	–	256	–	–	256
At December 31, 2017 and January 1, 2018	(2,227)	(56,734)	(144,332)	(145,500)	(5,273)	–	(354,066)
Depreciation provided during the period	(974)	(3,414)	(13,348)	(10,164)	(410)	–	(28,310)
Disposals	–	–	–	37	–	–	37
Exchange rate fluctuation	–	–	–	200	–	–	200
At March 31, 2018	(3,201)	(60,148)	(157,680)	(155,427)	(5,683)	–	(382,139)
Net carrying amount:							
At December 31, 2015	30	185,162	262,613	138,089	3,735	154,403	744,032
At December 31, 2016	68	198,046	268,291	174,634	5,200	519,761	1,166,000
At December 31, 2017	27,904	233,413	356,566	199,890	5,392	797,039	1,620,204
At March 31, 2018	27,053	246,670	350,020	198,215	5,278	1,108,157	1,935,393

The application for the property ownership certificates for certain buildings with net book values of approximately RMB91,468,000, RMB107,817,000, RMB91,675,000 and RMB44,541,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, was still in progress.

Certain of the Group's buildings with aggregate net book values of approximately RMB10,840,000, RMB10,336,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, were pledged as security for the Group's interest-bearing bank and other borrowings (note 31).

Company

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Office and other equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Cost						
At January 1, 2015	147,052	220,631	164,798	3,202	66,343	602,026
Additions	1,128	2,295	315	–	38,430	42,168
Disposals	–	(4,176)	(1,294)	(60)	(266)	(5,796)
Transfers	6,787	17,751	3,068	93	(27,699)	–
At December 31, 2015 and January 1, 2016	154,967	236,501	166,887	3,235	76,808	638,398
Additions	558	414	748	572	142,920	145,212
Disposals	(3,044)	(7,948)	(2,217)	(1,171)	(710)	(15,090)
Transfers	15,999	37,756	42,570	668	(96,993)	–
At December 31, 2016 and January 1, 2017	168,480	266,723	207,988	3,304	122,025	768,520
Additions	–	2,816	1,168	–	232,641	236,625
Disposals	(2,727)	(20,004)	(24,181)	(303)	(16)	(47,231)
Transfers	9,980	42,482	27,637	448	(80,547)	–
At December 31, 2017	175,733	292,017	212,612	3,449	274,103	957,914
At December 31, 2017 and January 1, 2018	175,733	292,017	212,612	3,449	274,103	957,914
Additions	152	28	1,562	–	99,317	101,059
Disposals	–	(2,504)	–	–	–	(2,504)
Transfers	2,345	5,313	6,305	59	(14,022)	–
At March 31, 2018	178,230	294,854	220,479	3,508	359,398	1,056,469

Company

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Office and other equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Accumulated depreciation						
At January 1, 2015	(18,064)	(32,967)	(46,637)	(1,821)	–	(99,489)
Depreciation provided during the year	(6,975)	(21,584)	(18,301)	(403)	–	(47,263)
Disposals	–	643	566	57	–	1,266
At December 31, 2015 and January 1, 2016	(25,039)	(53,908)	(64,372)	(2,167)	–	(145,486)
Depreciation provided during the year	(7,406)	(23,385)	(19,590)	(434)	–	(50,815)
Disposals	1,096	5,460	1,321	1,109	–	8,986
At December 31, 2016 and January 1, 2017	(31,349)	(71,833)	(82,641)	(1,492)	–	(187,315)
Depreciation provided during the year	(8,072)	(27,093)	(22,043)	(471)	–	(57,679)
Disposals	254	5,229	8,651	58	–	14,192
At December 31, 2017 and January 1, 2018	(39,167)	(93,697)	(96,033)	(1,905)	–	(230,802)
Depreciation provided during the period	(2,059)	(6,810)	(5,475)	(110)	–	(14,454)
At March 31, 2018	(41,226)	(100,507)	(101,508)	(2,015)	–	(245,256)
Net carrying amount:						
At December 31, 2015	129,928	182,593	102,515	1,068	76,808	492,912
At December 31, 2016	137,131	194,890	125,347	1,812	122,025	581,205
At December 31, 2017	136,566	198,320	116,579	1,544	274,103	727,112
At March 31, 2018	137,004	194,347	118,971	1,493	359,398	811,213

The application for the property ownership certificates for certain buildings with net book values of approximately RMB47,145,000, RMB38,428,000, RMB44,849,000 and RMB28,564,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, was still in progress.

The Company's buildings with net carrying amounts of approximately RMB10,840,000, RMB10,336,000, nil and nil were pledged to secure general banking facilities granted to the Company as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively (note 31).

15. INVESTMENT PROPERTIES

Group and Company

	Buildings RMB'000	Prepaid land lease payment RMB'000	Total RMB'000
Cost			
At December 31, 2015, 2016 and 2017 and March 31, 2018	557	61	618
Accumulated depreciation			
At January 1, 2015	(332)	(9)	(341)
Charge for the year	(27)	(1)	(28)
At December 31, 2015 and January 1, 2016	(359)	(10)	(369)
Charge for the year	(27)	(1)	(28)
At December 31, 2016 and January 1, 2017	(386)	(11)	(397)
Charge for the year	(26)	(1)	(27)
At December 31, 2017	(412)	(12)	(424)
At December 31, 2017 and January 1, 2018	(412)	(12)	(424)
Charge for the period	(7)	–	(7)
At March 31, 2018	(419)	(12)	(431)
Net carrying amount:			
At December 31, 2015	198	51	249
At December 31, 2016	171	50	221
At December 31, 2017	145	49	194
At March 31, 2018	138	49	187

Certain of the Group's buildings with aggregate net book values of approximately RMB198,000, RMB171,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, were pledged as security for the Group's interest-bearing bank and other borrowings (note 31).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40 to the Historical Financial Information.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at December 31, 2015 using				
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Investment properties	–	–	1,558	1,558
Fair value measurement as at December 31, 2016 using				
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Investment properties	–	–	1,562	1,562
Fair value measurement as at December 31, 2017 using				
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Investment properties	–	–	1,570	1,570

Fair value measurement as at March 31, 2018 using

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Investment properties	—	—	1,572	1,572

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

16. PREPAID LAND LEASE PAYMENTS

Group

	As at December 31,			As at March 31,
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Cost				
At the beginning of the year/period	99,924	100,577	121,629	147,789
Acquisition of subsidiaries (note 38)	653	—	—	—
Additions	—	21,052	26,160	—
At the end of the year/period	100,577	121,629	147,789	147,789
Accumulated amortization				
At the beginning of the year/period	(5,691)	(7,696)	(9,846)	(12,382)
Charge for the year/period	(2,005)	(2,150)	(2,536)	(776)
At the end of the year/period	(7,696)	(9,846)	(12,382)	(13,158)
Net carrying amount:	92,881	111,783	135,407	134,631

Certain of the Group's prepaid land lease payments with aggregate net book values of approximately RMB64,324,000, RMB62,935,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, were pledged as security for the Group's interest-bearing bank and other borrowings (note 31).

Company

	As at December 31,			As at March 31,
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Cost				
At the beginning of the year/period	69,443	69,443	69,443	80,063
Additions	—	—	10,620	—
At the end of the year/period	69,443	69,443	80,063	80,063
Accumulated amortization				
At the beginning of the year/period	(3,728)	(5,118)	(6,507)	(7,914)
Charge for the year/period	(1,390)	(1,389)	(1,407)	(400)
At the end of the year/period	(5,118)	(6,507)	(7,914)	(8,314)
Net carrying amount:	64,325	62,936	72,149	71,749

Certain of the Company's prepaid land lease payments with aggregate net book values of approximately RMB64,324,000, RMB62,935,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, were pledged as security for the Group's interest-bearing bank and other borrowings (note 31).

17. GOODWILL

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost at the beginning of the year/period, net of accumulated impairment	2,503	235,011	17,580	18,302
Acquisition of subsidiaries (note 38)	254,381	–	18,302	–
Liquidation of subsidiaries	–	(976)	–	–
Impairment during the year/period	(21,873)	(217,431)	(17,580)	–
Impairment written off due to liquidation	–	976	–	–
Cost at the end of the year/period, net of accumulated impairment	<u>235,011</u>	<u>17,580</u>	<u>18,302</u>	<u>18,302</u>
Cost	263,284	262,308	280,610	280,610
Accumulated impairment	<u>(28,273)</u>	<u>(244,728)</u>	<u>(262,308)</u>	<u>(262,308)</u>
Net carrying amount:	<u>235,011</u>	<u>17,580</u>	<u>18,302</u>	<u>18,302</u>

The addition of the Group's goodwill in 2015 resulted from the acquisition of Shenzhen Meibai as set out in note 38(ii). The addition of the Group's goodwill in 2017 resulted from the acquisition of Ningbo Li Sai Kang New Material Technology Co., Ltd. as set out in note 38(iii).

Impairment testing of goodwill

Goodwill acquired through business combinations is primarily allocated to the cash-generating units ("CGUs") of the following companies for impairment testing:

- Shenzhen Meibai CGU
- Jiangsu Youpai CGU
- Wuxi Xinneng CGU
- Ningbo Li Sai Kang CGU

The net carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Shenzhen Meibai CGU	235,011	17,580	–
Jiangsu Youpai CGU	–	–	–
Wuxi Xinneng CGU	–	–	–
Ningbo Li Sai Kang CGU	–	–	18,302
	<u>235,011</u>	<u>17,580</u>	<u>18,302</u>

Shenzhen Meibai CGU

For the years ended 2015, 2016 and 2017, an impairment loss of RMB19,370,000, RMB217,431,000, RMB17,580,000 was respectively recognized in the consolidated statement of profit or loss as other expenses, in respect of the goodwill resulted from the acquisition of a subsidiary, Shenzhen Meibai. During the impairment test, Shenzhen Meibai was considered as a separate cash-generating unit.

In 2015, the recoverable amount of Shenzhen Meibai CGU has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The after tax discount rate applied to the cash flow projections is 15% and the pre-tax discount rate is 20.6%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%. The budgeted gross margins which are used range from 15% to 25%.

In 2016, due to the two fire accidents, the production of Shenzhen Meibai ceased and management expected that the cash flow projections and the projected periods were changed, the recoverable amount of Shenzhen Meibai CGU has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a seven-year period approved by senior management. The after tax discount rate applied to the cash flow projections is 15% and the pre-tax discount rate is 19.7%. The growth rate used to extrapolate the cash flows beyond the seven-year period is 3%. The budgeted gross margins which are used range from 10% to 24%.

In 2017, the recoverable amount of Shenzhen Meibai CGU has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The after tax discount rate applied to the cash flow projections is 15% and the pre-tax discount rate is 19.6%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%. The budgeted gross margins which are used range from 14% to 17%.

Ningbo Li Sai Kang CGU

During 2017, no impairment loss was recognized in the consolidated statement of profit or loss, in respect of the goodwill resulted from the acquisition of a subsidiary, Ningbo Li Sai Kang.

As at December 31, 2017, the recoverable amount of Ningbo Li Sai Kang CGU has been determined based on a value-in-use calculation using cash flow projections based on a financial budget covering a five-year period approved by senior management. The after tax discount rate applied to the cash flow projections is 15% and the pre-tax discount rate is 19.6%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%. The budgeted gross margins which are used range from 28% to 36%. As at December 31, 2017, based on the above assumptions, the recoverable amount of Ningbo Li Sai Kang CGU exceeded the carrying amount by RMB3,504,000.

Sensitivity analysis

In the opinion of the Company's directors, for Ningbo Li Sai Kang CGU, any reasonably possible changes in key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount significantly as at December 31, 2017.

For Shenzhen Meibai CGU, any reasonably possible changes in key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount significantly for the year ended December 31, 2015; a decrease in the profit margin by 1% to 2% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB19.4 million to RMB39.6 million for the year ended December 31, 2016, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount significantly. As at December 31, 2016, the difference between the recoverable amounts and the carrying amounts of Shenzhen Meibai CGU was approximately RMB0.8 million.

IAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, management did not identify any significant adverse changes in the operating results and macro environment in the first quarter of 2018, and the Company's management has concluded there was no impairment indicator of goodwill at March 31, 2018. Accordingly, management did not perform impairment testing on goodwill as at March 31, 2018.

Assumptions were used in the value-in-use calculation of all the cash-generating units for December 31, 2015, 2016 and 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — the basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates — the discount rates used are after tax and reflect specific risks relating to the relevant units.

The values assigned to key assumptions on the market development of lithium products and the lithium industry and discount rates are consistent with external information sources.

18. INTANGIBLE ASSETS

Group

	Patents	Non-patent technologies	Trademarks	Software	Exploration rights	Mining rights	Others	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost									
At January 1, 2015	–	2,000	133	4,435	5,850	–	3,777	–	16,195
Additions	–	–	–	289	–	–	–	–	289
Acquisition of subsidiaries (note 38)	–	16,082	–	335	–	115,783	–	–	132,200
Exchange rate fluctuation ...	–	–	–	–	–	–	219	–	219
At December 31, 2015 and January 1, 2016	–	18,082	133	5,059	5,850	115,783	3,996	–	148,903
Additions	5,000	–	–	122	–	–	–	2,000	7,122
Disposals	–	–	–	(60)	–	–	–	–	(60)
Exchange rate fluctuation ...	–	–	–	–	–	–	260	–	260
At December 31, 2016 and January 1, 2017	5,000	18,082	133	5,121	5,850	115,783	4,256	2,000	156,225
Additions	2,500	30,000	–	1,226	60,947	–	–	566	95,239
Transfer	2,000	–	–	–	–	–	–	(2,000)	–
Acquisition of subsidiaries (note 38)	–	–	–	–	–	–	–	232	232
Exchange rate fluctuation ...	–	–	–	–	–	–	(236)	–	(236)
At December 31, 2017 and January 1, 2018	9,500	48,082	133	6,347	66,797	115,783	4,020	798	251,460
Additions	–	–	–	–	2,080	–	–	841	2,921
Exchange rate fluctuation ...	–	–	–	–	–	–	(144)	–	(144)
At March 31, 2018	9,500	48,082	133	6,347	68,877	115,783	3,876	1,639	254,237
Accumulated depreciation									
At January 1, 2015	–	(1,500)	(63)	(2,936)	(669)	–	(1,295)	–	(6,463)
Amortization during the year	–	(1,204)	(15)	(564)	(668)	–	(795)	–	(3,246)
Exchange rate fluctuation ...	–	–	–	–	–	–	(95)	–	(95)
At December 31, 2015 and January 1, 2016	–	(2,704)	(78)	(3,500)	(1,337)	–	(2,185)	–	(9,804)
Amortization during the year	(26)	(2,008)	(15)	(619)	(669)	(1,215)	(813)	–	(5,365)
Amortization transferred due to disposal	–	–	–	55	–	–	–	–	55
Exchange rate fluctuation ...	–	–	–	–	–	–	(165)	–	(165)
At December 31, 2016 and January 1, 2017	(26)	(4,712)	(93)	(4,064)	(2,006)	(1,215)	(3,163)	–	(15,279)
Amortization during the year	(623)	(4,319)	(15)	(670)	(669)	(2,106)	(801)	–	(9,203)
Exchange rate fluctuation ...	–	–	–	–	–	–	197	–	197
At December 31, 2017 and January 1, 2018	(649)	(9,031)	(108)	(4,734)	(2,675)	(3,321)	(3,767)	–	(24,285)
Amortization during the period	(498)	(825)	(4)	(125)	(167)	(209)	(187)	–	(2,015)
Exchange rate fluctuation ...	–	–	–	–	–	–	135	–	135
At March 31, 2018	(1,147)	(9,856)	(112)	(4,859)	(2,842)	(3,530)	(3,819)	–	(26,165)
Net carrying amount:									
At December 31, 2015	–	15,378	55	1,559	4,513	115,783	1,811	–	139,099
At December 31, 2016	4,974	13,370	40	1,057	3,844	114,568	1,093	2,000	140,946
At December 31, 2017	8,851	39,051	25	1,613	64,122	112,462	253	798	227,175
At March 31, 2018	8,353	38,226	21	1,488	66,035	112,253	57	1,639	228,072

Company

	Non-patent technologies	Trademarks	Software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At January 1, 2015	5,660	133	3,644	130	9,567
Additions	–	–	165	–	165
At December 31, 2015 and January 1, 2016	5,660	133	3,809	130	9,732
Additions	–	–	75	–	75
At December 31, 2016 and January 1, 2017	5,660	133	3,884	130	9,807
Additions	–	–	746	–	746
At December 31, 2017 and March 31, 2018	5,660	133	4,630	130	10,553
	Non-patent technologies	Trademarks	Software	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation					
At January 1, 2015	–	(63)	(2,247)	(72)	(2,382)
Amortization during the year	(566)	(15)	(408)	(43)	(1,032)
At December 31, 2015 and January 1, 2016	(566)	(78)	(2,655)	(115)	(3,414)
Amortization during the year	(566)	(16)	(364)	(15)	(961)
At December 31, 2016 and January 1, 2017	(1,132)	(94)	(3,019)	(130)	(4,375)
Amortization during the year	(566)	(15)	(320)	–	(901)
At December 31, 2017 and January 1, 2018	(1,698)	(109)	(3,339)	(130)	(5,276)
Amortization during the period	(142)	(4)	(91)	–	(237)
At March 31, 2018	(1,840)	(113)	(3,430)	(130)	(5,513)
Net carrying amount:					
At December 31, 2015	5,094	55	1,154	15	6,318
At December 31, 2016	4,528	39	865	–	5,432
At December 31, 2017	3,962	24	1,291	–	5,277
At March 31, 2018	3,820	20	1,200	–	5,040

19. INVESTMENTS IN SUBSIDIARIES

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,165,262	1,390,852	1,955,618	2,550,544

20. INVESTMENTS IN ASSOCIATES

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	164,402	364,314	739,072	757,307
Goodwill on acquisition	4,525	5,084	5,060	4,806
	168,927	369,398	744,132	762,113

Particulars of the associates are as follows:

As at December 31, 2015

Name	Investment cost RMB'000	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
International Lithium Corp.* ("ILC")	14,464	Canada	17.41	17.41	17.41	Exploration of rare metals
Reed Industrial Minerals Pty., Ltd. ("RIM")	162,340	Australia	25	25	25	Exploration of rare metals

As at December 31, 2016

Name	Investment cost RMB'000	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
ILC*	16,046	Canada	18.06	18.06	18.06	Exploration of rare metals
RIM	338,176	Australia	43.10	43.10	43.10	Exploration of rare metals

As at December 31, 2017

Name	Investment cost RMB'000	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
ILC*	16,046	Canada	17.15	17.15	17.15	Exploration of rare metals
RIM	338,368	Australia	43.10	43.10	43.10	Exploration of rare metals
Lithium Americas Corp.* ("LAC")	316,807	Canada	17.05	17.05	17.05	Development of lithium projects

As at March 31, 2018

Name	Investment cost RMB'000	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
ILC*	16,046	Canada	16.29	16.29	16.29	Exploration of rare metals
RIM	338,368	Australia	43.10	43.10	43.10	Exploration of rare metals
LAC*	316,807	Canada	16.95	16.95	16.95	Development of lithium projects

* The Group's investment in ILC is accounted for under the equity method of accounting because the Group has significant influence over ILC by way of representation on the board of directors and participation in the policy-making process, despite the fact that the Group's indirect equity interests in ILC were lower than 20% for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018. The same situation applies to LAC for the year ended December 31, 2017 and the three months ended March 31, 2018.

Group

ILC, RIM and LAC, which are considered material associates of the Group, are strategic partners of the Group engaged in the exploration of rare metals or development of lithium projects and are accounted for using the equity method.

The following table illustrates the summarized financial information in respect of ILC, RIM and LAC, adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

December 31, 2015

	ILC	RIM
	RMB'000	RMB'000
Current assets	2,444	393
Non-current assets excluding goodwill	20,312	655,503
Goodwill on acquisition of the associates	25,992	–
Current liabilities	(3,243)	(4,307)
Non-current liabilities	(7,612)	(2,268)
Net assets	<u>37,893</u>	<u>649,321</u>
Net assets excluding goodwill	<u>11,901</u>	<u>649,321</u>
Reconciliation to the Group's interests in the associates:		
Proportion of the Group's ownership	17.41%	25.00%
Group's share of net assets, of the associates excluding goodwill	2,072	162,330
Goodwill on acquisition (less cumulative impairment)	4,525	–
Carrying amount of the investment	<u>6,597</u>	<u>162,330</u>
Revenue	357	–
Loss for the year	(3,602)	(40)
Other comprehensive income	285	–
Total comprehensive loss for the year	<u>(3,317)</u>	<u>(40)</u>
Fair value of the Group's investment	<u>4,716</u>	–

December 31, 2016

	ILC	RIM
	RMB'000	RMB'000
Current assets	1,206	2,436
Non-current assets excluding goodwill	29,062	1,120,153
Goodwill on acquisition of the associates	28,151	–
Current liabilities	(473)	(251,651)
Non-current liabilities	(15,302)	(31,736)
Net assets	<u>42,644</u>	<u>839,202</u>
Net assets excluding goodwill	<u>14,493</u>	<u>839,202</u>
Reconciliation to the Group's interests in the associates:		
Proportion of the Group's ownership	18.06%	43.10%
Group's share of net assets, of the associates excluding goodwill	2,618	361,696
Goodwill on acquisition (less cumulative impairment)	5,084	–
Carrying amount of the investment	<u>7,702</u>	<u>361,696</u>
Revenue	774	–
(Loss)/profit for the year	(5,072)	283
Other comprehensive loss	(324)	–
Total comprehensive (loss)/income for the year	<u>(5,396)</u>	<u>283</u>
Fair value of the Group's investment	<u>12,296</u>	–

December 31, 2017

	ILC	RIM	*LAC
	RMB'000	RMB'000	RMB'000
Current assets	1,236	442,524	511,388
Non-current assets excluding goodwill	38,096	1,129,548	1,243,263
Goodwill on acquisition of the associates	29,505	–	–
Current liabilities	(12,575)	(449,878)	(29,143)
Non-current liabilities	(15,385)	(92,083)	(6,194)
Net assets	40,877	1,030,111	1,719,314
Net assets excluding goodwill	11,372	1,030,111	1,719,314
Reconciliation to the Group's interests in the associates:			
Proportion of the Group's ownership	17.15%	43.10%	17.05%
Group's share of net assets of the associates excluding goodwill	1,950	443,978	293,144
Goodwill on acquisition (less cumulative impairment)	5,060	–	–
Carrying amount of the investment	7,010	443,978	293,144
Revenue	869	1,136,059	7,133
(Loss)/profit for the year	(6,051)	190,465	(85,940)
Other comprehensive (loss)/income	(715)	–	14,899
Total comprehensive (loss)/income for the year	(6,766)	190,465	(71,041)
Fair value of the Group's investment	14,446	–	872,191

March 31, 2018

	ILC	RIM	*LAC
	RMB'000	RMB'000	RMB'000
Current assets	482	460,148	313,712
Non-current assets excluding goodwill	37,298	1,105,456	1,386,441
Goodwill on acquisition of the associates	29,505	–	–
Current liabilities	(9,427)	(422,887)	(13,306)
Non-current liabilities	(14,816)	(51,591)	(6,144)
Net assets	43,042	1,091,126	1,680,703
Net assets excluding goodwill	13,537	1,091,126	1,680,703
Reconciliation to the Group's interests in the associates:			
Proportion of the Group's ownership	16.29%	43.10%	16.95%
Group's share of net assets of the associates excluding goodwill	2,205	470,275	284,827
Goodwill on acquisition (less cumulative impairment)	4,806	–	–
Carrying amount of the investment	7,011	470,275	284,827
Revenue	212	355,030	7,027
(Loss)/profit for the period	(7,855)	62,641	(29,280)
Other comprehensive loss	(288)	–	(10,040)
Total comprehensive (loss)/income for the period	(8,143)	62,641	(39,320)
Fair value of the Group's investment	6,776	–	510,810

* The assessment of the fair value of the identifiable assets and liabilities of LAC is still in progress. The fair value has been determined on a provisional basis and is subject to change upon the finalisation of the valuation.

21. INVESTMENT IN A JOINT VENTURE

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	–	22,007	22,813	22,967
Goodwill on acquisition	–	28,092	28,092	28,092
	–	50,099	50,905	51,059

Particulars of the joint venture as at December 31, 2016 and 2017 and March 31, 2018 are as follows:

Name	Investment cost RMB'000	Place of registration and business	Ownership interest	Percentage of		Principal activities
				Voting power	Profit sharing	
Dalian Yike Energy Technology Co., Ltd	50,000	Dalian	20	20	20	Manufacturer of lithium-ion battery separators

Dalian Yike Energy Technology Co., Ltd. ("Dalian Yike"), which was invested in 2016, considered as a material joint venture of the Group, is accounted for using the equity method.

The following table illustrates the summarized financial information in respect of Dalian Yike adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	At December 31,		At March 31,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	45,391	3,390	839
Other current assets	39,489	58,827	50,567
Current assets	84,880	62,217	51,406
Non-current assets, excluding goodwill	35,277	57,083	68,647
Goodwill on acquisition of the joint venture	140,459	140,459	140,459
Financial liabilities, excluding trade and other payables	(4,000)	–	(2,000)
Other current liabilities	(6,120)	(5,234)	(3,217)
Current liabilities	(10,120)	(5,234)	(5,217)
Non-current liabilities	–	–	–
Net assets	250,496	254,525	255,295
Net assets, excluding goodwill	110,037	114,066	114,836
Reconciliation to the Group's interest in the joint venture:			
Proportion of the Group's ownership	20%	20%	20%
Group's share of net assets of the joint venture, excluding goodwill	22,007	22,813	22,967
Goodwill on acquisition (less cumulative impairment)	28,092	28,092	28,092
Carrying amount of the investment	50,099	50,905	51,059
Revenue	15,294	25,504	5,797
Interest income	21	15	–
Depreciation and amortization	4,265	5,082	1,396
Interest expenses	282	–	–
Tax	(69)	405	(66)
Profit and total comprehensive income for the year/period	287	4,030	772

22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Held for trading</u>				
Quoted	1,432	1,304	40,111	41,606
<u>Non-trading</u>				
Quoted	–	186,363	577,842	427,551
Unquoted	4,200	54,200	165,249	762,955
	4,200	240,563	743,091	1,190,506
Less: current portion of investments	1,432	51,304	191,151	791,605
Non-current portion of investments	4,200	190,563	592,051	440,507

The Group's investments at fair value through profit or loss with a carrying amount of nil, RMB50,000,000, nil and nil were pledged to secure bank loans as at December 31, 2015, 2016 and 2017 and March 31, 2018, as set out in note 31 to the Historical Financial Information.

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Held for trading				
Quoted	1,432	1,304	983	961
Non-trading				
Quoted	–	95,959	101,484	123,590
Unquoted	4,200	4,200	164,210	612,956
	4,200	100,159	265,694	736,546
Less: current portion of investments	1,432	1,304	150,983	600,961
Non-current portion of investments	4,200	100,159	115,694	136,546

23. OTHER LONG-TERM ASSETSGroup

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for an equity investment in Changcheng Huaguan	49,860	–	–	–
Prepayment of an 80% interest in a mine in Argentina*	23,884	25,516	–	–
Prepayment for expropriation land and pulling-down compensation**	20,000	20,000	20,000	20,000
Loan to ILC (note 42(d))	8,201	13,874	13,068	12,576
Prepayment exploration fee for a mine in Argentina*	5,915	6,243	–	–
Loan to RIM (note 42(d))	–	14,391	–	–
	107,860	80,024	33,068	32,576

* In March 2014, GFL, a subsidiary of the Group, entered into a series of loan conversion and investment agreements with ILC to transfer the loans receivable to acquire the interests in a lithium-potassium brine mine project in Argentina ("Mariana Property"). As at December 31, 2015 and 2016, the prepayments amounted to RMB23,884,000 and RMB25,516,000, respectively, and the prepayment which will be used for the exploration of the mine amounted to RMB5,915,000 and RMB 6,243,000 in aggregate as at December 31, 2015 and 2016, respectively.

** In July 2015, the Group signed a contract with the Management Committee of Xinyu High-tech Industrial Development Zone, and the Group prepaid an amount of RMB20,000,000 for the land use right requisition and demolition in Baishuitang Town, the prepayment will be credited against the land use right transaction costs when the land use right transfer contract is signed. As of March 31, 2018, the land use right acquisition and demolition work has not been completed yet and the contract for the land use rights have not been signed yet.

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for an equity investment in Changcheng Huaguan	49,860	–	–	–
Prepayment for capital injection into a subsidiary of the Company	–	–	105,146	–
Prepayment for expropriation of land and pulling-down compensation	20,000	20,000	20,000	20,000
	69,860	20,000	125,146	20,000

24. INVENTORIESGroup

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	99,961	259,921	553,844	710,783
Work in progress	87,968	103,086	124,587	127,657
Finished goods	133,430	188,066	242,253	311,901
Less: impairment	(8,213)	(16,719)	(5,849)	(1,993)
	313,146	534,354	914,835	1,148,348

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	69,989	185,732	410,614	640,288
Work in progress	42,361	55,079	50,809	57,656
Finished goods	68,840	104,250	78,780	119,030
Less: impairment	(6,094)	(10,715)	(3,955)	(99)
	<u>175,096</u>	<u>334,346</u>	<u>536,248</u>	<u>816,875</u>

25. TRADE AND BILLS RECEIVABLES

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	361,371	443,727	507,581	554,214
Bills receivable	117,332	133,168	437,855	436,082
	<u>478,703</u>	<u>576,895</u>	<u>945,436</u>	<u>990,296</u>

The Group's trading terms with its customers are mainly on credit. The credit period of trade receivables is generally from one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of the trade and bills receivables in the consolidated statements of financial position approximate to their fair values.

The Group has no significant concentration of credit risk.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods (based on the invoice date) is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	305,156	403,652	476,069	541,377
More than 6 months but less than 1 year	41,794	17,309	23,758	10,128
1 to 2 years	14,333	29,016	31,980	22,211
2 to 3 years	1,962	4,495	2,343	7,103
More than 3 years	1,517	1,604	5,358	6,317
Less: impairment	(3,391)	(12,349)	(31,927)	(32,922)
	<u>361,371</u>	<u>443,727</u>	<u>507,581</u>	<u>554,214</u>

The movements in provision for impairment of trade receivables are as follows, these impairment losses were all related to receivables arising from contracts with customers:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	4,158	3,391	12,349	31,927
Impairment losses (reversed)/recognized	(347)	10,446	19,613	1,118
Amount written off as uncollectible	(420)	(1,488)	(35)	(123)
At end of year/period	<u>3,391</u>	<u>12,349</u>	<u>31,927</u>	<u>32,922</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	305,156	403,652	469,538	537,789
More than 6 months but less than 1 year	41,248	15,521	14,592	8,431
1 to 2 years	14,100	23,655	23,041	6,632
2 to 3 years	867	899	410	1,362
	<u>361,371</u>	<u>443,727</u>	<u>507,581</u>	<u>554,214</u>

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	287,338	356,847	416,121	464,927
Less than 1 month past due	11,232	19,183	16,798	14,380
1 to 3 months past due	6,360	25,305	35,137	9,820
Over 3 months past due	226	2,317	1,482	48,662
	<u>305,156</u>	<u>403,652</u>	<u>469,538</u>	<u>537,789</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. At December 31, 2015, 2016 and 2017 and March 31, 2018, the Group's trade and bills receivables with a carrying amount of approximately RMB11,397,000, RMB19,667,000, RMB281,437,000 and RMB288,632,000, respectively, were pledged to issue banks' acceptance bills, letters of credit and bank borrowings.

The carrying amounts of the trade and bills receivables in the consolidated statements of financial position approximate to their fair values.

The transfers of financial assets relating to endorsement and discount of bills are provided in note 44.

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	43,644	107,553	100,738	127,641
Bills receivable	70,298	104,470	412,398	411,170
	<u>113,942</u>	<u>212,023</u>	<u>513,136</u>	<u>538,811</u>

The Company's trading terms with its customers are mainly on credit. The credit period of trade receivables is generally from one to three months. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The Company has no significant concentration of credit risk.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods (based on the invoice date) is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	38,129	105,586	97,617	127,233
More than 6 months but less than 1 year	3,842	1,787	2,378	60
1 to 2 years	3,427	403	1,635	63
2 to 3 years	132	588	231	1,581
More than 3 years	—	132	720	902
Less: impairment	(1,886)	(943)	(1,843)	(2,198)
	<u>43,644</u>	<u>107,553</u>	<u>100,738</u>	<u>127,641</u>

The movements in provision for impairment of trade receivables are as follows, these impairment losses were all related to receivables arising from contracts with customers:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	1,024	1,886	943	1,843
Impairment losses recognized / (reversed)	862	(943)	900	355
At end of year/period	<u>1,886</u>	<u>943</u>	<u>1,843</u>	<u>2,198</u>

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	38,129	105,584	97,615	127,233
More than 6 months but less than 1 year	3,458	1,609	2,140	54
1 to 2 years	2,057	242	981	38
2 to 3 years	–	118	2	316
	<u>43,644</u>	<u>107,553</u>	<u>100,738</u>	<u>127,641</u>

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	37,045	103,588	97,615	119,859
Less than 1 month past due	–	1,996	–	4,004
1 to 3 months past due	1,084	–	–	1,583
Over 3 months past due	–	–	–	1,787
	<u>38,129</u>	<u>105,584</u>	<u>97,615</u>	<u>127,233</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company's trade and bills receivables with a carrying amount of approximately RMB11,397,000, RMB19,667,000, RMB281,437,000 and RMB288,632,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, were pledged to issue banks' acceptance bills, letters of credit and bank borrowings.

The carrying amounts of the trade and bills receivables in the statements of financial position of the Company approximate to their fair values.

The transfers of financial assets relating to endorsement and discount of bills are provided in note 44.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	20,571	82,004	67,408	175,085
Deposits and other receivables	7,799	22,631	22,716	60,735
VAT recoverable	4,304	10,097	67,183	94,437
Less: impairment	(386)	(467)	(949)	(696)
	<u>32,288</u>	<u>114,265</u>	<u>156,358</u>	<u>329,561</u>

There are no significant balances that are overdue or impaired. Movements in the provision for impairment are as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	102	386	467	949
Impairment losses recognized	284	81	482	–
Amount written off as uncollectible	–	–	–	(253)
At end of year/period	<u>386</u>	<u>467</u>	<u>949</u>	<u>696</u>

The aged analysis of deposits and other receivables that are not individually nor collectively considered to be impaired is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	7,081	20,453	19,278	56,918
1 to 3 months past due	–	–	10	51
Over 3 months past due	–	–	49	1,074
	<u>7,081</u>	<u>20,453</u>	<u>19,337</u>	<u>58,043</u>

The carrying amounts of the prepayments, deposits and other receivables in the consolidated statements of financial position approximate to their fair values.

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	13,650	29,778	34,098	135,680
Deposits and other receivables	946	15,064	3,771	50,156
Less: impairment	(232)	(223)	(238)	(238)
	<u>14,364</u>	<u>44,619</u>	<u>37,631</u>	<u>185,598</u>

There are no significant balances that are overdue or impaired. Movements in the provision for impairment are as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	11	232	223	238
Impairment losses recognized/(reversed)	221	(9)	15	–
At end of year/period	<u>232</u>	<u>223</u>	<u>238</u>	<u>238</u>

The aged analysis of the deposits and other receivables that are not individually nor collectively considered to be impaired is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	623	5,214	3,189	49,274
1 to 3 months past due	–	–	10	216
	<u>623</u>	<u>5,214</u>	<u>3,199</u>	<u>49,490</u>

The carrying amounts of the prepayments, deposits and other receivables in the statements of financial position approximate to their fair values.

27. DERIVATIVE FINANCIAL INSTRUMENTS

Group and Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Compensation arrangement	92,296	630,690	–	–

During the acquisition of Shenzhen Meibai Electronics Co., Ltd. ("Shenzhen Meibai") (note38(ii)), the Company signed a compensation agreement with Mr. Li Wanchun and Ms. Hu Yemei (the original shareholders of Shenzhen Meibai), and agreed that the audited net profit after deducting non-recurring gains and losses of Shenzhen Meibai must not be less than RMB33 million, RMB43 million and RMB56 million for the years 2014, 2015 and 2016, respectively (the "Performance Targets"). Otherwise, Mr. Li Wanchun and Ms. Hu Yemei need to compensate for the insufficient amount between the actual net profits and the Performance Targets (the "Insufficient Amount"). The compensation to the Company was paid by the 3 year locked-up A shares of the Company issued to them as part of the consideration of the acquisition, and the compensation shares were calculated based on the formula related to the Insufficient Amount.

As of December 31, 2015 and 2016, the net profit after deducting non-recurring gains and losses of Shenzhen Meibai did not meet the Performance Targets, and the corresponding shares Mr. Li Wanchun and Ms. Hu Yemei need to return back were 1,466,639 shares and 23,790,647 shares for the years of 2015 and 2016, respectively. These repurchase rights of the 3 year locked-up A shares were measured at fair value through profit or loss amounting to RMB92,296,000, RMB634,019,000 and RMB485,805,000 and nil were charged to the consolidated statement of profit or loss for the years of 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

The Group repurchased the 3 year locked-up A shares at a consideration of RMB 1 and canceled 1,466,639 and 23,790,647 shares, respectively, in 2016 and 2017.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	180,733	197,751	2,237,200	1,299,380
Less: Pledged deposits				
– pledged for bills payable	(10,004)	(11,983)	–	–
– pledged for letters of guarantee	–	–	(62,998)	(62,650)
– pledged for letters of credit	(7,858)	(16,585)	(8,850)	(19,327)
	<u>162,871</u>	<u>169,183</u>	<u>2,165,352</u>	<u>1,217,403</u>

The Group's cash and cash equivalents as at December 31, 2015, 2016 and 2017 and March 31, 2018 were denominated in the following currencies:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in RMB	132,197	121,771	2,017,335	812,748
Denominated in USD	26,601	45,539	80,943	300,252
Denominated in EUR	3,930	1,357	376	682
Denominated in CAD	141	160	–	–
Denominated in JPY	2	1	1	4,520
Denominated in AUD	–	232	60,328	98,570
Denominated in HKD	–	123	20	15
Denominated in PESO	–	–	6,349	616
	<u>162,871</u>	<u>169,183</u>	<u>2,165,352</u>	<u>1,217,403</u>

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	70,877	91,657	1,538,277	712,854
Less: Pledged deposits				
– pledged for bills payable	(2,394)	(5,956)	–	–
– pledged for letters of guarantee	–	–	(61,049)	(60,700)
– pledged for letters of credit	(7,858)	(14,635)	(8,850)	(19,327)
	<u>60,625</u>	<u>71,066</u>	<u>1,468,378</u>	<u>632,827</u>

The Company's cash and cash equivalents as at December 31, 2015, 2016 and 2017 and March 31, 2018 were denominated in the following currencies:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Denominated in RMB	59,260	71,066	1,466,802	627,088
Denominated in USD	1,365	–	1,576	5,739
	<u>60,625</u>	<u>71,066</u>	<u>1,468,378</u>	<u>632,827</u>

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents and pledged deposits in the consolidated statements of financial position and statements of financial position of the Company approximate to their fair values.

29. TRADE AND BILLS PAYABLES

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	134,809	192,538	219,761	198,215
Bills payable	32,832	105,269	80,010	161,756
Trade and bills payables	<u>167,641</u>	<u>297,807</u>	<u>299,771</u>	<u>359,971</u>

An aged analysis of the trade payables as at December 31, 2015, 2016 and 2017 and March 31, 2018, based on the invoice date, is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	68,363	95,059	178,173	126,610
3 to 6 months	53,938	96,230	19,151	52,118
6 to 12 months	12,508	1,249	13,355	12,070
1 to 2 years	–	–	9,082	7,417
	<u>134,809</u>	<u>192,538</u>	<u>219,761</u>	<u>198,215</u>

The trade payables are non-interest-bearing and are normally settled on terms within 180 days.

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,649	77,762	104,026	56,276
Bills payable	10,930	76,269	80,870	158,506
Trade and bills payables	<u>29,579</u>	<u>154,031</u>	<u>184,896</u>	<u>214,782</u>

An aged analysis of the trade payables as at December 31, 2015, 2016 and 2017 and March 31, 2018, based on the invoice date, is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	5,032	32,739	80,561	33,616
3 to 6 months	4,294	44,840	14,023	14,846
6 to 12 months	9,323	183	5,281	4,036
1 to 2 years	–	–	4,161	3,778
	<u>18,649</u>	<u>77,762</u>	<u>104,026</u>	<u>56,276</u>

The trade payables are non-interest-bearing and are normally settled on terms within 180 days.

30. OTHER PAYABLES AND ACCRUALS

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses and other payables	42,438	103,449	219,232	279,307
Advances from customers	23,629	62,705	101,026	157,383
Other taxes payable (other than income tax)	22,477	58,073	119,352	38,651
Payroll and welfare payable	16,899	21,587	54,744	47,863
Dividends payable	722	–	1,764	1,764
Interest payable	305	491	1,449	4,246
	<u>106,470</u>	<u>246,305</u>	<u>497,567</u>	<u>529,214</u>

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses, other taxes payable, and other payables	23,460	48,502	158,454	115,826
Advances from customers	20,390	46,634	87,370	135,308
Payroll and welfare payable	6,565	8,790	36,720	30,291
Dividends payable	722	–	1,764	1,764
Interest payable	305	491	692	2,033
	<u>51,442</u>	<u>104,417</u>	<u>285,000</u>	<u>285,222</u>

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at December 31, 2015			As at December 31, 2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured ^(c)	3.09 – 5.46	2016	171,697	2 – 4.57	2017	388,635
Bank loans – secured ^(a)	–	–	–	2.75	2017	50,000
Current portion of long term bank loans – secured ^(a)	–	–	–	3.35 – 4.99	2017	100,000
Other loans – secured ^(b)	–	2016	7,000	–	–	–
			<u>178,697</u>			<u>538,635</u>
Non-current						
Secured bank loan ^(a)	3.35 – 4.99	2017	100,000	–	–	–
Unsecured bank loan ^(c)	–	–	–	3.35	2018	50,000
Other loans – secured ^(b)	–	2018	6,000	–	2018	6,000
			<u>106,000</u>			<u>56,000</u>
			<u>284,697</u>			<u>594,635</u>
	As at December 31, 2017			As at March 31, 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured ^(c)	2.1 – 4.35	2018	578,847	2.65 – 4.55	2018	341,761
Bank loans – secured ^(a)	2.09 – 7.20	2018	601,026	2.09 – 4.79	2018	692,643
Current portion of long term bank loans – unsecured ^(c)	–	–	–	4.80	2019	2,515
Current portion of long term bank loans – secured ^(a)	2.65	2018	25,000	2.65	2018	25,000
Other loans – secured ^(b)	–	2018	6,000	–	2018	6,000
			<u>1,210,873</u>			<u>1,067,919</u>
Non-current						
Secured bank loan ^(a)	2.65	2019 – 2023	150,000	2.65	2019 – 2023	150,000
Unsecured bank loan ^(c)	3.85	2019 – 2024	169,889	4.80	2019 – 2024	160,975
Other loans – secured ^(b)	5.95	2021	31,253	0 – 5.95	2021	51,253
			<u>351,142</u>			<u>362,228</u>
Convertible bonds (note 32)	7.27	2023	667,231	7.27	2023	678,809
			<u>1,018,373</u>			<u>1,041,037</u>
			<u>2,229,246</u>			<u>2,108,956</u>

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Bank loans repayable				
Within one year	178,697	538,635	1,204,873	1,061,919
In the second year	100,000	50,000	35,227	35,030
In the third year	–	–	35,227	57,668
In the fourth year	–	–	82,274	80,305
In the fifth year and above	–	–	167,161	137,972
	<u>278,697</u>	<u>588,635</u>	<u>1,524,762</u>	<u>1,372,894</u>
Other loans repayable				
Within one year	–	–	6,000	6,000
In the second year	–	6,000	–	–
In the third year	6,000	–	–	20,000
In the fourth year	–	–	31,253	31,253
In the fifth year and above	–	–	667,231	678,809
	<u>6,000</u>	<u>6,000</u>	<u>704,484</u>	<u>736,062</u>
	<u>284,697</u>	<u>594,635</u>	<u>2,229,246</u>	<u>2,108,956</u>

Notes:

- (a) Certain of the Group's bank loans are secured by:
- (i) mortgages over the Group's buildings (note 14), which had an aggregate carrying value of approximately RMB10,840,000, RMB10,336,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - (ii) mortgages over the Group's investment properties (note 15) situated in Mainland China, which had an aggregate carrying value of RMB198,000, RMB171,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - (iii) mortgages over the Group's prepaid land lease payments (note 16), which had an aggregate carrying value of RMB64,324,000, RMB62,935,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - (iv) the pledge of certain of the Group's investments at fair value through profit or loss (note 22) amounting to nil, RMB50,000,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - (v) the pledge of certain of the Group's bills receivable amounting to nil, nil, RMB189,207,000 and RMB193,686,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - (vi) the pledge of executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin; and
 - (vii) the pledge of certain of the Group's pledged deposits amounting to nil, nil, RMB52,500,000 and RMB52,500,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.
- (b) The Group received government loans granted with no interest from Jiangxi State-owned Venture Investment Management Corporation, amounting to RMB13,000,000 in 2015 and RMB6,000,000 in 2016, respectively. RMB7,000,000 had been paid back in 2016, the loans were secured by the executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin. RMB6,000,000 was secured by the part of the equity interest of a subsidiary. For the three months ended March 31, 2018, Jiangxi State-owned Venture Investment Management Corporation provided another interest-free loan amounting to RMB 20,000,000 to the Group, which was secured by the executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin.
- As at December 31, 2015, 2016 and 2017 and March 31, 2018, the other borrowing from ICBC Credit Suisse Investment Management Ltd. was nil, nil, RMB31,253,000 and RMB31,253,000, bearing interest at an interest rate of 5.95% and was repayable within 5 years.
- (c) Certain of the Group's entrusted bank loans are unsecured, bearing interest at rates ranging from 3.09% to 5.46% per annum in 2015, from 2% to 4.57% per annum in 2016, from 2.10% to 4.35% per annum in 2017 and from 2.09% to 4.80% per annum for the three months ended March 31, 2018.

Company

	As at December 31, 2015			As at December 31, 2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured ^(c)	3.09 – 5.46	2016	161,697	2 – 4.57	2017	388,635
Current portion of long term bank loans – secured ^(a)	–	–	–	3.35 – 4.99	2017	100,000
Other loans – secured ^(b)	–	2016	7,000	–	–	–
			<u>168,697</u>			<u>488,635</u>
Non-current						
Secured bank loan ^(a)	3.35 – 4.99	2017	100,000	3.35	2017	50,000
			<u>268,697</u>			<u>538,635</u>

	As at December 31, 2017			As at March 31, 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured ^(c)	2.1 – 4.35	2018	578,847	2.65 – 4.55	2018	341,761
Bank loans – secured ^(a)	2.1 – 4.35	2018	184,684	2.1 – 4.35	2018	429,762
Current portion of long term bank loans – unsecured ^(c)	–	–	–	4.80	2019	2,515
Current portion of long term bank loans – secured ^(a)	2.65	2018	25,000	2.65	2018	25,000
			<u>788,531</u>			<u>799,038</u>
Non-current						
Secured bank loan ^(a)	2.65	2019-2023	150,000	2.65	2019-2023	150,000
Unsecured bank loan ^(c)	3.85	2019-2024	169,889	4.80	2019-2024	160,975
Other loans – secured ^(b)	–	–	–	–	2021	20,000
			<u>319,889</u>			<u>330,975</u>
Convertible bonds (note 32)	7.27	2023	667,231	7.27	2023	678,809
			<u>987,120</u>			<u>1,009,784</u>
			<u>1,775,651</u>			<u>1,808,822</u>

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Bank loans repayable				
Within one year	168,697	488,635	788,531	799,038
In the second year	100,000	50,000	35,227	35,030
In the third year	–	–	35,227	57,668
In the fourth year	–	–	82,274	80,305
In the fifth year and above	–	–	167,161	137,972
	<u>268,697</u>	<u>538,635</u>	<u>1,108,420</u>	<u>1,110,013</u>
Other loans repayable				
In the third year	–	–	–	20,000
In the fifth year and above	–	–	667,231	678,809
	<u>268,697</u>	<u>538,635</u>	<u>1,775,651</u>	<u>1,808,822</u>

Notes:

- (a) Certain of the Company's bank loans are secured by:
- mortgages over the Company's buildings (note 14), which had an aggregate carrying value of approximately RMB10,840,000, RMB10,336,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - mortgages over the Company's investment properties (note 15) situated in Mainland China, which had an aggregate carrying value of RMB198,000, RMB171,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - mortgages over the Company's prepaid land lease payments (note 16), which had an aggregate carrying value of RMB64,324,000, RMB62,935,000, nil and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively;
 - the pledge of certain of the Company's bills receivable amounting to nil, nil, RMB189,207,000 and RMB193,686,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively; and
 - the pledge of executive restricted shares of the Company held by the Company's shareholder, Mr. Li Liangbin.

- (b) The Company received government loans granted with no interest from Jiangxi State-owned Venture Investment Management Corporation, amounting to RMB7,000,000 in 2015 and nil in 2016, respectively. RMB7,000,000 had been paid back in 2016, the loans were secured by the executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin. For the three months ended March 31, 2018, Jiangxi State-owned Venture Investment Management Corporation provided another interest-free loan amounting to RMB 20,000,000 to the Company, which was secured by the executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin.
- (c) Certain of the Company's entrusted bank loans are unsecured, bearing interest at rates ranging from 3.09% to 5.46% per annum in 2015, from 2% to 4.57% per annum in 2016, from 2.1% to 4.35% per annum in 2017 and from 2.65% to 4.80% per annum for the three months ended March 31, 2018.

32. CONVERTIBLE BONDS

On December 21, 2017, the Company issued A share convertible bonds with a nominal value of RMB928,000,000, the par value per bond is RMB100. The convertible bonds were for a term of six years commencing from December 21, 2017 until December 21, 2023 at an annual interest rate for the first year at 0.3%, the second year at 0.5%, the third-year at 0.8%, the fourth year at 1.0%, the fifth year at 1.5% and the sixth year at 1.8%. Interest shall commence to be calculated from December 21, 2017 onwards and payable on an annual basis. The bonds are convertible at the option of the bondholders into ordinary shares during the period from June 27, 2018 to December 21, 2023. The initial conversion price is RMB71.89 per share, subject to adjustment for, amongst other things, cash dividends, subdivision or consolidation of shares, bonus issues, issue of new shares, rights issues and other events which have an effect on the issued share capital of the Company (the "Conversion Option"). There was no movement in the number of these convertible bonds during the year ended December 31, 2017 and the three months ended March 31, 2018.

Based on the terms of convertible bonds, the conversion price may be subject to downward adjustment that if the closing prices of the Company's A shares in any fifteen trading days out of any thirty consecutive trading days are lower than 80% of the current prevailing conversion price, the board of directors have the power to propose downward adjustment to the conversion price subject to the shareholders' approval. The adjusted conversion price shall be not less than (a) the average trading price of the Company's A shares for the twenty trading days prior to the shareholders' approval, (b) the average trading price of the Company's A shares on the day immediately before the shareholders' approval.

The other principal terms of the convertible bonds are as follows:

- (a) Within 5 trading days after the maturity of the convertible bonds, the Company shall redeem all unconverted convertible bonds at a price equal to 106% of the face value (including the interest of that year).
- (b) During the period commencing from 6 months after the end date of issue until the maturity of the convertible bonds, if either one of the circumstances below occurs, the Company shall have the right to redeem all or part of the convertible bonds which have not yet been converted before the redemption date a price equal to the face value plus the then accrued interest:
- i. if the closing prices of the A shares of the Company for at least 15 trading days in any 30 consecutive trading days are no less than 130% of the then current conversion price;
 - ii. if the remaining principal amount of the unconverted convertible bonds falls below RMB30,000,000.
- (c) During the fifth and sixth years after the issue of the convertible bonds, if the closing prices of Company's A shares are lower than 70% of the share conversion price of the then current period for 30 consecutive trading days, holders of the convertible bonds shall have the right to resell all or part of the convertible bonds to the Company at a price equal to the face value plus the then accrued interest.
- (d) During the subsistence period of the convertible bonds, if the use of funds raised deviates in any material respects from those undertakings of the Company set out in the offering prospectus, the above may be deemed to be a change in the use of funds raised according to the relevant provisions of the China Securities Regulatory Commission ("CSRC") or considered by the CSRC to be a change in the use of funds. A holder of the convertible bonds shall have the right to additionally resell part or all of the convertible bonds to the Company at a price equal to the face value plus the then accrued interest.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued in 2017 have been split into the liability and equity components as follows:

	RMB'000
Nominal value of convertible bonds issued during the year	928,000
Equity component	(250,870)
Direct transaction costs attributable to the liability component	(11,295)
Liability component at the issuance date	665,835
Interest expense	1,480
Interest payable	(84)
Liability component at December 31, 2017	667,231
Interest expense	12,274
Interest payable	(696)
Liability component at March 31, 2018	678,809

The effective interest rate of the liability component is 7.27% per annum.

33. DEFERRED TAX

Group**Deferred tax assets:**

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Provision for impairment of assets	Depreciation and amortization	Accrued expenses	Deferred income	Fair value change for investments at fair value through profit or loss	Losses available for offsetting against future taxable profit	Equity-settled share award arrangements	Unrealized profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets at January 1, 2015	658	1,265	86	921	–	–	–	484	3,414
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	2,414	(27)	(40)	233	88	–	–	73	2,741
Deferred tax assets at December 31, 2015 and January 1, 2016	3,072	1,238	46	1,154	88	–	–	557	6,155
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	34,783	(108)	28	(87)	18	6,631	–	2,710	43,975
Deferred tax assets at December 31, 2016 and January 1, 2017	37,855	1,130	74	1,067	106	6,631	–	3,267	50,130
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	(1,025)	(653)	30	2,366	48	(6,631)	1,381	1,028	(3,456)
Deferred tax assets at December 31, 2017	36,830	477	104	3,433	154	–	1,381	4,295	46,674

The components of deferred tax assets recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Provision for impairment of assets	Depreciation and amortization	Accrued expenses	Deferred income	Fair value change for investments at fair value through profit or loss	Losses available for offsetting against future taxable profit	Equity-settled share award arrangements	Unrealized profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets at December 31, 2017 and January 1, 2018 ...	36,830	477	104	3,433	154	–	1,381	4,295	46,674
Deferred tax credited/(charged) to the statement of profit or loss during the period (note 10)	(504)	123	201	364	3	–	6,836	715	7,738
Deferred tax assets at March 31, 2018 ...	<u>36,326</u>	<u>600</u>	<u>305</u>	<u>3,797</u>	<u>157</u>	<u>–</u>	<u>8,217</u>	<u>5,010</u>	<u>54,412</u>

Group

Deferred tax assets have not been recognized in respect of the following item:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tax losses and temporary differences	<u>41,035</u>	<u>148,989</u>	<u>251,584</u>	<u>261,445</u>

The above temporary differences are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses arising in Mainland China that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilized.

Deferred tax liabilities:

The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Fair value change for investments at fair value through profit or loss	Fair value adjustments arising from acquisition of subsidiaries	Convertible bonds	Withholding taxes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	–	–	–	–	–
Credited to the statement of profit or loss during the year (note 10)	–	(161)	–	–	(161)
Acquisition of subsidiaries (note 38)	–	3,209	–	–	3,209
At December 31, 2015 and January 1, 2016	<u>–</u>	<u>3,048</u>	<u>–</u>	<u>–</u>	<u>3,048</u>
Charged/(credited) to the statement of profit or loss during the year (note 10)	2,089	(320)	–	–	1,769
At December 31, 2016 and January 1, 2017	<u>2,089</u>	<u>2,728</u>	<u>–</u>	<u>–</u>	<u>4,817</u>
Charged/(credited) to the statement of profit or loss during the year (note 10)	2,330	(322)	–	48,543	50,551
Upon initial recognition of equity component of convertible bonds	–	–	45,171	–	45,171
At December 31, 2017	<u>4,419</u>	<u>2,406</u>	<u>45,171</u>	<u>48,543</u>	<u>100,539</u>

The components of deferred tax liabilities recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Fair value change for investments at fair value through profit or loss	Fair value adjustments arising from acquisition of subsidiaries	Convertible bonds	Withholding taxes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017 and January 1, 2018	4,419	2,406	45,171	48,543	100,539
Charged /(credited) to the statement of profit or loss during the period (note 10)	3,128	(80)	(1,946)	–	1,102
At March 31, 2018	<u>7,547</u>	<u>2,326</u>	<u>43,225</u>	<u>48,543</u>	<u>101,641</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax offset in the consolidated statements of financial position	–	–	36,694	43,397
Net deferred tax assets recognized in the consolidated statements of financial position	6,155	50,130	9,980	11,015
Net deferred tax liabilities recognized in the consolidated statements of financial position	3,048	4,817	63,845	58,244

Company

Deferred tax assets:

The components of deferred tax assets recognized in the statements of financial position and the movements during the Relevant Periods are as follows:

	Provision for impairment of assets	Accrued expenses	Deferred income	Fair value change for investments at fair value through profit or loss	Equity-settled share award arrangements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets at January 1, 2015	1,618	86	393	–	–	2,097
Deferred tax credited/(charged) to the statement of profit or loss during the year	748	(40)	(10)	88	–	786
Deferred tax assets at December 31, 2015 and January 1, 2016	2,366	46	383	88	–	2,883
Deferred tax credited/(charged) to the statement of profit or loss during the year	28,535	28	(10)	17	–	28,570
Deferred tax assets at December 31, 2016 and January 1, 2017	30,901	74	373	105	–	31,453
Deferred tax credited to the statement of profit or loss during the year	1,213	30	2,569	48	1,381	5,241
Deferred tax assets at December 31, 2017 and January 1, 2018	32,114	104	2,942	153	1,381	36,694
Deferred tax credited to the statement of profit or loss during the period	(526)	201	367	3	6,836	6,881
Deferred tax assets at March 31, 2018	<u>31,588</u>	<u>305</u>	<u>3,309</u>	<u>156</u>	<u>8,217</u>	<u>43,575</u>

There were no significant unrecognized deferred tax assets in respect of deductible temporary differences, unused tax losses and unused tax credits of the Company as at December 31, 2015, 2016 and 2017 and March 31, 2018.

Deferred tax liabilities

	Fair value change for investments at fair value through profit or loss	Convertible bonds	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2015, 2016 and 2017	–	–	–
Charged to the statement of profit or loss during the year	4,419	–	4,419
Upon initial recognition of equity component of convertible bonds	–	45,171	45,171
At December 31, 2017 and January 1, 2018	4,419	45,171	49,590
Charged to the statement of profit or loss during the period	3,128	(1,946)	1,182
At March 31, 2018	7,547	43,225	50,772

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax offset in the statements of financial position	–	–	36,694	43,575
Net deferred tax assets recognized in the statements of financial position	2,883	31,453	–	–
Net deferred tax liabilities recognized in the statements of financial position	–	–	12,896	7,197

34. DEFERRED INCOME

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	57,371	52,438	66,541	59,383
Received during the year/period	700	20,156	–	–
Recognized as income during the year/period	(5,633)	(6,053)	(7,158)	(1,473)
At end of year/period	52,438	66,541	59,383	57,910

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	33,803	30,109	26,414	22,720
Recognized as income during the year/period	(3,694)	(3,695)	(3,694)	(923)
At end of year/period	30,109	26,414	22,720	21,797

35. SHARE CAPITAL

Group and Company

	As at December 31,						As at March 31,	
	2015		2016		2017		2018	
	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value	Number of shares	Nominal value
	'000	RMB'000	'000	RMB'000	'000	RMB'000	'000	RMB'000
Restricted shares								
A shares	123,623	123,623	231,944	231,944	218,120	218,120	216,854	216,854
Unrestricted shares								
A shares	254,191	254,191	520,752	520,752	523,651	523,651	524,285	524,285
At end of year	377,814	377,814	752,696	752,696	741,771	741,771	741,139	741,139

A summary of movements in the Company's share capital is as follows:

	Number of Shares '000	Share Capital RMB'000
At January 1, 2015	356,500	356,500
Private placement (note (a))	21,466	21,466
Shares repurchased (note (b))	(152)	(152)
At December 31, 2015 and January 1, 2016	<u>377,814</u>	<u>377,814</u>
Transferred from reserve (note (c))	376,348	376,348
Shares repurchased (note (b))	(1,466)	(1,466)
At December 31, 2016 and January 1, 2017	<u>752,696</u>	<u>752,696</u>
Issue of restricted A shares (note (d))	12,866	12,866
Shares repurchased (note (b))	(23,791)	(23,791)
At December 31, 2017 and January 1, 2018	<u>741,771</u>	<u>741,771</u>
Shares repurchased (note (b))	(632)	(632)
At March 31, 2018	<u>741,139</u>	<u>741,139</u>

Notes:

- (a)(i) On December 8, 2015, 11,549,775 shares and 4,949,903 shares were issued at a price of RMB15.57 per share to Mr. Li Wanchun and Ms. Hu Yemei, respectively, for the acquisition of 100% equity interests in Shenzhen Meibai. The consideration of the issues amounted to RMB256,900,000, of which RMB16,499,000 was credited to issued and fully paid share capital, and the remaining balance of RMB240,400,000 was credited to share premium.
- (ii) On August 27, 2015, additional shares were issued to four existing shareholders for investments, at an issue price of RMB21.68 per rights share, resulting in the issue of 4,966,887 shares for a total cash consideration, before expenses, of RMB107,703,000, amounting to RMB4,967,000, which was credited to share capital, and the remaining balance of RMB102,736,000 was credited to share premium.
- (b)(i) The Company purchased 15,000 shares from those employees who participated in the restricted A share incentive scheme as they resigned. The purchased shares were canceled during 2015.
- (ii) Since the net profit earned by Shenzhen Meibai did not meet the Performance Targets, the Group repurchased 137,713 shares, 1,466,639 shares and 23,790,647 shares from Mr. Li Wanchun and Ms. Hu Yemei in 2015, 2016 and 2017, respectively, at a price of RMB1, resulting in the reduction of share capital of approximately RMB137,000, RMB1,466,000, and RMB23,791,000. RMB2,006,000 and RMB94,159,000 were debited to share premium in 2015 and 2016, respectively. In 2017, RMB639,358,000, RMB89,166,000 and RMB364,179,000 were debited to share premium, surplus reserve and retained profits, respectively.
- (iii) Pursuant to the resolution passed by the general meeting of Shareholders on January 24, 2018, 632,018 restricted A shares of the Company had been returned back to the Company by Mr. Li Wanchun as compensation for the loss related to Shenzhen Meibai's fire incidents, the relevant shares were cancelled by the Company in March, RMB49,449,000 was debited to share premium accordingly, which in aggregate contributed to other reserve of RMB50,081,000.
- (c) On June 24, 2016, an amount of RMB376,348,000 was transferred from reserves to share capital such that 10 new shares were issued for every 10 existing shares. After the transfer (conversion as disclosed in note 12), the number of shares was increased from 376,347,763 to 752,695,526.
- (d) The Group granted 339 executives and employees restricted A shares of the Company at the cash consideration of RMB45.71 per share under a new incentive scheme on December 13, 2017.

36. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the three months ended March 31, 2017 are presented in the consolidated statements of changes in equity on pages IA-7 to IA-11 of the Historical Financial Information.

(i) Statutory reserve

According to the relevant PRC regulations and the articles of association of the Company in the PRC, the Company is required to transfer 10% of its profit after income tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital/issued share capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of its registered capital. This reserve is non-distributable other than in liquidation.

Company

A summary of the Company's reserves is as follows:

	Share premium	Special reserve - safety fund	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	755,166	—	6,338	31,770	142,615	935,889
Profit for the year	—	—	—	—	160,043	160,043
Transfer to reserve	—	3,315	—	6,775	(10,090)	—
Utilization of safety fund	—	(3,315)	—	—	3,315	—
Issue of restricted A shares	344,417	—	—	—	—	344,417
Share issue expenses	(3,287)	—	—	—	—	(3,287)
Repurchase and cancelation of restricted A shares	(79)	—	—	—	—	(79)
Vesting of share award	6,822	—	(6,822)	—	—	—
Equity-settled share-based payment	—	—	3,361	—	—	3,361
Dividends	—	—	—	—	(35,650)	(35,650)
At December 31, 2015 and January 1, 2016	1,103,039	—	2,877	38,545	260,233	1,404,694
Profit for the year	—	—	—	—	1,129,228	1,129,228
Transfer to reserve	—	4,029	—	50,621	(54,650)	—
Utilization of safety fund	—	(4,029)	—	—	4,029	—
Conversion of capital reserve into share capital	(376,348)	—	—	—	—	(376,348)
Compensation and cancelation of restricted A shares	(94,159)	—	—	—	—	(94,159)
Vesting of share award	6,826	—	(6,826)	—	—	—
Equity-settled share-based payment	—	—	1,287	—	—	1,287
Dividends	—	—	—	—	(56,452)	(56,452)
At December 31, 2016 and January 1, 2017	639,358	—	(2,662)	89,166	1,282,388	2,008,250
Profit for the year	—	—	—	—	1,723,505	1,723,505
Issue of restricted A shares	575,262	—	—	—	—	575,262
Transfer to reserve	—	6,999	—	140,790	(147,789)	—
Utilization of safety fund	—	(5,191)	—	—	5,191	—
Compensation and cancelation of restricted A shares	(639,358)	—	—	(89,166)	(364,179)	(1,092,703)
Equity-settled share-based payment	—	—	9,206	—	—	9,206
Dividends	—	—	—	—	(72,890)	(72,890)
At December 31, 2017 and January 1, 2018	575,262	1,808	6,544	140,790	2,426,226	3,150,630
Profit for the period	—	—	—	—	296,982	296,982
Transfer to reserve	—	1,675	—	—	(1,675)	—
Utilization of safety fund	—	(910)	—	—	910	—
Repurchase and cancelation of restricted A shares	(49,449)	—	50,081	—	—	632
Equity-settled share-based payment	—	—	45,569	—	—	45,569
At March 31, 2018	525,813	2,573	102,194	140,790	2,722,443	3,493,813

37. SHARE AWARD SCHEME

The Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the management and key personnel of the Company. In 2012, the Company implemented a share incentive scheme ("Restricted A Share Incentive Scheme-2012") and granted a total of 2,801,000 shares to 139 executives and employees. In December 2017, the Company adopted another share incentive scheme ("Restricted A Share Incentive Scheme-2017") to further motivate its employees and granted 12,866,500 shares to 339 executives and employees.

Restricted A Share Incentive Scheme-2012

The Restricted A Share Incentive Scheme was approved by the shareholders of the Company (the "Shareholders") at the 2012 first extraordinary general meeting of the Company on August 17, 2012. On September 14 and 20, 2012, relevant resolutions were considered and passed at the Company's 17th meeting of the 2nd session of the board of directors and the 18th meeting of the 2nd session of the board of directors, pursuant to which the dates of grant for the Restricted A Share Incentive Scheme of the Company were set on September 14 and 20, 2012.

On November 5 and 16, 2012, pursuant to the Restricted A Share Incentive Scheme, 2,747,000 A shares and 54,000 A shares of the Company were separately granted to 113 and 26 eligible participants of the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at grant prices of RMB13.11 per share and RMB11.50 per share, respectively. The Share Incentive Participants include the senior management of the Company and core technical and management personnel of the Company.

The Restricted A Share Incentive Scheme shall be valid for a term of four years, commencing from the date of grant of Restricted Shares and ending on the date on which all the Restricted Shares granted have been unlocked or otherwise repurchased and canceled.

Restricted Shares shall be locked up immediately upon the grant. All of the Restricted Shares granted to the Share Incentive Participants shall be subject to various lock-up periods ranging from 1 year to 4 years, immediately from the date of grant. Restricted Shares held by the Share Incentive Participants shall be unlocked (or repurchased and canceled by the Company) in four tranches in the proportion of 25%, 25%, 25% and 25% of the total number of the Restricted Shares granted upon the expiry of each lock-up period. Details of the unlocking period and conditions are summarized as follows:

<u>Unlocking period</u>	<u>Performance target</u>	<u>Unlock proportion</u>
First unlocking period: commencing from the first trading day after the expiry of the 12-month period from the Date of grant and ending on the last trading day of the 24-month period from the date of grant	Compared to the year 2011, the net profit(*) and revenue in 2012 will be increased by more than 15% and 18%, respectively.	25%
Second unlocking period: commencing from the first trading day after the expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant	Compared to the year 2011, the net profit and revenue in 2013 will be increased by more than 32% and 40%, respectively.	25%
Third unlocking period: Commencing from the first trading day after the expiry of the 36-month period from the Date of grant and ending on the last trading day of the 48-month period from the date of grant	Compared to the year 2011, the net profit and revenue in 2014 will be increased by more than 52% and 65%, respectively.	25%
Fourth unlocking period: Commencing from the first trading day after the expiry of the 48-month period from the Date of grant and ending on the last trading day of the 60-month period from the date of grant	Compared to the year 2011, the net profit and revenue in 2015 will be increased by more than 75% and 95%, respectively.	25%

* Net profit is based on the profit for the year of the Group attributable to owners of the parent after deducting non-recurring profit or loss.

Where the performance target at the Group's level has been achieved, a Share Incentive Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of "Pass" or above in his performance target for the preceding year according to the Company's Administrative Measures in respect of Remuneration and Performance Appraisal.

The aggregate fair value of the Restricted Shares granted amounted to approximately RMB64,299,000, of which RMB27,665,000 has been charged to profit or loss and the other reserve as costs of share-based compensation in aggregate from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law, after netting of the total considerations received for the issue of the Restricted Shares amounting to RMB36,634,000. The Group has recognized an amount of RMB36,634,000 to other long term payables and debited to the treasury shares in 2012 due to the restricted share repurchase obligation of the Company till the end of the unlocking period. The Group has recognized amounts of RMB3,361,000 and RMB1,287,000 as expenses for the years ended December 31, 2015 and 2016, respectively.

Following the resignation of employees in the Company, the Company repurchased and canceled 22,000 shares amounting to RMB285,000 and 15,000 shares amounting to RMB94,000 in 2013 and 2015, respectively.

A total of 694,750 restricted A shares amounting to RMB9,087,000 were unlocked in 2013. In 2014, pursuant to the resolution of the 2013 annual general meeting, based on the total number of 178,250,275 shares as at the end of 2013, the Company implemented the conversion of capital reserve into share capital with the proportion of 10:10. After the conversion, the number of Restricted Shares was 4,168,500 shares. In October 2014, 1,388,500 restricted A shares amounting to RMB9,081,000 were unlocked. As of the end of 2014, the number of A Restricted Shares was 2,780,000 and the amount of treasury shares was RMB18,180,000. In 2015, 1,382,500 restricted A shares amounting to RMB9,043,000 were unlocked. As of the end of 2015, the number of restricted shares was 1,382,500 and the amount of treasury shares was RMB9,043,000, with the corresponding liability amounting to RMB 9,043,000 for repurchase obligations. In 2016, all the remaining restricted A shares were unlocked.

Restricted A Share Incentive Scheme-2017

On December 13, 2017, pursuant to the resolution approved by the general meeting of shareholders and the board of directors, 12,866,500 A shares of the Company were granted to 339 eligible participants under the Restricted A Share Incentive Scheme (the "Share Incentive Participants") at the cash consideration of RMB45.71 per share. The Share Incentive Participants include the senior management of the Company and core technical and management personnel of the Company. The Restricted A Share Incentive Scheme shall be valid for a term of four years, commencing from the registration date of the grant of restricted shares until the date when all the restricted shares granted have been unlocked or otherwise repurchased and canceled.

Restricted shares shall be locked up immediately upon the grant. All of the restricted shares granted to the Share Incentive Participants shall be subject to various lock-up periods ranging from 1 year to 4 years, immediately from the date of grant. Restricted shares held by the Share Incentive Participants shall be unlocked (or repurchased and canceled by the Company) in four tranches in the proportion of 25%, 25%, 25% and 25% of the total number of the restricted shares granted upon the expiry of each lock-up period. Details of the unlocking period and conditions are summarized as follows:

<u>Unlocking period</u>	<u>Performance target</u>	<u>Unlocking proportion</u>
First unlocking period: commencing from the first trading day after the 12-month anniversary of the date of grant to the last trading day before the 24-month anniversary of the date of grant	a) The net profit(*) growth rate of 2017 is no less than 150% based on the net profit of 2016; b) The annual product output (converted to lithium carbonate equivalent ("LCE")) of 2017 is no less than 35,000 tons;	25%
Second unlocking period: commencing from the first trading day after the 24-month anniversary of the date of grant to the last trading day before the 36-month anniversary of the date of grant	a) The net profit growth rate of 2018 is no less than 330% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2018 is no less than 50,000 tons;	25%
Third unlocking period: commencing from the first trading day after the 36-month anniversary of the date of grant to the last trading day before the 48-month anniversary of the date of grant	a) The net profit growth rate of 2019 is no less than 460% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2019 is no less than 70,000 tons;	25%
Fourth unlocking period: commencing from the first trading day after the 48-month anniversary of the date of grant to the last trading day before the 60-month anniversary of the date of grant	a) The net profit growth rate of 2020 is no less than 570% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2020 is no less than 90,000 tons;	25%

* Net profit and net profit growth rate are based on the profit for the year of the Group attributable to owners of the parent after deducting non-recurring profit or loss.

** If the performance targets required above have not been met, the restricted A shares corresponding to the unlocking period will be repurchased and canceled.

Apart from the performance target at the Group's level should be achieved, the assessment result at the business sectors or subsidiaries' level and the Share Incentive Participants should also satisfy the following conditions:

The business sectors or subsidiaries of the Company should achieve the following performance assessment targets ("P"):

<u>The assessment result</u>	<u>The practical performance</u>	<u>Unlocking amounts</u>
Passed	P \geq 100%	All the granted shares held by the Participants within the relevant business sectors or subsidiaries shall be unlocked.
Passed	80% \leq P<100%	80% of the granted shares held by the Participants within the relevant business sectors or subsidiaries shall be unlocked, and the remaining shall be repurchased or canceled by the Company.
Failed	P<80%	All the granted shares held by the Participants within the relevant business sectors or subsidiaries shall not be unlocked and shall be repurchased or canceled by the Company.

The participants shall achieve the following performance targets according to the assessment by the Remuneration Committee:

The assessment result ("S")	S \geq 80	80>S \geq 70	70>S \geq 60	S<60
The standard index	1.0	0.9	0.8	0

The actual unlocking restricted shares of a participant = the standard index \times the proposed maximum annual unlocking amount of the participant.

As of December 31, 2017, the Company received a total of RMB588,128,000 cash consideration, of which RMB12,866,000 and RMB575,262,000 were credited to share capital and share premium, respectively. Because of the restricted share repurchase obligation of the Company till the end of the unlocking period, the Company has credited an amount of RMB588,128,000 to the other liabilities in current liabilities and debited to the treasury shares accordingly. For the year ended December 31, 2017 and the three months ended March 31, 2018, the Group has recognized an amount of RMB9,206,000 and RMB45,569,000, respectively, as equity-settled share-based expenses.

38. ACQUISITION OF SUBSIDIARIES

BUSINESS COMBINATIONS

Particulars of significant business combinations during the Relevant Periods are set out below.

- (i) Acquisition of Jiangxi Western Resources Lithium Co., Ltd.

On May 6, 2015, the Group acquired a 100% interest in Jiangxi Western Resources Lithium Co., Ltd. ("Western Resources") from an independent third party, Sichuan Western Resources Holding Co., Ltd. Western Resources is engaged in the mining of lithium and the

manufacture of lithium products. The acquisition was part of the Group's strategy to expand its raw material supply channel. The purchase consideration for the acquisition was in the form of cash, with RMB126,460,000 paid. The acquisition was completed on May 6, 2015 when the Group obtained control of the operating and financial policies of Western Resources.

	Fair value recognized on acquisition RMB'000
Property, plant and equipment (note 14)	30,790
Intangible assets (note 18)	115,783
Inventories	8,817
Trade receivables	117
Prepayments, deposits and other receivables	1,107
Cash and cash equivalents	508
Trade and bills payables	<u>(30,662)</u>
Total identifiable net assets at fair value	126,460
Satisfied by cash	<u>126,460</u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	126,460
Cash and cash equivalents acquired	<u>(508)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>125,952</u>

Since the acquisition, Western Resources still experienced a loss of RMB623,000 as its mining was still in exploration, the revenue was nil for the year ended December 31, 2015.

Had the combination taken place at the beginning of 2015, the revenue and the profit of the Group for the year ended December 31, 2015 would have been RMB1,344,179,000 and RMB146,937,000, respectively.

(ii) Acquisition of Shenzhen Meibai Electronics Co., Ltd.

On July 1, 2015, the Group acquired 100% equity interests in Shenzhen Meibai at a consideration of RMB364,855,000. Shenzhen Meibai is principally engaged in selling lithium batteries, li-on batteries and chargers, etc. For the acquisition, RMB110,100,000 in cash was settled, and the remaining was paid by issuing A shares by way of private placement with a three year locked-up period. 11,549,775 shares and 4,949,903 A shares of the Company were issued at a price of RMB15.57 per share to the shareholders, Mr. Li Wanchun ("Mr. Li") and Ms. Hu Yemei ("Ms. Hu") respectively. The initial consideration of A shares amounted to RMB256,900,000. The acquisition was completed on July 1, 2015, when the Group obtained control of the operating and financial policies of Shenzhen Meibai. After the acquisition, Mr. Li Wanchun and Ms. Hu Yemei were nominated by the Group as the management team of Shenzhen Meibai pursuant to the acquisition agreement.

Since Shenzhen Meibai failed to meet the Performance Target in 2014, the Group repurchased 137,713 shares at a nominal price of RMB1 from the former shareholders, resulting in the share consideration being adjusted to RMB254,756,000.

The fair values of the identifiable assets and liabilities of Shenzhen Meibai as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment (note 14)	38,691
Intangible assets (note 18)	16,417
Prepaid land lease payments (note 16)	653
Inventories	47,425
Trade receivables	187,817
Prepayments, deposits and other receivables	11,634
Cash and cash equivalents	3,445
Pledged deposits	9,501
Interest-bearing bank and other borrowings	(15,000)
Trade and bills payables	(157,016)
Other payables and accruals	(27,138)
Income tax payables	(2,745)
Deferred tax liabilities (note 33)	<u>(3,209)</u>
Total identifiable net assets at fair value	110,475
Goodwill on acquisition (note 17)	<u>254,381</u>
Satisfied by:	
Cash	110,100
Shares consideration	<u>254,756</u>
	<u>364,856</u>

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to RMB187,817,000 and RMB11,634,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB198,520,000 and RMB12,401,000, respectively, of which trade receivables of RMB10,703,000 and other receivables of RMB767,000 are expected to be uncollectible.

Goodwill of RMB254,381,000 is recognized above because the Group aimed at entering a new market to achieve product and business diversification. The above factor is not recognized separately and therefore it does not meet the criteria for recognition as an intangible asset under IAS 38 *Intangible Assets*.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	110,100
Cash and cash equivalents acquired	<u>(3,445)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>106,655</u>

Since the acquisition, Shenzhen Meibai contributed RMB184,576,000 to the Group's revenue and RMB23,741,000 to the consolidated net profit for the year ended December 31, 2015.

Had the combination taken place at the beginning of 2015, the revenue and the profit of the Group for the year ended December 31, 2015 would have been RMB1,507,799,000 and RMB202,293,000, respectively.

A compensation agreement was signed during the acquisition of Shenzhen Meibai, and the detailed disclosure is included in note 27.

(iii) Acquisition of Ningbo Li Sai Kang New Material Technology Co., Ltd.

On April 13, 2017, the Group acquired a 100% interest in Ningbo Li Sai Kang New Material Technology Co., Ltd. ("Ningbo Li Sai Kang") from independent third parties. Ningbo Li Sai Kang is principally engaged in the development, production and marketing of materials for lithium batteries. The acquisition was part of the Group's strategy to expand to lithium battery research area. The purchase consideration for the acquisition was in the form of cash, with RMB20,000,000 paid. The acquisition was completed on April 13, 2017 when the Group obtained control of the operating and financial policies of Ningbo Li Sai Kang.

The fair values of the identifiable assets and liabilities of Ningbo Li Sai Kang as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB'000
Property, plant and equipment (note 14)	2,347
Intangible assets (note 18)	232
Inventories	54
Prepayments, deposits and other receivables	655
Cash and cash equivalents	849
Short-term bank borrowings	(2,000)
Trade payables	(67)
Other payables	<u>(372)</u>
Total identifiable net assets at fair value	1,698
Goodwill (note 17)	<u>18,302</u>
Satisfied by cash	<u>20,000</u>

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	20,000
Cash and cash equivalents acquired	<u>(849)</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>19,151</u>

Since the acquisition, Ningbo Li Sai Kang contributed nil to the Group's revenue and a loss of RMB3,975,000 to the consolidated profit for the year ended December 31, 2017. Had the acquisition taken place at the beginning of 2017, revenue and the profit of the Group for the year ended December 31, 2017 would have been RMB4,171,513,000 and RMB2,090,914,000, respectively.

The goodwill recognized is primarily attributed to the expected synergies and other benefits from combining the assets and activities of Ningbo Li Sai Kang with those of the Group.

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

In 2015, the Group acquired Shenzhen Meibai at a consideration of RMB364,855,000 as set out in note 38. The consideration was settled in cash of RMB110,100,000 and by issuing 16,499,678 restricted A shares of the Company.

There are no major non-cash transactions for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018.

(b) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities during the Relevant Periods are as follows:

	Interest payable RMB'000	Interest-bearing bank and other borrowings RMB'000	Convertible bonds RMB'000
At January 1, 2015	604	334,479	–
Changes from financing cash flows	(16,127)	(72,948)	–
Acquisition of a subsidiary (note 38)	–	15,000	–
Interest expense on bank borrowings (note 7)	15,828	–	–
Foreign exchange movement	–	8,166	–
At December 31, 2015	305	284,697	–
Changes from financing cash flows	(19,876)	307,967	–
Interest expense on bank borrowings (note 7)	20,062	–	–
Foreign exchange movement	–	1,971	–
At December 31, 2016	491	594,635	–
Changes from financing cash flows	(45,984)	996,189	916,705
Initial recognition of equity component of convertible bonds	–	–	(250,870)
Acquisition of a subsidiary (note 38)	–	2,000	–
Interest expense on bank borrowings (note 7)	46,858	–	–
Interest expense on convertible bonds (note 7)	–	–	1,480
Interest payable for convertible bonds	84	–	(84)
Foreign exchange movement	–	(30,809)	–
At December 31, 2017	1,449	1,562,015	667,231
At January 1, 2018	1,449	1,562,015	667,231
Changes from financing cash flows	(11,932)	(105,941)	–
Interest expense on bank borrowings (note 7)	14,033	–	–
Interest expense on convertible bonds	–	–	12,274
Interest payable for convertible bonds	696	–	(696)
Foreign exchange movement	–	(25,927)	–
At March 31, 2018	4,246	1,430,147	678,809

40. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties, as set out in note 15 to Historical Financial Information, under operating lease arrangements, with negotiated terms of three years.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancelable operating leases with its tenants falling due as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	143	143	150	116
In the second to three years, inclusive	286	143	–	5
	429	286	150	121

The Group recognized RMB120,000, RMB150,000, RMB150,000 and RMB71,000 in 2015, 2016 and 2017 and for the three months ended March 31, 2018 in respect of contingent rentals receivable.

As lessee

The Group leases certain of its office properties, shop lots, office equipment and buildings under operating lease arrangements, with negotiated terms ranging from one to ten years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,224	9,164	7,884	7,434
In the second to fifth years, inclusive	1,933	25,803	25,125	25,054
Over five years	4,157	23,965	17,713	16,150
	<u>8,314</u>	<u>58,932</u>	<u>50,722</u>	<u>48,638</u>

41. COMMITMENTS

Capital commitments

The Group had the following capital commitments at December 31, 2015, 2016 and 2017 and March 31, 2018:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Plant and machinery	50,181	354,383	513,723	582,495
	<u>50,181</u>	<u>354,383</u>	<u>513,723</u>	<u>582,495</u>

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the three months ended March 31, 2017:

	Notes	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<u>Loans to associates</u>						
ILC	(i)	8,201	13,874	–	–	–
RIM	(ii)	–	14,391	–	–	–
		<u>8,201</u>	<u>28,265</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Repayment of loans from an associate during the year/period</u>						
RIM	(ii)	–	–	14,391	14,391	–
		<u>–</u>	<u>–</u>	<u>14,391</u>	<u>14,391</u>	<u>–</u>
<u>Purchases from an associate</u>						
RIM		–	–	1,102,403	44,047	410,589
		<u>–</u>	<u>–</u>	<u>1,102,403</u>	<u>44,047</u>	<u>410,589</u>
<u>Purchases from a joint venture</u>						
Dalian Yike Energy Technology Co., Ltd.		–	–	9,733	567	4,757
		<u>–</u>	<u>–</u>	<u>9,733</u>	<u>567</u>	<u>4,757</u>

Notes:

- (i) ILC and GFL entered into a loan agreement dated July 24, 2015. Loans to ILC are unsecured and subject to an interest rate of 10% per annum, with a maturity date on March 14, 2024.
- (ii) Loans to RIM are unsecured and interest-free.

(b) Other transactions with related parties:

Certain of the Group's bank and other borrowings of up to nil, nil, RMB157,000,000 and RMB170,000,000 were secured by the pledge of executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin as at December 31, 2015, 2016 and 2017 and March 31, 2018, as further detailed in note 31(b).

(c) Commitments with related parties

- (i) On October 14, 2014, ILC and GFL entered into arrangements regarding Mariana Property with GFL having an 80% participating interest and ILC having a 20% participating interest. At any time and up until 120 days from the completion of a feasibility study that demonstrates the feasibility of placing the Mariana Property or part thereof into commercial production, ILC will have the right to elect to "buy back" a 10% participating interest in the Mariana Property (the "Back-in Right") by giving written notice to GFL of the exercise of the Back-in Right.

If ILC exercises the Back-in Right, ILC must pay to GFL 10% of the total exploration costs incurred by GFL from March 14, 2014 to the time of the GFL's election to exercise the Back-in Right. In addition to the payment of this fee, ILC must also pay to GFL

interest on the fee at a rate of 10% per annum calculated annually on a straight-line basis and calculated for each budget year accordingly. The fee, along with the interest amount, must be paid to GFL within 15 days of ILC's delivery of written notice to GFL of exercise of the Back-in Right. So far, the feasibility study has not been available.

As if ILC's participating interest in Mariana Property was diluted to less than 5%, it should be automatically converted to a 1% Net Smelter Royalty ("NSR"). NSR means the sum equal to the gross proceeds actually received by the payor from the sale of all minerals and mineral products, including concentrates, within or produced from the ores extracted from Mariana Property.

- (ii) On September 25, 2015, GFL, a subsidiary of the Group, entered into a long-term offtake agreement commencing in 2017 with RIM, to purchase spodumene (the "Product") from the Mount marion project **(A)** for the Group's future production. In the first three contract years, all the Product produced from the Mount marion project (including 4% coarse Product, 4% Fine Product and 6% Product **(B)**) would be sold to the Group at fair market price, and for each contract year thereafter **(C)**, at least 49% produced of 6% Product (estimated at 98,000 dry metric tonne for each), plus the RIM Option Volume **(D)** would be sold to GFL. From March of 2017, the Mount marion project has been completed and commenced exploitation.

Notes:

- (A): a mining project operated by RIM for the product spodumene
- (B): % represents the percentage of LiO₂ content of the product spodumene
- (C): from the year 2020 until the end of the Supply Period
- (D): estimated extra quantity in addition to the annual contract quantities set out above, by giving GFL not less than 180 days' notice before the start of the relevant contract year
- (iii) On July 14, 2017, GFL entered into an offtake agreement with Lithium Americas Corp., an associate of GFL from June 2017. LAC has a 50% share of actual production from Stage 1 of the Cauchari-Olaroz Project (the "Cauchari Project"), pursuant to the agreement, GFL has been entitled to an option to purchase 80% of LAC's share of the Cauchari Project's actual production, which means the GFL has a 40% share of the Cauchari Project's production, the pricing is to be consistent with that of an arm's length market purchaser. LAC will take all actions as necessary to receive its share of the actual production from the Cauchari Project. The agreement will have a term of 20 years from the commencement of commercial production of the Cauchari Project extended for any suspensions or force majeure periods. Commercial Production of the Cauchari Project is expected to start in 2020. The Product will at least meet either technical or battery grade specifications.

Pursuant to the investment agreement signed between GFL and LAC, GFL will provide to LAC a USD125,000,000 project debt facility to be used to fund a portion of LAC's share of Cauchari-Olaroz construction costs. The project debt facility has a term of six years, with an interest rate of 8.0% for the first three years that increases to 8.5% in year four, 9.0% in year five and 9.5% in year six. LAC shall set up a wholly-owned subsidiary and transfer 70% of LAC's 50% interest in Cauchari-Olaroz Minera to such subsidiary, provided it can be effected on a tax neutral basis. That subsidiary shall provide to GFL a secured guarantee of the obligations of LAC to GFL. As of the report date, the loan to LAC has not been provided by GFL.

(d) Outstanding balances with related parties

Particulars of amounts due from associates are as follows:

<u>Name</u>	<u>December 31, 2015</u>	<u>January 1, 2015</u>	<u>Security held</u>
	RMB'000	RMB'000	
Non trade-related:			
ILC	8,201	5,276	None
<hr/>			
<u>Name</u>	<u>December 31, 2016</u>	<u>January 1, 2016</u>	<u>Security held</u>
	RMB'000	RMB'000	
Non trade-related:			
ILC	13,874	8,201	None
RIM	14,391	–	None
.....	28,265	8,201	
<hr/>			
<u>Name</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>	<u>Security held</u>
	RMB'000	RMB'000	
Trade-related:			
RIM	122,702	–	None
<hr/>			
Non trade-related:			
ILC	13,068	13,874	None
RIM	–	14,391	None
.....	13,068	28,265	
<hr/>			
<u>Name</u>	<u>March 31, 2018</u>	<u>January 1, 2018</u>	<u>Security held</u>
	RMB'000	RMB'000	
Trade-related:			
RIM	111,096	122,702	None
<hr/>			
Non trade-related:			
ILC	12,576	13,068	None

Particulars of amounts due to joint venture are as follows:

<u>Name</u>	<u>December 31, 2017</u>	<u>January 1, 2017</u>	<u>Security held</u>
	RMB'000	RMB'000	
Trade-related			
Dalian Yike	6,464	–	None
<hr/>			
<u>Name</u>	<u>March 31 2018</u>	<u>January 1 2018</u>	<u>Security held</u>
	RMB'000	RMB'000	
Trade-related			
Dalian Yike	3,669	6,464	None

(e) Compensation of key management personnel of the Group:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short-term employee benefits	2,633	3,336	29,811*	1,205	1,242
Post-employment benefits	448	460	447	113	136
Equity-settled share award expense	401	154	429	–	3,772
	<u>3,482</u>	<u>3,950</u>	<u>30,687</u>	<u>1,318</u>	<u>5,150</u>

* Pursuant to the measures for the administration of an incentive fund approved by the general meeting of shareholders and the board of directors in 2017 and as the performance target was met for the year ended December 31, 2017, a provision of managerial bonuses of RMB25 million was made as at December 31, 2017. The detail of allocation of bonuses to individuals are yet to be determined as at the report date.

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

43. FINANCIAL INSTRUMENTS BY CATEGORY

Group

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets at fair value through profit or loss</u>				
<u>Held for trading</u>				
Investments at fair value through profit or loss	1,432	1,304	40,111	41,606
<u>Non-trading</u>				
Derivative financial instruments	92,296	630,690	–	–
Investments at fair value through profit or loss	4,200	240,563	743,091	1,190,506
	<u>97,928</u>	<u>872,557</u>	<u>783,202</u>	<u>1,232,112</u>
<u>Financial assets at amortized cost</u>				
Trade and bills receivables	478,703	576,895	945,436	990,296
Financial assets included in other long term assets	8,201	28,265	13,068	12,576
Financial assets included in prepayments, and other receivables	7,799	22,631	22,716	60,735
Pledged deposits	17,862	28,568	71,848	81,977
Cash and cash equivalents	162,871	169,183	2,165,352	1,217,403
	<u>675,436</u>	<u>825,542</u>	<u>3,218,420</u>	<u>2,362,987</u>

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial liabilities at amortized cost</u>				
Trade and bills payables	167,641	297,807	299,771	359,971
Amounts due to a related party	–	–	6,464	3,669
Financial liabilities included in other payables and accruals	43,465	103,940	222,445	285,317
Interest-bearing bank and other borrowings	284,697	594,635	1,562,015	1,430,147
Convertible bonds	–	–	667,231	678,809
Other liabilities	9,043	–	588,128	588,128
	<u>504,846</u>	<u>996,382</u>	<u>3,346,054</u>	<u>3,346,041</u>

Company

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Financial assets at fair value through profit or loss</u>				
<u>Held for trading</u>				
Investments at fair value through profit or loss	1,432	1,304	983	961
<u>Non-trading</u>				
Derivative financial instruments	92,296	630,690	–	–
Investments at fair value through profit or loss	4,200	100,159	265,694	736,546
	<u>97,928</u>	<u>732,153</u>	<u>266,677</u>	<u>737,507</u>
<u>Financial assets at amortized cost</u>				
Trade and bills receivables	113,942	212,023	513,136	538,811
Financial assets included in prepayments, and other receivables	946	15,064	3,771	50,156
Due from subsidiaries	120,268	331,516	1,088,019	902,952
Pledged deposits	10,252	20,591	69,899	80,027
Cash and cash equivalents	60,625	71,066	1,468,378	632,827
	<u>306,033</u>	<u>650,260</u>	<u>3,143,203</u>	<u>2,204,773</u>

Company (continued)

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortized cost				
Trade and bills payables	29,579	154,031	184,896	214,782
Financial liabilities included in other payables and accruals	24,487	48,993	160,910	119,623
Interest-bearing bank and other borrowings	268,697	538,635	1,108,420	1,130,013
Convertible bonds	–	–	667,231	678,809
Amounts due to subsidiaries	213,793	124,377	311,690	341,972
Other liabilities	9,043	–	588,128	588,128
	<u>545,599</u>	<u>866,036</u>	<u>3,021,275</u>	<u>3,073,327</u>

44. TRANSFERS OF FINANCIAL ASSETS

The Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB179,574,000, RMB503,870,000, RMB590,674,000 and RMB641,533,000 as at December 31, 2015, 2016 and 2017 and at March 31, 2018, respectively. In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB132,949,000, RMB50,200,000, RMB298,900,000 and nil as at December 31, 2015, 2016 and 2017 and at March 31, 2018, respectively. The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of each of the Relevant Periods. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangements with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognized the full carrying amounts of the Endorsed Bills and the related trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Endorsed Bills. The Group has recognized losses of RMB2,914,000, RMB938,000, RMB8,559,000 and nil for the year ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 on the date of transfer of the Discounted Bills. No gains or losses were recognized from the Continuing Involvement, both during the Relevant Periods or cumulatively.

The Company endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB136,361,000, RMB161,937,000, RMB494,652,000 and RMB516,572,000, as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. In addition, the Company discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB132,949,000, RMB50,200,000, RMB298,900,000 and nil as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of each of the Relevant Periods. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangements with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Company if the accepting banks default (the "Continuing Involvement"). In the opinion of the directors, the Company has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognized the full carrying amounts of the Endorsed Bills and the related trade payables. The maximum exposure to loss from the Company's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the Relevant Periods, the Company has not recognized any gain or loss on the date of transfer of the Endorsed Bills. The Company has recognized losses of RMB2,914,000, RMB2,317,000, RMB10,374,000 and nil for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 on the date of transfer of the Discounted Bills. No gains or losses were recognized from the Continuing Involvement, both during the Relevant Periods or cumulatively.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts				Fair values			
	As at December 31,			As at March 31,	As at December 31,			As at March 31,
	2015	2016	2017	2018	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:								
Investments at fair value through profit or loss	5,632	241,867	783,202	1,232,112	5,632	241,867	783,202	1,232,112
Derivative financial instruments ..	92,296	630,690	–	–	92,296	630,690	–	–
Financial assets included in other long-term assets	8,201	28,265	13,068	12,576	11,684	32,835	17,759	15,101
	<u>106,129</u>	<u>900,822</u>	<u>796,270</u>	<u>1,244,688</u>	<u>109,612</u>	<u>905,392</u>	<u>800,961</u>	<u>1,247,213</u>
Financial liabilities:								
Non-current portion of interest-bearing bank borrowings	100,000	50,000	319,889	310,975	98,930	49,308	305,410	327,788
Interest-bearing other borrowings	6,000	6,000	31,253	51,253	6,100	6,062	34,371	49,746
Convertible bonds	–	–	667,231	678,809	–	–	674,038	685,616
	<u>106,000</u>	<u>56,000</u>	<u>1,018,373</u>	<u>1,041,037</u>	<u>105,030</u>	<u>55,370</u>	<u>1,013,819</u>	<u>1,063,150</u>

Company

	Carrying amounts				Fair values			
	As at December 31,			As at March 31,	As at December 31,			As at March 31,
	2015	2016	2017	2018	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:								
Investments at fair value through profit or loss	5,632	101,463	266,677	737,507	5,632	101,463	266,677	737,507
Derivative financial Instruments	92,296	630,690	–	–	92,296	630,690	–	–
	<u>97,928</u>	<u>732,153</u>	<u>266,677</u>	<u>737,507</u>	<u>97,928</u>	<u>732,153</u>	<u>266,677</u>	<u>737,507</u>
Financial liabilities:								
Non-current portion of interest-bearing bank borrowings	100,000	50,000	319,889	310,975	98,930	49,308	305,410	327,788
Interest-bearing other borrowings	–	–	–	20,000	–	–	–	17,326
Convertible bonds	–	–	667,231	678,809	–	–	674,038	685,616
	<u>100,000</u>	<u>50,000</u>	<u>987,120</u>	<u>1,009,784</u>	<u>98,930</u>	<u>49,308</u>	<u>979,448</u>	<u>1,030,730</u>

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and the liability component of convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at December 31, 2015, 2016 and 2017 and March 31, 2018 was assessed to be insignificant.

The fair values of listed financial instruments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

For the fair value of the unlisted financial instruments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately RMB179,000, RMB186,000, RMB189,000 and RMB328,000 using less favorable assumptions, and an increase in fair value of approximately RMB171,000, RMB178,000, RMB181,000 and RMB786,000 using more favorable assumptions for the year ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Group

Assets measured at fair value:

As at December 31, 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	1,432	4,200	–	5,632
Derivative financial instruments	–	92,296	–	92,296
	<u>1,432</u>	<u>96,496</u>	<u>–</u>	<u>97,928</u>

As at December 31, 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	187,667	54,200	–	241,867
Derivative financial instruments	–	630,690	–	630,690
	<u>187,667</u>	<u>684,890</u>	<u>–</u>	<u>872,557</u>

As at December 31, 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	617,953	165,249	–	783,202
	<u>617,953</u>	<u>165,249</u>	<u>–</u>	<u>783,202</u>

As at March 31, 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	469,157	762,955	–	1,232,112
	<u>469,157</u>	<u>762,955</u>	<u>–</u>	<u>1,232,112</u>

Assets for which fair values are disclosed:

As at December 31, 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other long-term assets	–	11,684	–	11,684
	<u>–</u>	<u>11,684</u>	<u>–</u>	<u>11,684</u>

As at December 31, 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets included in other long-term assets	–	32,835	–	32,835

As at December 31, 2017

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets included in other long-term assets	–	17,759	–	17,759

As at March 31, 2018

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets included in other long-term assets	–	15,101	–	15,101

Liabilities for which fair values are disclosed:

As at December 31, 2015

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	–	98,930	–	98,930
Interest-bearing other borrowings	–	6,100	–	6,100
	–	105,030	–	105,030

As at December 31, 2016

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	–	49,308	–	49,308
Interest-bearing other borrowings	–	6,062	–	6,062
	–	55,370	–	55,370

As at December 31, 2017

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Non-current portion of interest-bearing bank borrowings	–	305,410	–	305,410
Interest-bearing other borrowings	–	34,371	–	34,371
Convertible bonds	–	674,038	–	674,038
	–	1,013,819	–	1,013,819

As at March 31, 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion of interest-bearing bank borrowings	–	327,788	–	327,788
Interest-bearing other borrowings	–	49,746	–	49,746
Convertible bonds	–	685,616	–	685,616
	–	1,063,150	–	1,063,150

CompanyAssets measured at fair value:

As at December 31, 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	1,432	4,200	–	5,632
Derivative financial instruments	–	92,296	–	92,296
	1,432	96,496	–	97,928

As at December 31, 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	97,263	4,200	–	101,463
Derivative financial instruments	–	630,690	–	630,690
	97,263	634,890	–	732,153

As at December 31, 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	101,428	165,249	–	266,677

As at March 31, 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Investments at fair value through profit or loss (note 22)	124,551	612,956	–	737,507

Liabilities for which fair values are disclosed:

As at December 31, 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Non-current portion of interest-bearing bank borrowings	–	98,930	–	98,930

As at December 31, 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Non-current portion of interest-bearing bank borrowings	–	49,308	–	49,308

As at December 31, 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Non-current portion of interest-bearing bank borrowings	–	305,410	–	305,410
Convertible bonds	–	674,038	–	674,038
	–	979,448	–	979,448

As at March 31, 2018

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Non-current portion of interest-bearing bank borrowings	–	327,788	–	327,788
Interest-bearing other borrowings	–	17,326	–	17,326
Convertible bonds	–	685,616	–	685,616
	–	1,030,730	–	1,030,730

During the years of 2015, 2016 and 2017 and the three months ended March 31, 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 28), and cash and cash equivalents (note 28).

The Group's interest rate risk arises from its interest-bearing bank and other borrowings, details of which are set out in note 31. Borrowings at floating rates expose the Group to the risk of changes in market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit before tax</u>
		RMB'000
2015	50 (50)	(1,070) 1,070
2016	50 (50)	(645) 645
2017	50 (50)	(12,142) 12,142
For the three months ended March 31, 2018	50 (50)	(7,610) 7,610

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollars, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained profits due to the changes of exchange fluctuation reserve of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	<u>Increase/(decrease) in foreign currency rate</u>	<u>Increase/(decrease) in profit before tax</u>
	%	RMB'000
2015		
If RMB weakens against the United States dollar	5	(1,826)
If RMB strengthens against the United States dollar	(5)	1,826
2016		
If RMB weakens against the United States dollar	5	(5,024)
If RMB strengthens against the United States dollar	(5)	5,024
2017		
If RMB weakens against the United States dollar	5	(32,019)
If RMB strengthens against the United States dollar	(5)	32,019
March 31, 2018		
If RMB weakens against the United States dollar	5	(11,465)
If RMB strengthens against the United States dollar	(5)	11,465

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade receivables, deposits and other receivables, amounts due from a related party included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2015, 2016 and 2017 and at March 31, 2018, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

For the financial assets included in other long term assets, mainly representing the loans to the associates, RIM and ILC, details of which are set out in note 42(a). The Group has significant influence over the associates. The loans are used for the collaborative projects, Mariana Property with ILC and the Mount Marion project with RIM. Through pre-approval investigation and subsequent monitoring, management believes that the credit risk inherent in the Group's outstanding loans to the associates is not significant.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is generally from one to three months and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for expected credit losses (the "ECL") prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit losses below also incorporated forward looking information.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganization.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Group

Gross carrying amount of trade receivables

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed collectively</i>				
Current	287,338	356,847	416,121	464,927
Up to 120 days past due	17,818	46,805	53,417	72,862
120 days to one year past due	52,260	20,931	15,346	8,852
More than one year past due	5,884	23,015	27,063	9,118
Sub-total	363,300	447,598	511,947	555,759
<i>Assessed individually</i>				
Full expected loss	1,462	8,478	27,561	31,377
	<u>364,762</u>	<u>456,076</u>	<u>539,508</u>	<u>587,136</u>

Group

Loss allowance provision of trade receivables

	Expected loss rate	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed Collectively</i>					
Current	0%	–	–	–	–
Up to 120 days past due	0%	–	–	–	–
120 days to one year past due	2%	1,045	419	307	177
More than one year past due	15%	884	3,452	4,059	1,368
Sub-total		1,929	3,871	4,366	1,545
<i>Assessed individually</i>					
Full expected loss	100%	1,462	8,478	27,561	31,377
		<u>3,391</u>	<u>12,349</u>	<u>31,927</u>	<u>32,922</u>

Group

Gross carrying amount of other receivables:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed collectively</i>				
Current	7,081	20,453	19,278	56,918
Up to 120 days past due	–	–	59	1,125
120 days to one year past due	118	1,233	869	1,994
More than one year past due	254	593	1,857	49
Sub-total	7,453	22,279	22,063	60,086
<i>Assessed individually</i>				
Full expected loss	346	352	653	649
	<u>7,799</u>	<u>22,631</u>	<u>22,716</u>	<u>60,735</u>

Loss allowance provision of other receivables

	Expected loss rate	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed Collectively</i>					
Current	0%	–	–	–	–
Up to 120 days past due	0%	–	–	–	–
120 days to one year past due	2%	2	25	17	40
More than one year past due	15%	38	90	279	7
Sub-total		40	115	296	47
<i>Assessed individually</i>					
Full expected loss	100%	346	352	653	649
		<u>386</u>	<u>467</u>	<u>949</u>	<u>696</u>

Company

Gross carrying amount of trade receivables

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed collectively</i>				
Current	37,045	103,588	97,615	119,859
Up to 120 days past due	1,084	1,998	–	7,374
120 days to one year past due	3,549	1,658	2,243	86
More than one year past due	2,397	403	1,088	381
Sub-total	44,075	107,647	100,946	127,700
<i>Assessed individually</i>				
Full expected loss	1,455	849	1,635	2,139
	<u>45,530</u>	<u>108,496</u>	<u>102,581</u>	<u>129,839</u>

Company

Loss allowance provision of trade receivables

	Expected loss rate	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed Collectively</i>					
Current	0%	–	–	–	–
Up to 120 days past due	0%	–	–	–	–
120 days to one year past due	2%	71	34	45	2
More than one year past due	15%	360	60	163	57
Sub-total		431	94	208	59
<i>Assessed individually</i>					
Full expected loss	100%	1,455	849	1,635	2,139
		<u>1,886</u>	<u>943</u>	<u>1,843</u>	<u>2,198</u>

Gross carrying amount of other receivables

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed Collectively</i>				
Current	623	5,214	3,189	49,274
Up to 120 days past due	–	–	10	216
120 days to one year past due	24	9,720	102	178
More than one year past due	79	119	275	299
Sub-total	726	15,053	3,576	49,967
<i>Assessed individually</i>				
Full expected loss	220	11	195	189
	<u>946</u>	<u>15,064</u>	<u>3,771</u>	<u>50,156</u>

Company

Loss allowance provision of other receivables

	Expected loss rate	As at December 31,			As at March 31,
		2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
<i>Assessed Collectively</i>					
Current	0%	–	–	–	–
Up to 120 days past due	0%	–	–	–	–
120 days to one year past due	2%	–	194	2	4
More than one year past due	15%	12	18	41	45
Sub-total		12	212	43	49
<i>Assessed individually</i>					
Full expected loss	100%	220	11	195	189
		<u>232</u>	<u>223</u>	<u>238</u>	<u>238</u>

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

<u>December 31, 2015</u>	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	–	41,735	125,906	–	–	167,641
Interest-bearing bank and other borrowings	–	72,223	109,896	115,054	–	297,173
Other payables and accruals	–	13,866	29,599	–	–	43,465
Other liabilities	–	–	9,043	–	–	9,043
	–	<u>127,824</u>	<u>274,444</u>	<u>115,054</u>	–	<u>517,322</u>
 <u>December 31, 2016</u>						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Beyond 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	–	71,782	226,025	–	–	297,807
Interest-bearing bank and other borrowings	–	161,964	388,432	58,230	–	608,626
Other payables and accruals	–	29,595	74,345	–	–	103,940
	–	<u>263,341</u>	<u>688,802</u>	<u>58,230</u>	–	<u>1,010,373</u>

<u>December 31, 2017</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	103,693	196,078	–	–	299,771
Amounts due to a related party	–	6,464	–	–	–	6,464
Interest-bearing bank and other borrowings	–	290,800	934,411	92,698	358,261	1,676,170
Convertible bonds	–	696	2,088	35,264	944,704	982,752
Other payables and accruals	–	19,195	203,250	–	–	222,445
Other liabilities	588,128	–	–	–	–	588,128
	<u>588,128</u>	<u>420,848</u>	<u>1,335,827</u>	<u>127,962</u>	<u>1,302,965</u>	<u>3,775,730</u>

<u>March 31, 2018</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	142,203	217,768	–	–	359,971
Amounts due to a related party	–	3,669	–	–	–	3,669
Interest-bearing bank and other borrowings	–	341,007	761,797	344,277	58,989	1,506,070
Convertible bonds	–	–	2,784	35,264	944,704	982,752
Other payables and accruals	–	13,948	271,369	–	–	285,317
Other liabilities	588,128	–	–	–	–	588,128
	<u>588,128</u>	<u>500,827</u>	<u>1,253,718</u>	<u>379,541</u>	<u>1,003,693</u>	<u>3,725,907</u>

Company

<u>December 31, 2015</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	29,579	–	–	–	29,579
Interest-bearing bank and other borrowings	–	72,223	99,736	108,235	–	280,194
Other payables and accruals	–	2,037	22,450	–	–	24,487
Other liabilities	–	–	9,043	–	–	9,043
	–	<u>103,839</u>	<u>131,229</u>	<u>108,235</u>	–	<u>343,303</u>

<u>December 31, 2016</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	154,031	–	–	–	154,031
Interest-bearing bank and other borrowings	–	161,964	337,057	51,739	–	550,760
Other payables and accruals	–	30,537	18,456	–	–	48,993
	–	<u>346,532</u>	<u>355,513</u>	<u>51,739</u>	–	<u>753,784</u>

<u>December 31, 2017</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	56,628	128,268	–	–	184,896
Interest-bearing bank and other borrowings	–	235,454	551,069	55,867	358,261	1,200,651
Convertible bonds	–	696	2,088	35,264	944,704	982,752
Other payables and accruals	–	3,953	50,881	–	–	54,834
Other liabilities	588,128	–	–	–	–	588,128
	<u>588,128</u>	<u>296,731</u>	<u>732,306</u>	<u>91,131</u>	<u>1,302,965</u>	<u>3,011,261</u>

<u>March 31, 2018</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Trade and bills payables	–	80,829	133,953	–	–	214,782
Interest-bearing bank and other borrowings	–	270,039	554,554	307,446	58,989	1,191,028
Convertible bonds	–	–	2,784	35,264	944,704	982,752
Other payables and accruals	–	7,847	83,198	–	–	91,045
Other liabilities	588,128	–	–	–	–	588,128
	<u>588,128</u>	<u>358,715</u>	<u>774,489</u>	<u>342,710</u>	<u>1,003,693</u>	<u>3,067,735</u>

Price risk

Price risk is the risk that the fair values of equity decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to price risk arising from individual investments classified as investments at fair value through profit or loss (note 22) and derivative financial instruments (note 27) as at December 31, 2015, 2016 and 2017 and March 31, 2018. The Group's listed investments are listed on stock exchanges in Australia, Canada and Shenzhen and Shanghai of the PRC.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the listed investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of each of the Relevant Periods.

		Carrying amount of investments	Increase/ (decrease) in equity prices	Increase/ (decrease) in profit before tax
		RMB'000	%	RMB'000
2015				
Investments listed in:				
Shenzhen	– investments at fair value through profit or loss			
	Held for trading	446	5 (5)	22 (22)
	– derivative Financial instruments			
	Non-trading	92,296	5 (5)	4,615 (4,615)
Shanghai	– investments at fair value through profit or loss			
	Held for trading	986	5 (5)	49 (49)
2016				
Investments listed in:				
Australia	– investments at fair value through profit or loss			
	Non-trading	90,404	5 (5)	4,520 (4,520)
Shenzhen	– investments at fair value through profit or loss			
	Non-trading	95,959	5 (5)	4,798 (4,798)
	– investments at fair value through profit or loss			
	Held-for-trading	382	5 (5)	19 (19)
	– derivative financial instruments			
	Non-trading	630,690	5 (5)	31,534 (31,534)
Shanghai	– investments at fair value through profit or loss			
	Held-for-trading	922	5 (5)	46 (46)
2017				
Investments listed in:				
Australia	– investments at fair value through profit or loss			
	Non-trading	471,522	5 (5)	23,576 (23,576)
	– investments at fair value through profit or loss			
	Held-for-trading	39,128	5 (5)	1,956 (1,956)
Canada	– investments at fair value through profit or loss			
	Non-trading	4,835	5 (5)	242 (242)
Shenzhen	– investments at fair value through profit or loss			
	Non-trading	101,485	5 (5)	5,074 (5,074)
	– investments at fair value through profit or loss			
	Held-for-trading	485	5 (5)	24 (24)
March 31, 2018				
Investments listed in:				
Australia	– investments at fair value through profit or loss			
	Non-trading	298,777	5 (5)	14,939 (14,939)
	– investments at fair value through profit or loss			
	Held-for-trading	40,645	5 (5)	2,032 (2,032)
Canada	– investments at fair value through profit or loss			
	Non-trading	5,184	5 (5)	259 (259)
Shenzhen	– investments at fair value through profit or loss			
	Non-trading	123,590	5 (5)	6,180 (6,180)
	– investments at fair value through profit or loss			
	Held-for-trading	520	5 (5)	26 (26)
Shanghai	– investments at fair value through profit or loss			
	Held-for-trading	441	5 (5)	22 (22)

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a defined gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings and the liability component of convertible bonds, less cash and cash equivalents. The defined gearing ratios as at the end of each of the Relevant Periods are as follows:

Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	284,697	594,635	1,562,015	1,430,147
Convertible bonds, the liability component	–	–	667,231	678,809
Less: Cash and cash equivalents	(162,871)	(169,183)	(2,165,352)	(1,217,403)
Net debt	121,826	425,452	63,894	891,553
Equity attributable to owners of the parent	1,951,981	2,961,549	4,037,204	4,304,049
Capital and net debt	2,073,807	3,387,001	4,101,098	5,195,602
Defined gearing ratio	6%	13%	2%	17%

Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	268,697	538,635	1,108,420	1,130,013
Convertible bonds, the liability component	–	–	667,231	678,809
Less: Cash and cash equivalents	(60,625)	(71,066)	(1,468,378)	(632,827)
Net debt	208,072	467,569	307,273	1,175,995
Equity	1,773,465	2,760,946	3,509,972	3,852,523
Capital and net debt	1,981,537	3,228,515	3,817,245	5,028,518
Defined gearing ratio	11%	14%	8%	23%

47. EVENT AFTER THE RELEVANT PERIODS

In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group had the following subsequent event after the Relevant Periods:

On August 13, 2018, the Group entered into an acquisition agreement with LAC and SQM regarding the acquisition of 50% equity interest in the Minera Exar from SQM for an initial consideration of US\$60.3 million, set up additional deferred payment of US\$50 million upon Minera Exar meeting certain sales milestones, and a serial of debt facilities to LAC and Minera Exar, which has been disclosed in note 42(c). LAC which currently holds 50% equity interests in Minera Exar, converted certain of its loans in the Cauchari-Olaroz project to the equity interests in Minera Exar which will result in that LAC and the Group will hold total 62.5% and 37.5% equity interests of Minera Exar, respectively. Except for the consideration and debt facilities, LAC and the Group will establish a company named Netherlands Holding Corp. ("NHC"), which will provide USD33.3 million loan to Minera Exar, and the Group will provide USD24.5 million to NHC as capital contribution. This transaction is subject to completing share registration procedures with the relevant authorities in Argentina.

48. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to March 31, 2018.



22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

Independent review report

To the directors of
Ganfeng Lithium Co., Ltd.
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information set out on pages IB-1 to IB-28, which comprises the condensed consolidated statement of financial position of Ganfeng Lithium Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes.

The directors of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS34") issued by the International Accounting Standards Board ("IASB"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not presented, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
September 27, 2018

CONTENTS

	<i>Pages</i>
Interim Condensed Consolidated Statement of Profit or Loss	IB-3
Interim Condensed Consolidated Statement of Comprehensive Income	IB-4
Interim Condensed Consolidated Statement of Financial Position	IB-5
Interim Condensed Consolidated Statement of Changes in Equity	IB-6 – IB-7
Interim Condensed Consolidated Statement of Cash Flows	IB-8 – IB-9
Notes to Interim Condensed Consolidated Financial Statements	IB-10 – IB-28

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2018

	Notes	For the six months ended June 30,	
		2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	4	2,239,320	1,653,443
Cost of sales		(1,246,630)	(1,052,800)
Gross profit		992,690	600,643
Other income and gains	4	253,358	579,230
Selling and distribution expenses		(31,934)	(21,586)
Administrative expenses		(187,596)	(67,038)
Other expenses		(147,789)	(70,293)
Finance costs		(34,963)	(22,080)
Share of profits and losses of:			
Associates		9,574	(3,289)
A joint venture		599	249
Profit before tax	5	853,939	995,836
Income tax expense	6	(123,996)	(75,218)
Profit for the period		729,943	920,618
Profit for the period attributable to:			
Owners of the parent		730,217	920,851
Non-controlling interests		(274)	(233)
		729,943	920,618
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic earnings per share (RMB)	7	0.66	0.82
Diluted earnings per share (RMB)	7	0.66	0.82

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018

	For the six months ended June 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profit for the period	729,943	920,618
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(17,129)	(10,892)
Other comprehensive loss for the period, net of tax	(17,129)	(10,892)
Total comprehensive income for the period, net of tax	712,814	909,726
Total comprehensive income for the period attributable to:		
Owners of the parent	719,441	910,549
Non-controlling interests	(6,627)	(823)
	712,814	909,726

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		As at June 30, 2018	As at December 31, 2017
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,169,256	1,620,204
Investment properties		180	194
Prepaid land lease payments		162,686	135,407
Intangible assets		237,852	227,175
Goodwill		18,302	18,302
Investments in associates		814,910	744,132
Investment in a joint venture		51,504	50,905
Investments at fair value through profit or loss		471,123	592,051
Deferred tax assets		28,098	9,980
Other long-term assets		33,233	33,068
Total non-current assets		3,987,144	3,431,418
CURRENT ASSETS			
Inventories	9	1,294,882	914,835
Trade and bills receivables	10	1,149,500	945,436
Amounts due from a related party		59,861	122,702
Prepayments, deposits and other receivables		488,430	156,358
Investments at fair value through profit or loss		332,922	191,151
Pledged deposits	14	148,010	71,848
Cash and cash equivalents	14	1,320,650	2,165,352
Total current assets		4,794,255	4,567,682
TOTAL ASSETS		8,781,399	7,999,100
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	938,803	1,210,873
Trade and bills payables	16	479,112	299,771
Amounts due to a related party		1,460	6,464
Other payables and accruals		482,235	497,567
Income tax payable		136,680	211,526
Other liabilities		685,174	588,128
Total current liabilities		2,723,464	2,814,329
NET CURRENT ASSETS		2,070,791	1,753,353
TOTAL ASSETS LESS CURRENT LIABILITIES		6,057,935	5,184,771
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	655,221	351,142
Convertible bonds		690,377	667,231
Deferred income		59,281	59,383
Deferred tax liabilities		52,286	63,845
Total non-current liabilities		1,457,165	1,141,601
Total liabilities		4,180,629	3,955,930
Net assets		4,600,770	4,043,170
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,114,894	741,771
Equity component of convertible bonds		205,696	205,699
Treasury shares		(685,174)	(588,128)
Reserves		3,954,515	3,677,862
		4,589,931	4,037,204
Non-controlling interests		10,839	5,966
Total equity		4,600,770	4,043,170

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018 (Unaudited)

	Attributable to owners of the parent (Unaudited)											
	Issued share capital	Share premium*	Treasury shares	Special reserve – safety fund*	Statutory surplus reserve*	Other reserve*	Equity component of convertible bonds	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	741,771	575,262	(588,128)	7,361	140,790	14,414	205,699	(10,076)	2,950,111	4,037,204	5,966	4,043,170
Profit for the period	–	–	–	–	–	–	–	–	730,217	730,217	(274)	729,943
Other comprehensive loss for the period	–	–	–	–	–	–	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(10,776)	–	(10,776)	(6,353)	(17,129)
Total comprehensive income for the period	–	–	–	–	–	–	–	(10,776)	730,217	719,441	(6,627)	712,814
Issue of restricted A shares	2,123	94,923	(97,046)	–	–	–	–	–	–	–	–	–
Conversion of capital reserve into share capital	371,631	(371,631)	–	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds into share capital	1	13	–	–	–	–	(4)	–	–	10	–	10
Deferred tax on convertible bonds	–	–	–	–	–	–	1	–	–	1	–	1
Equity-settled share-based payment	–	–	–	10,127	–	130,580	–	–	(10,127)	130,580	–	130,580
Transfer to reserve	–	–	–	–	–	–	–	–	–	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	11,500	11,500
Utilization of safety fund	–	–	–	(5,438)	–	–	–	–	5,438	–	–	–
Dividends	–	–	–	–	–	–	–	–	(297,305)	(297,305)	–	(297,305)
Repurchase and cancellation of restricted A shares	(632)	(49,449)	–	–	–	50,081	–	–	–	–	–	–
At June 30, 2018	1,114,894	249,118	(685,174)	12,050	140,790	195,075	205,696	(20,852)	3,378,334	4,589,931	10,839	4,600,770

* These reserve accounts comprise the consolidated reserves of RMB3,954,515,000 in the consolidated statements of financial position as at June 30, 2018.

For the six months ended June 30, 2017 (Unaudited)

	Attributable to owners of the parent (Unaudited)							Total equity		
	Issued share capital	Share premium	Special reserve – safety fund	Statutory surplus reserve	Other reserve	Exchange fluctuation reserve	Retained profits		Total	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	752,696	639,358	1,740	89,166	208	40,338	1,438,043	2,961,549	2,218	2,963,767
Profit for the period	–	–	–	–	–	–	920,851	920,851	(233)	920,618
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(10,302)	–	(10,302)	(590)	(10,892)
Total comprehensive income for the period	–	–	–	–	–	(10,302)	920,851	910,549	(823)	909,726
Deemed contribution from non-controlling shareholders	–	–	–	–	5,000	–	–	5,000	–	5,000
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	6,379	6,379
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	250	250
Compensation and cancellation of restricted A shares	(23,791)	(639,358)	–	(89,166)	–	–	(364,179)	(1,116,494)	–	(1,116,494)
Transfer to reserves	–	–	9,040	–	–	–	(9,040)	–	–	–
Utilization of safety fund	–	–	(5,759)	–	–	–	5,759	–	–	–
At June 30, 2017	728,905	–	5,021	–	5,208	30,036	1,991,434	2,760,604	8,024	2,768,628

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018

	Notes	For the six months ended June 30,	
		2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		853,939	995,836
Adjustments for:			
Finance costs		34,963	22,080
Share of profits and losses of:			
A joint venture and associates		(10,173)	3,040
Net fair value of derivative financial instruments	4	–	(485,805)
Fair value of financial instruments at fair value through profit or loss	5	81,354	20,957
Government grants related to deferred income		(4,225)	(4,213)
Dividends and interest from investments at fair value through profit or loss	4	(11,547)	(2,753)
Net gain on disposal of property, plant and equipment	5	(127)	(52)
Depreciation of property, plant and equipment	5	56,959	45,600
Amortization of prepaid land lease payments	5	1,573	1,215
Amortization of intangible assets	5	5,258	3,771
Impairment of goodwill	5	–	17,580
(Reversal)/impairment of receivables	5	(10,382)	50
Reversal of provision for inventories	5	(99)	(1)
Exchange loss on bank borrowings		6,915	2,968
Equity-settled share-based payment		90,580	–
		<u>1,094,988</u>	<u>620,273</u>
Decrease in amounts due from a related party		62,841	–
(Decrease)/increase in amounts due to a related party		(5,004)	2,042
Increase in inventories		(443,656)	(372,303)
Increase in trade and bills receivables		(365,267)	(442,586)
Increase in prepayments, deposits and other receivables		(254,570)	(27,243)
Decrease/(increase) in pledged deposits		3,670	(86,519)
Increase/(decrease) in trade and bills payables		179,341	(104,032)
(Decrease)/increase in other payables and accruals		(76,842)	105,849
		<u>195,501</u>	<u>(304,519)</u>
Income taxes paid		(228,519)	(105,033)
Net cash flows used in operating activities		<u>(33,018)</u>	<u>(409,552)</u>

	Notes	For the six months ended June 30,	
		2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and prepaid land lease payments		(435,807)	(221,291)
Proceeds from disposal of property, plant and equipment		2,278	1,467
Dividends and interest from investments at fair value through profit or loss		11,547	2,753
Purchase of investments at fair value through profit or loss		(1,219)	(132,711)
Purchase of financial products		(800,350)	(100,000)
Proceeds from sale of financial products		651,390	–
Additions to other intangible assets		(15,944)	(52,181)
Acquisition of a subsidiary		–	(19,151)
Purchase of equity interests of associate		–	(316,807)
Receipt of government grants		4,123	–
Proceeds from disposal of investments at fair value through profit or loss		52,389	–
Net cash flows used in investing activities		(531,593)	(837,921)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		884,663	1,593,729
Repayment of bank loans		(830,194)	(336,871)
Proceeds from issue of shares		97,046	–
Capital contribution from non-controlling shareholders		11,500	250
(Decrease)/increase in amounts due to a preferred shareholder of a subsidiary		(31,253)	31,253
Interest paid		(26,457)	(19,822)
Deemed contribution from a non-controlling shareholder		–	5,000
Pledged deposits for bank loans		(79,832)	–
Dividends paid		(293,073)	–
Others		(13,327)	–
Net cash flows (used in)/generated from financing activities		(280,927)	1,273,539
Net (decrease)/increase in cash and cash equivalents		(845,538)	26,066
Net foreign exchange differences		836	(1,717)
Cash and cash equivalents at beginning of period		2,165,352	169,183
Cash and cash equivalents at end of period	14	<u>1,320,650</u>	<u>193,532</u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances	14	1,468,660	308,619
Less: Pledged deposits	14	(148,010)	(115,087)
Cash and cash equivalents as stated in the statement of cash flows	14	<u>1,320,650</u>	<u>193,532</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2018

1. CORPORATE INFORMATION

The Company was a limited liability company incorporated in Xinyu, Jiangxi Province. On August 10, 2010, it was officially listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (the "Listing"). The registered office of the Company is located at Longteng Road, Xinyu Economic Development Zone, Jiangxi Province.

The Company focuses on the development, manufacture and sale of further processed lithium products, lithium new materials, lithium power and energy storage batteries, lithium resources, lithium battery recycling, etc.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2018 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

2.2 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these interim condensed consolidated financial statements.

IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ²
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IAS 19	<i>Employee Benefits</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRSs including:
• Amendments to IFRS 3	<i>Business Combinations</i> ¹
• Amendments to IFRS 11	<i>Joint Arrangements</i> ¹
• Amendments to IAS 12	<i>Income Taxes</i> ¹
• Amendments to IAS 23	<i>Borrowing Costs</i> ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after January 1, 2021

³ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the directors of the Company anticipate that the new and revised IFRSs, excluding IFRS 16, may result in changes in accounting policies but are unlikely to have a material impact on the Group's results of operations and financial position upon application. Further information about the assessment of the impact of IFRS 16 is included in the Group's consolidated financial statements for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

- (a) Lithium metal and compound segment: manufacture and sale of lithium series products, and the rendering of processing services;
- (b) Lithium battery segment: manufacture and sale of lithium batteries; and
- (c) Lithium ore resource segment: exploration and sale of lithium ore and other lithium products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

<u>Six months ended June 30, 2018</u> (Unaudited)	<u>Lithium metal and compound</u> RMB'000	<u>Lithium battery</u> RMB'000	<u>Lithium ore resource</u> RMB'000	<u>Total</u> RMB'000
Segment revenue:				
Sales to external customers	2,089,182	150,024	114	2,239,320
Intersegment sales	247	37	–	284
	<u>2,089,429</u>	<u>150,061</u>	<u>114</u>	<u>2,239,604</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(284)
Revenue				<u>2,239,320</u>
Revenue from contracts with customers - external				
Sale of goods	2,056,725	150,024	114	2,206,863
Rendering of services	32,457	–	–	32,457
Total revenue from contracts with customers	<u>2,089,182</u>	<u>150,024</u>	<u>114</u>	<u>2,239,320</u>
Timing of revenue recognition				
At a point in time	<u>2,089,182</u>	<u>150,024</u>	<u>114</u>	<u>2,239,320</u>
Segment results	899,297	(4,443)	(17,291)	877,563
<i>Reconciliation:</i>				
Elimination of intersegment results				
Interest income	11,034	302	3	11,339
Finance costs	(34,041)	(918)	(4)	(34,963)
Profit/(loss) before tax	876,290	(5,059)	(17,292)	<u>853,939</u>
June 30, 2018 Segment assets	7,468,261	1,461,641	333,484	9,263,386
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(481,987)
Total assets				<u>8,781,399</u>
Segment liabilities	3,842,647	725,744	94,225	4,662,616
<i>Reconciliation:</i>				
Elimination of intersegment payables				(481,987)
Total liabilities				<u>4,180,629</u>

Six months ended June 30, 2017 (Unaudited)	Lithium metal and compound RMB'000	Lithium battery RMB'000	Lithium ore resource RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	1,546,480	106,710	253	1,653,443
Intersegment sales	68	—	—	68
	<u>1,546,548</u>	<u>106,710</u>	<u>253</u>	<u>1,653,511</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				(68)
Revenue				<u>1,653,443</u>
Revenue from contracts with customers - external				
Sale of goods	1,507,157	106,710	253	1,614,120
Rendering of services	39,323	—	—	39,323
Total revenue from contracts with customers	<u>1,546,480</u>	<u>106,710</u>	<u>253</u>	<u>1,653,443</u>
Timing of revenue recognition				
At a point in time	<u>1,546,480</u>	<u>106,710</u>	<u>253</u>	<u>1,653,443</u>
Segment results	1,072,025	(50,496)	(4,428)	1,017,101
<i>Reconciliation:</i>				
Elimination of intersegment results				
Interest income	657	156	2	815
Finance costs	(22,047)	(33)	—	(22,080)
Profit/(loss) before tax	<u>1,050,635</u>	<u>(50,373)</u>	<u>(4,426)</u>	<u>995,836</u>
December 31, 2017 Segment assets	7,079,763	1,398,104	330,295	8,808,162
<i>Reconciliation:</i>				
Elimination of intersegment receivables				(809,062)
Total assets				<u>7,999,100</u>
Segment liabilities	3,629,848	1,056,082	79,062	4,764,992
<i>Reconciliation:</i>				
Elimination of intersegment payables				(809,062)
Total liabilities				<u>3,955,930</u>

Geographical information

(a) Revenue from external customers

	For the six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Mainland China	1,698,539	1,287,970
Hong Kong	540,781	365,473
	<u>2,239,320</u>	<u>1,653,443</u>

(b) Non-current assets

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Mainland China	2,588,334	1,997,263
Hong Kong	825,226	754,934
Overseas	61,130	64,122
	<u>3,474,690</u>	<u>2,816,319</u>

The revenue information above is based on where the Company and the subsidiaries were located in. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the reporting period, no major customer information is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

(a) Revenue

	For the six months ended June 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Sale of goods	2,206,863	1,614,120
Rendering of services	32,457	39,323
	<u>2,239,320</u>	<u>1,653,443</u>

(b) Other income and gains

	For the six months ended June 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Fair value gains, net:		
Derivative financial instruments	–	485,805
Gain on disposal of investments at fair value through profit or loss	4,163	–
Dividends and interest from investments at fair value through profit or loss	11,547	2,753
Sale of raw materials	86,603	40,547
Government grants	127,009	48,756
Gain on disposal of property, plant and equipment	127	57
Bank interest income	11,339	815
Reversal of receivables	10,382	–
Reversal of provision for inventories	99	–
Others	2,089	497
	<u>253,358</u>	<u>579,230</u>

Various government grants have been received for setting up research and related projects construction activities in an enterprise zone within Jiangxi Province, Mainland China. Government grants received for which related assets have not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended June 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
(a) Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	91,183	69,100
Equity-settled share award expense	90,580	–
Other welfare	6,069	4,393
	<u>187,832</u>	<u>73,493</u>
(b) Cost of sales and services:		
Cost of inventories sold	1,190,822	975,219
Cost of processing service	14,787	20,728
Others	41,021	56,853
	<u>1,246,630</u>	<u>1,052,800</u>
(c) Other items:		
Cost of selling raw materials	48,956	26,390
Impairment of goodwill	–	17,580
Impairment/(reversal) of receivables	(10,382)	50
Reversal of provision for inventories	(99)	(1)
Depreciation of property, plant and equipment	56,959	45,600
Amortization of prepaid land lease payments	1,573	1,215
Amortization of intangible assets	5,258	3,771
Fair value losses, net:		
Investments at fair value through profit or loss	81,354	20,957
Net gain on disposal of property, plant and equipment	(127)	(52)
Research and development costs:		
Current year expenditure	27,493	18,740
Lease expenses	2,630	4,439
Bank charges	843	3,150
	<u>123,996</u>	<u>75,218</u>

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

	For the six months ended June 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current corporate income tax	153,673	73,125
Deferred tax	(29,677)	2,093
	<u>123,996</u>	<u>75,218</u>

The subsidiaries incorporated in Hong Kong are subject to profits tax at the rate of 16.5% during the period. No provision for Hong Kong profits tax has been made as all the profits are derived from offshore, which are not taxable in Hong Kong.

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits during the period of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China, which are taxed at a preferential rate of 15%.

The Company was recognized as a high and new technology enterprise ("HNTE"), and the effective period is from September 25, 2015 to September 24, 2018. Based on the Enterprise Income Tax Law and related regulations, the applicable tax rate of the Company, which is recognized as an HNTE and supported by the government, is 15% provided that the Company complies with the conditions set out in the relevant requirements. The subsidiaries are also recognized as HNTEs and the effective periods are as follows:

Name	Effective period
Fengxin Ganfeng Lithium Co., Ltd.	2016/11/15-2019/11/14
Yichun Ganfeng Lithium Co., Ltd.	2015/9/25-2018/9/24

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	For the six months ended June 30,	
	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	730,217	920,851
Less: Cash dividends distributed to share award scheme	(4,895)	–
Adjusted profit attributable to ordinary equity holders of the parent for the basic earnings per share calculation	725,322	920,851
Cash dividends distributed to share award scheme	4,895	–
Interest expense on convertible bonds	9,038	–
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	739,255	920,851
Shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	1,092,783,237	1,128,057,489
Effect of dilution – weighted average number of ordinary shares:		
- Share award scheme	11,218*	–
- Convertible bonds	19,362,913	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share	1,112,157,368	1,128,057,489
Basic earnings per share (RMB)	0.66	0.82
Diluted earnings per share (RMB)	0.66	0.82

* Adjustment only has been made in respect of the share award scheme granted in 2018, the share award granted in December 2017 had an anti-dilutive effect on the basic earnings per share the six months ended June 30, 2018.

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders under the share award scheme expected to be unlocked in the future and the weighted average number of ordinary shares in issue during the reporting period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed vesting the shares awarded and full conversion of convertible bonds into ordinary shares.

On May 29, 2018, the Company implemented the conversion of capital reserve into share capital such that 5 new shares were issued for every 10 existing shares. After the conversion, the number of shares as at May 29, 2018 was increased from 743,262,441 to 1,114,893,661. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest period presented.

8. PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposals

During the six months ended June 30, 2018, the Group acquired assets at a cost of RMB555,194,000, excluding property, plant and equipment acquired through properties under construction (for the year ended December 31, 2017: RMB285,924,000, excluding property, plant and equipment acquired through a business combination and a property under construction).

Assets with a net book value of RMB2,151,000 were disposed of by the Group during the six months ended June 30, 2018 (for the year ended December 31, 2017: RMB17,167,000), resulting in a net gain on disposal of RMB127,000 (net loss for the year ended December 31, 2017: RMB12,591,000).

9. INVENTORIES

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Raw materials	743,876	553,844
Work-in-progress	172,007	124,587
Finished goods	380,893	242,253
Less: impairment	(1,894)	(5,849)
	1,294,882	914,835

10. TRADE AND BILLS RECEIVABLES

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables	642,628	507,581
Bills receivable	506,872	437,855
	<u>1,149,500</u>	<u>945,436</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

The carrying amounts of trade and bills receivables in the condensed consolidated statement of financial position approximate to their fair values.

An aged analysis of the trade receivables as at the end of the period (based on the invoice date) is as follows:

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within six months	569,053	476,069
More than six months but less than one year	59,339	23,758
One to two years	22,000	31,980
Two to three years	6,729	2,343
More than three years	6,366	5,358
Less: impairment	<u>(20,859)</u>	<u>(31,927)</u>
	<u>642,628</u>	<u>507,581</u>

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. At June 30, 2018, the Group's trade and bills receivables with a carrying amount of approximately RMB297,536,000 was pledged to issue a bank's acceptance bills and letters of credit, and at December 31, 2017, the Group's trade and bills receivables with a carrying amount of approximately RMB281,437,000 was pledged to issue a bank's acceptance bills, letters of credit and bank borrowings.

The movements in provision for impairment of trade receivables are as follows:

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
At beginning of period/(year)	31,927	12,349
Impairment losses (reversed) recognized	(11,061)	19,613
Amount written off as uncollectible	(7)	(35)
At end of period/(year)	<u>20,859</u>	<u>31,927</u>

11. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
<u>Financial assets at fair value through profit or loss</u>		
Held for trading		
Investments at fair value through profit or loss	32,922	40,111
Non-trading		
Investments at fair value through profit or loss	771,123	743,091
	<u>804,045</u>	<u>783,202</u>
<u>Financial assets at amortized cost</u>		
Trade and bills receivables	1,149,500	945,436
Financial assets included in other long-term assets	13,233	13,068
Financial assets included in prepayments, deposits and other receivables	27,930	22,716
Pledged deposits	148,010	71,848
Cash and cash equivalents	1,320,650	2,165,352
	<u>2,659,323</u>	<u>3,218,420</u>

	As at June 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Financial liabilities at amortized cost		
Trade and bills payables	479,112	299,771
Amounts due to a related party	1,460	6,464
Financial liabilities included in other payables and accruals	352,820	222,445
Interest-bearing bank and other borrowings	1,594,024	1,562,015
Convertible bonds	690,377	667,231
Other liabilities	685,174	588,128
	<u>3,802,967</u>	<u>3,346,054</u>

12. TRANSFERS OF FINANCIAL ASSETS

The Group endorsed certain bills receivable accepted by banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB638,501,000 and RMB590,674,000 as at June 30, 2018 and December 31, 2017, respectively. In addition, the Group discounted certain bills receivable accepted by banks in the PRC (the "Discounted Bills") to certain banks to finance its operating cash flows with a carrying amount in aggregate of RMB98,086,000 and RMB298,900,000 as at June 30, 2018 and December 31, 2017, respectively. The Endorsed Bills and the Discounted Bills had a maturity from one to six months at the end of the reporting period. In accordance with the relevant laws and regulations in the PRC and relevant discounting arrangements with certain banks, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the accepting banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Endorsed Bills and the Discounted Bills. Accordingly, it has derecognized the full carrying amounts of the Endorsed Bills and the related trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills and the undiscounted cash flows to repurchase these Endorsed Bills and Discounted Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills and the Discounted Bills are not significant.

During the reporting period, the Group has not recognized any gain or loss on the date of transfer of the Endorsed Bills. The Group has recognized losses of RMB2,210,000 and RMB4,953,000 for the six months ended June 30, 2018 and 2017 on the date of transfer of the Discounted Bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively. The endorsement and the discount have been made evenly throughout the reporting period.

13. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at June 30, 2018 and December 31, 2017, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	As at June 30, 2018		As at December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Audited)
Financial assets:				
Investments at fair value through profit or loss	804,045	804,045	783,202	783,202
Financial assets included in other long-term assets	13,233	15,840	13,068	17,759
	<u>817,278</u>	<u>819,885</u>	<u>796,270</u>	<u>800,961</u>
Financial liabilities:				
Non-current portion of				
– interest-bearing bank borrowings	635,215	614,906	319,889	305,410
– interest-bearing other borrowings	20,006	17,605	31,253	34,371
Convertible bonds	690,377	697,420	667,231	674,038
	<u>1,345,598</u>	<u>1,329,931</u>	<u>1,018,373</u>	<u>1,013,819</u>

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own

non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at June 30, 2018 and December 31, 2017 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the period.

For the fair value of the unlisted financial instruments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately RMB779,000, and RMB189,000 using less favorable assumptions, and an increase in fair value of approximately RMB326,000 and RMB181,000 using more favorable assumptions for the six months ended June 30, 2018 and the year ended December 31, 2017, respectively.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at June 30, 2018

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Investments at fair value through profit or loss	492,220	311,825	–	804,045

As at December 31, 2017

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	
Investments at fair value through profit or loss	617,953	165,249	–	783,202

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at June 30, 2018 and December 31, 2017.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

Assets for which fair values are disclosed:

As at June 30, 2018

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Financial assets included in other long-term assets	–	15,840	–	15,840

As at December 31, 2017

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	
Financial assets included in other long-term assets	–	17,759	–	17,759

Liabilities for which fair values are disclosed:

As at June 30, 2018

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	
Non-current portion of interest-bearing bank borrowings	–	614,906	–	614,906
Interest-bearing other borrowings	–	17,605	–	17,605
Convertible bonds	–	697,420	–	697,420
	–	1,329,931	–	1,329,931

As at December 31, 2017

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	
Non-current portion of interest-bearing bank borrowings	–	305,410	–	305,410
Interest-bearing other borrowings	–	34,371	–	34,371
Convertible bonds	–	674,038	–	674,038
	–	1,013,819	–	1,013,819

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Cash and bank balances	1,468,660	2,237,200
Less: Pledged deposits		
– pledged for letters of credit	(8,960)	(8,850)
– pledged for bank loans	(132,332)	–
– pledged for letters of guarantee	(6,718)	(62,998)
	1,320,650	2,165,352

The carrying amounts of the cash and cash equivalents in the condensed consolidated statement of financial position approximate to their fair values.

The Group's cash and bank balances as at June 30, 2018 and December 31, 2017 are denominated in the following currencies:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Denominated in RMB	611,715	2,017,335
Denominated in USD	602,660	80,943
Denominated in EUR	1,764	376
Denominated in JPY	9,044	1
Denominated in AUD	94,671	60,328
Denominated in HKD	13	20
Denominated in PESO	783	6,349
	1,320,650	2,165,352

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Current			
Bank loans – unsecured	(i)	266,324	578,847
Bank loans – secured	(ii)	636,332	601,026
Current portion of long term bank loans – unsecured	(i)	2,647	–
Current portion of long term bank loans – secured	(ii)	27,500	25,000
Other loans – secured	(iii)	6,000	6,000
		<u>938,803</u>	<u>1,210,873</u>
Non-current			
Bank loans – unsecured	(i)	500,215	169,889
Bank loans – secured	(ii)	135,000	150,000
Other loans – secured	(iii)	20,006	31,253
		<u>655,221</u>	<u>351,142</u>
		<u>1,594,024</u>	<u>1,562,015</u>
Convertible bonds	(iv)	690,377	667,231
		<u>2,284,401</u>	<u>2,229,246</u>
Analyzed into:			
Bank loans repayable:			
Within one year		932,803	1,204,873
In the second year		366,123	35,227
In the third year		59,113	35,227
In the fourth year		82,933	82,274
In the fifth year and above		127,046	167,161
		<u>1,568,018</u>	<u>1,524,762</u>
Other borrowings repayable:			
Within one year		6,000	6,000
In the third year		20,000	–
In the fourth year		6	31,253
In the fifth year and above		690,377	667,231
		<u>716,383</u>	<u>704,484</u>
		<u>2,284,401</u>	<u>2,229,246</u>

Notes:

- (i) As at June 30, 2018 and December 31, 2017, certain of the Group's bank loans are unsecured and bear interest at annual interest rates from 2.65% to 4.80% and from 2.10% to 4.35%, respectively.
- (ii) As at June 30, 2018 and December 31, 2017, certain of the Group's bank loans are secured by:
- the pledge of certain of the Group's bills receivable amounting to nil and RMB189,207,000 as at June 30, 2018 and December 31, 2017, respectively;
 - the pledge of executive restricted shares of the Company held by Group's shareholder, Mr. Li Liangbin; and
 - the pledge of certain of the Group's bank deposits amounting to RMB132,332,000 and RMB52,500,000 as at June 30, 2018 and December 31, 2017, respectively.
- (iii) The Group received government loan granted with no interest from Jiangxi State-owned Venture Investment Management Corporation, amounting to RMB6,000,000 in 2016, which was secured by the part of the equity interest in a subsidiary. In 2018, Jiangxi State-owned Venture Investment Management Corporation provided another interest-free loan amounting to RMB20,000,000 to the Group, which was secured by the executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin.
- As at December 31, 2017, the other borrowing from ICBC Credit Suisse Investment Management Ltd. was RMB31,253,000, bearing interest at an interest rate of 5.95% and repayable within 5 years. In June 2018, the Group repaid the loans ahead of schedule, so the borrowing from ICBC Credit Suisse Investment Management Ltd. was nil as at June 30, 2018.
- (iv) On December 21, 2017, the Company issued A share convertible bonds with a nominal value of RMB928,000,000, the par value per bond is RMB100. The convertible bonds were for a term of six years commencing from December 21, 2017 until December 21, 2023 at an annual interest rate for the first year of 0.3%, the second year of 0.5%, the third year of 0.8%, the fourth year of 1.0%, the fifth year of 1.5% and the sixth year of 1.8%. Interest shall commence to be calculated from December 21, 2017 onwards and payable on an annual basis. The bonds are convertible at the option of the bondholders into ordinary shares during the period from June 27, 2018 to December 21, 2023. The liability component of the convertible bonds was RMB690,377,000 and RMB667,231,000 as at June 30, 2018 and December 31, 2017, respectively.

16. TRADE AND BILLS PAYABLES

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Trade payables	234,443	219,761
Bills payable	244,669	80,010
	<u>479,112</u>	<u>299,771</u>

An aged analysis of the trade payables as at June 30, 2018 and December 31, 2017, based on the invoice date, is as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Within 3 months	185,201	178,173
3 to 6 months	27,445	19,151
6 to 12 months	13,234	13,355
1 to 2 years	7,667	9,082
Over 2 years	896	-
	<u>234,443</u>	<u>219,761</u>

The trade payables are non-interest-bearing and are normally settled on terms within 180 day.

17. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

- (a) The Group had the following transactions with related parties for the six months ended June 30, 2018 and 2017:

	Note	For the six months ended June 30,	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<u>Repayment of loans from an associate during the period</u>			
Reed Industrial Minerals Pty Ltd. ("RIM")	(i)	-	14,391
<u>Purchases from an associate</u>			
RIM		841,521	304,658

Note:

- (i) Loans to RIM are unsecured and interest-free.

	For the six months ended June 30,	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
<u>Purchases from a joint venture</u>		
Dalian Yike Energy Technology Co., Ltd.	5,840	1,136

- (b) Other transactions with related parties:

Certain of the Group's bank and other borrowings of up to RMB170,000,000 were secured by the pledge of executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin as at June 30, 2018 (As at December 31, 2017: RMB157,000,000), as further detailed in note 15(iii).

- (c) Commitments with related parties

- (i) On October 14, 2014, International Lithium Corp. ("ILC") and GFL International Co., Ltd. ("GFL"), a subsidiary of the Group, entered into arrangements of the Mariana Property with GFL having an 80% participating interest and ILC having a 20% participating interest. At any time and up until 120 days from the completion of a feasibility study that demonstrates the feasibility of placing the Mariana Property or part thereof into commercial production, ILC will have the right to elect to "buy back" a 10% participating interest in the Mariana Property (the "Back-in Right") by giving written notice to GFL of the exercise of the Back-in Right.

If ILC exercises the Back-in Right, ILC must pay to GFL 10% of the total exploration costs incurred by GFL from March 14, 2014 to the time of the GFL's election to exercise the Back-in Right. In addition to the payment of this fee, ILC must also pay to GFL

interest on the fee at a rate of 10% per annum calculated annually on a straight-line basis and calculated for each budget year accordingly. The fee, along with the interest amount, must be paid to GFL within 15 days of ILC's delivery of written notice to GFL of the exercise of the Back-in Right. So far, the feasibility study has not been available.

If ILC's participating interest in Mariana Property was diluted to less than 5%, it should be automatically converted to a 1% Net Smelter Royalty ("NSR"). NSR means the sum equal to the gross proceeds actually received by the payor from the sale of all minerals and mineral products, including concentrates, within or produced from the ores extracted from the Mariana Property.

- (ii) On September 25, 2015, GFL entered into a long-term offtake agreement commencing in 2017 with RIM, to purchase spodumene (the "Products") from the Mount Marion project (A) for the Group's future production. In the first three contract years, all the Products produced from the Mount Marion project (including 4% coarse Products, 4% fine Products and 6% Products (B)) would be sold to the Group at fair market price, and for each contract year thereafter (C), at least 49% of the 6% Products produced (estimated at 98,000 dry metric ton for each), plus RIM's Option Volume (D) would be sold to GFL. In March of 2017, the Mount Marion project has been completed and commences on exploitation.

Notes:

- (A): a mining project operated by RIM for spodumene
- (B): % represents LiO₂ content of spodumene
- (C): from the year 2020 until the end of the supply period
- (D): estimated extra quantity in addition to the annual contract quantities set out above, by giving GFL not less than 180 days' notice before the start of the relevant contract year.

- (iii) On July 14, 2017, GFL entered into an offtake agreement with Lithium Americas Corp. ("LAC"), an associate of GFL from June 2017. LAC has a 50% share of actual production from Stage 1 of the Cauchari-Olaroz Project (the "Cauchari Project"). Pursuant to the agreement, GFL has been entitled to an option to purchase 80% of LAC's share of the Cauchari Project's actual production, which means GFL has a 40% share of the Cauchari Project's production, and the pricing is to be consistent with that of an arm's length market purchaser. LAC will take all actions as necessary to receive its share of the actual production from the Cauchari Project. The agreement will have a term of 20 years from the commencement of commercial production of the Cauchari Project extended for any suspensions or force majeure periods. Commercial production of the Cauchari Project is expected to start in 2020. The Product will at least meet either technical or battery grade specifications.

Pursuant to the investment agreement signed between GFL and LAC, GFL will provide to LAC a USD125,000,000 project debt facility to be used to fund a portion of LAC's share of Cauchari-Olaroz construction costs. The project debt facility has a term of six years, with an interest rate of 8.0% for the first three years that increases to 8.5% in year four, 9.0% in year five and 9.5% in year six. LAC shall set up a wholly-owned subsidiary and transfer 70% of LAC's 50% interest in Cauchari-Olaroz Minera to such subsidiary, provided it can be effected on a tax neutral basis.

On 13 August 2018, the Company finally entered into an acquisition agreement with LAC and Sociedad Quimicay Minera de Chile S.A. ("SQM") about purchase of the share interest in Cauchari-Olaroz Minera, detail of which are set out in the note 22.

In this agreement, GFL agreed to provide USD100 million debt facility to LAC, USD25 million to Minera Exar S.A. ("Minera Exar", a joint venture company incorporated in Argentina that holds 100% interest in the Cauchari-Olaroz project) and another subsidiary of the Company will provide USD25 million, all of these debt facilities constitute part of the conditions in the agreement of for acquisition of equity interests in Minera Exar with LAC, Draws may be made under the Loan Facility until December 31, 2025. The Loan Facility will bear interest at a rate equal to 6-month LIBOR + 5.5% per annum, subject to a maximum of 10% per annum.

- (d) Outstanding balances with related parties

Particulars of amounts due from associates are as follows:

Name	June 30, 2018	December 31, 2017	Security held
	RMB'000 (Unaudited)	RMB'000 (Audited)	
Trade-related:			
RIM	59,861	122,702	None
Non trade-related:			
ILC	13,233	13,068	None

Particulars of amounts due to a joint venture are as follows:

<u>Name</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>Security held</u>
	RMB'000 (Unaudited)	RMB'000 (Audited)	
Trade-related			
Dalian Yike Energy Technology Co., Ltd.	1,460	6,464	None

(e) Compensation of key management personnel of the Group:

	<u>For the six months ended June 30,</u>	
	<u>2018 RMB'000 (Unaudited)</u>	<u>2017 RMB'000 (Unaudited)</u>
Short-term employee benefits	2,565	2,169
Post-employment benefits	232	223
Equity-settled share award expense	7,544	–
Total compensation paid to key management personnel	<u>10,341</u>	<u>2,392</u>

18. COMMITMENTS

Capital commitments

The Group had the following capital commitments as at June 30, 2018 and December 31, 2017:

	<u>As at June 30, 2018</u>	<u>As at December 31, 2017</u>
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contracted, but not provided for:		
Plant and machinery	505,309	513,723

19. DIVIDENDS

	<u>For the six months ended June 30,</u>	
	<u>2018 RMB'000 (Unaudited)</u>	<u>2017 RMB'000 (Unaudited)</u>
Declared cash dividends		
Dividends on ordinary shares declared:		
2017: RMB0.40 per share		
(2016: RMB0.10 per share)	297,305	72,890

The proposed final dividend for the year ended December 31, 2016 was declared and approved by the shareholders at the annual general meeting of the Company on May 10, 2017.

On March 30, 2018, the board of directors of the Company resolved to propose the final dividend for the year ended December 31, 2017 of RMB0.40 per ordinary share and the conversion of capital reserve into share capital by issuing 5 new shares for every 10 existing shares at the registration date of annual profit distribution. It was approved by the shareholders at the general meeting of the Company on May 2, 2018.

20. SHARE AWARD SCHEME

In December 2017, the Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Company, facilitating the establishment of the restricted incentive mechanism, fully motivating the management and key personnel of the Company and initially granted 12,866,500 shares to 339 executives and employees, and 3,000,000 shares were reserved at the same time. In May 2018, 2,865,000 of 3,000,000 reserved shares were granted, but only 2,123,080 shares were subscribed for and issued and fully paid up by 55 employees.

Restricted A Share Incentive Scheme

On December 13, 2017, pursuant to the resolution approved by the general meeting of shareholders and the board of directors, 12,866,500 A shares of the Company were initially granted to 339 Share Incentive Participants ("Initially granted A Share"), and on 2 May 2018, 2,123,080 reserved shares were granted to 55 Share Incentive Participants ("Reserved A Share"). The grant price of each A Share (including the initially granted and reserved shares) is RMB45.71. The Share Incentive Participants include the senior management of the Company and core technical and management personnel of the Company. The Initially grant A Share and reserved A Share shall be valid for a term of four years and three years, respectively, commencing from the registration date of the grant of restricted shares until the date when all the restricted shares granted have been unlocked or otherwise repurchased and canceled.

Restricted shares shall be locked up immediately upon the grant. All of the restricted shares granted to the Share Incentive Participants shall be subject to various lock-up periods ranging from 1 year to 4 years, immediately from the date of grant. Details of the unlocking period and conditions are summarized as follows:

(a) Initially granted A share

Unlocking period	Performance target	Unlocking proportion
First unlocking period: commencing from the first trading day after the 12-month anniversary of the date of grant to the last trading day before the 24- month anniversary of the date of grant	a) The net profit(*) growth rate of 2017 is no less than 150% based on the net profit of 2016; b) The annual product output (converted to lithium carbonate equivalent ("LCE")) of 2017 is no less than 35,000 tons;	25%
Second unlocking period: commencing from the first trading day after the 24- month anniversary of the date of grant to the last trading day before the 36- month anniversary of the date of grant	a) The net profit growth rate of 2018 is no less than 330% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2018 is no less than 50,000 tons;	25%
Third unlocking period: commencing from the first trading day after the 36- month anniversary of the date of grant to the last trading day before the 48- month anniversary of the date of grant	a) The net profit growth rate of 2019 is no less than 460% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2019 is no less than 70,000 tons;	25%
Fourth unlocking period: commencing from the first trading day after the 48 month anniversary of the date of grant to the last trading day before the 60 month anniversary of the date of grant	a) The net profit growth rate of 2020 is no less than 570% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2020 is no less than 90,000 tons;	25%

(b) Reserved A Share

Unlocking period	Performance target	Unlocking proportion
First unlocking period: commencing from the first trading day after the 12-month anniversary of the date of grant to the last trading day before the 24- month anniversary of the date of grant	a) The net profit growth rate of 2018 is no less than 330% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2018 is no less than 50,000 tons;	30%
Second unlocking period: commencing from the first trading day after the 24- month anniversary of the date of grant to the last trading day before the 36- month anniversary of the date of grant	a) The net profit growth rate of 2019 is no less than 460% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2019 is no less than 70,000 tons;	30%
Third unlocking period: commencing from the first trading day after the 36- month anniversary of the date of grant to the last trading day before the 48- month anniversary of the date of grant	a) The net profit growth rate of 2020 is no less than 570% based on the net profit of 2016; b) The annual product output (converted to LCE) of 2020 is no less than 90,000 tons;	40%

* Net profit and net profit growth rate are based on the profit for the year of the Group attributable to owners of the parent after deducting non-recurring profit or loss.

** If the performance targets required above have not been meet, the restricted A shares corresponding to the unlocking period will be repurchased and canceled.

Apart from the performance target at the Group's level should be achieved, the assessment result at the business sectors or subsidiaries' level and the Share Incentive Participants should also satisfy the following conditions:

The business sectors or subsidiaries of the Company should achieve the following performance assessment targets ("P"):

The assessment result	The practical performance	Unlocking amounts
Passed	$P \geq 100\%$	All the granted shares held by the Participants within the relevant business sectors or subsidiaries shall be unlocked.
Passed	$80\% \leq P < 100\%$	80% of the granted shares held by the Participants within the relevant business sectors or subsidiaries shall be unlocked, and the remaining shall be repurchased or canceled by the Company.
Failed	$P < 80\%$	All the granted shares held by the Participants within the relevant business sectors or subsidiaries shall not be unlocked and shall be repurchased or canceled by the Company.

The participants shall achieve the following performance targets according to the assessment by the Remuneration Committee:

The assessment result ("S")	$S \geq 80$	$80 > S \geq 70$	$70 > S \geq 60$	$S < 60$
The standard index	1.0	0.9	0.8	0

The actual unlocking restricted shares of a participant = the standard index × the proposed maximum annual unlocking amount of the participant.

As of December 31, 2017, the Company received a total of RMB588,128,000 cash consideration for the Initially granted A Share, of which RMB12,866,000 and RMB575,262,000 were credited to share capital and share premium, respectively. During 2018, the Company received a total of RMB97,046,000 cash consideration for the reserved A Share, of which RMB2,123,000 and RMB94,923,000 were credited to share capital and share premium, respectively. Because of the restricted share repurchase obligation of the Company till the end of the unlocking period, the Company has credited an amount of RMB588,128,000 and RMB685,174,000 to the other liabilities in current liabilities and debited to the treasury shares accordingly as at December 31, 2017 and June 30, 2018. For the year ended December 31, 2017 and the six months ended June 30, 2018, the Group has recognized an amount of RMB9,206,000 and RMB90,580,000, respectively, as equity-settled share-based expenses.

Share and cash incentive scheme

In addition to the above mentioned, the Company adopted another share incentive scheme to further incentivize the key employees of a wholly-owned subsidiary of the Company, Zhejiang Fengli New Energy Technology Co., Ltd. ("Zhejiang Fengli"), a limited liability company established in the PRC on December 28, 2017. In order to incentivize the R&D and technology core of Zhejiang Fengli and to attract and retain skilled and experienced personnel to strive for the completion and operation of pilot production line for solid-state lithium batteries, on December 5, 2017, the Board of Directors has resolved to transfer no more than 48% of the equity interest in Zhejiang Fengli to the R&D and technology core of Zhejiang Fengli if certain key performance indicators are satisfied. Such equity interest, if transferred, will be held by the relevant management members and key employees through a limited partnership.

Assessment and reward

The Company will adopt a way of combination of cash and equity of Zhejiang Fengli, and assess periodically, if the key performance targets are met, the Company will pay the cash and transfer certain equity interest of Zhejiang Fengli in two months after each assessment period. The detailed ways of reward are as follows:

The assessment milestone	Cash (RMB)	Equity interest in Zhejiang Fengli (RMB)*
June 30, 2018	20,000,000	40,000,000
December 31, 2018	20,000,000	40,000,000
December 31, 2019	30,000,000	40,000,000

* The value of equity interest are based on the share value when the Zhejiang Fengli is established.

Performance target

The assessment of this project is divided into three phases, and the Performance target for each phase are as follows:

The assessment milestone	Performance target*
June 30, 2018	a) The first-generation solid-state lithium battery technical indicators reach: unit capacity 10Ah, energy density is not less than 240Wh / kg, capacity retention rate of more than 90% after 1000 cycles, battery cells with 5C rate of charge and discharge capacity; b) Battery development products are safely tested by third-party agencies;
December 31, 2018	a) The first-generation solid-state lithium battery series batteries with a monomer capacity greater than 30Ah are produced, and the comprehensive performance indicators reach the level of the developed products; b) In the R&D of the first-generation solid-state lithium battery with an annual output of 10,000 watt-hours, the pilot production line is completed and put into stable operation, and reaches the design capacity; c) Realize more than two customers to send samples;
December 31, 2019	a) The sales of the first-generation of solid-state lithium batteries exceed RMB 300 million. After deducting the depreciation of fixed assets and R&D expenses, the subsidiary achieve breakeven; b) The technical indicators of the second-generation solid-state lithium battery reach: the energy density is not less than 300Wh/kg; the comprehensive performance index reaches the international leading level; c) Preliminarily complete the feasibility study of the third-generation solid-state lithium battery.

* The above Performance target have no precedents for successful practice in China, and they are international leading technological breakthroughs.

As of June 30, 2018, the performance targets are met for the first assessment milestone, and the Group has credited an amount of RMB20,000,000 in the payroll payable and RMB40,000,000 in the other reserve as equity-settled share-based payments, respectively.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing borrowings, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group has no significant interest-bearing assets other than pledged bank deposits (note 14), and cash and cash equivalents (note 14).

The Group's interest rate risk arises from its interest-bearing bank and other borrowings, details of which are set out in note 15. Borrowings at floating rates expose the Group to the risk of changes in market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group's exposure to the risk of changes in market interest rate relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings):

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in profit before tax</u> RMB'000
June 30, 2018 (Unaudited)	50	(9,595)
	(50)	9,595
December 31, 2017 (Audited)	50	(12,142)
	(50)	12,142

Foreign currency risk

The following table demonstrates the sensitivity at June 30, 2018 and December 31, 2017 to a reasonably possible change in the United States dollar, with all other variables held constant, of the Group's profit before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained profits due to the changes of the exchange fluctuation reserve of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

	<u>Increase/(decrease) in foreign currency rate</u> %	<u>Increase/(decrease) in profit before tax</u> RMB'000
For the six months ended June 30, 2018 (Unaudited)		
If RMB weakens against the United States dollar	5	(11,807)
If RMB strengthens against the United States dollar	(5)	11,807
For the year ended December 31, 2017 (Audited)		
If RMB weakens against the United States dollar	5	(32,019)
If RMB strengthens against the United States dollar	(5)	32,019

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade receivables, deposits and other receivables, and amounts due from a related party included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at June 30, 2018 and December 31, 2017, all pledged bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

For the financial assets included in other long term assets, mainly representing the loans to the associates, RIM and ILC. The Group has significant influence over the associates. The loans are used for the collaborative projects, Mariana Property with ILC and the Mount Marion project with RIM. Through pre-approval investigation and subsequent monitoring, management believes that the credit risk inherent in the Group's outstanding loans to the associates is not significant.

Liquidity risk

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The maturity profile of the Group's financial liabilities at June 30, 2018 and December 31, 2017, based on the contractual undiscounted payments, is as follows:

<u>June 30, 2018</u> (Unaudited)	<u>On demand</u> RMB'000	<u>Less than 3 months</u> RMB'000	<u>3 to 12 months</u> RMB'000	<u>1 to 5 years</u> RMB'000	<u>Beyond 5 years</u> RMB'000	<u>Total</u> RMB'000
Trade and bills payables	–	183,106	296,006	–	–	479,112
Amounts due to a related party	–	1,460	–	–	–	1,460
Interest-bearing bank and other borrowings	–	350,875	613,918	665,993	45,093	1,675,879
Convertible bonds	–	–	2,784	35,264	944,704	982,752
Other payables and accruals	–	70,552	282,268	–	–	352,820
Other liabilities	685,174	–	–	–	–	685,174
	<u>685,174</u>	<u>605,993</u>	<u>1,194,976</u>	<u>701,257</u>	<u>989,797</u>	<u>4,177,197</u>
<u>December 31, 2017</u> (Audited)	<u>On demand</u> RMB'000	<u>Less than 3 months</u> RMB'000	<u>3 to 12 months</u> RMB'000	<u>1 to 5 years</u> RMB'000	<u>Beyond 5 years</u> RMB'000	<u>Total</u> RMB'000
Trade and bills payables	–	103,693	196,078	–	–	299,771
Amounts due to a related party	–	6,464	–	–	–	6,464
Interest-bearing bank and other borrowings	–	290,800	934,411	92,698	358,261	1,676,170
Convertible bonds	–	696	2,088	35,264	944,704	982,752
Other payables and accruals	–	19,195	203,250	–	–	222,445
Other liabilities	588,128	–	–	–	–	588,128
	<u>588,128</u>	<u>420,848</u>	<u>1,335,827</u>	<u>127,962</u>	<u>1,302,965</u>	<u>3,775,730</u>

Price risk

Price risk is the risk that the fair values of equity decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to price risk arising from individual investments classified as investments at fair value through profit or loss at June 30, 2018 and December 31, 2017. The Group's listed investments listed on the stock exchanges in Australia, Canada and Shenzhen and Shanghai of the PRC.

The following table demonstrates the sensitivity to a reasonably possible change in the fair values of the investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. No account is given for factors such as impairment which might impact the statement of profit or loss.

		<u>Carrying amount of investments</u> RMB'000	<u>Increase/(decrease) in equity prices</u> %	<u>Increase/(decrease) in profit before tax</u> RMB'000
June 30, 2018 (Unaudited)				
Investments listed in:				
Australia	– investments at fair value through profit or loss			
	Non-trading	315,260	5 (5)	15,763 (15,763)
	– investments at fair value through profit or loss			
	Held-for-trading	32,087	5 (5)	1,604 (1,604)
Canada	– investments at fair value through profit or loss			
	Non-trading	4,371	5 (5)	219 (219)
Shenzhen	– investments at fair value through profit or loss			
	Non-trading	139,667	5 (5)	6,983 (6,983)
	– investments at fair value through profit or loss			
	Held-for-trading	462	5 (5)	23 (23)
Shanghai	– investments at fair value through profit or loss			
	Held-for-trading	373	5 (5)	19 (19)

	Carrying amount of investments RMB'000	Increase/ (decrease) in equity prices %	Increase/ (decrease) in profit before tax RMB'000
December 31, 2017 (Audited)			
Investments listed in:			
Australia – investments at fair value through profit or loss			
Non-trading	471,522	5 (5)	23,576 (23,576)
– investments at fair value through profit or loss			
Held-for-trading	39,128	5 (5)	1,956 (1,956)
Canada – investments at fair value through profit or loss			
Non-trading	4,835	5 (5)	242 (242)
Shenzhen – investments at fair value through profit or loss			
Non-trading	101,485	5 (5)	5,074 (5,074)
– investments at fair value through profit or loss			
Held-for-trading	485	5 (5)	24 (24)
Shanghai – investments at fair value through profit or loss			
Held-for-trading	498	5 (5)	25 (25)

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a defined gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings and the liability component of convertible bonds, less cash and cash equivalents. The defined gearing ratios as at June 30, 2018 and December 31, 2017 are as follows:

	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
Interest-bearing bank and other borrowings	1,594,024	1,562,015
Convertible bonds, the liability component	690,377	667,231
Less: Cash and cash equivalents	(1,320,650)	(2,165,352)
Net debt	963,751	63,894
Equity attributable to owners of the parent	4,589,931	4,037,204
Capital and net debt	5,553,682	4,101,098
Defined gearing ratio	17%	2%

22. EVENTS AFTER THE REPORTING PERIOD

In addition to the transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Group had following subsequent events after the reporting period.

On August 13, 2018, the Group entered into an acquisition agreement with LAC and SQM regarding the acquisition of 50% equity interest in the Minera Exar from SQM for an initial consideration of US\$60.3 million, set up additional deferred payment of US\$50 million upon Minera Exar meeting certain sales milestones, and a serial of debt facilities to LAC and Minera Exar, which has been disclosed in note 17(c). LAC which currently holds 50% equity interests in Minera Exar, converted certain of its loans in the Cauchari-Olaroz project to the equity interests in Minera Exar which will result in that LAC and the Group will hold total 62.5% and 37.5% equity interests of Minera Exar, respectively. Except for the consideration and debt facilities, LAC and the Group will establish a company named Netherlands Holding Corp. ("NHC"), which will provide USD33.3 million loan to Minera Exar, and the Group will provide USD24.5 million to NHC as capital contribution. This transaction is subject to completing share registration procedures with the relevant authorities in Argentina.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorized for issue by the board of directors on September 27, 2018.



22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

The Directors
Ganfeng Lithium Co., Ltd.
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the historical financial information of Minera Exar Sociedad Anónima ("Minera Exar") set out on pages IC-3 to IC-27, which comprises the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of Minera Exar for each of the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 (the "Relevant Periods"), and the statements of financial position of Minera Exar as at December 31, 2015, 2016 and 2017 and June 30, 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IC-3 to IC-27 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Ganfeng Lithium Co., Ltd. ("Ganfeng") dated September 27, 2018 (the "Prospectus") in connection with the initial listing of the shares of Ganfeng on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of Minera Exar (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Minera Exar as at December 31, 2015, 2016 and 2017 and June 30,

2018 and of the financial performance and cash flows of Minera Exar for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of Minera Exar which comprises the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2017 and other explanatory information (the "Interim Comparative Financial Information"). The Directors of Minera Exar are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IC-3 have been made.

Dividends

We refer to note 10 to the Historical Financial Information which states that no dividends have been declared by Minera Exar in respect of the Relevant Periods and the six months ended June 30, 2017.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
September 27, 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Minera Exar for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing ("HKASAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in USD and all values are rounded to the nearest (USD) except when otherwise indicated.

1. Statements of Profit or Loss

	Section II Notes	Year ended December 31,			Six months ended June 30,	
		2015 USD	2016 USD	2017 USD	2017 USD (Unaudited)	2018 USD
Revenue		–	–	–	–	–
Cost of sales		–	–	–	–	–
Gross profit		–	–	–	–	–
Other income and gains	4	8,527	682,818	376,969	376,969	–
Administrative expenses		(835,804)	(900,533)	(2,373,400)	(709,391)	(406,992)
Other expenses		(6,746,873)	(11,964,179)	(8,994,437)	(8,994,437)	–
Finance costs	6	(208,081)	(13,856)	(459,080)	(139,125)	(609,433)
Loss before tax	5	(7,782,231)	(12,195,750)	(11,449,948)	(9,465,984)	(1,016,425)
Income tax expense	8	–	–	–	–	–
Loss for the year/period		<u>(7,782,231)</u>	<u>(12,195,750)</u>	<u>(11,449,948)</u>	<u>(9,465,984)</u>	<u>(1,016,425)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:						
Basic and diluted	9	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

2. Statements of Comprehensive Income

Section II	Year ended December 31,			Six months ended June 30,	
	2015 USD	2016 USD	2017 USD	2017 USD (Unaudited)	2018 USD
Loss for the year/period	<u>(7,782,231)</u>	<u>(12,195,750)</u>	<u>(11,449,948)</u>	<u>(9,465,984)</u>	<u>(1,016,425)</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of financial statements	<u>7,043,772</u>	<u>2,428,590</u>	<u>(255,145)</u>	<u>502,219</u>	<u>82,446</u>
Other comprehensive income/(loss) for the year/period, net of tax	<u>7,043,772</u>	<u>2,428,590</u>	<u>(255,145)</u>	<u>502,219</u>	<u>82,446</u>
Total comprehensive loss for the year/period, net of tax	<u>(738,459)</u>	<u>(9,767,160)</u>	<u>(11,705,093)</u>	<u>(8,963,765)</u>	<u>(933,979)</u>

3. Statements of Financial Position

	Section II Notes	As at December 31,			As at June 30,
		2015 USD	2016 USD	2017 USD	2018 USD
NON-CURRENT ASSETS					
Property, plant and equipment	11	70,333	1,062,897	17,087,641	33,646,699
Intangible assets	12	–	–	19,493,165	47,857,689
Prepayments, deposits and other receivables	13	–	3,296,190	7,536,374	1,751,018
Total non-current assets		70,333	4,359,087	44,117,180	83,255,406
CURRENT ASSETS					
Prepayments, deposits and other receivables	13	1,807,913	252,060	2,118,600	332,918
Investments at fair value through profit or loss	14	38,750	910,649	–	–
Cash and cash equivalents	15	50,476	2,176,600	9,149,037	2,252,244
Total current assets		1,897,139	3,339,309	11,267,637	2,585,162
TOTAL ASSETS		1,967,472	7,698,396	55,384,817	85,840,568
CURRENT LIABILITIES					
Other payables and accruals	16	125,382	4,475,706	13,122,592	6,409,401
Total current liabilities		125,382	4,475,706	13,122,592	6,409,401
NET CURRENT ASSETS/(LIABILITIES)		1,771,757	(1,136,397)	(1,854,955)	(3,824,239)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,842,090	3,222,690	42,262,225	79,431,167
NON-CURRENT LIABILITIES					
Amounts due to shareholders	22	15,146,246	–	22,968,170	33,450,905
Provision for rehabilitation	17	140,104	1,849,957	3,209,390	10,891,744
Total non-current liabilities		15,286,350	1,849,957	26,177,560	44,342,649
Total liabilities		15,411,732	6,325,663	39,300,152	50,752,050
Net assets/(liabilities)		(13,444,260)	1,372,733	16,084,665	35,088,518
EQUITY/(DEFICIENCY IN ASSETS)					
Share capital	18	42,890,640	57,463,021	57,463,021	57,463,021
Reserves	19	(56,334,900)	(56,090,288)	(41,378,356)	(22,374,503)
Total equity/(Deficiency in assets)		(13,444,260)	1,372,733	16,084,665	35,088,518

4. Statements of changes in equity

	Issued share capital	Share premium*	Other reserves*	Foreign currency translation reserve*	Accumulated losses*	Total equity/ (deficiency in assets)
	USD	USD	USD	USD	USD	USD
At January 1, 2015	Note 18 40,654,028	–	–	(11,683,480)	(43,912,961)	(14,942,413)
Loss for the year	–	–	–	–	(7,782,231)	(7,782,231)
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	7,043,772	–	7,043,772
Total comprehensive loss for the year	–	–	–	7,043,772	(7,782,231)	(738,459)
Issue of shares	2,236,612	–	–	–	–	2,236,612
At December 31, 2015 and January 1, 2016	42,890,640	–	–	(4,639,708)	(51,695,192)	(13,444,260)
Loss for the year	–	–	–	–	(12,195,750)	(12,195,750)
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	2,428,590	–	2,428,590
Total comprehensive loss for the year	–	–	–	2,428,590	(12,195,750)	(9,767,160)
Issue of shares	14,572,381	10,011,772	–	–	–	24,584,153
At December 31, 2016 and January 1, 2017	57,463,021	10,011,772	–	(2,211,118)	(63,890,942)	1,372,733
Loss for the year	–	–	–	–	(11,449,948)	(11,449,948)
Other comprehensive loss for the year:						
Exchange differences on translation of financial statements	–	–	–	(255,145)	–	(255,145)
Total comprehensive loss for the year	–	–	–	(255,145)	(11,449,948)	(11,705,093)
Irrevocable contributions	–	–	26,417,025	–	–	26,417,025
At December 31, 2017 and January 1, 2018	57,463,021	10,011,772	26,417,025	(2,466,263)	(75,340,890)	16,084,665
Loss for the period	–	–	–	–	(1,016,425)	(1,016,425)
Other comprehensive income for the period:						
Exchange differences on translation of financial statements	–	–	–	82,446	–	82,446
Total comprehensive loss for the period	–	–	–	82,446	(1,016,425)	(933,979)
Irrevocable contributions	–	–	19,937,832	–	–	19,937,832
At June 30, 2018	57,463,021	10,011,772	46,354,857	(2,383,817)	(76,357,315)	35,088,518

These reserve accounts comprise the reserves of USD(56,334,900), USD(56,090,288), USD(41,378,356), and USD(22,374,503) as at December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

Six months ended June 30, 2017 (Unaudited)

	Issued share capital	Share premium*	Foreign currency translation reserve*	Accumulated losses*	Total equity/ (deficiency in assets)
	USD	USD	USD	USD	USD
At January 1, 2017	57,463,021	10,011,772	(2,211,118)	(63,890,942)	1,372,733
Loss for the period	—	—	—	(9,465,984)	(9,465,984)
Other comprehensive income for the period:					
Exchange differences on translation of foreign operations	—	—	502,219	—	502,219
Total comprehensive loss for the period	—	—	502,219	(9,465,984)	(8,963,765)
At June 30, 2017	57,463,021	10,011,772	(1,708,899)	(73,356,926)	(7,591,032)

5. Statements of Cash Flows

	Section II Notes	Year ended December 31,			Six months ended June 30,	
		2015	2016	2017	2017	2018
		USD	USD	USD	USD (Unaudited)	USD
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(7,782,231)	(12,195,750)	(11,449,948)	(9,465,984)	(1,016,425)
Adjustments for:						
Finance costs	6	208,081	13,856	459,080	139,125	609,433
Exchange differences on loss/(gain)		5,116,952	2,490,623	(785,949)	797,912	–
Depreciation	5(b)	154,909	80,295	137,297	137,297	–
		<u>(2,302,289)</u>	<u>(9,610,976)</u>	<u>(11,639,520)</u>	<u>(8,391,650)</u>	<u>(406,992)</u>
Increase in prepayments, deposits and other receivables		715,294	(1,072,287)	(8,521,016)	(1,162,195)	–
Increase/(decrease) in other payables and accruals		<u>(139,126)</u>	<u>4,704,283</u>	<u>10,521,541</u>	<u>(152,264)</u>	<u>62,124</u>
Income taxes paid		–	–	–	–	–
Net cash flows used in operating activities		<u>(1,726,121)</u>	<u>(5,978,980)</u>	<u>(9,638,995)</u>	<u>(9,706,109)</u>	<u>(344,868)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment		(119,373)	(479,926)	(22,522,696)	(1,375,392)	(22,306,442)
Purchase of investments at fair value through profit or loss		(38,750)	(871,899)	–	–	–
Proceeds from disposal of investments at fair value through profit or loss		–	–	910,649	727,797	–
Additions to other intangible assets		–	–	(9,663,587)	–	(13,265,761)
Net cash flows used in investing activities		<u>(158,123)</u>	<u>(1,351,825)</u>	<u>(31,275,634)</u>	<u>(647,595)</u>	<u>(35,572,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from shareholders		2,236,612	24,584,153	26,600,000	–	19,937,832
Repayment of loans to shareholder		–	(15,160,102)	–	–	–
New loans from shareholders		–	–	22,000,000	10,000,000	9,000,000
Net cash flows generated from financing activities		<u>2,236,612</u>	<u>9,424,051</u>	<u>48,600,000</u>	<u>10,000,000</u>	<u>28,937,832</u>
Net increase/(decrease) in cash and cash equivalents		352,368	2,093,246	7,685,371	(353,704)	(6,979,239)
Net foreign exchange differences		(473,160)	32,878	(712,934)	9,025	82,446
Cash and cash equivalents at beginning of year/period		171,268	50,476	2,176,600	2,176,600	9,149,037
Cash and cash equivalents at end of year/period	15	<u>50,476</u>	<u>2,176,600</u>	<u>9,149,037</u>	<u>1,831,921</u>	<u>2,252,244</u>
Analysis of balances of cash and cash equivalents						
Cash and bank balances		50,476	2,176,600	9,149,037	1,831,921	2,252,244

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Minera Exar is a legally constituted and regularly registered corporation, initially in the Province of Mendoza, Argentina, on June 6, 2006, in accordance with Argentine legislation. On May 19, 2017, as a result of the change of address of the headquarters, it was registered in the Province of Jujuy.

Minera Exar is principally engaged in the exploration and exploitation of mining properties, extraction and processing of its minerals, and commercialization of its products. Minera Exar is in the development and construction stage of its "Cauchari-Olaroz" mining project ("Cauchari-Olaroz project").

2.1 BASIS OF PREPARATION

Minera Exar recorded net current liabilities of USD1,136,397, USD1,854,955 and USD3,824,239 as of December 31, 2016, 2017 and June 30, 2018, respectively. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of Minera Exar and its available sources of finance in assessing whether Minera Exar will have sufficient financial resources to continue as a going concern. To date, Minera Exar has not generated any revenue from operations and has relied on equity and loans received from its shareholders, Lithium Americas Corporation ("LAC") and SQM Potasio S.A. ("SQM"). Minera Exar will continue to rely on future equity and loans from its shareholders in the future until the production is generated from Cauchari-Olaroz Project, therefore, the Directors are satisfied that Minera Exar is able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions, have been adopted by Minera Exar in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for investments at fair value through profit or loss which have been measured at fair value. The Historical Financial Information is presented in USD and all values are rounded to the nearest except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Minera Exar has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	<i>Leases</i> ¹
IFRS 17	<i>Insurance Contracts</i> ²
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to IAS 19	<i>Employee Benefits</i> ¹
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to IFRSs including:
• Amendments to IFRS 3	<i>Business Combinations</i> ¹
• Amendments to IFRS 11	<i>Joint Arrangements</i> ¹
• Amendments to IAS 12	<i>Income Taxes</i> ¹
• Amendments to IAS 23	<i>Borrowing Costs</i> ¹

¹ Effective for annual periods beginning on or after January 1, 2019

² Effective for annual periods beginning on or after January 1, 2021

³ No mandatory effective date yet determined but available for adoption

Minera Exar is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

IFRIC 23 was issued in June 2017. IAS 12 *Income Taxes* specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 includes requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. Management is still assessing the impact on the financial performance and position of Minera Exar resulting from the adoption of IFRIC 23 for the annual period beginning on January 1, 2019.

So far, the Directors of Minera Exar anticipate that the new and revised IFRSs, may result in changes in accounting policies but are unlikely to have a material impact on Minera Exar's results of operations and financial position upon application.

2.3 CHANGE IN FUNCTIONAL CURRENCY

An entity's functional currency is the currency of the primary economic environment in which the entity operates. Effective January 1, 2018, the functional currency of Minera Exar is changed from the Argentine peso to the US dollar as a result of the start of significant construction activities, denominated mainly in US dollars, adoption of the construction budget and in anticipation of the US dollar denominated indebtedness to be undertaken by Minera Exar from LAC and SQM in 2018 to finance the construction. The change in functional currency has been applied prospectively with effect from January 1, 2018 in accordance with the requirements of IAS 21.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Minera Exar measures its investments at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by Minera Exar. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Minera Exar uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, Minera Exar determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to Minera Exar if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over Minera Exar;
 - (ii) has significant influence over Minera Exar; or
 - (iii) is a member of the key management personnel of Minera Exar or of a parent of Minera Exar;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and Minera Exar are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and Minera Exar are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- (v) the entity is a post-employment benefit plan for the benefit of employees of either Minera Exar or an entity related to Minera Exar;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Minera Exar or to the parent of Minera Exar.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, Minera Exar recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of items of property, plant and equipment are as follows:

	<u>Useful lives</u>
Office and other equipment	3-5 years
Mining infrastructure	10 years
Motor vehicles	5 years

Estimated economically recoverable reserves are used in determining the depreciation of mining infrastructure. This results in a depreciation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item of property, plant and equipment, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production ("UOP") rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment and mining infrastructure under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year.

Mining rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining license, exploration and evaluation assets transferred from exploration and evaluation assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortized over the estimated useful lives of the mines in accordance with the production plans of the entities concerned and the economically recoverable reserves of the mines using the UOP method. Mining rights are written off to profit or loss if the mining property is abandoned.

Exploration rights

Exploration rights are stated at cost less impairment losses. Exploration rights include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and amortization and depreciation charges in respect of assets consumed during the exploration activities. Exploration and evaluation costs include expenditure incurred to secure further mineralization in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortized by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration rights are written off to profit or loss if the exploration property is abandoned.

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. An impairment test is performed if any of the following indicators is present:

- (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When it can be reasonably ascertained that exploration and evaluation assets are capable of commercial production, exploration and evaluation costs capitalized are transferred to either mining infrastructure or mining rights and depreciated/amortized using the UOP method based on the inferred, indicated and measured mineral reserves. Exploration and evaluation assets are written off to profit or loss if the exploration property is abandoned.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Financial instruments

Minera Exar classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- Fair value through profit or loss ("FVPL")

Minera Exar classifies and measures its derivative and trading portfolio at FVPL. Minera Exar may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Minera Exar measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets or financial liabilities held for trading

Minera Exar classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in profit or loss.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9.

Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis.

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.

or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

or

- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in Minera Exar's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the effective interest rate, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other income when the right to the payment has been established.

Reclassification of financial assets and liabilities

Minera Exar does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Minera Exar acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. Minera Exar did not reclassify any of its financial assets or liabilities in the Relevant Periods.

Derecognition of financial assets and liabilities*Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. Minera Exar also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Minera Exar has transferred the financial asset if, and only if, either:

- Minera Exar has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby Minera Exar retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- Minera Exar has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- Minera Exar cannot sell or pledge the original asset other than as security to the eventual recipients
- Minera Exar has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, Minera Exar is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- Minera Exar has transferred substantially all the risks and rewards of the asset or
- Minera Exar has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Minera Exar considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When Minera Exar has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of Minera Exar's continuing involvement, in which case, Minera Exar also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that Minera Exar has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration Minera Exar could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value Minera Exar would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Impairment of financial assets

Minera Exar recognizes loss allowances for expected credit loss ("ECL") on financial assets measured at amortized cost.

Minera Exar measures loss allowances at an amount equal to lifetime ECL. For trade receivables, Minera Exar applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Minera Exar expects to receive).

Presentation of allowance for ECL in the statements of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when Minera Exar determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with Minera Exar's procedures for recovery of amounts due.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within six months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Minera Exar's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Provisions for Minera Exar's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the Argentine rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the mining operation's location. Minera Exar estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognized within "finance costs" in profit or loss. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure. Additional disturbances or changes in estimates will be recognized as additions or charges to the corresponding assets and rehabilitation liabilities when they occur.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which Minera Exar operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is measured based on the fair value of the consideration received or receivable specified in contracts with customers and excludes amounts collected on behalf of third parties. Minera Exar recognizes revenue when the specific criteria have been met for the following activities :

- (a) from the sale of goods, when control of the asset is transferred to the customer, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products; Minera Exar does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, Minera Exar does not adjust any of the transaction prices for the time value of money;

- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (c) dividend income, when the shareholders' right to receive payment has been established.

Other employee benefits

Pension scheme

The employees of Minera Exar are required to participate in a defined central pension scheme managed by the local municipal government of the areas in Argentina. Minera Exar are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. Minera Exar has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in USD, which is Minera Exar's functional currency effective January 1, 2018. The functional currency of Minera Exar was Argentine peso before January 1, 2018. Exchange differences arising on the translation of the net assets of entities with functional currencies other than the US dollar are recognized directly in the currency translation reserve. These translation differences are shown in the statement of comprehensive income. Foreign currency transactions recorded by Minera Exar are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying Minera Exar's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Commercial viability and technical feasibility of the Cauchari-Olaroz project

The application of Minera Exar's accounting policy for exploration and evaluation assets requires judgement in assessing when the commercial viability and technical feasibility of the Cauchari-Olaroz project has been determined, at which point the asset is reclassified to property, plant and equipment. In the judgement of Minera Exar, the commercial viability and technical feasibility of the Cauchari-Olaroz project has been demonstrated effective 1 July 2017.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

Minera Exar assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for rehabilitation

Provision for rehabilitation is based on estimates of future expenditures incurred by management to undertake rehabilitation and restoration work which are discounted at a rate reflecting the term and nature of the obligation to their present value. Significant estimates and assumptions are made in determining the provision for rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in the discount rate. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of each reporting periods represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statements of financial position by adjusting the rehabilitation asset and liability. The carrying amounts of provision for rehabilitation as at December 31, 2015, 2016 and 2017 and June 30, 2018 were USD140,104, USD1,849,957, USD3,209,390 and USD10,891,744, respectively.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Due to the unlikelihood that future taxable income will allow absorbing net temporary operating differences and tax losses, the credit resulting from the deferred tax was not recognized by Minera Exar after the management considered its recoverability within the established periods.

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

Other income and gains

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD	USD
Bank interest income	6,769	113,265	72,580	72,580	–
Foreign exchange gain	1,758	569,553	304,389	304,389	–
	<u>8,527</u>	<u>682,818</u>	<u>376,969</u>	<u>376,969</u>	<u>–</u>

5. LOSS BEFORE TAX

Minera Exar's loss before tax is arrived at after charging:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD	USD
(a) Employee benefit expense					
Wages and salaries	282,735	298,966	470,530	237,272	285,220
(b) Other items:					
Depreciation of property, plant and equipment	154,909	80,295	137,297	137,297	–
Auditor's remuneration	398	19,409	19,360	9,527	–
Exploration expenses	6,746,873	11,964,179	8,994,437	8,994,437	–
Bank charges	14,847	16,672	33,695	16,046	16,000
	<u>7,199,762</u>	<u>12,389,521</u>	<u>10,665,319</u>	<u>10,494,579</u>	<u>16,000</u>

6. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD	USD
Interest expense on other borrowings	208,081	13,856	1,209,768	139,125	1,155,549
Less: Interest capitalized,	–	–	(750,688)	–	(1,155,549)
VAT discounted cost	–	–	–	–	609,433
	<u>208,081</u>	<u>13,856</u>	<u>459,080</u>	<u>139,125</u>	<u>609,433</u>

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for each of the Relevant Periods, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD (Unaudited)	USD
Fees	34,939	42,178	58,048	30,613	35,015

	Year ended December 31, 2015			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	USD	USD	USD	USD
Executive directors:				
Mr. Franco Mignacco	30,600	–	–	30,600
Mr. Arturo Pfister	4,339	–	–	4,339
	<u>34,939</u>	<u>–</u>	<u>–</u>	<u>34,939</u>

	Year ended December 31, 2016			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	USD	USD	USD	USD
Executive directors:				
Mr. Franco Mignacco	41,465	–	–	41,465
Mr. Arturo Pfister	713	–	–	713
	<u>42,178</u>	<u>–</u>	<u>–</u>	<u>42,178</u>

	Year ended December 31, 2017			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	USD	USD	USD	USD
Executive director:				
Mr. Franco Mignacco	58,048	–	–	58,048

	Six months ended June 30, 2018			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	USD	USD	USD	USD
Executive director:				
Mr. Franco Mignacco	35,015	–	–	35,015

	Six months ended June 30, 2017 (Unaudited)			
	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	USD	USD	USD	USD
Executive director:				
Mr. Franco Mignacco	30,613	–	–	30,613

Details of the remuneration for the Relevant Periods of the five highest paid employees are as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD (Unaudited)	USD
Short-term employee benefits	155,657	174,661	347,816	141,972	225,641

The remuneration of each of the individuals during each of the Relevant Periods was below HK\$1,000,000.

8. INCOME TAX

Minera Exar is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which Minera Exar is domiciled and operate.

(a) Tax in the statements of profit or loss represents:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD (Unaudited)	USD
Total tax expense for the year/period	-	-	-	-	-

Provision for Argentine current income tax was based on the statutory rate of 35% of the assessable profits for the years of 2015, 2016 and 2017 and of 30% for the six months ended June 30, 2018 of Minera Exar as determined in accordance with the relevant income tax rules and regulations of the Argentina for the Relevant Periods.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

A reconciliation of the tax expense applicable to loss before tax using the applicable rates for the regions in which Minera Exar is domiciled to the tax expense at the effective tax rates is as follows:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD (Unaudited)	USD
Loss before tax	(7,782,231)	(12,195,750)	(11,449,948)	(9,465,984)	(1,016,425)
Tax at the applicable tax rate	(2,723,781)	(4,268,513)	(4,007,482)	(3,313,094)	(304,928)
Expenses not deductible for tax and tax losses and temporary differences not recognized	2,723,781	4,268,513	4,007,482	3,313,094	304,928
Tax charge at Minera Exar's effective rate	-	-	-	-	-

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No loss per share information is presented as its inclusion is not considered meaningful for the purpose of this report.

10. DIVIDENDS

During the Relevant Periods, no dividend has been paid or declared by Minera Exar.

11. PROPERTY, PLANT AND EQUIPMENT

	Office and other equipment	Motor vehicles	Mining infrastructure	Construction in progress	Total
	USD	USD	USD	USD	USD
Cost:					
At January 1, 2015	60,585	101,140	725,313	–	887,038
Additions	7,659	–	1,005	–	8,664
At December 31, 2015 and January 1, 2016	68,244	101,140	726,318	–	895,702
Additions	69,467	34,150	937,441	126,712	1,167,770
Exchange rate fluctuation	(15,084)	(20,725)	(203,625)	(9,589)	(249,023)
At December 31, 2016 and January 1, 2017	122,627	114,565	1,460,134	117,123	1,814,449
Additions	224,812	183,530	3,251,008	16,988,691	20,648,041
Exchange rate fluctuation	(149,010)	(136,103)	(1,841,654)	(2,110,815)	(4,237,582)
At December 31, 2017 and January 1, 2018	198,429	161,992	2,869,488	14,994,999	18,224,908
Additions	28,234	435	99,729	16,859,509	16,987,907
At June 30, 2018	226,663	162,427	2,969,217	31,854,508	35,212,815
Accumulated depreciation:					
At January 1, 2015	54,327	101,140	514,993	–	670,460
Provided during the year	6,336	–	148,573	–	154,909
At December 31, 2015 and January 1, 2016	60,663	101,140	663,566	–	825,369
Provided during the year	7,665	4,743	67,887	–	80,295
Exchange rate fluctuation	(9,322)	(18,498)	(126,292)	–	(154,112)
At December 31, 2016 and January 1, 2017	59,006	87,385	605,161	–	751,552
Provided during the year	41,044	16,234	505,690	–	562,968
Exchange rate fluctuation	(13,546)	(14,832)	(148,875)	–	(177,253)
At December 31, 2017 and January 1, 2018	86,504	88,787	961,976	–	1,137,267
Provided during the period	29,189	18,269	381,391	–	428,849
At June 30, 2018	115,693	107,056	1,343,367	–	1,566,116
Net carrying amount:					
At December 31, 2015	7,581	–	62,752	–	70,333
At December 31, 2016	63,621	27,180	854,973	117,123	1,062,897
At December 31, 2017	111,925	73,205	1,907,512	14,994,999	17,087,641
At June 30, 2018	110,970	55,371	1,625,850	31,854,508	33,646,699

12. INTANGIBLE ASSETS

	Mining properties	Assets for rehabilitation obligation	Total
	USD	USD	USD
Cost:			
At January 1, 2015, 2016 and 2017	–	–	–
Additions	18,811,197	681,968	19,493,165
At December 31, 2017 and January 1, 2018	18,811,197	681,968	19,493,165
Additions	20,004,705	8,359,819	28,364,524
At June 30, 2018	38,815,902	9,041,787	47,857,689
Accumulated amortization:			
At January 31, 2015, 2016 and 2017 and June 30, 2018	–	–	–
Net carrying amount:			
At December 31, 2015 and 2016	–	–	–
At December 31, 2017	18,811,197	681,968	19,493,165
At June 30, 2018	38,815,902	9,041,787	47,857,689

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
Prepaid expenses	10,529	1,152,604	1,692,354	226,053
Tax receivables*	1,797,384	2,395,646	7,962,620	1,857,883
	1,807,913	3,548,250	9,654,974	2,083,936
Less: impairment	–	–	–	–
	1,807,913	3,548,250	9,654,974	2,083,936
Less: current portion	1,807,913	252,060	2,118,600	332,918
Non-current portion	–	3,296,190	7,536,374	1,751,018

The carrying amounts of the prepayments, and other receivables in the statements of financial position approximate to their fair values.

*Tax receivables represent long-term value added tax ("VAT") receivables which could be refundable.

The financial assets included in the above is neither past due nor impaired and relate to receivables for which there was no recent history of default.

14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
Held for trading Quoted	38,750	910,649	–	–

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
Cash and bank balances	50,476	2,176,600	9,149,037	2,252,244

Minera Exar's cash and cash equivalents as at December 31, 2015, 2016 and 2017 and June 30, 2018 were denominated in the following currencies:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
Denominated in CAD	–	4,205	1,016	121,690
Denominated in USD	–	1,787,754	9,111,821	2,052,574
Denominated in ARS	50,476	384,641	36,200	77,980
	50,476	2,176,600	9,149,037	2,252,244

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents in the statements of financial position approximate to their fair values.

16. OTHER PAYABLES AND ACCRUALS

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
Accrued expenses	42,520	6,811	–	625,565
Other payables	82,860	4,361,696	12,795,381	5,394,501
Payroll and welfare payable	2	107,199	327,211	389,335
	125,382	4,475,706	13,122,592	6,409,401

17. PROVISION FOR REHABILITATION

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
At the beginning of year/period	–	140,104	1,849,957	3,209,390
Additions	140,104	1,709,853	1,359,433	7,682,354
At the end of year/period	140,104	1,849,957	3,209,390	10,891,744

A provision for rehabilitation is mainly recognized for the present value of estimated costs to be incurred in complying with Minera Exar's obligations for the closure and environmental restoration and clean-up on completion of Minera Exar's mining activities. These costs are expected to be incurred on mine closure, based on the estimated rehabilitation expenditures at the mine when the mining license expires, and are discounted at a discount rate of 0.5%–1% for the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018. Changes in assumptions could significantly affect these estimates. Over time, the discounted provision is increased for the change in the present value based on the discount rate that reflects current market assessments and risks specific to the provision.

18. SHARE CAPITAL

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	Nominal value	Nominal value	Nominal value	Nominal value
	USD	USD	USD	USD
Issued and full paid	42,890,640	57,463,021	57,463,021	57,463,021

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	Number of shares	Number of shares	Number of shares	Number of shares
At end of year/period	207,105,329	423,050,832	423,050,832	423,050,832

A summary of movements in Minera Exar's share capital is as follows:

	Number of shares	Share capital
		USD
At January 1, 2015	177,939,908	40,654,028
Issue of shares ^(a)	29,165,421	2,236,612
At December 31, 2015 and January 1, 2016	207,105,329	42,890,640
Issue of shares ^(b)	2,173,248	162,183
Issue of shares ^(b)	2,246,839	146,852
Issue of shares ^(b)	211,525,416	14,263,346
At December 31, 2016 and 2017 and June 30, 2018	423,050,832	57,463,021

Notes:

- (a) During the year ended December 31, 2015, Minera Exar issued 29,165,421 shares to Lithium Americas Corporation at a consideration of USD2,236,612.
- (b) Pursuant to the resolution of general shareholders meeting held on January 15, 2016 and February 23, 2016, Minera Exar issued 2,173,248 and 2,246,839 shares respectively to LAC at a total consideration of USD309,035.

On March 28, 2016, Minera Exar issued 211,525,416 number of shares to SQM at a consideration of USD24,584,153, of which USD14,263,346 was added to the share capital, and USD10,011,772 was recognized as share premium.

On March 28, 2016, an agreement was reached through which the Chilean company SQM acquired 50% of the shareholding of Minera Exar through an investment of USD25 million. Due to this, on that date and by the resolution of general shareholders meeting, it was decided:

- (i) Create two classes of shares of the Company, Class A shares and Class C shares, transforming the 211,525,416 existing shares into Class A shares;
- (ii) Increase the share capital with statute reform by the amount of Peso\$211,525,416, through the issuance of 211,525,416 Class C shares of Peso\$1 each nominal value, nominative, non-endorsable, ordinary, with one vote by actions;
- (iii) Set an issue premium of Peso\$ 0.70 (approximately) with respect to each of the subscribed shares, thus recognizing a share issue premium for a total of Peso\$148,474,584.

Thus, as of December 31, 2017 and June 30, 2018 the share capital amounts to the amount of USD57,463,021, which is represented by 211,525,416 Class A shares and 211,525,416 Class C shares; all ordinary, nominative, non-endorsable, with one vote per share and Peso\$ 1 par value.

19. RESERVES

The amounts of Minera Exar's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity on pages IC-6 to IC-7 of the Historical Financial Information.

On October 6, 2017, the general shareholders meeting approved the irrevocable contributions made by the shareholders LAC and SQM for USD13,300,000, equivalent to Peso\$230,422,500 each, totaling an amount of Peso\$460,845,000 between both contributions. The agreement between Minera Exar and the shareholders establishes that the aforementioned contributions will be maintained until September 30, 2018, until which the Minera Exar will have a term to carry out the capitalization. If the capitalization is not made within the established period, Minera Exar must return the amount of the contributions to the Shareholders in compliance with the requirements established for the reduction of capital in articles 204 and 83 inc. 3 of the General Law of Companies.

20. NOTES TO THE STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Amounts due to shareholders
	USD
At January 1, 2015	17,451,840
Changes from financing cash flows	-
Interest expense on other borrowings (note 6)	208,081
Foreign exchange movement	(2,513,675)
At December 31, 2015	15,146,246
Changes from financing cash flows	(15,160,102)
Interest expense on other borrowings (note 6)	13,856
At December 31, 2016	-
Changes from financing cash flows	22,000,000
Interest expense on other borrowings (note 6)	1,209,768
Foreign exchange movement	(241,598)
At December 31, 2017	22,968,170
Changes from financing cash flows	9,000,000
Interest expense on other borrowings (note 6)	1,155,549
Foreign exchange movement	327,186
At June 30, 2018	33,450,905

21. COMMITMENTS

Capital commitments

Minera Exar had the following capital commitments at December 31, 2015, 2016 and 2017 and June 30, 2018:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
Contracted, but not provided for:				
Construction	-	-	47,657,230	41,112,236

JEMSE Arrangement

During 2012 Minera Exar granted a conditional right to Jujuy Energia y Minería Sociedad del Estado ("JEMSE"), a mining investment company owned by the government of Jujuy Province in Argentina, to acquire an 8.5% equity interest in Minera Exar for one US dollar and provide management services as required to develop the project. If the conditions are met and Minera Exar exercises its right, JEMSE will be required to provide its pro rata (8.5%) share of the financing requirements for the construction of the Cauchari-Olaroz project. These funds will be loaned to JEMSE by the shareholders of Minera Exar and will be repayable out of one-third of the dividends to be received by JEMSE over future years from the project. The distribution of dividends to JEMSE and other shareholders in the project will only commence once all annual commitments related to the project debt have been met.

Los Boros Option Agreement

On March 28, 2016, Minera Exar entered into a purchase option agreement ("Option Agreement") with Grupo Minero Los Boros ("Los Boros") for the transfer of title to Minera Exar for certain mining properties that comprised a portion of the Cauchari-Olaroz project. Under the terms of the Option Agreement, Minera Exar paid US\$100,000 upon signing and has a right to exercise the purchase option at any time within

30 months for the total consideration of US\$12,000,000 to be paid in sixty quarterly installments of US\$200,000. The first installment becomes due upon occurrence of one of the following two conditions, whichever comes first: third year of the purchase option exercise date or the beginning of commercial exploitation with a minimum production of 20,000 tons of lithium carbonate equivalent. As a security for the transfer of title for the mining properties under the Option Agreement, Los Boros granted to Minera Exar a mortgage for US\$12,000,000.

If Minera Exar exercises the purchase option, the following royalties will have to be paid to Los Boros:

- US\$300,000 within 10 days of the commercial plant construction start date; and
- 3% net profit interest for 40 years, payable in pesos, annually within the 10 business days after calendar year end.

Minera Exar can cancel the first 20 years of net profit interest in exchange for a one-time payment of US\$7,000,000 and the next 20 years for additional US\$7,000,000.

22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, Minera Exar had the following transactions with related parties during the year/period:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD	USD
<u>Loans from shareholders</u>					
LAC	(i) 15,146,246	–	11,478,725	5,078,632	5,246,727
SQM	(ii) –	–	11,489,445	5,078,632	5,236,008
	<u>15,146,246</u>	<u>–</u>	<u>22,968,170</u>	<u>10,157,264</u>	<u>10,482,735</u>
<u>Repayment loans to shareholder</u>					
LAC	<u>–</u>	<u>15,146,246</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- (i) Loans from LAC are unsecured, bearing interest at rates ranging from 4.790% to 11.314% per annum, with a maturity date from 2019 to 2032.
- (ii) Loans from SQM are unsecured, bearing interest at rates ranging from 4.790% to 11.314% per annum, with a maturity date from 2019 to 2032.

(b) Other transactions with related parties:

During the six months ended June 30, 2018, Minera Exar paid director's fees of US\$33,000 to its president (chief executive), who is also a director of LAC.

Minera Exar, entered into the following transactions with companies controlled by the family of one of the directors of Lithium Americas Corporation and the president of Minera Exar:

- Los Boros Option Agreement entered into with Grupo Minero Los Boros (Note 21);
- Construction services for Cauchari-Olaroz project with Magna Construcciones S.R.L. for USD896,000 during the six months ended June 30, 2018.

(c) Outstanding balances with related parties

Particulars of amounts due from shareholders are as follows:

Name	Year ended December 31,			June 30,	
	2015	2016	2017	2018	Security held
	USD	USD	USD	USD	
<u>Non trade-related:</u>					
LAC	15,146,246	–	11,478,725	16,725,452	None
SQM	–	–	11,489,445	16,725,453	None
	<u>15,146,246</u>	<u>–</u>	<u>22,968,170</u>	<u>33,450,905</u>	

(d) Compensation of key management personnel of Minera Exar:

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	USD	USD	USD	USD (Unaudited)	USD
Total compensation paid to key management personnel	66,326	69,642	76,540	34,073	34,325

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at June 30,
	2015	2016	2017	2018
	USD	USD	USD	USD
<u>Financial assets at fair value through profit or loss</u>				
Held for trading				
Investments at fair value through profit or loss	38,750	910,649	–	–
<u>Financial assets at amortized cost</u>				
Cash and cash equivalents				
	50,476	2,176,600	9,149,037	2,289,484
<u>Financial liabilities at amortized cost</u>				
Financial liabilities included in other payables and accruals				
	125,380	4,368,507	12,795,381	6,020,066
Amounts due to shareholders				
	15,146,246	–	22,968,170	33,450,905
	15,271,626	4,368,507	35,763,551	39,470,971

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of Minera Exar's financial instruments:

Assets measured at fair value:

As at December 31, 2015

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	USD	USD	USD	USD
Investments at fair value through profit or loss	38,750	–	–	38,750

As at December 31, 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	USD	USD	USD	USD
Investments at fair value through profit or loss	910,649	–	–	910,649

Minera Exar did not have any financial asset measured at fair value as at December 31, 2017 and June 30, 2018.

Liabilities measured at fair value:

At the end of each of the Relevant Periods, Minera Exar did not have any financial liability measured at fair value.

During the Relevant Periods, there were no transfers between Level 1 and Level 2 fair value measurements and no transfer into or out of Level 3 fair value measurements.

Minera Exar's principal financial instruments comprise amounts due to shareholders and cash and short term deposits. The main purpose of these financial instruments is to raise finance for Minera Exar's operations. Minera Exar has various other financial assets and liabilities such as trade receivables, trade payables, which arise directly from its operations.

The main risks arising from Minera Exar's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

Minera Exar has no significant interest-bearing assets other than cash and cash equivalents (note 14).

Minera Exar's interest rate risk arises from its cash and cash equivalents and loans due to shareholders. Borrowings at floating rates expose Minera Exar to the risk of changes in market interest rates.

Minera Exar has not used any interest rate swaps to hedge its exposure to interest rate risk.

Minera Exar's exposure to the risk of changes in market interest rate relates primarily to Minera Exar's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of Minera Exar's loss before tax (through the impact on floating rate borrowings)

	<u>Increase/(decrease) in basis points</u>	<u>Increase/(decrease) in loss before tax</u>
		USD
2015	50	(75,731)
	(50)	75,731
2016	50	(3,431)
	(50)	3,431
2017	50	(110,000)
	(50)	110,000
For the six months ended June 30, 2018	50	(155,000)
	(50)	155,000

Foreign currency risk

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollars, with all other variables held constant, of Minera Exar's loss before tax due to differences arising on settlement or translation of monetary assets and liabilities and Minera Exar's equity.

	<u>Increase/(decrease) in foreign currency rate</u>	<u>Increase/(decrease) in loss before tax</u>
	%	USD
2015		
If ARS weakens against the United States dollar	5	198,863
If ARS strengthens against the United States dollar	(5)	(198,863)
2016		
If ARS weakens against the United States dollar	5	119,750
If ARS strengthens against the United States dollar	(5)	(119,750)
2017		
If ARS weakens against the United States dollar	5	1,015,874
If ARS strengthens against the United States dollar	(5)	(1,015,874)
June 30, 2018		
If ARS weakens against the United States dollar	5	(212,374)
If ARS strengthens against the United States dollar	(5)	212,374

Credit risk

Minera Exar has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents represent Minera Exar's maximum exposure to credit risk in relation to its financial assets.

As at December 31, 2015, 2016 and 2017 and at June 30, 2018, all cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

Minera Exar monitors its exposure to a shortage of funds by considering the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The maturity profile of Minera Exar's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

<u>December 31, 2015</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	USD	USD	USD	USD	USD	USD
Financial liabilities included in other payables and accruals	125,380	–	–	–	–	125,380
Amounts due to shareholders	–	–	–	15,146,246	–	15,146,246
	<u>125,380</u>	<u>–</u>	<u>–</u>	<u>15,146,246</u>	<u>–</u>	<u>15,271,626</u>
<u>December 31, 2016</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	USD	USD	USD	USD	USD	USD
Financial liabilities included in other payables and accruals	4,368,507	–	–	–	–	4,368,507
	<u>4,368,507</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,368,507</u>
<u>December 31, 2017</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	USD	USD	USD	USD	USD	USD
Financial liabilities included in other payables and accruals	12,795,381	–	–	–	–	12,795,381
Amounts due to shareholders	–	–	–	22,968,170	–	22,968,170
	<u>12,795,381</u>	<u>–</u>	<u>–</u>	<u>22,968,170</u>	<u>–</u>	<u>35,763,551</u>
<u>June 30, 2018</u>	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Beyond 5 years</u>	<u>Total</u>
	USD	USD	USD	USD	USD	USD
Financial liabilities included in other payables and accruals	6,020,066	–	–	–	–	6,020,066
Amounts due to shareholders	–	–	–	33,450,905	–	33,450,905
	<u>6,020,066</u>	<u>–</u>	<u>–</u>	<u>33,450,905</u>	<u>–</u>	<u>39,470,971</u>

Capital management

Minera Exar manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, Minera Exar may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Minera Exar monitors capital using a defined gearing ratio, which is net debt divided by total capital plus net debt. Net debt includes interest-bearing bank and other borrowings and the liability component of convertible bonds, less cash and cash equivalents. The defined gearing ratios as at the end of each of the Relevant Periods are as follows:

	<u>As at December 31,</u>			<u>As at June 30,</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	USD	USD	USD	USD
Amounts due to shareholders	15,146,246	–	22,968,170	33,450,905
Less: Cash and cash equivalents	(50,476)	(2,176,600)	(9,149,037)	(2,252,244)
Net debt	15,095,770	(2,176,600)	13,819,133	31,198,661
Total equity/ (deficiency in assets)	(13,444,260)	1,372,733	16,084,665	35,088,518
Capital and net debt	<u>1,651,510</u>	<u>(803,867)</u>	<u>29,903,798</u>	<u>66,287,179</u>
Defined gearing ratio	<u>914%</u>	<u>271%</u>	<u>46%</u>	<u>47%</u>

26. EVENT AFTER THE RELEVANT PERIODS

Minera Exar's shareholders, LAC and SQM have entered into definitive transaction agreements with Ganfeng to implement a number of transactions, pursuant to which, a subsidiary of SQM has agreed to sell all of its equity interests in Minera Exar to Ganfeng, LAC's equity interests in Minera Exar will increase from 50% to 62.5%, with Ganfeng holding the remaining 37.5% equity interests which is subject to completing share registration procedures with the relevant authorities in Argentina.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Minera Exar in respect of any period subsequent to June 30, 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if Global Offering had taken place on March 31, 2018.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at March 31, 2018 or any future dates.

The following statement of unaudited pro forma adjusted consolidated net tangible assets is based on the consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 as shown in the Accountants' Report in Appendix IA of the Group, the text of which is set forth in Appendix IA to this prospectus, and is adjusted as follows:

	Consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000 Note 1	RMB'000 Note 2	RMB'000	RMB Note 3	HK Note 3, 4, 5
Based on the minimum Offer Price of HK\$16.5 per Share	4,057,675	2,540,331	6,598,006	5.02	6.26
Based on the maximum Offer Price of HK\$26.5 per Share	4,057,675	4,112,117	8,169,792	6.21	7.75

Notes:

- (1) The consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 was equal to the consolidated net assets attributable to owners of the parent as at March 31, 2018 of RMB4,304,049,000 after deducting intangible assets of RMB228,072,000 and goodwill of RMB18,302,000 as at March 31, 2018 set out in the Accountants' Report in Appendix IA to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$16.5 and HK\$26.5 respectively, being the minimum Offer Price and the maximum Offer Price in the Offer Price range, after deduction of the estimated underwriting fees and other related expenses payable by the Company, taking no account of shares which may be i) issued upon the Over-allotment Option and the conversion of convertible bonds; and ii) cancelled upon forfeiture under the share award scheme.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis of 200,185,800 Shares to be issued during the Global Offering and thereafter 1,315,081,160 Shares are outstanding, assuming that i) the Global Offering had been completed on March 31, 2018 and ii) the conversion event of capital reserve into share capital (which was approved by shareholder's meeting on May 2, 2018) such that five new shares were issued for every existing ten shares was completed at March 31, 2018. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1.00 to RMB0.80125.
- (4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions for the Group entered into subsequent to March 31, 2018.

- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.80125.
- (6) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company does not take into account cash dividend of RMB297.3 million to its A shareholders which has been approved by the shareholders in the shareholder meeting held on May 2, 2018. Had the cash dividend been taken into account as if the cash dividend was paid as at March 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per share would be RMB4.79 or HK\$5.98 per share (based on the Offer Price of HK\$16.5 per Offer Share) or RMB5.99 or HK\$7.47 per share (based on the Offer Price of HK\$26.5 per Offer Share).

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

To the Directors of Ganfeng Lithium Co., Ltd.

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ganfeng Lithium Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at March 31, 2018 and related notes as set out on Appendix IIA-1 of the prospectus dated September 27, 2018 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the Appendix IIA to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at March 31, 2018 as if the transaction had taken place at March 31, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended March 31, 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and

accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

September 27, 2018

Introduction

The following is the illustrative and unaudited pro forma financial information of Ganfeng Lithium Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"), and Minera Exar S.A. (the "Target Company") (collectively the "Enlarged Group") ("unaudited pro forma financial information"), including the unaudited pro forma consolidated statement of financial position of the Enlarged Group. The unaudited pro forma financial information has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition, as if it had taken place on March 31, 2018 for the unaudited pro forma consolidated statement of financial position.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated statement of financial position of the Enlarged Group had the Acquisition been completed as at March 31, 2018, where applicable, or at any future dates.

The unaudited pro forma financial information should be read in conjunction with other financial information included elsewhere in this prospectus.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at March 31, 2018	pro forma adjustment	Pro forma enlarged group as at March 31, 2018
		RMB'000 Audited	RMB'000 Unaudited	RMB'000 Unaudited
NON-CURRENT ASSETS				
Property, plant and equipment		1,935,393		1,935,393
Investment properties		187		187
Prepaid land lease payments		134,631		134,631
Intangible assets		228,072		228,072
Goodwill		18,302		18,302
Amounts due from related parties	A	–	124,345	124,345
Investments in associates		762,113		762,113
Investment in a joint venture	A,B,C,D	51,059	797,517	848,576
Investments at fair value through profit or loss		440,507		440,507
Deferred tax assets		11,015		11,015
Other long-term assets		32,576		32,576
Total non-current assets		3,613,855		4,535,717
CURRENT ASSETS				
Inventories		1,148,348		1,148,348
Trade and bills receivables		990,296		990,296
Amounts due from related parties		111,096		111,096
Prepayments, deposits and other receivables		329,561		329,561
Investments at fair value through profit or loss		791,605		791,605
Pledged deposits		81,977		81,977
Cash and cash equivalents	A,B,C	1,217,403	(707,411)	509,992
Total current assets		4,670,286		3,962,875
TOTAL ASSETS		8,284,141		8,498,592

continued/...

	Notes	As at March 31, 2018	other pro forma adjustment	Pro forma enlarged group as at March 31, 2018
		RMB'000 Audited	RMB'000 Unaudited	RMB'000 Unaudited
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		1,067,919	–	1,067,919
Trade and bills payables		359,971	–	359,971
Amounts due to a related party		3,669	–	3,669
Other payables and accruals		529,214	–	529,214
Income tax payable		271,232	–	271,232
Other liabilities		588,128	–	588,128
Total current liabilities		2,820,133	–	2,820,133
NET CURRENT ASSETS		1,850,153	–	1,142,742
TOTAL ASSETS LESS CURRENT LIABILITIES		5,464,008	–	5,678,459
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		362,228	–	362,228
Convertible bonds		678,809	–	678,809
Deferred income		57,910	–	57,910
Other payables	D	–	214,451	214,451
Deferred tax liabilities		58,244	–	58,244
Total non-current liabilities		1,157,191	–	1,371,642
Total liabilities		3,977,324	–	4,191,775
Net assets		4,306,817	–	4,306,817
EQUITY				
Equity attributable to owners of the parent				
Share capital		741,139	–	741,139
Equity component of convertible bonds		205,699	–	205,699
Treasury shares		(588,128)	–	(588,128)
Reserves		3,945,339	–	3,945,339
		4,304,049	–	4,304,049
Non-controlling interests		2,768	–	2,768
Total equity		4,306,817	–	4,306,817

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

(1) The amounts are extracted from the audited consolidated financial statements of the Group as at March 31, 2018, which have been included in Appendix IA of the Company's prospectus dated September 27, 2018.

(2) The Company will hold 37.5% equity interests in Minera Exar through a subsidiary of the Company, Ganfeng Lithium International Co., Ltd. ("GFL International") upon the completion of the acquisition. Based on the understanding of the management of the Company and Lithium Americas Corporation ("LAC"), GFL international and LAC will jointly control the key technical and financial decisions for the development of the Cauchari-Olaroz project, which is expected to be reflected in the future legal documents for the Acquisition. Thus, Minera Exar is regarded as a joint venture if the Acquisition had taken place. The management of the Company will determine whether Minera Exar is a joint venture or an associate based on the future legal documents eventually.

(3) Lithium Americas Corporation ("LAC"), Sociedad Química y Minera de Chile S.A. ("SQM") and the Company have entered into a transaction agreement (the "Transaction Agreement") providing for the replacement of SQM by a subsidiary of the Company, Ganfeng Lithium International Co., Ltd. ("GFL International") as investor in the Target Company through a series of transactions. The adjustments represent the investment in the Target Company using the Group's own funds:

(i) the estimated share consideration consisting of a basic payment of US\$36 million in cash, a payment of a differential amount in according with the Transaction Agreement, which collectively are estimated to be approximately US\$37 million); and

(ii) the estimated amount of US\$23 million of payment to purchase from SQM for its irrevocable capital contributions to the Target Company

(iii) the estimated amount of US\$50 million of the deferred payment subject to certain conditions, and assumed certain conditions can be highly probably satisfied according to the judgment of the management and the deferred payment will be paid on March 31, 2023;

(iv) the estimated amount of the interest-free loans to Minera Exar of US\$25 million through a newly established intermediate holding company Ganfeng Holding Corp. (Netherlands) ("GHC")*.

(v) the estimated amount of the interest-bearing loans to another newly established intermediate holding company Netherlands Holding Corp. ("NHC")* of US\$2.72 million.

(vi) the estimated amount of US\$24.5 million of capital contribution to NHC.

The consideration with the gross amount of approximately RMB797.5 million due to this acquisition, under the terms of the transaction agreement with SQM and Lithium Americas Corporation, is calculated by reference to the amount of approximately RMB232.7 million (equivalent to US\$37 million) for basic payment including a payment of a differential amount, the amount of approximately RMB146.5 million (equivalent to US\$23.3 million) to purchase irrevocable capital contributions injected by SQM, plus the present value of deferred payment amounting to US\$50 million to be paid on March 31, 2023, i.e. approximately RMB214.5 million (equivalent to US\$34.1 million) subject to certain conditions precedent

* The names of GHC and NHC have not yet been determined, only use for reference.

being satisfied, plus deemed interests amounting to approximately RMB50.0 million (equivalent to US\$7.9 million) for the interest-free loan provided to Minera Exar of approximately RMB157.2 million (equivalent to US\$25 million), plus capital contribution amounting to RMB153.9 million (equivalent to US\$24.5 million) to NHC representing the total capitalized cost of Minera Exar as at June 30, 2018.

All the financial assistances provided by GFL International mentioned above have been approved by the general meetings of Shareholders of the Company. Regarding the Acquisition, it requires to make the filings with the PRC National Development and Reform Commission and with the Ministry of Commerce, however, such filings does not require approval of such authorities. However, the completion of the Acquisition is subject to completing share registration procedures with the relevant authorities in Argentina.

GFL International and LAC will hold 37.5% and 62.5% of equity interests in NHC, a newly established intermediate holding company. GFL International will inject approximately RMB153.9 million (equivalent to US\$24.5 million) capital contribution and provide interest bearing loan of approximately RMB17.1 million (equivalent to US\$2.7 million) to NHC. And NHC will provide an interest-free loan to Minera Exar with the amount of approximately RMB209.4 million (equivalent to US\$33.3 million) according with the Transaction Agreement.

It is assumed by the management that the fair value of the identifiable assets of Minera Exar is equal to its carrying amount. Had the Acquisition taken place on March 31, 2018, the estimated total amount of the consideration would have been approximately RMB643.6 million (equivalent to US\$102.3 million), on the conversion basic from United States dollars into RMB in this unaudited pro forma financial information is based on an exchange rate of US\$1 to RMB6.2881, as follows:

Note A: The deemed interests amounting to approximately RMB50.0 million (equivalent to US\$7.9 million) for the 5-year interest-free loan provided to Minera Exar of approximately RMB157.2 million (equivalent to US\$25 million) should be accounted as part of the consideration about the Acquisition, assuming that the interest-free loan will be repaid by Minera Exar on March 31, 2023, and the discount rate of the interest-free loan is referred to 6 months LIBOR (2.4524% as at March 29, 2018) plus 550 basis points per annum. The present value of the interest-free loan is approximately RMB107.2 million (equivalent to US\$17.1 million). Had the Acquisition taken place on March 31, 2018, the adjustment of due from related parties should include the loan provided to NHC with the amount of RMB17.1 million (equivalent to US\$2.7 million).

Note B: The amount of approximately RMB232.7 million (equivalent to US\$37 million) for basic payment including a payment of a differential amount would be paid to SQM.

Note C: The amount of approximately RMB146.5 million (equivalent to US\$23.3 million) to purchase from SQM for its irrevocable capital contributions to the Target Company.

Note D: The present value of deferred payment amounting to US\$50 million to be paid on March 31, 2023 (approximately RMB214.5 million, equivalent to US\$34.1 million) subject to certain conditions precedent being satisfied. According to the judgement of the management certain conditions can be probably satisfied and the deferred payment is assumed to be paid on March 31, 2023. And the discount rate of the deferred payment is assume to be 6 months LIBOR (2.4524% as at March 29, 2018) plus 550 basis points per annum.

Note E: Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to March 31, 2018.

Note F: GFL International will provide the facility of US\$100 million to LAC as approved by the general meetings of Shareholders.

Pursuant to the supplemental transaction agreement between LAC and GFL International, GFL International agreed to lend to LAC the sum of up to US\$100 million at the interest rate of LIBOR plus 550 basis points per annum (subject to an aggregate maximum per annum rate of 10%) until repayment of all the borrowings and the facility provided to LAC have been approved by the general meetings of Shareholders. But GFL International will provide the loan when LAC gives GFL International written notice of a request at least 20 business days in advance. Had the Acquisition happened on March 31, 2018, it was assumed that the loan was not yet provided by GFL International to LAC at the acquisition date.

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF
UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE PROSPECTUS**



22/F, CITIC Tower
1 Tim Mei Avenue,
Central, Hong Kong

TO THE DIRECTORS OF Ganfeng Lithium Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ganfeng Lithium Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"), and Minera Exar S.A. (the "Target Company") (collectively the Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated financial position as at March 31, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IIB-1 to IIB-5 of the Company's prospectus dated September 27, 2018, in connection with the proposed acquisition of the Target Company (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in the section headed "Introduction" set out on page IIB-1 of the Company's prospectus dated September 27, 2018.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at March 31, 2018 as if the Transaction had taken place at March 31, 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements for the year ended March 31, 2018, in the Appendix IA of the Prospectus, on which an accountants' report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had

occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at March 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
September 27, 2018

TAXATION

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your tax adviser regarding the tax consequences of an investment in the H Shares. The following summary is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change.

The PRC

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) promulgated by the Standing Committee of the National People's Congress of the People's Republic of China (the "SCNPC") on March 16, 2007 and last revised on February 24, 2017 and the Regulations for the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅條例》) promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008, domestic and foreign investment enterprises established under the laws of foreign countries or regions and whose de facto management bodies are located within the PRC are considered resident enterprises, and will be generally subject to enterprise income tax at the rate of 25% on their global income. The Enterprise Income Tax Law defines de facto management bodies as establishments that carry out substantial and overall management and control over production and operations, personnel, finance and properties of the enterprise. If an enterprise is considered a PRC resident enterprise under the above definition, its global income will be subject to enterprise income tax at the rate of 25%. The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of their Body of Actual Management (關於境外註冊中資控股企業依據實際管理機構認定為居民企業有關問題的通知) promulgated by the State Administration of Taxation (the "SAT") on April 22, 2009 and became effective on January 1, 2008 sets up a more specific definition on the de facto management structure standard.

In addition, under the Enterprise Income Tax Law and the Notice on Issues Concerning Implementation of the Preferential Income Tax for State Hi-Tech Enterprises (《關於實施國家高新技術企業所得稅優惠有關問題的通知》) promulgated by the SAT of the People's Republic of China on April 22, 2009 and implemented on January 1, 2008, high-tech enterprises that need the key support of the state shall have their enterprise income tax rate reduced to 15%. The High-Tech Areas Entitled to the Key Support of the State (國家重點支持的高新技術領域), the Administrative Measures for Determination of High-Tech Enterprises (高新技術企業認定管理辦法) and the Enterprise Income Tax Law regulate the categories of enterprises that are eligible for enjoying tax reduction.

Value Added Tax

Pursuant to the Interim Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last revised on November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance (the "MOF") on December 25, 1993 and last revised on October 28, 2011, entities

and individuals selling goods or providing processing services, repair services and importation services in the PRC shall be subject to Value Added Tax, and the tax payable shall be calculated by deducting input tax for the current period from output tax for the current period.

Pursuant to the Notice on the Implementation of the Pilot Program of Replacing Business Tax with Value Added Tax in an All-Round Manner (《關於全面推開營業稅改徵增值稅試點的通知》) jointly promulgated by the MOF and SAT on March 23, 2016, the countrywide pilot practice of levying value added tax in lieu of business tax has been carried out since May 1, 2016. Pursuant to the specific regulatory documents, including the Implementation Measures for the Pilot Practice of Levying Value Added Tax in lieu of Business Tax (營業稅改徵增值稅試點實施辦法), the value added tax rates vary from 17%, 11%, 6% to 0% for taxpayers incurring taxable activities.

Land Use Tax

Pursuant to the Interim Regulations Governing Land Use Tax in Cities and Towns of the People's Republic of China (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on September 27, 1988 and last revised on December 7, 2013, entities and individuals which use land within the boundaries of cities, counties, towns operated under an organizational system and mining industrial districts shall be the obligatory taxpayer for land use tax in cities and towns and shall be subject to land use tax. The annual land use tax per square meter is as follows: (i) RMB1.5 to RMB30 in large cities; (ii) RMB1.2 to RMB24 in medium cities; (iii) RMB0.9 to RMB18 in small cities; and (iv) RMB0.6 to RMB12 in counties, towns operated under an organizational system and mining industrial districts.

Pursuant to the requirements of the Notice of State Administration for Taxation Concerning the Collection and Remission of Land Use Tax on Mining Enterprises (《國家稅務局關於對礦山企業徵免土地使用稅問題的通知》) (Guo Shui Di [1989] No. 122) promulgated by the SAT on November 10, 1989 and became effective on the same date, land use tax is exempted for mining sites, dumping sites, tailings reservoir, safety zone of blasting agent storages, highways of mining sites for ore and rock, tailings pipelines and water recycling system sites of mines. In respect of collapsing ground and bare hills caused by excavation of underground mines by mining enterprises, land use tax is temporarily exempted before the lands are used. Land use tax shall be levied on other lands for production, office and living of mining enterprises.

Dividend tax

Individual Investors

Pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) promulgated by the SCNPC on September 10, 1980, revised on June 30, 2011 and became effective on September 1, 2011 and the Regulation on the Implementation of Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) revised on July 19, 2011 by the State Council and became effective on September 1, 2011, dividends paid to individual investors by a PRC company shall be subject to withholding tax at the rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) promulgated by the MOF, the SAT and the China Securities Regulatory Commission on September 7, 2015, where an individual acquires the stocks of a listed company from public offering or the stock market, if the stock holding period is less than one month (inclusive), the income from dividends and bonuses shall be included into the taxable income in full amount; if the stock holding period is more than one month and up to one year (inclusive), the income from dividends and bonuses shall be included into the taxable income at the rate of 50% for the time being; individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

For the foreign individuals who are not PRC residents, individual income tax on dividends received from a PRC company shall be collected at the rate of 20%.

Pursuant to the Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the SAT on June 28, 2011, where a domestic non-foreign invested enterprise which issues shares in Hong Kong distributes dividends and bonuses, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and the PRC as well as the provisions of tax arrangements between the Mainland China and Hong Kong (Macau). In view of the situation that the relevant dividends withholding rate regulated in the aforesaid tax treaties and tax arrangements is normally 10%, a withholding agent may withhold individual income tax at the rate of 10% in general, and the application procedure is not required. As for the situation that the dividends withholding rate is not 10%, the following regulations shall apply: (i) Where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, the withholding agent shall, in accordance with the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》) (Announcement of the SAT (No. 60 [2015])), refund the additional tax withheld; (ii) Where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax in accordance with the actual conventional tax rate when distributing dividends and bonus, and the application procedure is not required; (iii) Where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with the PRC, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonus.

Corporate Investors

Pursuant to the Enterprise Income Tax Law of the People's Republic of China promulgated by the SCNPC on March 16, 2007 and last revised on February 24, 2017 and the Regulations for the Enterprise Income Tax Law of the People's Republic of China promulgated by the State Council on December 6, 2007 and effective on January 1, 2008, a non-resident enterprise that does not have an establishment or a place of business in the PRC, or whose income has no actual relationship with such establishment or place of business, shall be subject to enterprise income tax on its income deriving from the PRC at the rate of 10%. Withholding tax may be reduced upon application and its approval pursuant to a double taxation treaty.

Pursuant to the Notice Concerning Issues on Withholding and Payments of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Foreign Non-Resident Corporate Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated by the SAT on November 6, 2008 and effective on the same date, a PRC resident enterprise distributing dividends for the year of 2008 and onwards to foreign non-resident corporate shareholders of H shares shall withhold and pay enterprise income tax at a uniform rate of 10%. A non-resident enterprise shareholder of H shares may apply to the competent taxation authorities for relevant treatment under the tax treaties (arrangements), and upon verification, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

Pursuant to the requirements of the Response to Issues on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-Resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) promulgated by the SAT on July 24, 2009 and effective on the same date, a PRC resident enterprise that publicly issues shares outside the PRC shall withhold and pay enterprise income tax at a uniform rate of 10% when distributing dividends to

non-resident enterprise shareholders for the year of 2008 and onwards. Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income Tax (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) signed by the Mainland China and Hong Kong on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident (including a natural person and a corporate entity), but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least a 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company after an application is made to and approved by the PRC taxation authority.

Capital Gains Tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China, any gains realized on the sale of equity interests in PRC resident enterprises by individual investors are subject to income tax at the rate of 20%, except as reduced pursuant to the relevant double taxation terms. If a non-resident enterprise does not have an establishment or a place of business in the PRC, or has an establishment or a place of business in the PRC, whose income deriving from the PRC, however, has no relationship with the establishments and places of business mentioned above, the non-resident enterprise, in general, shall pay enterprise income tax at the rate of 10% in respect of the income deriving from the PRC (including income deriving from the disposal of equity interests of a PRC resident enterprise), although such withholding tax may be reduced pursuant to a double taxation treaty or agreement. As of the Latest Practicable Date, no PRC laws or guidance have expressly provided that non-PRC resident individuals are subject to individual income tax for sales of shares of PRC resident enterprises listed on overseas stock exchanges. PRC tax authorities have not in practice collected income tax from non-PRC resident individuals on gains from sales of shares of PRC resident enterprises listed on overseas stock exchanges.

Hong Kong

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate on unincorporated businesses of 15%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for

Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of H Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

There is no taxation in the nature of estate duty in Hong Kong.

FOREIGN EXCHANGE CONTROLS IN THE PRC

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (Guo Fa [1993] No. 89) (關於進一步改革外匯管理體制的通知) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated new Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) (the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State does not impose any restriction on international current account payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (PBOC Announcement [2005] No. 16) (關於完善人民幣匯率形成機制改革的公告) issued by the PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and would fix the central parity for Renminbi transactions on the following business day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD, and announce it at 9:15 a.m. on each business day.

On August 5, 2008, the State Council promulgated the revised Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the existing current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

The PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

The Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (Guo Fa [2014] No.50) (國務院關於取消和調整一批行政審批項目等事項的決定), which was promulgated by the State Council on October 23, 2014, canceled the administrative approval by the SAFE and its branches over matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No.54) (關於境外上市外匯管理有關問題的通知) issued by SAFE on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the prospectus and other disclosure documents. Approval by the SAFE is needed to convert the funds in the domestic designated account to Renminbi.

Pursuant to the Circular on Further Simplifying and Improving Direct Investment Foreign Exchange Administration Policies ("Hui Fa [2015] No. 13," 國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通告) which was issued by the SAFE and implemented on February 13, 2015 and June 1, 2015 respectively, two administrative approvals were abolished, namely the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the overseas direct investment. Parts of direct investment foreign exchange business procedure were further simplified.

According to the Notice on Revolutionize and Regulate Capital Account Settlement Management Policies (Hui Fa [2016] No.16) (關於改革和規範資本項目結匯管理政策的通告) issued by the SAFE on June 15, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix contains a summary of PRC company and securities laws and regulations, certain material differences between the PRC Company Law and the Companies Ordinance and additional regulatory provisions introduced by the Hong Kong Stock Exchange in relation to PRC joint stock limited companies. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is in a summary form, it does not contain all the information that may be important to potential investors. For discussions of laws and regulations specifically governing our business activities, see "Regulatory Overview."

PRC Legal System

The PRC legal system is based on the Constitution of the People's Republic of China (中華人民共和國憲法) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Although court verdicts do not constitute binding precedents, they may be used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (中華人民共和國立法法), the National People's Congress ("**NPC**") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the National Audit Office of the PRC, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC Judicial System

Under the Constitution and the Law of the People's Republic of China on the Organization of the People's Courts (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, economic and enforcement divisions. The intermediate people's courts are organized into

divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (中華人民共和國民事訴訟法) (the "**PRC Civil Procedure Law**"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or against social and public interest.

The PRC Company Law, Special Regulations and Mandatory Provisions

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (中華人民共和國公司法) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994 and revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on March 1, 2014;
- the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Company (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "**Special Regulations**"), which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law (1993), and were applicable, to the overseas share subscription and listing of joint stock limited companies; and
- the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (the "**Mandatory Provisions**"), which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on September 29, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix V of this prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Securities Law, the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant Industry and Commerce Administration the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;

- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an interim shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our interim shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is

not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholders' general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the set-up of the internal management bodies of the company;
- to decide on the employment or removal of the manager of the company and matters related to the remuneration thereof, and making decisions, according to the manager's nomination, on the employment or removal of the vice manager(s) and the personnel in charge of financial issues and the matters related to their remunerations;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint one or more vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions. (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V)

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employee at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to take charge of the management of the production and business operations of the company and arrange for the implementation of resolutions of the board of directors;

- to arrange for the implementation of the company's annual business plans and investment proposals;
- to draft the plans on the set-up of the internal management bodies of the company;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;
- to appoint or dismiss the persons in charge of management (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be liable for compensation to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A company limited by shares that publicly offers shares must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve

fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Amendments to Articles of Association

Any amendments to the company's articles of association shall be made in accordance with the procedures set forth in the company's articles of association. Any amendment to the articles of association in connection with the Mandatory Provisions shall only be effective after approval by the companies' approval department under the State Council and the CSRC. If the amendment relates to the registration of the company, the company shall modify its registration with the company registration authority.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of

the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders

according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions. (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

Merger and Demerger

Companies may merge through absorption or the establishment of a new entity. If it merges by absorption, the company which is absorbed shall be dissolved. If the companies merge by forming a new corporation, the companies shall be dissolved.

For corporate merger, all parties to the merger shall enter into an agreement and prepare balance sheets and checklists of assets. The companies involved shall, within 10 days after the decision of merger,

notify the creditors, and shall make newspaper announcement within 30 days. The creditors may, within 30 days after the receipt of the notice or (if it fails to receive a notice) within 45 days after the announcement, require the company to settle its debts or to provide guarantees. After the merger, the credits and debts of the companies involved shall be succeeded by the surviving company or by the newly established company.

For division of a company, the properties of the company shall be divided properly, and balance sheets and checklists of assets shall be prepared. The company shall, within 10 days after the decision of division, notify the creditors and make newspaper announcement within 30 days. The companies after division shall jointly bear liabilities for the debts of the former companies before division, unless it is otherwise prescribed by written agreements entered into between the companies and their respective creditors for the settlement of debts before the division.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014 respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "**Arbitration Law**") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration

Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Hong Kong Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of H shares and the issuer; (ii) between holders of H shares and the issuer's directors, supervisors, manager or other senior management; and (iii) between holders of H shares and holders of domestic shares may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration Center ("**HKIAC**") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only

recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administration Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

Overseas Investment Regulations

Pursuant to the Measures for the Administration of Overseas Investment (境外投資管理辦法) promulgated by the MOFCOM on September 6, 2014 which became effective on October 6, 2014, enterprises shall obtain approval from the MOFCOM or its provincial department for conducting overseas investment according to such regulations.

Pursuant to Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定) promulgated by the SAFE on July 14, 2009, which became effective on August 1, 2009, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments with the foreign exchange administrative authorities.

Pursuant to the Administrative Measures for Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法) promulgated by the NDRC on April 8, 2014 which became effective on May 8, 2014, and amended on December 27, 2014 with immediate effect, overseas investment Projects conducted by the PRC enterprises through new establishment, merger, equity participation, capital increase and injection as well as those carried out by their overseas enterprises or institutions through provision of funds or guarantees shall be approved by or filed with the NDRC based on the actual conditions of the overseas investment projects.

Summary of Material Differences between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all the rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited liability company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital is incorporated by the Registrar of Companies in Hong Kong and upon its incorporation, the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. The articles of association of a public company do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The amended PRC Company Law which came into effect on March 1, 2014 has no provision on the minimum registered capital of joint stock company, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case a company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, a company may state in its articles of association the maximum number of shares that it may issue. If a maximum number of shares is stated, the company is not bound to issue the entire amount, and therefore the maximum number of shares it may issue may be larger than its issued share capital. In this case, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for a maximum number of shares to be issued. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and must be in compliance with provisions stipulated by the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Generally, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shenzhen-Hong Kong Stock Connect. Overseas listed shares, which are denominated

in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, our promoters are not allowed to transfer the Shares they hold for a period of one year after the date of our establishment. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company transferred by its directors, supervisors and members of the senior management each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong company law, although certain restrictions apply under the Hong Kong Listing Rules.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our Shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V.

Under the Companies Ordinance, rights attached to any class of shares can be varied only (i) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in that class, (ii) with the approval by special resolution passed at a separate general meeting of holders of shares in the class or (iii) if there are provisions in the articles of association for the variation of those rights, then in accordance with those provisions.

We (as required by the Hong Kong Listing Rules and the Mandatory Provisions) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes, except where:

- the Company issues and allots, in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the issued overseas listed foreign invested shares and the issued domestic invested shares existing as at the date of the shareholders' special resolution;

- the plan for the issue of domestic invested shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; or
- upon the transfer of our domestic shares by the holders of our domestic shares to overseas investors and the listing and trading of such transferred shares on an overseas stock exchange, provided that the transfer and trading of such transferred shares shall have obtained the approval of the authorized securities approval authorities of the State Council, including the CSRC. The Mandatory Provisions contain detailed provisions relating to circumstances which are deemed to constitute a variation of class rights.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix V.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives our shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions, however, provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Hong Kong Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This undertaking allows minority shareholders to take action against our Directors and Supervisors when they fail to perform their respective duties.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that if any company encounters any serious difficulty in its operations or management to the extent that the interests of its shareholders would be seriously harmed if the company continues to exist, and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of the issued shares of the company may petition the people's court to dissolve the company. The Mandatory Provisions contain provisions to the effect that a controlling shareholder may not exercise its voting rights (i) to relieve a director or supervisor of his duty to act honestly in the best interests of the company, (ii) to approve the expropriation by a director or supervisor of the company's assets, or (iii) to approve the deprivation by a director or supervisor of specific rights of other shareholders, in each case prejudicial to the interests of the shareholders generally or part of the shareholders of a company.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all our shareholders and shareholders who wish to attend the meeting must reply in writing no less than 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum period of notice is 21 days for annual general meetings and 14 days for other general meetings.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with one member, one member shall constitute a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may only be convened when replies to the notice of that meeting have been received from shareholders whose Shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders again by way of a public announcement and we may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of at least 75% of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of our shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of our shareholders representing more than two thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

We are required under the PRC Company Law to make available at our company for inspection by shareholders our annual financial statements (including but not limited to balance sheet, income statement and other relevant documents) 20 days before our shareholders' annual general meeting. In addition, we must publish our financial statements and our financial statements must be verified by registered accountants. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, directors' report and auditor's report, which are to be laid before the company in its annual general meeting, at least 21 days before such meeting.

We are required under PRC law to prepare our financial statements in accordance with PRC accounting standards. The Mandatory Provisions require that we must, in addition to preparing our accounts according to PRC standards, have our accounts prepared and audited in accordance with international or Hong Kong accounting standards and our financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The Company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such information should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives our shareholders the right to inspect our Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The Mandatory Provisions require us to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Sections 673 and 674 of the Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Center (“**HKIAC**”) or the China International Economic and Trade Arbitration Commission (“**CIETAC**”), at the claimant’s choice.

Mandatory Deductions

Under the PRC Company Law, after-tax profits of a company are subject to deductions of the statutory surplus reserve of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior manager should be responsible to the company for such damages. In addition, in compliance with the Hong Kong Listing Rules, remedies of the Company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer) have been set out in the Articles of Association.

Dividends

The Articles of Association empower the Company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The Company shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers owe a fiduciary duty towards their company and are not permitted to engage in any activities which damage the interests of their company or engage in any business similar with their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders’ general meeting or within five days before the record date set for the purpose of distribution of dividends.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND SHENZHEN LISTING RULES

As our A Shares are listed on the Shenzhen Stock Exchange, we are also subject to Shenzhen Listing Rules. Set out below is a summary of material differences between Hong Kong Listing Rules and Shenzhen Listing Rules:

- Periodic financial reporting

There are material differences in financial reporting standards and practices regarding, for examples, industry-specific financial reporting requirements, announcement of preliminary results, form and content of periodic financial reports and post-vetting of periodic financial reports.

- Classification and disclosure requirements for notifiable transactions

The method of classification of notifiable transactions under Hong Kong Listing Rules and the disclosure requirement pertaining to such transactions differ from those under the Shenzhen Listing Rules.

- Connected transactions

The definition of a connected person under the Hong Kong Listing Rules and the definition of a related party under the Shenzhen Listing Rules are different. In addition, the disclosure and shareholder approval requirements for connected transactions under the Hong Kong Listing Rules and for related party transactions under the Shenzhen Listing Rules, as well as the respective exemptions are different.

- Disclosure of inside information

The scope, timing and method of disclosure of inside information are different between Hong Kong Listing Rules and Shenzhen Listing Rules.

Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

We are required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of our financial results for the first full financial year commencing after the Listing Date, to provide us with professional advice on continuous compliance with the Hong Kong Listing Rules, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require us to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the Company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards for Business Enterprises. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

Process Agent

We are required to appoint and maintain a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK\$50,000,000. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of more than HK\$10,000,000,000.

Independent non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Purchase of our Own Securities

Subject to governmental approvals and the Articles of Association, we may repurchase our own H Shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of our Domestic Shares and the holders of

H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which Directors are aware, if any. Any general mandate given to Directors to repurchase H Shares must not exceed 10% of the total number of our issued H Shares.

Redeemable Shares

We must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, Directors are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of our Domestic Shares and H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required to the extent that our existing shareholders have by special resolution in general meeting given a mandate to Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued Domestic Shares and H Shares as of the date of the passing of the relevant special resolution, or such Shares are issued as part of our plan at the time of our establishment to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee.

Supervisors

The Company is required to adopt rules governing dealings by its supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

The Company is required to obtain the prior approval of its shareholders at a general meeting (at which the relevant supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the Company or its subsidiary: (1) the duration of the service contract may exceed three years; or (2) in order to entitle our Company or any of its subsidiaries to terminate the contract, the service contract expressly requires the Company or any of its subsidiaries to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments of the relevant supervisor or proposed supervisor.

The remuneration committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

We may not permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Hong Kong Listing Rules.

Documents for Inspection

We are required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by our shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of our issued share capital;
- our latest audited financial statements and the reports of the Directors, auditors and (if any) Supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- copy of the latest annual return filed with the PRC State Administration for Industry and Commerce or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, we are required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder

delivers to the share registrar a signed form in respect of those Shares bearing statements to the following effect, that the acquirer of Shares:

- agrees with us and each shareholder, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- agrees with us, each shareholder, Director, Supervisor, manager and other officer and we acting both for the company and for each Director, Supervisor, manager and other officer, agree with each shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law, the Special Regulations or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;
- agrees with us and each shareholder that Shares are freely transferable by the holder thereof; and
- authorizes us to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

We are required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between Us and Directors, Supervisors and other Senior Managers

We are required to enter into a contract in writing with every Director, Supervisor and other senior manager containing at least the following provisions:

- an undertaking by the Director, Supervisor or other senior manager to us to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Hong Kong Takeovers Code and an agreement that we shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director, Supervisor or other senior manager to us acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the Articles of Association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law, the Special Regulations or other relevant laws and administrative regulations concerning affairs between us and our Directors, Supervisors or other senior managers and between a holder of H Shares and a Director, Supervisor or other senior manager, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its

rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

We are also required to enter into a contract in writing with every Supervisor containing terms substantially similar to those for Directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

We must not apply for the listing of our H Shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by the Company to the Hong Kong Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of our H Shares subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of our listing. Upon our listing on the Hong Kong Stock Exchange, the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to us.

Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies

incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Our Articles of Association are available for inspection at the address specified in Appendix VIII in "Documents Delivered to the Registrar of Companies and Available for Inspection."

The Articles of Association and relevant amendments thereto were adopted or authorized by the shareholders in general shareholders' meetings in accordance with applicable laws and regulations, including the PRC Company Law, the Securities Law of the PRC, the Special Regulations, the Essential Clauses in Articles of Association of Companies Listed Overseas, the Guidance on Articles of Association Listed Company and the Hong Kong Listing Rules, and will be effective on the Listing Date.

SHARES

Shares and Registered Capital

The shares of the Company are adopted as in the form of share certificates.

The Company shall have ordinary shares at all times. Subject to the approval of the company approving department authorized by the State Council, the Company may, according to its requirements, create other classes of shares.

Shares of the Company shall be issued in a transparent, fair and equal manner and shares of the same class shall rank pari passu in all respects. Each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each of the shares subscribed for by any entity or individual.

Subject to the approval of the securities authority of the State Council, the Company may issue shares to domestic investors and foreign investors. The Board of the Company may implement, through separate issuances, the proposals for the issuance of overseas-listed foreign shares and domestic shares under the approval of the securities authority of the State Council. The Company may implement separately its proposals for the issuance of overseas-listed foreign shares and non-overseas-listed domestic shares pursuant to the preceding paragraph within fifteen (15) months from the date of approval by the securities regulatory authority of the State Council or within the period stipulated in the relevant applicable regulations. Where the total number of shares stated in the proposal includes issuances of overseas-listed foreign shares and non-overseas-listed domestic shares, shares under such issuances should be fully subscribed all at once. If the shares cannot be fully subscribed all at once due to special circumstances, the shares may, subject to the approval of the securities regulatory authority of the State Council, be issued in separate tranches.

Increase, Reduction and Repurchase of Shares

Based on its operating and development needs, the Company may, pursuant to the laws, administrative regulations, administrative rules, provisions of the listing rules of the place where the Company's shares are listed and in accordance with the relevant requirements of the Articles of Association, increase its capital. The Company may increase its capital in the following ways:

- (i) public issuance of shares;

- (ii) non-public issuance of shares;
- (iii) placing or distributing new shares to the existing shareholders;
- (iv) converting capital reserves into share capital; or
- (v) other means permitted by the laws and administrative regulations and approved by the securities regulatory authority of the State Council.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association and the listing rules of the place where the Company's shares are listed, it shall be made in accordance with the procedures set out in the relevant laws and administrative regulations of the PRC and the listing rules of the place where the Company's shares are listed.

The Company may reduce its registered capital. The reduction in registered capital shall be made in accordance with the procedures set out in the Company Law, other relevant regulations and the Articles of Association. The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital. The Company shall notify its creditors within ten (10) days from the date of the Company's resolution to reduce registered capital and shall publish an announcement in a newspaper which recognized by the relevant regulatory authorities in the place where the Company's shares are listed within thirty (30) days from the date of such resolution and in the websites of the Company and the relevant stock exchange in accordance with the requirements of the place where the Company's shares are listed. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within thirty (30) days from the date the one receives the relevant notice or, in the case of a creditor who did not receive such notice, within forty-five (45) days from the date of the announcement. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount prescribed by law.

The Company may, through passing the procedures required by the Articles of Association and subject to the approval of the relevant competent authorities of the PRC, repurchase its issued shares through legal procedures under the following circumstances:

- (i) reducing the registered capital of the Company;
- (ii) merging with other companies which hold the shares of the Company;
- (iii) granting of shares as incentive compensation to the staff of the Company;
- (iv) acquiring shares held by shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company upon their request; or
- (v) other circumstances as permitted by the laws, administrative regulations, Codes on Takeovers and Mergers and Share Repurchases of Hong Kong and provisions of the listing rules of the place where the Company's shares are listed.

The Company shall not engage in trading of its shares save for the circumstances specified above.

The Company may, upon the approval of the relevant competent authorities of the PRC, repurchase its shares in one of the following ways:

- (i) making a pro rata general offer of repurchase to all its shareholders;
- (ii) repurchasing through public trading on a stock exchange;
- (iii) repurchasing shares by an off-market agreement;
- (iv) other means as permitted by the laws, administrative regulations and approving departments authorized by the State Council.

The Company must obtain the prior approval of the shareholders at a shareholders' general meeting, in the manner stipulated in the Articles of Association, before it can repurchase shares by the mean of an off-market agreement. The Company may, by obtaining the prior approval of the shareholders' general meeting in the same manner, rescind or vary the contract it has entered into in the aforementioned manner, or waive any rights in the contract. A contract for the repurchase of shares referred to in the preceding paragraph includes but is not limited to an agreement to become obliged to repurchase shares or acquire the right to repurchase shares. The Company shall not assign a contract to repurchase its shares or any right provided in such contract. In the event that the Company has redeemable shares, for the purpose that the Company has the right to repurchase the redeemable shares, if they are not repurchased through the market or by tender, the price of these shares shall be limited to a maximum price; if they are repurchased by tender, the relevant tender shall be available to all shareholders on the same terms.

Shares repurchased by the Company pursuant to the above requirements under (i) shall be canceled within ten (10) days from the date of acquisition; the shares repurchased under (ii) and (iv) shall be transferred or canceled within six (6) months; and the shares acquired by the Company in accordance with (iii) shall not exceed five (5) percent of the Company's total issued shares, and the payment for such repurchase shall be made out of the after-tax profits of the Company; the shares acquired shall be transferred to the staff within one (1) year.

The aggregate par value of the canceled shares shall be deducted from the Company's registered capital.

Transfer of Shares

Unless otherwise provided by the laws, administrative regulations and the listing rules in the place where the Company's shares are listed, fully-paid shares of the Company are transferrable free from any restrictions of the transfer rights and free of lien. Transfer of overseas-listed foreign shares listed in Hong Kong requires registration by the share registrar in Hong Kong appointed by the Company.

The Company shall not accept any of its own shares as the subject of pledge.

Shares held by the promoters in the Company shall not be transferred within one (1) year from the date of incorporation of the Company. The Company's shares issued prior to the initially public issuance of A shares shall not be transferred within one (1) year from the date on which the A shares of the Company are listed and traded on a stock exchange.

The directors, supervisors and senior management officers of the Company shall declare to the Company the number of shares of the Company they hold and the subsequent changes in their shareholdings. The number of shares that such persons may transfer every year during their terms of office shall not exceed twenty-five (25) percent of the total number of the Company's shares held by him/her; and no transfer of shares held by him/her shall be allowed within one (1) year since the date when the Company's shares are listed and traded. Such personnel shall not transfer the Company's shares held within half a year after they have terminated their employment with the Company.

Where the directors, supervisors, senior management officers of the Company and shareholders holding more than five (5) percent of the domestic shares of the Company sell his/her shares within a period of six (6) months after the acquisition of the shares, or repurchase shares of the Company within six (6) months after sales of the shares, any proceed arising therefrom shall belong to the Company, and the Board of the Company shall forfeit such gains for the benefit of the Company. However, the six (6)-month restriction shall not apply for a securities company that holds more than five (5) percent of the shares of the Company as a result of its underwriting of the untaken shares in an offer.

Financial Assistance for Acquisition of the Company's Shares

The Company or its subsidiaries shall not, at any time, provide any kind of financial assistance to a person who acquires or is proposing to acquire the Company's shares. The aforesaid person acquiring the Company's shares includes a person who has directly or indirectly incurred any obligations as a result of the acquisition of the Company's shares.

The Company or its subsidiaries shall not, by any means at any time, provide financial assistance to the aforesaid person for the purpose of reducing or discharging his obligations. When the following circumstances occurred, however, the above restriction shall not be applied:

- (i) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of the Company's shares, or the giving of financial assistance is an incidental part of the overall plan of the Company;
- (ii) the lawful distribution of the Company's assets as dividends;
- (iii) the allotment of shares as dividends;
- (iv) the reduction of registered capital, repurchase of shares or reorganization of share capital structure of the Company effected in accordance with the Articles of Association;
- (v) the loans provided by the Company within its scope of business and in the ordinary course of its business, provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided from the distributable profits of the Company; and
- (vi) the contributions made by the Company to the staff share ownership schemes, provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided from the distributable profits of the Company.

Share Certificates and Register of Shareholders

Share certificates of the Company shall be in registered form. The following particulars shall be stated on a share certificate:

- (i) the name of the Company;
- (ii) the date of incorporation of the Company;
- (iii) the class of shares, nominal value thereof and the number of shares represented;
- (iv) the serial number of the share certificate;
- (v) other items as required to be specified by the Company Law, Special Regulations and the stock exchange of the place where the Company's shares are listed.

The Company may issue overseas-listed foreign shares in the form of foreign depository receipts or other derivative means in accordance with the laws and the practice of registration and deposit of securities in the place where the Company's shares are listed.

The Company shall maintain a register of shareholders and register the following particulars:

- (i) the name, address (residence), occupation or nature of each shareholder;
- (ii) the class and number of shares held by each shareholder;
- (iii) the amount paid or payable in respect to the shares held by each shareholder;
- (iv) the serial numbers of the shares held by each shareholder;
- (v) the date on which each shareholder was registered as a shareholder; and
- (vi) the date on which each shareholder ceased to be a shareholder.

The Company may, in accordance with the memorandum of understanding and agreements between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its original copy of the register of holders of overseas-listed foreign shares outside China and entrust an overseas agent to maintain such register.

The Company shall maintain the part of the register of holders of overseas-listed foreign shares relating to holders of shares listed on the Hong Kong Stock Exchange in Hong Kong. The Company shall maintain a duplicate of the register of holders of overseas-listed foreign shares at the Company's corporate domicile. The appointed overseas agent shall ensure the consistency between the original copy and the duplicate of the register of holders of overseas-listed foreign shares at all times.

If there is any inconsistency between the original copy and the duplicate of the register of holders of overseas-listed foreign shares, the original copy shall prevail.

No share transfer may be entered in the register of shareholders within thirty (30) days prior to the date of a shareholders' general meeting or within five (5) days before the record date set by the Company for the purpose of distribution of dividends.

Any person who requests to have his/her name entered to, or removed from, the register of shareholders may apply to the relevant court of authority for rectification of the register of shareholders.

Any shareholder who is registered in, or any person who requests to have his/her name entered in, the register of shareholders may, if his/her share certificates (the "Original Certificates") are lost, apply to the Company for a replacement share certificate in respect to such shares (the "Relevant Shares").

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders. A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by that shareholder. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations. All classes of shareholders of the Company shall have equal rights in any distribution in the form of a dividend or any other form.

Holders of ordinary shares of the Company shall have the following rights:

- (i) the right to receive dividends and other distributions in proportion to the number of shares held;
- (ii) the right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on their behalf at shareholders' general meetings in accordance with the laws;
- (iii) the right to supervise the Company's business operations, and to put forward proposals or raise enquiries;
- (iv) the right to transfer, give as gift or pledge the shares held in accordance with the laws, administrative regulations and the Articles of Association;
- (v) the right to obtain the relevant information in accordance with the Articles of Association, including:
 - 1. a duplicate of the Articles of Association upon payment of a reasonable fee;
 - 2. the right to inspect and copy upon payment of a reasonable fee:
 - (1) a duplicate of the register of all shareholders;
 - (2) personal particulars of directors, supervisors, president and other senior management officers of the Company, including:
 - (a) current and previous names and aliases;

- (b) main address (residence);
 - (c) nationality;
 - (d) full-time and all other part-time occupations and duties;
 - (e) identification documents and their numbers.
- (3) the state of the Company's share capital;
 - (4) reports showing the aggregate par value and number of shares, highest and lowest prices paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and all the expenses paid by the Company therefor (with a breakdown between domestic shares and foreign shares (and H shares (if applicable)));
 - (5) minutes of the shareholders' general meetings (for shareholders' review only) and a duplicate of special resolutions of the Company and a duplicate of resolutions of the meetings of the Board and the Supervisory Committee;
 - (6) the Company's latest audited financial statements and the reports of directors, accounting firms and the Supervisory Committee;
 - (7) a duplicate of the latest annual examination report filed with the State Administration for Industry and Commerce or other competent authorities;

The Company shall place the documents referred to in the above sub-paragraphs (1) to (7) (other than sub-paragraph (2)) and any other applicable documents at the Company's Hong Kong address as required by the Hong Kong Listing Rules for inspection by the public and shareholders free of charge (excluding the minutes of the shareholders' general meetings which for shareholders' review only). The shareholders of the Company can also inspect the resolutions of the meetings of the Board and the Supervisory Committee of the Company. Where shareholders request for inspection of the relevant information or demand for materials as aforementioned, they shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide information requested by such shareholder.

- (vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;
- (vii) with respect to shareholders who voted against any resolutions adopted at the shareholders' general meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them;
- (viii) any other rights conferred by the laws, administrative regulations, departmental rules, the listing rules of the place where the Company's shares are listed and the Articles of Association.

If a resolution passed at a shareholders' general meeting or meeting of the Board of the Company violates the laws or administrative regulations, the shareholders shall have the rights to submit a petition to

the People's Court to render the resolution invalid. If the procedures for convening, or the method of voting at, a shareholders' general meeting or meeting of the Board violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall have the rights to submit a petition to the People's Court to revoke such resolution within sixty (60) days from the date on which such resolution is adopted.

Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by directors and senior management officers in the course of performing their duties, shareholders individually or jointly holding more than one (1) percent of the shares of the Company for more than one hundred and eighty (180) consecutive days shall have the rights to request in writing to the Supervisory Committee to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of the laws, administrative regulations or the Articles of Association by the Supervisory Committee in the course of performing its duties, the shareholders shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

If the Supervisory Committee or the Board refuses to initiate legal proceedings upon receipt of the written request of shareholders stated in the preceding paragraph, or fails to initiate such legal proceedings within thirty (30) days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, the shareholders described in the preceding paragraph shall have the rights to initiate legal proceedings in the People's Court directly in their own names in the interest of the Company.

If any person infringes the lawful rights and interests of the Company, thus causing any loss to the Company, the shareholders as mentioned in the first paragraph of this Article may initiate legal proceedings in the People's Court in accordance with the provisions of the preceding two paragraphs.

If any director or senior management officer is in violation of the laws, administrative regulations or the Articles of Association, thus causing any loss to the shareholders, the shareholders may initiate legal proceedings against such director or senior management officer in the People's Court.

Holders of ordinary shares of the Company shall assume the following obligations:

- (i) to abide by the Articles of Association;
- (ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (iii) not to surrender the shares unless required by the laws and regulations;
- (iv) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders; and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company. Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company;

- (v) other obligations imposed by the laws, administrative regulations, rules, normative documents, the listing rules of the place where the Company's shares are listed and the Articles of Association.

Shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

In addition to the obligations imposed by the laws, administrative regulations or the listing rules of the stock exchange of the place where the Company's shares are listed, a controlling shareholder shall not exercise his/her voting rights in respect to the following matters in a manner prejudicial to the interests of all or some of the shareholders of the Company:

- (i) to relieve a director or supervisor of his/her duty to act honestly in the best interests of the Company;
- (ii) to approve the directors or supervisors (for their own account or for the account of other parties) to deprive the Company of its assets in any manner, including, but not limited to, any opportunity favorable to the Company;
- (iii) to approve the directors or supervisors (for their own account or for the account of other parties) to deprive another shareholder of his/her individual interests, including but not limited to any allocation right and voting right, but excluding any corporate restructuring proposal made at the shareholders' general meeting in accordance with the Articles of Association.

The controlling shareholders and de facto controller of the Company shall not use their affiliation to jeopardize the interests of the Company; otherwise, they shall make compensation for the loss incurred by the Company.

The controlling shareholders and de facto controller of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholders shall exercise their rights as contributors in strict compliance with the laws, shall not infringe the legitimate rights and interests of the Company and its public shareholders through profit distribution, asset restructuring, foreign investment, appropriation of capital, offering security for loans, and shall not make use of their controlling status to jeopardize the interests of the Company and its public shareholders.

General Provisions for the Shareholders' General Meeting

The shareholders' general meeting is the power of authority of the Company and shall have the following functions and powers:

- (i) to decide the Company's operational directions and investment plans;
- (ii) to elect and replace directors and supervisors who are not staff representatives and to determine matters relating to the remuneration of the directors and supervisors;
- (iii) to consider and approve the reports of the Board;
- (iv) to consider and approve the reports of the Supervisory Committee;

- (v) to consider and approve the Company's annual financial budgets and final accounts;
- (vi) to consider and approve the Company's profit distribution plan and plan for recovery of losses;
- (vii) to make resolutions on increase or reduction of the Company's registered capital;
- (viii) to make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;
- (ix) to make resolutions on the issue of debentures, other securities and listing by the Company;
- (x) to make resolutions on the issue of appointment, dismissal or non-reappointment of accounting firms;
- (xi) to amend the Articles of Association;
- (xii) to consider the motions put forward by shareholders individually or jointly holding more than three (3) percent of the Company's shares with voting rights;
- (xiii) to consider the guarantee issues as prescribed in the Articles of Association;
- (xiv) to consider the matters in relation to purchase or disposal of material assets or provision of guarantee by the Company of a value exceeding thirty (30) percent of the Company's total assets within one (1) year;
- (xv) to consider and approve matters relating to changes in the use of proceeds;
- (xvi) to consider the share incentive plan;
- (xvii) other matters which are required to be resolved at the shareholders' general meeting as required by the laws, administrative regulations, the listing rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association.

The following guarantees of the Company shall be considered and passed at the shareholders' general meeting:

- (i) any guarantee provided after the total amount of external guarantee to third parties provided by the Company and its controlled subsidiaries has reached or exceeded fifty (50) percent of the Company's latest audited net assets;
- (ii) any guarantee provided after the total amount of external guarantee to third parties provided by the Company has reached or exceeded thirty (30) percent of the Company's latest audited total assets;
- (iii) a guarantee to be provided to a party which has a gearing ratio in excess of seventy (70) percent;
- (iv) a single guarantee for amount in excess of ten (10) percent of the latest audited net assets;

- (v) guarantee amount exceeds thirty (30) percent of the Company's latest audited net assets for twelve (12) consecutive months;
- (vi) guarantee amount exceeds fifty (50) percent of the Company's latest audited net assets for twelve (12) consecutive months and the absolute amount exceeds RMB50 million;
- (vii) guarantees provided to the shareholders, de facto controller and connected parties thereof;
- (viii) other guarantees which shall be considered and passed at the shareholders' general meeting as prescribed by the laws, administrative regulations, departmental regulations, stock exchange where the Company's shares are listed and the Articles of Association.

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Shareholders' general meetings shall be convened by the Board. Annual general meetings shall be held once every year and within six (6) months from the close of the preceding accounting year.

The Board shall convene an extraordinary general meeting within two (2) months from the occurrence of any of the following circumstances:

- (i) when the number of directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;
- (ii) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-in share capital;
- (iii) when any shareholder individually or jointly holding more than ten (10) percent of the Company's issued shares with voting rights requests in writing for the convening of an extraordinary general meeting;
- (iv) when deemed necessary by the Board or when requested by the Supervisory Committee;
- (v) any other circumstances stipulated in the laws, regulations, the listing rules of the place where the Company's shares are listed and the Articles of Association.

Convening of Shareholders' General Meetings

Shareholders' general meetings shall be convened by the Board.

The independent directors and the Supervisory Committee's request for the convening of the extraordinary general meeting shall follow the procedures below:

- (i) requesting the Board to convene an extraordinary general meeting by signing one (1) or more written requests of identical form of content, and stating the subject of the meeting. The Board shall make a written response as to whether or not it agrees to convene the extraordinary general meeting within ten (10) days of after having received the aforementioned written requests.

- (ii) if the Board agrees to convene the extraordinary general meeting, a notice convening such a meeting shall be issued within five (5) days after the resolution of the Board is passed. If the original proposal contained in the notice is changed, approval of the original proposer shall be sought.
- (iii) if the Board does not agree to convene an extraordinary general meeting proposed by the independent directors, it shall state the reason and publish an announcement.
- (iv) if the Board does not agree to convene an extraordinary general meeting proposed by the independent directors or it does not reply within ten (10) days after having received the proposal, it shall be deemed that the Board cannot perform or has failed to perform the duties to convene a shareholders' general meeting and the Supervisory Committee may convene and preside over the meeting.

Shareholders individually or jointly holding more than ten (10) percent of the Company's total shares carrying voting rights' request for the convening of the extraordinary general meeting or a class meeting shall follow the procedures below:

- (i) shareholders individually or jointly holding more than ten (10) percent (inclusive) of the shares carrying voting rights may sign one (1) or more written requests of identical form of content requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall make a written response as to whether or not it agrees to convene the extraordinary general meeting or the class meeting within ten (10) days of after having received the aforementioned written request. If the Board agrees to convene the extraordinary general meeting or the class meeting, a notice convening such a meeting shall be issued within five (5) days after the resolution of the Board is passed. If the original proposal contained in the notice is changed, approval of the relevant shareholders shall be sought. The abovementioned shareholding shall be calculated as of the day on which the written request is made.
- (ii) if the Board fails to issue a notice of convening such meeting within thirty (30) days upon receipt of the above written request, the shareholders who made such request may convene the meeting of their own accord within four (4) months upon the Board having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which shareholders' general meetings are to be convened by the Board.
- (iii) if the Board does not agree to convene an extraordinary general meeting or fails to make a response within ten (10) days after having received such request, shareholders individually or jointly holding more than ten (10) percent of the Company's shares have the rights to propose the Supervisory Committee to convene the extraordinary general meeting, and shall make the request to the Supervisory Committee in writing.

If the Supervisory Committee agrees to convene the extraordinary general meeting, a notice convening such a meeting shall be issued within five (5) days after having received such request. If the original proposal contained in the notice is changed, approval of the relevant shareholders shall be sought.

If the Supervisory Committee fails to give the notice of the shareholders' general meeting within the specified time limit, it shall be deemed as not convening or presiding over the meeting, in which case, the shareholders individually or jointly holding more than ten (10) percent of the Company's shares for more than ninety (90) consecutive days may convene and preside over the meeting on their own.

If the shareholders decide to convene a shareholders' general meeting on their own, prior to publication of the announcement on the resolutions passed at the shareholders' general meeting or at the class meeting, the shareholding ratio of the shareholders convening the meeting shall not be less than ten (10) percent.

If the Supervisory Committee or shareholders decide(s) to convene a shareholders' general meeting on its/their own, a written notice shall be sent to the Board and filed with the local office of the China Securities Regulatory Commission and the stock exchange where the Company is located. When issuing the notice of shareholders' general meeting and the announcement on the resolutions passed at the shareholders' general meeting, the Supervisory Committee or shareholders convening the meeting shall submit the relevant evidence materials to the local office of the China Securities Regulatory Commission and the stock exchange where the Company is located.

If the Supervisory Committee or shareholders convene(s) a shareholders' general meeting on its/their own, the Board and the secretary to the Board shall cooperate accordingly. The Board shall provide the register of shareholders as at the date of the shareholding registration date. If the Supervisory Committee or shareholders convene(s) a shareholders' general meeting on its/their own, the necessary expenses shall be borne by the Company.

Proposals and Notice of Shareholders' General Meetings

Where the Company convenes a shareholders' general meeting, the Board, Supervisory Committee, and shareholder(s) severally or jointly holding more than three (3) percent shares of the Company may make proposals to the Company.

Shareholder(s) severally or jointly holding more than three (3) percent shares of the Company may submit written provisional proposals to the convener ten (10) days before a shareholders' general meeting is convened. The convener shall serve a supplementary notice of shareholders' general meeting within two (2) days after receipt of the proposal and announce the content of the provisional proposal.

Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of the shareholders' general meeting or add any new proposal after the said notice is served.

Voting and Resolutions of Shareholders' General Meetings

Resolutions of a shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the shareholders' general meeting.

Special resolutions shall be passed by votes representing more than two-thirds of voting rights held by shareholders (including proxies thereof) attending the shareholders' general meeting.

The following issues shall be approved by ordinary resolutions at a shareholders' general meeting:

- (i) work reports of the Board and the Supervisory Committee;
- (ii) profit distribution plan and loss recovery plan formulated by the Board;

- (iii) appointment and removal of the members of the Board and the Supervisory Committee, their remunerations and the method of payment thereof;
- (iv) annual budgets, final accounts, balance sheets, income statements and other financial statements of the Company;
- (v) annual reports of the Company;
- (vi) issues other than those that should be passed by special resolutions pursuant to the laws, administrative regulations, listing rules of the place where the Company's shares are listed or the Articles of Association.

The following issues shall be approved by special resolutions at a shareholders' general meeting:

- (i) increase or reduction in the share capital of the Company and the issue of shares of any class, warrants and other similar securities;
- (ii) issue of corporate bonds;
- (iii) division, merger, dissolution, liquidation or transformation of the Company;
- (iv) amendment to the Articles of Association;
- (v) significant assets purchased or sold or the guarantee amount by the Company within one (1) year exceeds thirty (30) percent of the Company's total assets;
- (vi) equity incentive scheme;
- (vii) other matters required by the Articles of Association and listing rules of the place where the Company's shares are listed, and those, according to an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by means of a special resolution.

Shareholders (including their proxies) exercise voting power in the shareholders' general meeting with the number of voting shares represented by them, and each share has one (1) vote.

Where material issues affecting the interests of small and medium investors are being considered at the shareholders' general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.

The company shares held by the Company do not have voting power, and such shares are not counted in the total number of voting shares upon attendance at a shareholders' general meeting.

The Board, independent directors and shareholders of the Company who are qualified with relevant requirements may publicly collect voting rights from shareholders. Shareholders' voting rights shall be solicited with sufficient disclosure of the concrete voting intention to the owner of the voting rights. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not set a minimum shareholding ratio threshold for soliciting the voting rights.

When a related transaction is considered at a shareholders' general meeting, the related shareholders shall not vote, and the voting shares represented by them shall not be counted in the total number of voting shares; the announcement of any resolution made at the shareholders' general meeting shall adequately disclose information relating to voting by non-related shareholders.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of share shall be class shareholders.

Any variation or abrogation of the rights of class shareholders proposed by the Company shall be approved by a special resolution of the shareholders' general meeting and by the shareholders of the affected class at a separate class meeting convened in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of shareholders of a certain class:

- (i) increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;
- (ii) conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;
- (iii) removal or reduction of the entitlement and rights to receive and retain dividends attributable to shares of that class;
- (iv) reduction or removal of the right of priority to receive dividends or distribution of wealth in the event of liquidation attached to shares of that class;
- (v) increase, removal or reduction of the right of conversion, options, voting rights, the right to transfer, priority in placement of shares and the right to acquire securities of the Company attached to shares of that class;
- (vi) removal or reduction of the right to receive sums payable by the Company in particular currencies attached to shares of that class;
- (vii) creation of a new class of shares having the same or more rights in voting, distribution or other privileges;
- (viii) imposing or strengthening the restriction on the transfer of or the ownership of shares of that class;
- (ix) issue of rights to subscribe for or convert into shares of that class or other class;
- (x) increase in the rights and privileges of shares of other classes;

- (xi) proposed restructure of the Company which shall result in different class shareholders having to assume disproportionate liabilities;
- (xii) alteration or cancelation of the provision of this Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at the shareholders' general meetings, shall have the right to vote at the class meeting in relation to any of the matters of the Company under circumstances (ii) to (viii) and (xi) to (xii) mentioned above, but interested shareholders shall not be entitled to vote at the class meeting.

A resolution of a class meeting shall be passed by at least a two-thirds majority calculated on the basis of the voting rights held by the shareholders present and entitled to vote at the class meeting.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

- (i) pursuant to a special resolution of the shareholders' general meeting, the Company issues domestic shares and overseas-listed foreign shares in a period of twelve (12) months, either separately or concurrently, and the respective numbers of domestic shares and overseas-listed foreign shares proposed to be issued do not exceed twenty (20) percent of the respective numbers of the issued domestic shares and overseas-listed foreign shares;
- (ii) issue of domestic shares upon establishment of the Company and issue of overseas-listed foreign shares pursuant to a plan approved by the securities regulatory agency of the State Council within fifteen (15) months from the date of approval;
- (iii) upon the approval of the securities regulatory agency of the State Council, the shares held by holders of domestic shares are transferred to overseas investors and listed for trading on an overseas stock exchange.

Directors and the Board

Directors

Directors shall be elected at the shareholders' general meeting with a term of three (3) years. Upon the expiration of the term of office, a director shall be eligible to offer himself for re-election and reappointment.

The term of office of a director shall commence from the date on which the said director assumes office to the expiry of the current session of the Board. If the term of office of a director expires but re-election is not made correspondingly on a timely basis, the original director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until the incoming director assumes his/her position.

President or other senior management officers may concurrently serve as a director, provided that the aggregate number of directors who concurrently serve as president or other senior management officers and directors who are staff representatives shall not exceed one-half of the total number of directors of the Company.

A director is not required to hold any shares of the Company.

If any director fails to attend in person or appoint other directors as his/her representative to attend meetings of the Board for two (2) consecutive times, such director shall be deemed to have failed to perform his duties, and the Board shall propose to replace such director at the shareholders' general meeting.

If the term of office of a director expires but re-election is not made correspondingly on a timely basis, or a director has resigned during the term of office as a result of which the number of members in the Board falls below the quorum, the original director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, relevant requirements of the securities regulatory authorities of the place where the Company's shares are listed and requirements of the Articles of Association until a new director is elected.

A director shall comply with the laws, administrative regulations and the Articles of Association and has the following fiduciary obligations to the Company:

- (i) not to exploit his position to accept bribes or to obtain other illegal income, and to expropriate the Company's property;
- (ii) not to misappropriate the Company's funds;
- (iii) not to open any account in his own name or in other's own name for the deposit of the Company's assets or funds;
- (iv) not to violate the provisions of the Articles of Association by lending the Company's funds to others or using the Company's assets to provide guarantee for others without the consent of the shareholders' general meeting or the Board;
- (v) not to violate the provisions of the Articles of Association or without the consent of the Board by entering into contract or transaction with the Company;
- (vi) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business without the consent of the shareholders' general meeting;
- (vii) not to accept commissions in connection with the Company's transactions;
- (viii) not to disclose the secrets of the Company without consent;
- (ix) not to use their connections to harm the interests of the Company;
- (x) to be bound by other fiduciary obligations stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

Any gain arising from the breach of this Article by the director shall belong to the Company. He/she shall be liable for compensation for any loss of the Company arising therefrom.

A director shall comply with the laws, administrative regulations and the Articles of Association and shall diligently perform the following obligations to the Company:

- (i) to exercise prudently, conscientiously and diligently the rights granted by the Company to ensure the Company's commercial acts are in compliance with the State laws, administrative regulations and the requirements of economic policies of China and that its commercial activities are within the scope stipulated in the business license;
- (ii) to treat all shareholders equally;
- (iii) to understand the business operation and management of the Company in a timely manner;
- (iv) to initial and approve regular reports of the Company and to ensure the integrity, accuracy and completeness of the information disclosed by the Company;
- (v) to provide relevant information required by the Supervisory Committee and shall not intervene the performance of the Supervisory Committee or supervisors of their functions and powers;
- (vi) to perform other obligations of diligence stipulated by the laws, administrative regulations, departmental rules and the Articles of Association.

Independent Directors

An independent director refers to a director who does not act in other capacities in the Company other than director, committee member or chairman of special committees under the Board, nor there any relationship between the Company and its substantial shareholders which may affect the director in making objective judgments. Independent directors shall account for at least one-third of the members of the Board and not less than three (3) persons. Independent directors of the Company shall include at least one (1) with applicable professional qualifications or with applicable accounting or related financial management strengths, and at least one (1) independent director shall generally live in Hong Kong.

The term of an independent director is the same as that of other directors of the Company. An independent director who is re-elected may serve for another term not exceeding six (6) years if he/she is re-elected after his/her term of office expires.

An independent director shall have the qualifications and independence stipulated by the laws, regulations and listing rules in the place where the Company's shares are listed.

Board

The Company shall establish a Board consisting of 10 directors, with one (1) chairman and (1) deputy chairmen. The number of independent directors shall represent one-third or above of the Board and there is at least one (1) accounting professional.

The Board shall be responsible to the shareholders' general meeting and exercise the following functions and powers:

- (i) be responsible to convene the shareholders' general meetings and report on its work to the shareholders;

- (ii) to implement the resolution of the shareholders' general meeting;
- (iii) to decide on the business plans and investment schemes of the Company;
- (iv) to formulate the Company's proposed annual financial budget and final accounts;
- (v) to formulate the Company's profit distribution plan and loss recovery plan;
- (vi) to formulate proposals for the increase or reduction of the Company's registered capital, and plans for the issue of corporate bonds or other securities and the listing plan;
- (vii) to draw up plans for material acquisition, purchase of the Company's shares, or merger, demerger, dissolution or change of the form of the Company;
- (viii) to decide on matters relating to the Company's external investments, acquisitions or disposal of assets, assets pledge, external guarantees, entrusted wealth management and connected transactions as authorized by the shareholders' general meeting;
- (ix) to decide on the establishment of the Company's internal management organization;
- (x) to appoint or remove the Company's president; to appoint or remove the deputy president, chief finance officer and other senior management officers pursuant to the president's nominations, and to determine the remuneration matters;
- (xi) to formulate the Company's basic management system;
- (xii) to formulate proposals for any amendment to the Articles of Association;
- (xiii) to manage information disclosure of the Company;
- (xiv) to propose at the shareholders' general meetings for the appointment or change of the accounting firm conducting auditing for the Company;
- (xv) other functions and powers as conferred by the laws, regulations, requirements of the listing rules of the place where the Company's shares are listed, the shareholders' general meetings and the Articles of Association.

In making the resolutions in the preceding paragraph by the Board, except circumstances (vi), (vii) and (xii) must be approved by two-thirds of all the directors, the remaining resolutions shall be approved by more than half of all the directors. The Board shall perform duties pursuant to the State laws, administrative regulations, listing rules of the place where the Company's shares are listed, the Articles of Association and the resolutions of the shareholders' general meetings.

The Board of the Company shall explain to the shareholders' general meeting regarding the non-standard auditors' advice given by certified accountant in relation to the financial report of the Company.

The Board shall formulate the rules of procedure of meetings of the Board to ensure the implementation of the resolutions of shareholders' general meeting by the Board, to improve efficiency and to make decision in a scientific manner.

The Board shall formulate stringent examination and decision making procedures for external investment, acquisition and disposal of assets, assets pledge, matters of external guarantee, entrusted wealth management and connected transactions of the Company. Specialists and professionals shall be retained to evaluate major investment projects and report to the shareholders' general meeting for approval.

External guarantee given by the Company shall be examined by the Board and disclosed in a timely manner. The examination of matters of external guarantee by the Board shall be approved by more than two-thirds of the directors attending the Board meeting and more than two-thirds of all the directors.

Transactions of the Company fulfilling one of the following standards shall be examined and approved by the Board and disclosed in a timely manner:

- (i) total assets involved in transactions accounts for more than ten (10) percent of the latest audited total assets of the Company. If there are both book value and assessed value for the assets involved in such transaction, the higher figure shall be used as the basis of calculation;
- (ii) the revenue of the subject matter of transactions (for example, equity interests) in the latest accounting year accounts for more than ten (10) percent of the revenue of the Company in the latest accounting year, and the absolute amount exceeds RMB10 million;
- (iii) the net profit of the subject matter of transactions (for example, equity interests) accounts for more than ten (10) percent of the audited net profit of the Company in the latest accounting year, and the absolute amount exceeds RMB1 million;
- (iv) the consideration of transactions (including the assumption of liability to debts and expenses) accounts for more than ten (10) percent of the latest audited net assets of the Company, and the absolute amount exceeds RMB10 million;
- (v) the profit generated by transactions accounts for more than ten (10) percent of the audited net profit of the Company in the latest accounting year, and the absolute amount exceeds RMB1 million.

Transactions of the same category related to the subject matter of the transactions of the Company within twelve (12) months shall be calculated in basis of aggregation in accordance with the requirements in the preceding paragraph. For transactions in which relevant obligations have been performed according to the applicable requirements in the preceding paragraph, such transactions shall not be included in the scope of aggregation.

If the data involved in the above indicative calculations is a negative figure, its absolute value shall be used for the purpose of calculation.

The following connected transactions shall be examined and approved by the Board and disclosed in a timely manner:

- (i) matters relating to connected transaction between the Company and its connected natural person in an amount more than RMB300,000;

- (ii) matters relating to connected transaction between the Company and its connected legal person in an amount more than RMB3 million and accounting for more than 0.5 percent of the latest audited absolute value of net assets of the Company;

The following connected transactions of the Company within twelve (12) consecutive months shall comply with the applicable requirements in the preceding paragraph and be calculated in basis of aggregation:

- (i) transactions with the same connected person;
- (ii) transactions related to the same subject matter of transactions with different connected persons.

The same connected person mentioned above includes other connected persons under common control of an entity or with control relationship with such connected person.

For transactions in which relevant obligations have been performed according to provision (i) in this Article, such transactions shall not be included in the scope of aggregation.

Before the Board disposes of fixed assets, the Board shall not, without the approval of the shareholders' general meeting, dispose or agree to dispose of such fixed assets where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four (4) months immediately preceding the proposed disposition exceeds thirty-three (33) percent of the value of fixed assets as shown in the latest audited balance sheet examined in the shareholders' general meeting.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of provision (i) in this Article.

The chairman of the Board shall exercise the following functions and powers:

- (i) to preside over shareholders' general meetings, to convene and preside over the meetings of the Board;
- (ii) to inspect the implementation of the resolutions of the Board;
- (iii) to sign the securities issued by the Company;
- (iv) other functions and powers conferred by the Board or the listing rules of the place where the Company shares are listed.

Meetings of the Board shall be divided into regular meetings or interim meetings. Meetings of the Board shall be held regularly at least four (4) times each year and shall be convened by the chairman of the Board. A written notice shall be sent at least fourteen (14) days prior to the date of a regular meeting of the Board or at least five (5) days prior to an interim meeting. By consent of all directors, the above time limit may not be observed. If an interim meeting of the Board needs to be held quickly due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral methods, provided that the convener makes an explanation thereof at the meeting.

Meetings of the Board shall be held only if more than one-half of the directors are present. Each director shall have one vote. The Board shall confirm the resolutions. Unless specified otherwise in the Articles of Association, resolutions of the Board must be passed by more than half of all the directors. Where the number of votes against a resolution is equal to the number of votes in favor of such resolution, the chairman of the Board is entitled to one (1) more vote.

A director shall attend the meeting of the Board in person. If a director is unable to attend a meeting of the Board, he/she may appoint another director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the scope of authorization.

The Board and its committees shall keep minutes of its decision on the matters considered at the meetings.

A director who is connected to the enterprises involved in a resolution of the meeting of the Board shall neither exercise his/her voting rights nor exercise another director's voting rights as a proxy and refrain from voting. Such meeting of the Board shall be held only where more than half of the directors unconnected, and the resolution of the meeting of the Board shall be approved by more than half of such unconnected directors. In case of less than three (3) unconnected directors present at the meeting, such matter shall be submitted to the shareholders' general meeting of the listed company for deliberation.

Special Committees under the Board

The Board shall establish audit committee, strategic committee, remuneration committee and nomination committee and formulate corresponding implementation rules stipulating the main duties, decision-making procedures and rules of procedure of each special committee. The Board is responsible for the amendments and explanations of the implementation rules of each special committee.

Secretary to the Board

The Company shall have one (1) secretary to the Board, who shall be a senior management officer of the Company.

The secretary to the Board shall be a natural person with essential expertise and experience, who shall be engaged or dismissed by the Board. The main responsibilities of the secretary to the Board shall be set forth below:

- (i) to ensure the completeness of the Company's organizational documents and records;
- (ii) to ensure that reports and documents of the Company required by competent authorities are prepared and delivered in accordance with the laws and to be responsible for accepting the relevant tasks assigned by the regulator and arranging for their completion;
- (iii) to ensure that the Company's register of members is duly made and kept and to ensure that persons with right to receive relevant Company records and documents receive such records and documents in a timely manner;
- (iv) to be responsible for matters relating to the disclosure of Company information, to ensure the timeliness, accuracy, lawfulness, integrity and completeness of the disclosure of Company information;

- (v) to perform other functions and powers granted by the Board and other functions and powers required by the stock exchange of the place where the Company shares are listed.

Directors or senior management officers of the Company may concurrently hold the office of secretary to the Board. The accountants of the accounting firm engaged by the Company shall not concurrently hold the office of secretary to the Board.

If the office of secretary to the Board is held by a director of the Company and a certain act is to be done by a director and the secretary to the Board separately, the person who concurrently holds the offices of director and secretary to the Board may not perform the act in both capacities.

President and Other Senior Management Officers

The Company shall have one (1) president who shall be appointed or dismissed by the Board.

The Company shall have several deputy presidents who shall be appointed or dismissed by the Board.

The Board shall decide a member of the Board act concurrently as president.

President shall serve a term of three (3) years. At the expiration of terms, President may continue to serve as such if reappointed.

Persons with duties other than directors in units of controlling shareholders and de facto controller of the Company may not serve as senior management officers of the Company.

President of the Company shall be responsible to the Board and exercise the following functions and powers:

- (i) to be in charge of the Company's operation and management, to coordinate the implementation of the resolutions of the Board and report the work to the Board;
- (ii) to organize the implementation of the Company's annual operation plan and investment proposal;
- (iii) to draft plans for the establishment of the Company's internal management organization;
- (iv) to draft the Company's basic management system;
- (v) to formulate the Company's basic regulations;
- (vi) to request to engage or dismiss the Company's deputy president and chief finance officer;
- (vii) to engage or dismiss the responsible managers except those who shall be engaged or dismissed in the decision of the Board;
- (viii) other functions and powers granted by the Articles of Association or the Board.

President of the Company shall attend meetings of the Board. President who is not a director has no voting rights at meetings of the Board.

President shall prepare detailed rules of the duties and responsibilities of president, which is effective upon approval by the Board.

Supervisory Committee

The Company shall have a Supervisory Committee.

Supervisory Committee shall consist of three (3) supervisors, and one (1) of them shall act as the chairman. Supervisors shall serve a term of three (3) years. At the expiration of terms, supervisors may continue to serve as such if re-elected.

The appointment and dismissal of the chairman of Supervisory Committee shall be approved by more than two-thirds of the members of Supervisory Committee.

The members of Supervisory Committee shall include two (2) shareholder representatives and one (1) representative of the Company's employees. Shareholder representatives shall be elected or removed from office by the shareholders' general meeting, and the representatives of the Company's employees shall be democratically elected or removed from office by the Company's employees.

Directors, president and other senior management officers of the Company shall not act concurrently as supervisors.

The meetings of Supervisory Committee shall be divided into regular meetings and interim meetings. The meetings of Supervisory Committee shall be held at least once every six (6) months, which shall be convened and presided over by the chairman of Supervisory Committee. Any supervisors may propose the holding of interim meeting of Supervisory Committee. If the chairman of Supervisory Committee is unable or fails to perform such duties, a supervisor elected jointly by no less than half of the supervisors shall convene and preside over the meeting.

Supervisory Committee shall be responsible to the shareholders' general meeting and exercise the following functions and powers:

- (i) to check the Company's financial condition;
- (ii) to supervise directors, president and other senior management officers in the performance of their duties to the Company and to propose the removal of directors or senior management officers who violate the laws, administrative regulations, listing rules of the place where the Company's shares are listed, the Articles of Association or the resolutions of the shareholders' general meeting;
- (iii) to request the rectification of the acts of directors, president and other senior management officers of the Company detrimental to the Company's interest;
- (iv) to check and inspect the financial information such as the financial report, business report and plans for profits distribution to be submitted by the Board to the shareholders' general meetings, and to authorize, in the Company's name, certified accountants and practicing auditors to assist in the review should any doubt arise in respect thereof;

- (v) to propose the convening of an extraordinary general meeting, and in the event that the Board fails to perform its duty of convening and presiding over a shareholders' general meeting, to convene and preside over such meeting;
- (vi) to submit motions to the shareholders' general meeting;
- (vii) to negotiate with directors on behalf of the Company or to sue directors, president and other senior management officers in accordance with the laws and the Articles of Association; and
- (viii) other functions and powers prescribed by the Articles of Association.

Reasonable fees arising from engaging professionals such as lawyers, certified accountants and practicing auditors by Supervisory Committee in exercising its functions and powers shall be borne by the Company.

The meetings of Supervisory Committee shall be held only if more than two-thirds of the members of Supervisory Committee are present. The meetings of Supervisory Committee shall adopt poll voting. Each supervisor shall have one (1) vote. The resolutions of Supervisory Committee shall be approved by more than two-thirds of the members of Supervisory Committee.

Records shall be made for all meetings of Supervisory Committee. Minutes shall be signed by all attending supervisors and the person taking the minutes. The meeting minutes of Supervisory Committee shall be kept as archives of the Company by a person designated by the chairman of Supervisory Committee. The meeting minutes shall be kept for at least ten (10) years.

Qualifications and Obligations of Directors, Supervisors and Senior Management Officers of the Company

None of the persons in any of the following situations shall serve as the directors, supervisors, president or other senior management officers of the Company:

- (i) being without civil capacity or having limited civil capacity;
- (ii) having been penalized or sentenced due to an offense of corruption, bribery, encroachment on property, misappropriation of property or disruption of the socialist market economy, or having been deprived of political rights due to the committing of any crime, and in each case, five (5) years not having elapsed since the completion of the relevant penalty, sentence or deprivation;
- (iii) having been a former director, factory director or manager of a company or enterprise which had been bankrupt and liquidated as a result of improper management whereby such person was personally liable for the bankruptcy of such company or enterprise, where less than three (3) years have elapsed since the date of completion of the liquidation of the company or enterprise;
- (iv) having been the legal representative of a company or enterprise which business license was revoked and which business was compulsorily closed down due to violation of laws whereby such person was personally liable, and three (3) years not having elapsed since the date of revocation of the business license of the company or enterprise;

- (v) being a debtor personally liable for a relatively large debt which has not been paid as it fell due;
- (vi) having been subject to an investigation by judicial authorities for suspected offense and the lawsuit is not settled yet;
- (vii) being prohibited from being senior management of enterprises by the laws and regulations;
- (viii) being a non-natural person;
- (ix) having been convicted by the relevant competent authorities for violations of securities regulations and acting fraudulently or dishonestly, where less than five (5) years have elapsed since the date of conviction;
- (x) circumstances specified in the listing rules or relevant laws and regulations of the places where the Company's shares are listed.

The validity of the conduct of directors, president or other senior management officers who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointments, elections or qualifications.

In addition to the obligations required by the laws, administrative regulations or listing rules of the stock exchange on which shares of the Company are listed, the directors, supervisors, president and other senior management officers of the Company shall have the following obligations to each shareholder in the exercise of the functions and powers of the Company entrusted to them:

- (i) not to cause the Company to exceed the scope of business stipulated in its business license;
- (ii) to act honestly in the best interests of the Company;
- (iii) not to deprive the Company in any way of its properties, including but not limited to the opportunities beneficial to the Company;
- (iv) not to deprive the shareholders of personal interest, including but not limited to the allotment rights and the voting rights, but excluding the restructuring of the Company submitted to the shareholders' general meeting for approval in accordance with these Articles.

The directors, supervisors, president and other senior management officers of the Company shall perform their duties in good faith and shall not put themselves in a position where their interests may be contradictory to their obligations. These principles include but not limited to the following:

- (i) acting in good faith to the best interests of the Company;
- (ii) exercising powers within their scope and not beyond the defined boundary;
- (iii) exercising the discretion vested in them personally and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations, listing rules on which shares of the Company are listed or with the informed consent of shareholders given at a shareholders' general meeting, not to delegate the exercise of his discretion;

- (iv) treating shareholders of the same type equally and shareholders of different types fairly;
- (v) not entering into any contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association and listing rules of which shares of the Company are listed or with the consent of shareholders' general meeting;
- (vi) not seeking benefits using the properties of the Company in any manner without the consent of the shareholders' general meeting with its full knowledge;
- (vii) not exploiting their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;
- (viii) not accepting commissions in connection with the transactions of the Company without the consent of the shareholders' general meeting;
- (ix) abiding by the Articles of Association; performing their official duties faithfully; protecting the interests of the Company; and not exploiting their positions and powers in the Company for their own interests;
- (x) not competing with the Company in any way unless with the consent of the shareholders' general meeting;
- (xi) not misappropriating the Company's funds or lending such funds to others, nor depositing the assets of the Company in accounts in their names or other names and providing guarantees for debts of the shareholders of the Company or other individual(s) with the assets of the Company; and
- (xii) unless otherwise permitted by the shareholders' general meeting with its full knowledge, keeping confidential the information relating to the Company acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that the disclosure of such information to the court or other government authorities is permitted if the disclosure is:
 - 1. by order of the laws;
 - 2. in the interests of the public;
 - 3. in the interests of the relevant directors, supervisors, president and other senior management officers.

The fiduciary duties of the directors, supervisors, president and other senior management officers of the Company do not cease with the termination of their tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the occurrence of the incident and the termination of the tenure and the situation and conditions that the relationship with the Company are terminated.

Unless otherwise provided by the Articles of Association, duties imposed on the directors, supervisors, president and other senior management officers of the Company due to violation of a specific obligation by such persons may be discharged as consented by a shareholders' general meeting.

Where the directors, supervisors, president and other senior management officers of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than their contracts of service with the Company), they shall declare the nature and extent of their interests to the Board as soon as possible, whether or not the related matters under normal circumstances is subject to the approval of the Board.

Unless under the exceptional circumstances specified in Note 1 of Appendix 3 of Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) own a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Listing Rules, the "close associates" herein shall be changed to "associates" (as defined in the applicable Listing Rules which come into effect from time to time).

If the connected persons or associates of the directors, supervisors, president and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, president and other senior executives shall also be deemed as having interests.

The Company shall not in any manner pay taxes on behalf of its directors, supervisors, president and other senior management officers.

The Company shall not, directly or indirectly, make a loan or provide any guarantee for a loan to the directors, supervisors, president and other senior management officers of the Company or the Company's parent company or any of their respective associates.

The prohibition mentioned in the preceding provisions shall not apply to the following circumstances:

- (i) a loan or a guarantee for a loan by the Company to its subsidiaries;
- (ii) a loan or a guarantee for a loan or other funds to any of its directors, supervisors, president and other senior management officers by the Company to meet expenditure incurred or to be incurred by them in the interests of the Company or for the purpose of enabling them to perform duties for the Company in accordance with the terms of an employment contract approved by the shareholders' general meeting; and
- (iii) the Company can make a loan or provide any guarantee for a loan to a director, supervisor, president and other senior management officer of the Company in the ordinary course of business, providing that the conditions for the loan and the guarantee shall be on normal commercial terms.

A loan made by the Company, regardless of its conditions, in breach of the aforesaid regulations shall be repaid to the Company immediately by the recipient of the loan.

A loan and a guarantee made by the Company in breach of the provisions shall not be mandatorily enforced against the Company, unless under the following circumstances:

- (i) the loan provider unknowingly provides loans to personnel related to the directors, supervisors, president or other senior management officers of the Company or its parent company;
- (ii) the collateral provided by the Company is sold lawfully by the loan provider to the buyer in good faith.

In addition to the rights and remedies provided by the laws, administrative regulations and listing rules on which shares of the Company are listed, where the directors, supervisors, president and other senior management officers of the Company are in breach of their duties to the Company, the Company has the right to:

- (i) claim damages from such directors, supervisors, president and other senior management officers for losses incurred to the Company as a result of their dereliction of duties;
- (ii) rescind any contract or transaction entered into by the Company with the directors, supervisors, president and other senior management officers or with a third party (where such third party knows or should have known that there is a breach of duties of such directors, supervisors, president and other senior management officers);
- (iii) require the directors, supervisors, president and other senior management officers to surrender the profits made due to a breach of duties;
- (iv) recover any money received by the directors, supervisors, president and other senior management officers which should have been received by the Company, including but not limited to commissions;
- (v) require the payment of interest earned or which may have been earned by the directors, supervisors, president and other senior management officers on the money that should have been paid to the Company.

The Company shall enter into written contracts on issues regarding the remuneration with the directors and supervisors, and submit such contracts to the shareholders' general meeting for approval.

Financial and Accounting Systems and Profits Distribution

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the PRC accounting standards formulated by the competent finance authorities of the State Council.

The Company shall prepare an annual financial report within four (4) months from the expiration date of each fiscal year and submit the same to the China Securities Regulatory Commission and the stock exchange. The Company shall also prepare an interim financial report within two (2) months from the end of the first six (6) months of each fiscal year and a quarterly financial report within one (1) month from the end of the first three (3) months and the first nine (9) months of each fiscal year respectively and submitted the same to the local branch office of the China Securities Regulatory Commission and the stock exchange.

The abovementioned financial reports shall be prepared in accordance with relevant laws, administrative regulations and departmental rules.

The Board of the Company shall submit financial reports prepared by the Company as required by relevant laws, administrative regulations, and normative documents promulgated by local government and competent department and listing rules of which the shares of the Company are listed to the shareholders at every annual general meeting.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. And material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the places outside the PRC where shares of the Company are listed.

The Company shall publish the financial reports twice per fiscal year. An interim financial report shall be published within sixty (60) days from the end of the first six (6) months of a fiscal year, while an annual financial report shall be published within one hundred and twenty (120) days after the completion of each fiscal year.

The Company shall not keep accounts other than those required by the laws. The assets of the Company shall not be kept under the name of any individual.

Capital reserve fund includes the following items:

- (i) premium proceeds from the shares issued over their par value;
- (ii) any other income required to be included in the capital reserve fund by the competent finance department of the State Council.

The common reserve fund of our Company shall be used to make up for its losses, increase the scale of production and operation of our Company or convert the same into the capital of our Company to increase the amount thereof, provided that the capital common reserve fund of the Company shall only be applied for the following purposes:

- (i) to make up for losses; while capital reserve fund are not allowed to be used to make up the losses.
- (ii) to convert into capital to increase the Company's capital; in the event of conversion of the statutory surplus reserve into share capital by way of capitalization, the balance of the capital

shall not be less than twenty-five (25) percent of the registered capital prior to capital injection of the Company.

- (iii) to increase the scale of production and operation of the Company.

When formulating and discussing the profits distribution policies, the Board, the Supervisory Committee and the shareholders' general meetings of the Company shall listen fully to the opinions of the independent directors, external supervisors and minority shareholders.

The Company shall implement continuous, stable, scientific and proactive profits distribution policies, and attach importance to reasonable return on investment to shareholders, so as to ensure the continuity and stability of profits distribution policies.

- (i) The profits distribution policies of the Company:

1. Principles of profits distribution: the Company shall implement proactive profits distribution policies, attach importance to reasonable return on investment to shareholders, maintain their continuity and stability, and, at the same time, give consideration to the sustainable development of the Company. Profits distribution shall not exceed the cumulative distributable profits or damage the Company's continuity ability;
2. Forms of profits distribution: the Company may distribute its profits in cash, shares or a combination of both, giving priority to cash dividends.

The Company generally distributes its profits on a yearly basis. The Board may implement a proposal on interim profits distribution subject to certain conditions.

3. Percentage of cash dividends: subject to the satisfaction of the fund required for normal production and operation of the Company, it shall distribute dividends in cash in the case that the Company is profitable and the accumulated undistributed profits are positive in the current year; the annual profits distributed in cash shall not be less than ten (10) percent of the realized distributable profits in the same year.

The Company may decide not to distribute cash dividends or the ratio of cash dividends can be lower than ten (10) percent of the realized distributable profits that year if the following situations occur:

- (1) the realized distributable profits per share that year is lower than RMB0.1;
- (2) the audited gearing ratio of the parent company that year exceeds seventy (70) percent;
- (3) the Company will have significant investment plans or material cash expenditure in the next twelve (12) months, excluding fund-raising projects;

Significant investment plans or material cash expenditure represents that the accrual expenditure of the Company arising from any proposed external investment, acquisitions of assets or purchases of equipment in the next twelve (12) months exceeds thirty (30) percent of net assets in the latest audited combined statement of the Company and exceeds RMB50 million.

4. The accumulated profits distributed in cash of the Company for the past three (3) years is no less than thirty (30) percent of the realized average annual distributable profits generated in such three (3) years.
5. If the Company is in a good operation condition; the Board considers that there is a mismatch between the share price of the Company and the size of its share capital; and the Board believes that distribution of share dividends coincides with the entire interests of all shareholders of the Company, the Company may, subject to satisfaction of the aforesaid conditions of cash dividends distribution, propose a proposal on distribution of dividends.

(ii) Differentiation of cash dividend policies of the Company:

The Board shall take various factors into consideration, including the features of the industry where the Company operates, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and differentiate the following circumstances to propose a differentiated policy for cash dividend distribution pursuant to the procedures stipulated in the Articles of Association of the Company:

1. Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in cash shall not be less than eighty (80) percent of the total profits distribution;
2. Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in cash shall not be less than forty (40) percent of the total profits distribution;
3. Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in cash shall not be less than twenty (20) percent of the total profits distribution.

The Board of the Company considers that, in the case that it is difficult to distinguish the Company's stage of development but the Company has significant capital expenditure arrangements, the profits distribution may be dealt with pursuant to these provisions.

(iii) Discussion procedures for profits distribution of the Company:

1. The Company's management and the Board reasonably suggest and propose dividends distribution with reference to the profitability and capital needs of the Company. The Board of the Company shall discuss in detail with its independent directors and supervisors and listen fully to the opinions of the minority shareholders raised through different channels during the discussion of profits distribution proposals, which shall be formulated based on considerations of the continuous, stable and scientific returns of all shareholders.

When the profits distribution plan is being considered by the Board, it shall be approved by the majority of all directors and approved by more than one-half of the independent directors who are also required to express their explicit independent opinions. When the profits distribution plan is being considered by the Supervisory Committee, it shall be approved by the majority of all supervisors. The profits distribution plan should only be submitted to the shareholders' general meeting for consideration and

approval after it has been considered and approved by the Board and the Supervisory Committee and the plan shall be approved by shareholders present at the shareholders' general meeting and who hold more than two-thirds of the voting rights.

The Company shall effectively protect the rights to participate in the shareholders' general meetings of the holders of the public shares. The Board, the independent directors and those shareholders who meet certain conditions may solicit their voting rights at the shareholders' general meetings with the shareholders of the listed company.

2. Where the Company has no cash dividends distribution proposals under the special circumstances as stated in sub-paragraph 3 of paragraph (i) of this Article, the Board shall explain the specific reasons for not distributing cash dividends, the exact purpose for the retained profits and the estimated investment return, submit the same to the shareholders' general meeting for consideration after independent directors have expressed their opinions thereon, and disclose the same in the designated media of the Company;
3. The Supervisory Committee shall supervise the implementation of the Company's profits distribution policies and the decision-making process conducted by the Board and the management, and shall issue special notes and opinions on the implementation of the relevant policies in the event of profits making in the year but without preplan on profits distribution;
4. After a resolution of the shareholders' general meeting on the profits distribution proposals is made, the Board of the Company shall complete the distribution of dividends (or shares) within two (2) months after the shareholders' general meeting is convened.

The Company shall pay cash dividends and other amounts which are payable to holders of domestic-listed domestic shares in Renminbi. The Company shall calculate and declare cash dividends and other payments which are payable to holders of foreign shares in Renminbi and shall pay such amounts in Hong Kong dollars. The Hong Kong dollars required by the Company to pay cash dividends and other amounts to holders of foreign shares shall be obtained in accordance with the relevant foreign exchange administrative regulations of the State.

(iv) Alteration of the Company's profit distribution policies:

In case of war, natural disasters and other force majeure, or changes to the Company's external operational environment resulting in material impact on its production and operation, or relatively significant changes to the Company's operational position, the Company may adjust its profit distribution policies.

The Board shall conduct specific discussion over adjustment to the Company's profit distribution policies, provide detailed reasons for such adjustment, form a written report to be considered by independent directors, and then submit to the shareholders' general meeting for approval by way of a special resolution. In considering alterations to the profit distribution policies, the Company shall make internet voting available to the shareholders.

When distributing each year's after-tax profits, the Company shall set aside ten (10) percent of its after-tax profits for its statutory common reserve fund. When the aggregate balance in the statutory common reserve fund reaches fifty (50) percent or more of the Company's registered capital, the Company shall not be required to make any further allocation to such fund.

When the Company's statutory common reserve fund is insufficient to make up for the Company's losses of the last year, profits of the current year shall be used to make up for the losses before allocations are set aside for the statutory common reserve fund in accordance with the previous paragraph.

After having set aside the statutory common reserve fund from the after-tax profits, the Company may also, with the approval of the resolution of the shareholders' general meeting, set aside discretionary common reserve fund from the after-tax profits.

If the shareholders' general meeting or meeting of the Board violates the provisions in the preceding paragraph and profits are distributed to the shareholders before the Company makes up for losses or makes allocations to the statutory common reserve fund, the profits distributed in violation of the provisions shall be returned by such shareholders to the Company.

Profits attributable for the shares of the Company held by it shall not be distributed to the Company.

The Company shall appoint one (1) or more receiving agents for holders of overseas-listed foreign shares to receive dividends which have been distributed by the Company and other monies payable by the Company in respect of its overseas-listed foreign shares on behalf of the holders, and proceeds from which shall be managed by the receiving agents on such shareholders' behalf to be paid to them.

The receiving agents appointed by the Company shall comply with the relevant requirements of the laws of the places and relevant regulations of the stock exchange where the Company's shares are listed.

Any payment for the shares paid before calls on shares shall be entitled to dividends. However, shareholders shall not be entitled to the participation of dividends where the dividends are subsequently declared.

Subject to related laws, regulations, rules, regulatory documents and relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, the Company shall exercise its power to forfeit the unclaimed dividends, except such power shall not be exercisable until after the expiry of the applicable limitation period, and shall only be exercisable in six years or more upon the date of dividend declaration.

Internal Audit and Appointment of an Accounting Firm

The Company shall establish an internal audit system and have specialized audit personnel to conduct internal audit and supervision on the incomes and expenses and business activities of the Company.

The internal audit system and duties of audit personnel shall be approved by the Board before implementation. The responsible audit personnel shall report to the Board.

The Company shall appoint an independent accounting firm that fulfills the requirements to obtain the "qualification to undertake securities related business" provided by the relevant regulations of China to audit the Company's annual financial reports and other financial reports.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting at which the appointment is made and shall end at the conclusion of the next annual general meeting. The term of office can be renewed upon expiry.

An accounting firm appointed by the Company shall have the following rights:

- (i) to inspect the accounting books, records or documents of the Company at any time, and to request the directors, president or other senior management officers of the Company to provide relevant information and explanation;
- (ii) to request the Company to adopt all reasonable measures to obtain from its subsidiaries such information and explanation as required by the accounting firm for performing its duties;
- (iii) to attend the shareholders' general meeting, and to obtain the notice of the meeting or other information regarding the meeting which a shareholder is entitled to obtain, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's accounting firm.

Notwithstanding the terms of contract between the accounting firm and the Company, the shareholders' general meeting may dismiss the accounting firm by ordinary resolution before the expiration of term of office of the accounting firm. The dismissal shall not limit the rights of the accounting firm to claim for compensation arising out of its dismissal to the Company (if any).

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

The appointment, dismissal and non-reappointment of an accounting firm by the Company shall be resolved at the shareholders' general meeting and shall be filed with the relevant securities regulatory authorities of the State Council.

Where the Company dismisses or ceases to reappoint the accounting firm, a thirty (30)-day prior notice shall be given to the accounting firm, and the accounting firm shall be entitled to state its opinions to the shareholders' general meeting. Where the accounting firm tenders resignation, it shall state to the shareholders' general meeting whether the Company has anything inappropriate.

Any accounting firm may resign its office by depositing at the legal residence of the Company a written resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

- (i) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the shareholders or creditors of the Company; or
- (ii) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant authorities within fourteen (14) days upon receipt of such written notice. If the notice contains a statement under sub-paragraph (ii) above, a copy of such statement shall be placed at the Company for shareholders' inspection. The copy of such statement shall also be sent to shareholders entitled to obtain the financial position reports of the Company at the address as recorded in the register of members.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to notice, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Merger, Division, Capital Increase and Capital Reduction of the Company

In the event of a merger or division of the Company, the Board of the Company shall submit a proposal, which shall be approved in accordance with the procedures stipulated in the Articles of Association and go through relevant examination and approval formalities pursuant to the laws. Shareholders who object to the merger or division proposal shall be entitled to request the Company or the consenting shareholders to acquire such dissenting shareholders' shares at a fair price. The content of the resolution of merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders. The documents as stated above shall be sent by mail to holders of overseas-listed foreign shares at the address as recorded in the register of members.

The merger of the Company may take the form of absorption or the establishment of a new company.

Where the Company undertakes a merger, the relevant parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date on which the resolution is passed regarding the merger and shall publish an announcement in the Securities Times within thirty (30) days. The creditors are entitled to require the Company to repay the debts or provide corresponding guarantees within thirty (30) days after the receipt of such notices or within forty-five (45) days if no such notice is received.

In the event of a merger of the Company, the rights and obligations of the debts of the parties to the merger shall be assumed by the company surviving the merger or the new company established after the merger.

Where the Company is divided, its property shall be divided correspondingly.

Where the Company is divided, the parties to the division shall enter into a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten (10) days of the date the resolution is passed regarding the division and publish an announcement in the Securities Times within thirty (30) days.

The Company established after the division shall assume joint and several liability for the debts incurred by the Company before the division, unless otherwise stipulated in any written agreement on the settlement of debts entered into by the Company and its creditors prior to the division.

The Company must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within ten (10) days from the date of adopting the resolution to reduce its registered capital and shall publish an announcement in the Securities Times within thirty (30) days. Creditors shall, within thirty (30) days of having received the notice or within forty-five (45) days since the date of the announcement for those who have not received the written notice, be entitled to demand the Company to repay the debts or provide corresponding guarantees.

The registered capital of the Company after the capital reduction shall not fall below the statutory minimum amount.

Where a change in any item in its registration arises as a result of any merger or division, the Company shall apply for change in its registration with the Company registration authority in accordance with the laws. Where the Company is dissolved, the Company shall apply for cancelation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration thereof in accordance with the laws.

Where the Company increases or decreases its registered capital, procedures for change of registration shall be handled at the Company registration authority in accordance with the laws.

Dissolution and Liquidation of the Company

In any of the following circumstances, the Company shall be dissolved and carry out liquidation in accordance with the laws:

- (i) the term of its operations set out in the Articles of Association has expired or events of dissolution specified in the Articles of Association occurred;
- (ii) dissolution as resolved by a shareholders' general meeting;
- (iii) dissolution as a result of merger or division of the Company;
- (iv) declaration of bankruptcy in accordance with the laws due to failure to repay debts due of the Company;
- (v) its business license is revoked or it is ordered to close down its business or its business license is canceled in accordance with the laws;
- (vi) where the Company suffers significant hardship in its operation or management so that the interests of its shareholders are subject to significant loss if the Company continues to exist, and that the situation cannot be resolved by any other means, the shareholders holding ten (10) percent or more of the voting rights of all the shareholders of the Company may file petition to the People's Court to dissolve the Company.

In the event of sub-paragraph (i) above, the Company may carry on its existence by amending the Articles of Association. If the Company is to be dissolved in accordance with the provisions of sub-paragraph (i), (ii) and (vi) above, it shall establish a liquidation committee within fifteen (15) days and the members of the liquidation committee shall be determined by the shareholders' general meeting by ordinary resolution. Where the Company is dissolved in accordance with sub-paragraph (iv) above, the People's Court shall set up a liquidation committee consisting of shareholders, relevant institutions and relevant professionals according to the laws to carry out the liquidation. Where the Company is dissolved in accordance with sub-paragraph (v) above, the relevant authorities shall organize the shareholders, relevant institutions and relevant professionals to establish a liquidation committee to carry out the liquidation.

Where the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall, in its notice convening a shareholders' general meeting,

declare that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within twelve (12) months after the commencement of the liquidation.

Upon passing of the resolution at the shareholders' general meeting for the liquidation, all functions and powers of the Board of the Company shall cease forthwith.

The liquidation committee shall give notices to the creditors within ten (10) days after its establishment and issue announcements in the Securities Times within sixty (60) days. The creditors shall report claims to the liquidation committee within thirty (30) days after the date of the receipt of such notices or within forty-five (45) days after the date of the announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation committee shall register the claims in accordance with the laws.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

The liquidation committee shall exercise the following functions and powers during the liquidation:

- (i) to sort out the property of the Company and prepare a balance sheet and an inventory of assets respectively;
- (ii) to give notices or publish announcements to the creditors;
- (iii) to deal with unsettled businesses of the Company in relation to the liquidation;
- (iv) to settle due taxes and taxes accrued during the liquidation;
- (v) to settle claims and debts;
- (vi) to deal with the remaining assets after the Company's debts have been repaid;
- (vii) to participate in civil litigations on behalf of the Company.

After the liquidation committee has sorted out the property of the Company and prepared a balance sheet and an inventory of assets, it shall formulate a liquidation scheme and report it to the shareholders' general meeting or relevant authorities for confirmation.

The Company's assets shall be settled according to the following order: payment of liquidation expenses, wages, social insurance premiums and statutory compensation of employees, payment of overdue taxes, and settlement of the Company's debts.

Any remaining assets of the Company subsequent to the settlement of its debts in accordance with the preceding provisions shall be distributed by the shareholders of the Company according to the class of shares and in the proportion of shares being held.

During the liquidation, the Company remains in existence but shall not carry out any operating activity which does not relate to the liquidation.

The property of the Company shall not be distributed to the shareholders before the debts are settled pursuant to the preceding provisions.

After the People's Court declares bankruptcy of the Company, the liquidation committee shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and a statement of incomes and expenses and the financial accounts for the liquidation period, and after verification by PRC certified public accountants, shall submit the same to the shareholders' general meeting or relevant authorities for confirmation. The liquidation committee shall, within thirty (30) days after the date of confirmation of the shareholders' general meeting or relevant competent authorities, submit the aforesaid documents to the company registration authority, apply to deregister the Company and publish an announcement on the dissolution of the Company.

Procedures for Amending the Articles of Association

In any of the following circumstances, the Company shall amend the Articles of Association:

- (i) after the Company Law or relevant laws and administrative regulations have been amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws and administrative regulations;
- (ii) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association;
- (iii) the shareholders' general meeting decided to amend the Articles of Association.

Notice and Announcement

Notices of the Company may be given in the followings ways:

- (i) by hand;
- (ii) by mail;
- (iii) by facsimile or e-mail;
- (iv) subject to the laws, administrative regulations and listing rules of the stock exchange of the place where the shares of the Company are listed, by posting on the website designated by the Company and the Hong Kong Stock Exchange;
- (v) by way of announcement;
- (vi) such ways as the Company or the notified party agreed in advance or any other way which is recognized by the notified party upon receipt of the notice;
- (vii) other ways which are recognized by the relevant regulatory authorities of the place where the shares of the Company are listed or stipulated in the Articles of Association.

Unless otherwise specified in the Articles of Association, for notice issued by the Company to H shareholders (by way of announcement), the Company shall on the same day submit an electronic version to the Hong Kong Stock Exchange through the Hong Kong Stock Exchange EPS for immediate release on the website of the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules, or publish an announcement on a newspaper (including publishing an advertisement on the newspaper) in accordance with the Hong Kong Listing Rules. The announcement shall also be published on the Company's website. In addition, unless otherwise specified in the Articles of Association, the notice must be delivered to each of the registered addresses as appeared in the register of holders of overseas-listed foreign shares by personal delivery or postage paid mail so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

Holders of overseas-listed foreign shares of the Company may choose in writing to receive the corporate communication that the Company must send to shareholders either by post or electronic means, and also choose to receive the English language version only or the Chinese language version only or both the English and Chinese language versions. They shall have the right at any time by reasonable prior written notice served on the Company to change their choices as to the manner of receiving the same and the language in accordance with applicable procedures.

For any notice delivered by hand, the addressee shall sign or seal with chop on the receipt slip and the date of delivery shall be the date of the confirmation of receipt by such addressee. For any notice delivered by mail, the date of delivery shall be the fifth working day upon the delivery to the post office. For any notice delivered by an announcement, the date of delivery shall be the date on which such announcement is initially published.

If delivered by post, the notice shall be put into a clearly addressed and postage-prepaid envelope, and putting the envelope enclosing the said notice into the mailbox shall be deemed as sending out the notice, and the notice shall be deemed as served forty-eight (48) hours after it is sent out.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting or any resolution adopted at that meeting.

The Company designates the Securities Times and <http://www.cninfo.com.cn> as the media for publishing the announcements regarding A shares of the Company and other information requiring disclosure.

Settlement of Disputes

The Company follows the following rules for settlement of disputes:

- (i) In the event of any dispute or claim between the Company and a director, supervisor or senior management officer, between a holder of overseas-listed foreign shares and the Company, between a holder of overseas-listed foreign shares and a director, supervisor or senior management officer of the Company, and between a holder of overseas-listed foreign shares and a holder of domestic shares arising from rights and obligations specified in the Articles of Association, contracts concluded according to the Articles of Association, the Company Law and other relevant laws and administrative regulations and relating to the affairs of the Company, the parties concerned shall submit the said dispute or claim for arbitration.

The aforesaid dispute or claim submitted for arbitration shall be the entire dispute or claim; all the persons who complain for the same reason or who are required to participate in the settlement of the dispute or claim shall accept the arbitration award if they are the Company or its shareholders, directors, supervisors or senior management officers.

Disputes relating to definition of shareholders and shareholders' register may be settled by means other than arbitration.

- (ii) The applicant for arbitration may select China International Economic and Trade Arbitration Commission for arbitration following the arbitration rules thereof or select Hong Kong International Arbitration Center for arbitration following the securities arbitration rules thereof. After the applicant for arbitration submits the dispute or claim for arbitration, the other party shall accept arbitration at the arbitral body selected by the applicant.

If the applicant for arbitration selects Hong Kong International Arbitration Center for arbitration, either party may request that the arbitration be conducted in Shenzhen following the securities arbitration rules of Hong Kong International Arbitration Center.

- (iii) Settlement of disputes or claims set out in (i) by way of arbitration shall be governed by the PRC laws save as otherwise specified by the laws and administrative regulations.
- (iv) The arbitration award made by the arbitral body shall be final and binding on both parties.
- (v) The said arbitration agreement is reached between the directors or senior management officers and the Company, with the Company representing both itself and each of its shareholders.
- (vi) Any arbitration submitted shall be deemed as authorizing the arbitration tribunal to conduct public hearing and announce the arbitration award.

The principal terms of the Convertible Bonds¹ of RMB100 each in the aggregate principal amount of RMB928 million which were issued by the Company pursuant to an offering prospectus dated December 19, 2017 issued by the Company are summarized as follows:

Issuer: the Company

Face value: RMB100

Issue Volume: 9,280,000

Issue price: Issued at par

Method of issue

The Convertible Bonds shall be initially placed to all shareholders whose names are recorded on the register after closing of the Shenzhen Stock Exchange on the registration day (December 20, 2017, T-1 day). The remaining portion and the portion that has not been subscribed for by the above shareholders shall be further placed to the public.

Sponsors (lead underwriter): PING AN Securities Corporation Limited

Guarantor: No guarantor

Governing law: PRC laws

Total principal amount of the Convertible Bonds: RMB928 million

Tenure

The Convertible Bonds shall be for a tenure of 6 years commencing from December 21, 2017 until December 21, 2023.

Interest rate

The interest payable on the face value of the Convertible Bonds shall be 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.

Interest payment date

Interest shall commence to calculate from December 21, 2017 onwards and payable on an annual basis. The interest payment date shall be the date of a complete year commencing from the first issue date of the Convertible Bonds until the conclusion of the subsistence period (subject to postponement in case of non-trading day); the interest payment registration date shall be the preceding trading day before the interest payment date.

¹ Note: For the purpose of this Appendix, the shares convertible from the Convertible Bonds shall refer to the A Shares of the Company.

Interest attribution and payment

Holders of the Company's Convertible Bonds shall be entitled to the interest of the Convertible Bonds of the Company of the then current year. The holders whose Convertible Bonds are converted to A Shares of the Company on or before the interest payment registration date shall not be entitled to the interest of the then current year and afterwards. The Company shall pay interest for the then current year within five trading days after the interest payment date.

Conversion period

Commencing from the date after six months following the end date of issue of the Convertible Bonds (December 27, 2017, that is the date when the raised fund is transferred to the banking account of the issuer) until maturity of the Convertible Bonds, that is from June 27, 2018 to December 21, 2023.

Conversion price

The initial Conversion Price shall not be lower than the average trading prices of the A Shares of the Company during the preceding 20 trading days prior to the date of the issue of the offering prospectus (if there is any adjustment of the share prices due to the ex-right or ex-dividend, the closing prices of the trading day prior to the adjustment shall be calculated at the price adjusted by the relevant ex-right or ex-dividend) and the average trading price of the preceding trading day prior to the date of the issue of the offering prospectus, that is RMB71.89/share.

The average trading prices during the preceding 20 trading days = total share transaction amount during the 20 days / total share transaction volume during the 20 days

The average trading price of the preceding trading day = total share transaction amount of that day / total share transaction volume of that day

Adjustment method and calculation formulae of the conversion price

After the issue of the Convertible Bonds, if there is any change in shares or shareholders' interests as a result of the bonus issue, conversion into additional share capital, additional issue of new shares, share placing by the Company or distribution of cash dividends (excluding the increase in share capital as a result of the conversion under the Convertible Bonds), the conversion price shall be adjusted according to the following formulae:

bonus issue or conversion into additional share capital: $P1 = P0 / (1+n)$;

additional issue of new shares or share placing: $P1 = (P0 + Axk) / (1+k)$;

the above two are carried out at the same time: $P1 = (P0 + Axk) / (1+n+k)$;

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

the above three are carried out at the same time: $P1 = (P0 - D + Axk) / (1+n+k)$;

of which: P0 shall be the initial conversion price, n shall be the rate of bonus issue or conversion into additional share capital, k shall be the rate of additional issue of new shares or share placing, A shall be the price for the additional issue of new shares or share placing, D shall be the cash dividends per shares, P1 shall be the adjusted share conversion price.

When the above circumstances happen, the Company shall adjust the conversion price accordingly, publish an announcement of the Board resolution in the information disclosure medium designated by CSRC and contain the information regarding the adjustment date of the share conversion price, method of adjustment and the suspension period of conversion (if necessary) in the announcement; if the adjustment date is on or after the application date of conversion by the holder of the Company's Convertible Bonds, and before the registration date of that share conversion, the conversion application by that holder shall be carried out according to the adjusted conversion price.

If there is any share repurchase, merger or division by the Company, or any other circumstance that shall lead to any change in shares and/or shareholders' interests and thus affect the creditor's interest or the derivative rights of share conversion of the holders of the Company's Convertible Bonds in this issue, the Company shall adjust the share conversion price as the case may be based on the principle of fairness and justice, and the principle that the interest of the holders of the Company's Convertible Bonds in this issue shall be fully protected. The relative details and method of adjustment of share conversion price shall be formulated in accordance with the then relevant laws and regulations, and regulatory rules of securities regulatory department.

Terms related to the adjustment of the conversion price

If the closing prices of the A Shares of the Company for at least 15 trading days in any 30 consecutive trading days are below 80% of the conversion price of the then current period, the Board of Directors of the Company shall have the right to propose a proposal of the downward adjustment of the conversion price and submit it to the Shareholders' general meetings for approval.

The above proposal shall be adopted with two-thirds or more of the voting rights held by shareholders present at the meeting, and the holders of the Company's Convertible Bonds in this issue shall abstain from voting. The conversion price after the adjustment shall not be lower than the calculated average trading prices of the A Shares of the Company during the preceding 20 trading days prior to the date of the shareholders' general meeting or the average trading price of the preceding trading day prior to the date of the shareholders' general meeting, whichever is higher.

If there is any adjustment in the conversion price during these 30 consecutive trading days, then the conversion price shall be calculated, if the adjustment takes place on or before the dealing day, at the conversion price after adjustment and the closing price; and if the adjustment takes place after the dealing day, at the conversion price prior to the adjustment and the closing price.

Procedure of the adjustment of the conversion price

If the Company decides to adjust the conversion price downwards, the Company shall publish an announcement in the information disclosure medium designated by CSRC and the announcement shall contain information regarding the adjusted conversion price, date of record, suspension period of the conversion of the Convertible Bonds and other related information. From the first trading day after the date of record (the date of the adjustment of the conversion price), the conversion application shall be restarted and the adjusted conversion price shall apply.

If the adjustment date is on or after the application date of conversion by the holder of the Company's Convertible Bonds, and before the registration date of that share conversion, the conversion application by that holder shall be carried out according to the adjusted conversion price.

Conditions, time and price of redemption

- (1) Within five trading days after the maturity of the Convertible Bonds, the Company shall redeem all unconverted Convertible Bonds at a price equal to 106% of the face value (including the interest of that year).
- (2) During the period commencing from the date after 6 months following the end date of issue until the maturity of the Convertible Bonds, if either of the following circumstances occurs, the Company shall have the right to redeem all or part of the Convertible Bonds which have not yet been converted before the redemption date at a price equal to the face value plus the then accrued interest:
 - a. if the closing prices of the A Shares of the Company for at least 15 trading days in any 30 consecutive trading days are no less than 130% of the then current conversion price;
 - b. if the remaining principal amount of the unconverted Convertible Bonds falls below RMB30,000,000.

The formulae of the then accrued interest: $IA = B \times i \times t / 365$

Of which: IA shall be the then accrued interest; B shall be the total principal amount of the face value of the Convertible Bonds held by the holder; i shall be the then current interest rate; t shall be the actual calendar days calculated from the last interest payment date until the redemption date of current year (the first calculated day is included and the last day isn't).

If there is any adjustment in the conversion price during these 30 consecutive trading days, then the conversion price shall be calculated, if the adjustment takes place on or before the dealing day, at the conversion price after adjustment and the closing price; and if the adjustment takes place after the dealing day, at the conversion price prior to the adjustment and the closing price.

Conditions, time and pricing of resale

During the fifth and sixth years after the issue of the Convertible Bonds, if the closing prices of Company's shares are lower than 70% of the share conversion price of the then current period for 30 consecutive trading days, holders of the Convertible Bonds shall have the right to resell all or part of the Convertible Bonds to the Company at a price equal to the face value plus the then accrued interest.

If there is any adjustment in the conversion price during these 30 trading days, then the conversion price shall be calculated if the adjustment takes place on or before the dealing day, at the conversion price after the adjustment and the closing price; and if the adjustment takes place after the dealing day, at the conversion price prior to the adjustment and the closing price. If there is any downward adjustment of the conversion price, the above 30 consecutive trading days shall be recalculated from the first trading day after the adjustment of the conversion price.

During the fifth and sixth years after the issue of the Convertible Bonds, holders could conduct the resale after the resale conditions have firstly been satisfied. If the holder doesn't make the resale reporting

during the resale reporting period announced by the Company and doesn't resale the Convertible Bonds accordingly, the resale right for that year shall lapse. The holders shall not execute the resale rights in many times.

Additional resale conditions and price

During the subsistence period of the Convertible Bonds, if the use of funds raised deviates in any material respects from those undertakings of the Company set out in the offering prospectus, the above may be deemed to be a change in the use of funds raised according to the relevant provisions of the CSRC or considered by the CSRC to be a change in the use of funds. A holder shall have the right to additionally resell part or all of the Convertible Bonds to the Company at a price equal to the face value plus the then accrued interest. The holders could conduct the additional resale during the announced additional resale reporting period if the additional resale condition is satisfied. If a holder has not conducted the additional resale during this additional resale reporting period, the additional resale right shall lapse.

Entitlements of the shares following conversion

The ordinary shares of the Company allotted as a result of the conversion shall rank pari passu with the issued ordinary shares of the Company. All the shareholders whose name are recorded on the register at the date of record for the distribution of dividends (including the shareholders whose shares are converted from the convertible bonds) are entitled to the distribution of dividends.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Establishment of Our Company**

Our Company was established in the PRC on March 2, 2000 and converted into a joint stock company with limited liability under the PRC Company Law on December 18, 2007. Our registered address is at Longteng Road, Economic Development Zone, Xinyu, Jiangxi Province, PRC. We have established a place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on February 9, 2018. Mr. Cheung Kai Cheong Willie has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we were established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of certain provisions of our Articles of Associations are set out in Appendices IV and V to this prospectus, respectively.

2. Changes in the Share Capital of Our Company

The following sets out the changes in our share capital during the two years preceding the date of this prospectus:

- (a) The registered capital of the Company was decreased from RMB377,814,402 to RMB376,347,763 on May 31, 2016 by way of repurchasing and de-registering 1,466,639 Shares from Li Wanchun and Hu Yemei;
- (b) The registered capital of the Company was increased from RMB376,347,763 to RMB752,695,526 on August 15, 2016 by way of capitalizing our capital reserves in the amount of RMB376,347,763;
- (c) The registered capital of the Company was decreased from RMB752,695,526 to RMB728,904,879 on July 14, 2017 by way of repurchasing and de-registering 23,790,647 Shares from Li Wanchun and Hu Yemei; and
- (d) The registered capital of the Company was increased from RMB728,904,879 to RMB741,771,379 on February 1, 2018 by way of issuing a total of 12,866,500 A Shares to our employees pursuant to the RSU Scheme.
- (e) The registered capital of the Company was decreased from RMB741,771,379 to RMB741,139,361 on March 9, 2018 by way of repurchasing and de-registering 632,018 A Shares from Li Wanchun.
- (f) The registered capital of the Company was increased from RMB741,139,361 to RMB743,262,441 on May 2, 2018 by way of issuing a total of 2,123,080 A Shares to our employees pursuant to the RSU Scheme.
- (g) The registered capital of the Company was increased from RMB743,262,441 to RMB 1,114,893,661 on June 13, 2018 by way of capitalization issue.

- (h) The registered capital of the Company was increased from RMB1,114,893,661 to RMB1,114,893,955 in June 2018 due to the issue of A Shares pursuant to the conversion of certain Convertible Bonds.

When the Company was converted into a joint stock limited liability company, our initial registered capital was RMB75,000,000, divided into 75,000,000 domestic shares of nominal value of RMB1.00 each, all of which were fully paid up.

Immediately following the completion of the Global Offering but without taking into account any H Shares which may be issued upon the exercise of the Over-allotment Option, our registered capital will increase to RMB1,315,081,160, comprising 1,114,895,360 A Shares and 200,185,800 H Shares fully paid up or credited as fully paid up, representing approximately 84.78% and 15.22% of our registered capital, respectively.

Save as disclosed in "History, Development and Reorganization" and the above, there has been no alteration in the share capital of our Company during the two years preceding the date of this prospectus.

3. The Shareholders' Resolutions of Our Company

At an extraordinary general meeting of our Company held on January 15, 2018, among other things, the following resolutions were passed by the shareholders of our Company:

- (a) the Global Offering has been approved and the Board has been authorized to apply for the listing of H Shares on the Hong Kong Stock Exchange as well as to approve matters in relation to the Global Offering;
- (b) the issue by the Company of the H Shares of nominal value of RMB1.00 each up to 200,185,800 H Shares in total and such H Shares to be listed on the Hong Kong Stock Exchange;
- (c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective on the Listing Date;
- (d) the Board has been authorized to revise and amend the Articles of Association in accordance with laws, regulations, requirements and suggestions of related governmental authorities and regulatory authorities; and
- (e) the Board has been authorized to draft, sign, execute, implement, revise, and complete the applications, memos, reports, and all other necessary documents for submission to the relevant domestic and overseas authorities, governmental authorities, regulatory authorities, institutions or individuals and to deal with approval, registration, filing, verifications or other formalities in relation to the Global Offering.

4. Changes in the Share Capital of Our Subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) The registered capital of Ganfeng Battery, a wholly-owned subsidiary of our Company, was increased from RMB100,000,000 to RMB300,000,000 on February 1, 2018 by way of capital injection by our Company;

- (b) The registered capital of Ganfeng Recycling, a wholly-owned subsidiary of our Company, was increased from RMB12,000,000 to RMB100,000,000 on January 19, 2018 by way of capital injection by our Company;
- (c) The registered capital of Ganfeng Transportation, a wholly-owned subsidiary of our Company, was increased from RMB100,000 to RMB3,000,000 on March 27, 2017 by way of capital injection by our Company;
- (d) The registered capital of Ganfeng Battery, a wholly-owned subsidiary of our Company, was increased from RMB20,000,000 to RMB100,000,000 on February 27, 2017 by way of capital injection by our Company;
- (e) The registered capital of Dongguan Ganfeng, a wholly-owned subsidiary of our Company, was increased from RMB10,000,000 to RMB100,000,000 on June 26, 2017 by way of capital injection by our Company;
- (f) The capital contribution of New Energy Industrial Investment, a limited partnership with our Company as a limited partner and holding 49.995% of the interest as of the Latest Practicable Date, was increased from RMB150,000,000 to RMB1,000,000,000 on September 7, 2016 by way of capital injection by ICBC Credit Suisse Investment Management Co., Ltd. (工銀瑞信投資管理有限公司) and our Company; and
- (g) The registered capital of GFL International, a wholly-owned subsidiary of our Company, was increased from USD 7,128,200 to USD88,748,200 on June 30, 2016 by way of capital injection by our Company.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the cornerstone investment agreement dated July 23, 2018 entered into among our Company, Samsung SDI Co., Ltd., Citigroup Global Markets Asia Limited and Citigroup Global Markets Limited, pursuant to which Samsung SDI Co., Ltd. agreed to purchase the H Shares, at the Offer Price, in the amount equals to the Hong Kong dollar equivalent of US\$50,000,000;
- (b) the cornerstone investment agreement dated July 23, 2018 entered into among our Company, Dongfeng Asset Management Co., Ltd. and Deutsche Bank AG, Hong Kong Branch, pursuant to which Dongfeng Asset Management Co., Ltd. agreed to purchase the H Shares, at the Offer Price, in the amount equals to the Hong Kong dollar equivalent of US\$30,000,000;
- (c) the cornerstone investment agreement dated September 19, 2018 entered into among our Company, Khorgos Haibangcaizhi Equity Investment Partnership (Limited Partnership) (霍爾果斯海邦財智股權投資合夥企業 (有限合夥)) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Khorgos Haibangcaizhi Equity Investment Partnership (Limited Partnership) agreed to purchase the H Shares, at the Offer Price, in the amount equals to the Hong Kong dollar equivalent of RMB58,652,100;

- (d) the cornerstone investment agreement dated September 19, 2018 entered into among our Company, First Automotive Works Equity Investment (Tianjin) Company Limited (一汽股權投資(天津)有限公司), Citigroup Global Markets Asia Limited and Citigroup Global Markets Limited, pursuant to which First Automotive Works Equity Investment (Tianjin) Company Limited agreed to purchase the H Shares, at the Offer Price, in the amount equals to the Hong Kong dollar equivalent of RMB146,000,000;
- (e) the cornerstone investment agreement dated September 20, 2018 entered into among our Company, China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), China International Capital Corporation Hong Kong Securities Limited and China Asset Management Co., Ltd., pursuant to which China Structural Reform Fund Corporation Limited agreed to purchase the H Shares through China Asset Management Co., Ltd. (華夏基金管理有限公同) as the QDII manager, at the Offer Price, in the amount equals to the Hong Kong dollar equivalent of US\$70,000,000;
- (f) the cornerstone investment agreement dated September 21, 2018 entered into among our Company, LG Chem, Ltd., Citigroup Global Markets Asia Limited and Citigroup Global Markets Limited, pursuant to which LG Chem, Ltd. agreed to purchase the H Shares, at the Offer Price, in the amount equals to the Hong Kong dollar equivalent of US\$50,000,000; and
- (g) the Hong Kong Underwriting Agreement.

2. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, our Company has registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Period
1		1	our Company	PRC	1310043	September 7, 2009 to September 6, 2019
2		1	our Company	PRC	6531632	March 28, 2010 to March 27, 2020
3		12	our Company	PRC	13091914	January 7, 2015 to January 6, 2025
4		9	our Company	PRC	13091911	December 28, 2014 to December 27, 2024
5		9	Ganfeng Battery	PRC	13110015	January 14, 2015 to January 13, 2025
6		9	Shenzhen Meibai	PRC	9578834	August 7, 2012 to August 6, 2022

(b) Patents

As of the Latest Practicable Date, our Company has registered the following patents in the PRC which are material to our business:

No.	Patent Name	Type	Registered Owner	Registration Number	Registration Period
1	Sulfuric acid method of producing essential lithium sulfate solution in the process of extracting lithium from lepidolite (硫酸法鋰雲母提鋰工藝中精硫酸鋰溶液的生產方法)	Invention	our Company	ZL20061014 5362.5	November 24, 2006 to November 23, 2026
2	Method for preparing lithium carbonate by extracting lithium from lepidolite (從鋰雲母提鋰製備碳酸鋰的方法)	Invention	our Company	ZL20081012 7821.6	July 2, 2008 to July 1, 2028
3	A method and device for producing crystalline anhydrous lithium chloride (一種結晶無水氯化鋰生產方法及裝置)	Invention	our Company	ZL20081000 4759.1	January 30, 2008 to January 29, 2028
4	A method for preparing battery-grade lithium carbonate by using lithium chloride solution (一種利用氯化鋰溶液製備電池級碳酸鋰的方法)	Invention	our Company	ZL20091015 8532.7	July 10, 2009 to July 9, 2029
5	Method for preparing battery grade lithium dihydrogen phosphate and battery-grade lithium dihydrogen phosphate prepared therefrom (製備電池級磷酸二氫鋰的方法及由此制得的電池級磷酸二氫鋰)	Invention	our Company	ZL20091017 0206.8	September 4, 2009 to September 3, 2029
6	A preparation method of lithium fluoride (一種氟化鋰的製備方法)	Invention	our Company	ZL20091022 1557.7	November 20, 2009 to November 19, 2029
7	Methods for preparing light building material ceramsite by using lepidolite to extract lithium slag (利用鋰雲母提鋰渣製備輕質建材陶粒的方法)	Invention	our Company	ZL20101059 1845.4	December 9, 2010 to December 8, 2030
8	A method of extracting lithium salt from spodumene (一種從鋰輝石中提取鋰鹽的方法)	Invention	our Company	ZL20101027 9730.1	September 9, 2010 to September 8, 2030
9	A method for separating potassium rubidium from lepidolite treatment liquid (一種從鋰雲母處理液中分離鉀鉷的方法)	Invention	our Company	ZL20101023 1272.4	July 19, 2010 to July 18, 2030

No.	Patent Name	Type	Registered Owner	Registration Number	Registration Period
10	A treatment method of battery-grade lithium carbonate mother liquor (一種電池級碳酸鋰母液處理方法)	Invention	our Company	ZL20111012 2564.9	May 12, 2011 to May 11, 2031
11	A synthesis of alkyl lithium (一種烷基鋰的合成工藝)	Invention	our Company	ZL20101016 7345.8	May 6, 2010 to May 5, 2030
12	A method for preparing nickel sulfate solution to remove cobalt and manganese by using nickel hydroxide cobalt manganese as raw material (一種以氫氧化鎳鈷錳為原料製備硫酸鎳溶液除鈷錳的方法)	Invention	our Company	ZL20131055 2644.7	November 8, 2013 to November 7, 2033
13	A method for preparing ternary cathode material precursor (一種三元正極材料前驅體的製備方法)	Invention	our Company	ZL20131048 5720.7	October 17, 2013 to October 16, 2033
14	A method for preparing lithium carbonate from lepidolite through sulfuric acid roasting methods (一種硫酸焙燒法鋰雲母製備碳酸鋰的方法)	Invention	our Company	ZL20131006 2852.9	February 28, 2013 to February 27, 2033
15	A method for preparing anhydrous lithium bromide (一種製備無水溴化鋰的方法)	Invention	our Company	ZL20121041 7698.8	October 26, 2012 to October 25, 2032
16	A method for preparing lithium hydroxide monohydrate by extracting lithium from spodumene (一種從鋰輝石提鋰製備單水氫氧化鋰的方法)	Invention	our Company	ZL20121007 2089.3	March 19, 2012 to March 18, 2032
17	A method for preparing high purity lithium oxide (一種高純氧化鋰的製備方法)	Invention	our Company	ZL20111039 9220.2	December 6, 2011 to December 5, 2031
18	A method for preparing nanoscale iron phosphate (一種納米級磷酸鐵的製備方法)	Invention	our Company	ZL20111039 6466.4	December 2, 2011 to December 1, 2031
19	A method for preparing special battery-grade ferrous oxalate for lithium iron phosphate (一種磷酸鐵鋰專用電池級草酸亞鐵的製備方法)	Invention	our Company	ZL20111039 6502.7	December 2, 2011 to December 1, 2031

No.	Patent Name	Type	Registered Owner	Registration Number	Registration Period
20	A method for preparing battery-grade lithium dihydrogen phosphate by using high purity lithium carbonate lithium-ion mother liquor (利用高純碳酸鋰沉鋰母液製備電池級磷酸二氫鋰的方法)	Invention	our Company	ZL20111019 0405.2	July 7, 2011 to July 6, 2031
21	A method of extracting lithium from lepidolite (一種從鋰雲母中提鋰的方法)	Invention	our Company	ZL20101000 1287.1	January 21, 2010 to January 20, 2030
22	A method of treating nickel sulfate waste (一種含硫酸鎳廢料的處理方法)	Invention	our Company	ZL20151001 3781.2	January 13, 2015 to January 12, 2035
23	A soda ash pressure leaching method for extracting lithium salt from spodumene (純鹼壓浸法從鋰輝石提取鋰鹽的方法)	Invention	our Company	ZL20131013 8044.6	April 19, 2013 to April 18, 2033
24	A method for preparing high purity lithium oxide from anhydrous lithium hydroxide (一種利用無水氫氧化鋰製備高純氧化鋰的方法)	Invention	our Company	ZL20151077 8002.8	November 12, 2015 to November 11, 2035
25	A method for preparing lithium salt through recycling battery-grade lithium carbonate lithium-ion mother liquor (一種回收電池級碳酸鋰沉鋰母液製備鋰鹽的方法)	Invention	our Company	ZL20151037 4978.9	July 1, 2015 to June 30, 2035
26	A method for preparing lithium salt through recycling lithium fluoride waste (一種回收含氟化鋰廢料製備鋰鹽的方法)	Invention	our Company	ZL20151011 9819.4	March 18, 2015 to March 17, 2035
27	A method for preparing high-modulus lithium silicate solution (一種高模數矽酸鋰水溶液的製備方法)	Invention	our Company	ZL20161045293 1.4	June 21, 2016 to June 20, 2036
28	A multi-anode lithium metal electrolyzer (一種多陽極金屬鋰電解槽)	Invention	Fengxin Ganfeng	ZL20151005 6225.3	February 3, 2015 to February 2, 2035

No.	Patent Name	Type	Registered Owner	Registration Number	Registration Period
29	A method for preparing high-sodium lithium metal by using recycled lithium-sodium alloy and the product of high-sodium lithium metal (一種利用回收鋰鈉合金製備高鈉金屬鋰的方法以及使用該方法製備的高鈉金屬鋰)	Invention	Fengxin Ganfeng	ZL201110076049.1	March 29, 2011 to March 28, 2031
30	Lithium metal vacuum distillation purification device (金屬鋰真空蒸餾提純裝置)	Invention	Fengxin Ganfeng	ZL200910179963.1	November 9, 2007 to November 8, 2027
31	Metal lithium vacuum distillation purification methods (金屬鋰真空蒸餾提純方法)	Invention	Fengxin Ganfeng	ZL200710188103.5	November 9, 2007 to November 8, 2027
32	A lithium metal electrolyzer (一種金屬鋰電解槽)	Invention	Fengxin Ganfeng	ZL201310515854.9	October 28, 2013 to October 27, 2033
33	A method for producing special anhydrous lithium chloride for electrolysis by recycling lithium from lithium-containing pharmaceutical wastewater (從含鋰製藥廢水回收鋰生產電解專用無水氯化鋰的方法)	Invention	Fengxin Ganfeng	ZL201210334501.4	September 11, 2012 to September 10, 2032
34	A disposal device of sodium potassium lithium and lithium slag waste (一種鈉鉀鋰及鋰渣廢料處理裝置)	Invention	Yichun Ganfeng	ZL201510144800.5	March 30, 2015 to March 29, 2035
35	All-solid-state lithium secondary batteries electrolyte material, its preparation methods and all-solid-state lithium secondary batteries (全固態鋰二次電池電解質材料、其製備方法及全固態鋰二次電池)	Invention	Ganfeng Battery	ZL201210050031.9	February 29, 2012 to February 28, 2032
36	Sulfide solid electrolyte and its preparation methods and all-solid-state lithium secondary batteries (硫化物固體電解質及其製備方法與全固態鋰二次電池)	Invention	Ganfeng Battery	ZL201310535524.6	November 1, 2013 to October 31, 2033
37	A method for preparing nickel cobalt oxygen cathode material with metal ion (一種金屬離子摻雜的鋰鎳鈷氧正極材料的製備方法)	Invention	Ganfeng Battery	ZL201310659086.4	December 6, 2013 to December 5, 2033

No.	Patent Name	Type	Registered Owner	Registration Number	Registration Period
38	A core-shell structure cathode material and its preparation methods (一種核殼結構正極材料及其製備方法)	Invention	Ganfeng Battery	ZL201410007443.3	January 6, 2014 to January 5, 2034
39	Sulfide electrolyte material and its preparation methods (硫化物電解質材料及其製備方法)	Invention	Ganfeng Battery	ZL201310465226.4	October 8, 2013 to October 7, 2033
40	Lithium phosphate fast ion conductor material and its preparation methods (磷酸鹽鋰快離子導體材料及其製備方法)	Invention	Ganfeng Battery	ZL201410036348.6	January 24, 2014 to January 23, 2034
41	Ultra-high conductive composite conductive paste and its preparation methods (超高導電性能複合導電漿料及其製備方法)	Invention	Shenzhen Meibai	ZL201510159280.5	April 7, 2015 to April 6, 2035
42	A formatting and grading method of lithium ion secondary battery (一種鋰離子二次電池的化成分容方法)	Invention	Shenzhen Meibai	ZL201210355083.7	September 21, 2012 to September 20, 2032
43	Manufacturing methods of roll pins, manufacturing methods of lithium ion batteries, and lithium ion batteries (卷針的製造方法、鋰離子電池的製造方法及鋰離子電池)	Invention	Dongguan Ganfeng	ZL201210310061.9	August 28, 2012 to August 27, 2032
44	Intelligent storage battery packs with self-test function and their connection circuits (具有自檢修功能的智能蓄電池組及其連接電路)	Invention	Jiangsu Yuanrong	ZL201210438831.8	November 6, 2012 to November 5, 2032
45	Battery packs intelligent management circuit and battery packs intelligent management system (電池組智能管理電路及電池組智能管理系統)	Invention	Jiangsu Yuanrong	ZL201210438609.8	November 6, 2012 to November 5, 2032
46	Battery packs, battery packs connection method and battery packs charge and discharge management methods (電池組、電池組連接方法及電池組充放電管理方法)	Invention	Jiangsu Yuanrong	ZL201310375754.0	August 26, 2013 to August 25, 2033
47	Storage battery packs connection circuits and intelligent storage battery packs (蓄電池組連接電路及智能蓄電池組)	Invention	Jiangsu Yuanrong	ZL201210438190.6	November 6, 2012 to November 5, 2032

(c) Domain Names

As of the Latest Practicable Date, our Company has registered the following key domain names:

<u>No.</u>	<u>Domain Name</u>	<u>Registrant</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
1	ganfengrubidium.com	our Company	June 24, 2003	July 30, 2021
2	ganfenglithium.com	our Company	July 31, 2003	July 30, 2021
3	ganfengcesium.com	our Company	July 31, 2003	July 30, 2021
4	ganfeng-li.com	our Company	October 26, 2000	July 30, 2021
5	chinalichem.com	our Company	October 26, 2000	July 30, 2021

(d) Copyrights

As of the Latest Practicable Date, our Company has registered the following copyrights which are material to our business:

<u>No.</u>	<u>Name</u>	<u>Registrant</u>	<u>Copyright No.</u>	<u>Time of First Publication</u>
1	24c02 battery test software v1.0 of Ganfeng Battery Technology Co., Ltd. (贛鋒電池科技有限公司24c02電池測試軟件V1.0)	Ganfeng Battery	2015SR281798	October 27, 2015
2	bq27441 battery test software V1.0 of Meibai (美拜bq27441電池測試軟件V1.0)	Shenzhen Meibai	2015SR108750	April 24, 2015
3	Meibai Project Management System V1.0 (美拜項目管理系統V1.0)	Shenzhen Meibai	2015SR108364	April 24, 2014

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, OUR SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and the Chief Executive of Our Company

Immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, so far as our Directors are aware, the interests or short positions of the Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors and the chief executive), in each case once our H Shares are listed, will be 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>Immediately following the completion of the Global Offering</u>	
			<u>Number of Shares held</u>	<u>Approximate percentage of shareholding interest⁽¹⁾</u>
Li Liangbin	Beneficial owner	A Shares	269,770,452	20.51%
Wang Xiaoshen	Beneficial owner	A Shares	100,898,904	7.67%
Shen Haibo	Beneficial owner	A Shares	14,273,568	1.09%
Deng Zhaonan	Beneficial owner	A Shares	2,852,928	0.22%
Tang Xiaoqiang	Beneficial owner	A Shares	300	0.00%

Notes:

- (1) The calculation is based on the total number of Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).
- (2) All interests stated are long positions.

(ii) Interest in debentures of our Company

<u>Name of Director/ Supervisor/Chief Executive</u>	<u>Nature of interest</u>	<u>Immediately following the completion of the Global Offering</u>	
		<u>Denomination of Convertible Bonds</u>	<u>Amount of Convertible Bonds</u>
Li Liangbin	Beneficial owner	RMB100.00	RMB107,380,100
Wang Xiaoshen	Beneficial owner	RMB100.00	RMB75,915,000

(b) Interests of the Substantial Shareholders

Save as disclosed in "Substantial Shareholders", our Directors or chief executive are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the H Shares are listed, would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, 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.

2. Directors' and Supervisors' Service Contracts

Each of our Directors has entered into a service contract with our Company on July 6, 2018. The principal particulars of these service contracts are (a) for a term commencing from July 6, 2018 and until the next session of the Board is being elected at a general meeting of the Company, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Rules.

Each of the Supervisors has entered into a contract with our Company on July 6, 2018, in respect of, among others, compliance of relevant laws, regulations, the Articles of Association and applicable provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors and Supervisors for the years ended December 31, 2015, 2016 and 2017 was approximately RMB2.3 million, RMB3.0 million and RMB3.6 million, respectively, which included the aggregate contributions we paid to pension schemes for our Directors and Supervisors in respect of the years ended December 31, 2015, 2016 and 2017 of approximately RMB0.3 million, RMB0.3 million and RMB0.4 million, respectively.

Save as disclosed in "Directors, Supervisors and Senior Management — Compensation of Directors, Supervisors and Senior Management" and the above, no other amounts have been paid or are payable by any member of our Group to our Directors and Supervisors for the years ended December 31, 2015, 2016 and 2017.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the aggregate amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors and Supervisors by our Company for the year ending December 31, 2018 is estimated to be approximately RMB3.2 million in aggregate.

4. Directors' Competing Interest

None of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Personal guarantees

Save as disclosed herein, the Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

6. Agency fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors, Supervisors, Promoters nor any of the parties listed in the paragraph headed "E. Other Information — 5. Qualifications of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

7. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in the Accountants' Report and the Unaudited Interim Financial Information set out in Appendix IA and IB to this prospectus.

8. Disclaimers

- (a) Save as disclosed in "Substantial Shareholders" and "— C. Further Information about our Directors, our Supervisors and Substantial Shareholders — 1. Disclosure of Interests — (a) Interests of the Directors, Supervisors and the Chief Executive of our Company" above, none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such

provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Hong Kong Stock Exchange, in each case once our H Shares are listed on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

- (b) save as disclosed in “Substantial Shareholders” and “— C. Further Information about our Directors, our Supervisors and Substantial Shareholders — 1. Disclosure of Interests — (a) Interests of the Directors, Supervisors and the Chief Executive of our Company” above, so far as is known to any Director or chief executive of our Company, no person has an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, 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 our general meetings of any other member of the Group, once our H Shares are listed on the Hong Kong Stock Exchange;
- (c) save as disclosed in “History, Development and Reorganization” and “Business”, none of our Directors or Supervisors nor any of the parties listed in “E. Other Information — 5. Qualifications of Experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (d) save in connection with the Underwriting Agreements, none of our Directors or Supervisors nor any of the parties listed in “E. Other Information — 5. Qualifications of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) save as disclosed in “Cornerstone Investors” and in connection with the Underwriting Agreements and the Cornerstone Agreements, none of the parties listed in “E. Other Information — 5. Qualifications of Experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any share in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or Supervisors or their respective associates (as defined under the Hong Kong Listing Rules) or any Shareholders of our Company (who to the knowledge of the Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. RSU SCHEME

The following is a summary of the principal terms of the RSU Scheme approved and adopted by our Shareholders’ meeting on November 10, 2017. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares after the Listing.

1. Purposes of the RSU Scheme

The purpose of the RSU Scheme is to establish and improve the long-term incentive mechanism, to attract and retain outstanding personnel, to motivate our senior management and core technical and business personnel, to effectively combine together the interest of our Company and the Shareholders and the core team of our Company and to promote our long-term development.

2. RSUs

Each RSU represents one underlying A Share. Pursuant to the RSU Scheme, 13,245,000 RSUs were granted to our employees and 3,000,000 RSUs were reserved. On December 13, 2017, 12,866,500 restricted A Shares in respect of 12,866,500 granted RSUs were subscribed for and issued. The participants in the RSU Scheme (the "**Participants**") in respect of 378,500 RSUs did not subscribe for the underlying A Shares within the prescribed timeframe (as described below) and such RSUs lapsed. In addition, 2,865,000 of 3,000,000 reserved RSUs were granted on May 2, 2018 and 2,123,080 restricted A Shares in respect of 2,123,080 such granted reserved RSUs were subscribed for and issued in May 2018. The Participants in respect of the remaining 741,920 granted reserved RSUs did not subscribe for the underlying A Shares within the prescribed timeframe and such reserved RSUs lapsed. No additional RSUs will be granted under the RSU Scheme after the date of this prospectus.

3. Term of the RSU Scheme

The RSU Scheme will be valid and effective for a period commencing from the registration date of the grant of the RSUs until the date when all the RSUs are unlocked or repurchased and canceled, which shall be no longer than 60 months.

4. The Participants

There are 350 Participants in total who are initially eligible to the RSUs, including Ms. Yang Manying and Ms. Ouyang Ming who are members of our senior management, other core management personnel and core technical and business personnel. Notwithstanding the foregoing, independent non-executive Directors, Supervisors, persons who participate in two or more share incentive plans of listed entities and any Shareholder or actual controller and his/her spouse, parents and any child who individually or jointly hold 5% or more of our Shares shall not be eligible to the RSUs. The initially granted RSUs were exercised and fully paid up by 339 Participants. 12 Participants did not subscribe for the underlying A Shares within the prescribed timeframe and the RSUs initially granted to them lapsed.

On May 2, 2018, 2,865,000 of 3,000,000 reserved RSUs were granted to 89 Participants. Such initially granted RSUs were exercised and fully paid up by 55 Participants, including Mr. Shen Haibo and Ms. Deng Zhaonan who are our Directors, Mr. Xu Jianhua and Mr. Liu Ming who are members of our Senior management, other core management personnel and core technical and business personnel. The other 34 Participants did not subscribe for the underlying A Shares within the prescribed timeframe and the reserved RSUs granted to them lapsed.

5. Grant of RSUs

(a) *The grant price*

The grant price of each of the RSUs (including the reserved RSUs) is RMB45.71. The Participants are entitled to purchase the RSUs at such grant price upon the satisfaction of the granting conditions.

(b) *The granting date*

The grant date shall be a trading date (excluding certain periods around release dates of important announcement) upon the confirmation by the Board. Our Company shall announce and register the granted

RSUs within 60 days (excluding certain periods around release dates of important announcements) after the approval date of the RSU Scheme by the Shareholders' meeting. Failure to complete the procedures within such time period will result in termination of the RSU Scheme and lapse of the remaining RSUs.

6. Lock-up period and unlocking arrangement

The lock-up period of the Shares underlying the granted RSUs shall be 12 months from the registration date of the initially granted RSUs (the "**Registration Date**"). The RSUs (including the Shares obtained by the Participants as a result of share conversion, dividend distribution and share splits) shall not be transferred, pledged or used to repay debts during the lock-up period.

(a) *The initially granted RSUs*

The initially granted RSUs shall be unlocked and available for disposal during the following period:

- (i) the first unlocking period: as to 25% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 12 month anniversary of the Registration Date to the last trading day before the 24 month anniversary of the Registration Date;
- (ii) the second unlocking period: as to 25% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 24 month anniversary of the Registration Date to the last trading day before the 36 month anniversary of the Registration Date;
- (iii) the third unlocking period: as to 25% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 36 month anniversary of the Registration Date to the last trading day before the 48 month anniversary of the Registration Date;

(iv) the fourth unlocking period: as to 25% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 48 month anniversary of the Registration Date to the last trading day before the 60 month anniversary of the Registration Date.

(b) *The reserved RSUs*

The reserved RSUs shall be unlocked and available for disposal during the following period:

- (i) the first unlocking period: as to 30% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 12 month anniversary of the Registration Date to the last trading day before the 24 month anniversary of the Registration Date;
- (ii) the second unlocking period: as to 30% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 24 month anniversary of the Registration Date to the last trading day before the 36 month anniversary of the Registration Date;
- (iii) the third unlocking period: as to 40% of the aggregate number of Shares underlying the granted RSUs from the first trading day after the 36 month anniversary of the Registration Date to the last trading day before the 48 month anniversary of the Registration Date.

(c) Other restrictions

Restrictions on the disposal of the RSUs shall be subject to other articles under the PRC Company Law, the PRC Securities Law and our Articles of Association. For example, the Participants shall not transfer more than 25% of the Shares they hold annually during their tenure nor shall they transfer any Shares they hold within six months after their resignation from our company. Please see "Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" in Appendix IV and "Summary of the Articles of Association" in Appendix V for further details.

7. The grant conditions

The Participants are entitled to be granted the RSUs (including the reserved RSUs) upon the satisfaction of the following conditions.

- (a) with respect to the Company, none of the following circumstances occurs:
 - (i) The accountant issues an audit report with a negative opinion or without an appropriate opinion in regards to the accountants' report or internal control of the financial report of the most recent fiscal year;
 - (ii) The Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the most recent 36 months after the listing; or
 - (iii) The Company shall not execute the incentive plans according to applicable laws and regulations or other circumstances recognized by the CSRC.
- (b) with respect to the Participant, none of the following circumstances occurs:
 - (i) The Participant has been regarded as an inappropriate person by the Shenzhen Stock Exchange or by the CSRC or its branch office within the most recent 12 months;
 - (ii) The Participant has been punished or prohibited from entering into the securities market by the CSRC or its branch office within the most recent 12 months;
 - (iii) The Participant is not qualified to serve as a director or senior management according to the Company Law; or
 - (iv) The Participant shall not participate the incentive plan according to applicable laws and regulations or other circumstances recognized by the CSRC.

8. The unlocking conditions

Subject to the lock-up period and unlocking arrangement described in "Statutory and General Information — 6. Lock-up period and unlocking arrangement" in this Appendix VII above, the Participants are entitled to dispose the RSUs upon the satisfaction of the following conditions, while the failure to satisfy such conditions will result in the repurchase and cancelation of the relevant RSUs.

- (a) with respect to the Company, none of the following circumstances occurs:
- (i) The accountant issues an audit report with a negative opinion or without an appropriate opinion in regards to the accountants' report or internal control of the financial report of the most recent fiscal year;
 - (ii) The Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the most recent 36 months after the listing; or
 - (iii) The Company shall not execute the incentive plans according to applicable laws and regulations or other circumstances recognized by the CSRC.
- (b) with respect to the Participant, none of the following circumstances occurs:
- (i) The Participant has been regarded as an inappropriate person by the Shenzhen Stock Exchange or by the CSRC or its branch office within the most recent 12 months;
 - (ii) The Participant has been punished or prohibited from entering into the securities market by the CSRC or its branch office within the most recent 12 months;
 - (iii) The Participant is not qualified to serve as a director or senior management according to the Company Law; or
 - (iv) The Participant shall not participate the incentive plan according to applicable laws and regulations or other circumstances recognized by the CSRC.
- (c) The Company achieve the following performance assessment targets:
- (i) The initially granted RSUs

<u>The unlocking period</u>	<u>The assessment target</u>
the first unlocking period	① the net profit growth rate of 2017 is no less than 150% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2017 is no less than 35,000 tons;
the second unlocking period	① the net profit growth rate of 2018 is no less than 330% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2018 is no less than 50,000 tons;
the third unlocking period	① the net profit growth rate of 2019 is no less than 460% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2019 is no less than 70,000 tons;
the fourth unlocking period	① the net profit growth rate of 2020 is no less than 570% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2020 is no less than 90,000 tons.

(ii) The reserved RSUs:

The unlocking period	The assessment target
the first unlocking period	① the net profit growth rate of 2018 is no less than 330% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2018 is no less than 50,000 tons;
the second unlocking period	① the net profit growth rate of 2019 is no less than 460% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2019 is no less than 70,000 tons;
the third unlocking period	① the net profit growth rate of 2020 is no less than 570% based on the net profit of 2016; ② the annual product output (converted to LCE) of 2020 is no less than 90,000 tons.

(d) The business sectors or subsidiaries of our Company achieve the following performance assessment targets:

The assessment result	The practical performance	The treatment of the RSUs
Passed	$P \geq 100\%$	All of the RSUs held by the Participants within the relevant business sectors or subsidiaries of our Company shall be unlocked.
	$80\% \leq P < 100\%$	80% of the RSUs held by the Participants within the relevant business sectors or subsidiaries of our Company shall be unlocked and the remaining shall be repurchased and canceled by the Company.
Failed	$P < 80\%$	All of the RSUs held by the Participants within the relevant business sectors or subsidiaries of our Company shall not be unlocked and shall be repurchased and canceled by the Company.

(e) The Participant shall achieve the following performance targets according to the assessment by the Remuneration Committee:

The assessment result (S)	$S \geq 80$	$80 > S \geq 70$	$70 > S \geq 60$	$S < 60$
The standard index	1.0	0.9	0.8	0

The actual unlocking RSUs of a Participant = the standard index \times the proposed maximum annual unlocking amount of the Participant

9. Lapse of RSUs

(a) The Board has the right to decide that the locked RSUs held by a Participant shall not be unlocked and shall be repurchased and canceled by the Company, and the Participant or his/her heirs shall pay the relevant tax of the unlocked RSUs in accordance with applicable laws, if the following circumstances occurs:

(i) The circumstances described in 7(a) above in this Appendix VII occurs;

- (ii) The Participant's position in our Company changed or the Participant ceased to be employed by our Company due to the breach of laws, professional ethics, confidential duties, dereliction of duty, malfeasance or disqualification in the former position;
 - (iii) The Company with which the Participant is employed ceased to be one of our subsidiaries or be controlled by us;
 - (iv) The Participant ceased to be employed by our Company due to resignation, layoffs or retirement;
 - (v) The Participant ceased to be employed by our Company due to disability or death, other than as a result of performing his/her professional duties in our Company.
- (b) The Board has the right to decide that the locked RSUs held by a Participant shall be totally unlocked if the Participant is disabled or died as a result of performing his/her professional duties in our Company.
 - (c) The RSU Scheme shall not be affected even if a change in control, merger or spin-off occurs to our Company.

10. Repurchase price of RSUs

The repurchase price of the RSUs shall be the granting price, subject to the adjustment as follows upon the occurrence of the relevant circumstances below:

- (a) conversion of capital reserves into share capital, dividends distribution or share splits:
 $P = P_0 \div (1+n)$
- (b) share allotment: $P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1+n)]$
- (c) reduction in share capital: $P = P_0 \div n$
- (d) dividends distribution: $P = P_0 - V$

P_0 is the granting price of the RSUs; P is the repurchase price after adjustment; n is the number of the newly issued Shares after the relevant conversion of shares, dividends distribution, share splits, share allotment or reduction in share capital; P_1 is the closing price of our Shares on the Registration Date; P_2 is the share allotment price; V is the amount of distributed dividends per share.

11. Adjustment of the number of the RSUs and the granting price

- (a) The number of the RSUs shall be subject to the adjustment as follows upon the occurrence of the relevant circumstances below:
 - (i) conversion of capital reserves into share capital, dividends distribution or share splits:
 $Q = Q_0 \times (1+n)$

(ii) share allotment: $Q = Q_0 \times P_1 \times (1+n) \div (P_1 + P_2 \times n)$

(iii) reduction in share capital: $Q = Q_0 \times n$

Q_0 is the number of RSUs prior to the adjustment; Q is the number of RSUs after the adjustment; n is the number of the newly issued Shares after the relevant conversion of shares, dividends distribution, share splits, share allotment or reduction in share capital; P_1 is the closing price of our Shares on the Registration Date; P_2 is the share allotment price.

(b) The granting price of the RSUs shall be subject to the adjustment as follows upon the occurrence of the relevant circumstances below:

(i) conversion of capital reserves into share capital, dividends distribution or share splits:
 $P = P_0 \div (1+n)$

(ii) share allotment: $P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1+n)]$

(iii) reduction in share capital: $P = P_0 \div n$

(iv) dividends distribution: $P = P_0 - V$

P_0 is the granting price of the RSUs; P is the repurchase price after adjustment; n is the number of the newly issued Shares after the relevant conversion of shares, dividends distribution, share splits, share allotment or reduction in share capital; P_1 is the closing price of our Shares on the Registration Date; P_2 is the share allotment price; V is the amount of distributed dividends per share.

12. Administration of the RSU Scheme

Our Board has the power to administer the RSU Scheme. The Remuneration Committee shall propose and revise the RSU Scheme and report to the Board for review. The final version of the RSU Scheme shall be approved by our Shareholders' meeting.

13. Outstanding RSUs granted

On December 13, 2017, 12,866,500 of 13,245,000 initially granted RSUs were exercised and fully paid up by 339 Participants, while the Participants in respect of 378,500 RSUs did not subscribe for the underlying A Shares within the prescribed timeframe (as described above) and such RSUs lapsed. Further, additional 2,865,000 RSUs were granted on May 2, 2018 and 2,123,080 restricted A Shares in respect of 2,123,080 such granted reserved RSUs were subscribed for and issued in May 2018. The Participants in respect of the remaining 741,920 granted reserved RSUs did not subscribe for the underlying A Shares within the prescribed timeframe and such reserved RSUs lapsed. No additional RSUs will be granted under the RSU Scheme after the date of this prospectus.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in “Business — Legal and Compliance”, our Group was not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. The Sole Sponsor is entitled to a fee of US\$1.0 million for acting as our sponsor.

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

4. Preliminary Expenses

Our estimated preliminary expenses are not material.

5. Qualifications of Experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualification</u>
Citigroup Global Markets Asia Limited	A licensed corporation holding a license under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO
Ernst & Young	Certified public accountants
Llinks Law Offices	PRC legal advisor
CRU International Limited	Industry consultant

6. Consents of Experts

Each of the experts as referred to in “E. Other Information — 5. Qualifications of Experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which they respectively appear.

Save as disclosed in this prospectus, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoters

The Promoters are Li Liangbin (李良彬), Wang Xiaoshen(王曉申), China-Belgium Direct Equity Investment Fund (中國—比利時直接股權投資基金), Minmetals Investment Development Co., Ltd. (五礦投資發展有限責任公司), Zhang Jianru (張建如), Shen Haibo (沈海博), Nanchang Venture Capital Co.,Ltd (南昌創業投資有限公司), Cao Zhiang (曹志昂), Luo Shunxiang (羅順香), Huang Wen (黃聞), Huang Xuewu (黃學武), Xiong Jianlang (熊劍浪), Zhang Ping (張平), Hu Naigen (胡耐根), Ji Huizhen (紀慧珍), Zhou Yuqiu (周裕秋), Deng Zhaonan (鄧招男), Wang Dabing (王大炳), Shao Jin (邵瑾), Yuan Zhongqiang (袁中強), Yang Manying (楊滿英), Ouyang Ming (歐陽明), Zhou Zhicheng (周志承), Ba Yaer (巴雅爾), Xiao Yue (肖玥), Peng Xin (彭昕), Lei Gang (雷剛), Huang Liping (黃麗萍), Fu Zhong (傅忠), Liu Jianglai (劉江來), Li Liangxue (李良學), Zhang Baoxiu (章保秀), Lin Li (林禮) and Li Huabiao (李華彪). Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the Promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company since March 31, 2018 (being the date to which the latest audited financial statements of our Group were prepared).

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries fully or partly paid up either for cash or for a consideration other than cash has been issued or agreed to be issued;
 - (ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (v) our Company has no outstanding convertible debt securities or debentures; and
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.
- (c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (d) All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.
- (e) We currently do not intend to apply for the status of a foreign invested joint stock limited company and do not expect to be subject to the PRC Sino-foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE, YELLOW** and **GREEN** application forms, the written consents referred to in "E. Other Information — 6. Consents of Experts" in Appendix VII to this prospectus and copies of the material contracts referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett at 35th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the accountants' report for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018 issued by Ernst & Young, the text of which is set out in Appendix IA, the unaudited interim review report for the six months ended June 30, 2018 issued by Ernst & Young, the text of which is set out in Appendix IB and the accountants' report of Minera Exar S.A. for the years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018 issued by Ernst & Young, the text of which is set out in Appendix IC;
- (c) the audited consolidated financial statements of our Company for the financial years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018;
- (d) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix IIA and the report on the unaudited pro forma financial information of the enlarged group from Ernst & Young, the text of which is set out in Appendix IIB;
- (e) the material contracts referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VII;
- (f) the written consents referred to in "E. Other Information — 6. Consents of Experts" in Appendix VII;
- (g) the service contracts referred to in "C. Further Information About our Directors, our Supervisors and Substantial Shareholders — 2. Directors' and Supervisors' Service Contracts" in Appendix VII;
- (h) the PRC legal opinions dated September 27, 2018 issued by Llinks Law Offices, our PRC Legal Advisor, in respect of certain aspects of our Group and our property interests;
- (i) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translation;
- (j) The industry report issued by CRU, our industry consultant, on the lithium industry; and
- (k) the Shenzhen Listing Rules, together with an unofficial English translation.

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