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**Ganfeng Lithium Co., Ltd.**

**江西赣锋锂业股份有限公司**

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

**(Stock Code: 1772)**

**INSIDE INFORMATION  
IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST  
IN ILI HONGDA FOUNDATION EQUITY INVESTMENT  
PARTNERSHIP (LIMITED PARTNERSHIP)**

This announcement is made by the Company pursuant to Rule 13.09(2) (a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board is pleased to announce that, on March 8, 2021, the Board has approved that the Company and Liangcheng Mining, a wholly-owned subsidiary of the Company to acquire a total of 100% equity interest in Hongda Foundation held by Zhu Nailiang, Tibet Hongda and CITIC Securities, and thereby will indirectly hold 49% equity interest in Minmetals Salt Lake, for a consideration of RMB1,470,000,000 with self-owned funds. Currently, the Equity Transfer Agreement and Supplemental Agreement have not been executed due to internal approval procedures of the parties. The Board will authorize the management of the Company to exercise the full power to handle all matters relating to the Acquisition. After the execution of the Equity Transfer Agreement and the Supplemental Agreement, the Company will make disclosures in accordance with the requirement of Chapter 14 of the Listing Rules. The salient terms of the Equity Transfer Agreement and Supplemental Agreement are as follows:

i. Parties

Purchasers	(1) the Company  (2) Qinghai Liangcheng Mining Co., Ltd., a limited liability company established and existing under the laws of the PRC and a wholly-owned subsidiary of the Company
Target Company	Ili Hongda Foundation Equity Investment Partnership (Limited Partnership), a limited partnership established and existing under the laws of the PRC
Vendors	(1) Zhu Nailiang, an executive partner of the Target Company, holding 0.18% equity interest in the Target Company  (2) Tibet Hongda New Energy Technology Co., Ltd., a limited liability company established and existing under the laws of the PRC, holding 35.88% equity interest in the Target Company  (3) CITIC Securities, on behalf of CITIC Securities Hongda No.1 Targeted Asset Management Plan, holding 63.94% equity interest in the Target Company
Minmetals Salt Lake Co., Ltd.	Minmetals Salt Lake Co., Ltd., in which the Target Company holds 49% equity interest and the remaining 51% equity interest is held by China Minmetals Non-ferrous Metals Holding Company Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Target Company and Vendors, Minmetals Salt Lake and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

ii. Subject matter

Pursuant to the Equity Transfer Agreement and Supplemental Agreement, the Vendors wish to transfer the 100% equity interest held by them in aggregate in the Target Company to the Purchasers in accordance with the terms and conditions of the Equity Transfer Agreement and Supplemental Agreement, and the Purchasers are willing to subscribe for the equity interest in the Target Company in accordance with the terms and conditions of the Equity Transfer Agreement and Supplemental Agreement, among which, the Company intends to subscribe for 0.18% equity interest held by Zhu Nailiang of the Target Company, and Liangcheng Mining intends to subscribe for 35.88% equity interest held by Tibet Hongda of the Target Company and 63.94% equity interest held by CITIC Securities of the Target Company, for an estimated total consideration of RMB1,470,000,000. Prior to the completion of the Acquisition, the Target Company held 49% equity interest in Minmetals Salt Lake and the Vendors held a total of 100% equity interest in the Target Company. Upon completion of the Acquisition, the Purchasers will hold a total of 100% equity interest of Target Company and will thereby indirectly hold 49% equity interest of Minmetals Salt Lake.

iii. Consideration and basis of consideration

The total consideration of the Acquisition shall be RMB1,470,000,000. The consideration was determined after arm's length negotiations among the parties with reference and in proportion to the valuation of the Target Company and recent precedent transactions. After the Equity Transfer Agreement and Supplemental Agreement become effective, the Company will engage an audit firm and an asset appraisal institution with securities qualification to audit and appraise the Minmetals Salt Lake and its lithium resource reserves, and issue the corresponding audit reports, asset appraisal reports and resource reserve appraisal reports, etc. The audit and appraisal reports will be made in reference to the date of completion of the change of relevant industrial and commercial registration of the Target Company. The specific arrangement for payment is as follows:

- (a) After the Equity Transfer Agreement and Supplemental Agreement become effective, the first instalment of the consideration of RMB900 million shall be paid by the Purchasers to the specified account within 10 business days after fulfillment of all the conditions precedent (except for those expressly waived by the Purchasers); and
- (b) The remaining balance of the consideration shall be paid by the Purchasers to the specified account at the transaction price as determined under the Equity Transfer Agreement and Supplemental Agreement within 10 business days after completion of the change of relevant industrial and commercial registration.

iv. Subsequent matters

- (a) The parties acknowledge and agree that, upon the completion of the Acquisition, the number of directors comprising the board of directors of Minmetals Salt Lake shall be maintained at seven and the number of supervisors comprising its board of supervisors shall be maintained at seven, among which, the Company is entitled to nominate three directors and two supervisors through Hongda Foundation, and is entitled to nominate the deputy chairman of the board of directors, the chairman of the board of supervisors and the general manager of Minmetals Salt Lake according to the articles of the association of Minmetals Salt Lake.
- (b) The parties acknowledge and agree that, while executing the Equity Transfer Agreement and Supplemental Agreement, Hongda Foundation has obtained the resolution document of the board of Minmetals Salt Lake, which agreed that Hongda Foundation, as a shareholder of Minmetals Salt Lake, is entitled to exercise the pre-emptive right to purchase lithium carbonate products of Minmetals Salt Lake, and the proportion of the lithium carbonate products purchased each year shall be calculated in accordance with the actual annual output of the lithium carbonate of Yiliping Salt Lake Project of Minmetals Salt Lake and shall not be lower than the proportion of shares held of Minmetals Salt Lake.

v. Effectiveness of and major prerequisites for the agreement

The completion of the Acquisition is subject to the following major prerequisites:

- (a) Relevant matters of the Acquisition have been approved by relevant authorities of each of the parties and Minmetals Salt Lake;
- (b) There exist no circumstances which may exert material adverse impact on the Acquisition in terms of law, finance and business of the Target Company or Minmetals Salt Lake;
- (c) The representations and warranties made by the parties are true and accurate in all material respects, and the undertakings of the parties have been strictly complied with; and
- (d) The difference between the assets appraisal results issued by the relevant institutions engaged by the Company and the consideration of the Acquisition shall not exceed  $\pm 15\%$  (inclusive).

## **INFORMATION ABOUT THE PARTIES**

### **THE PURCHASERS**

#### ***The Company***

The Company is principally engaged in the production of lithium hydroxide, lithium compounds, lithium fluoride and butyl lithium; and the production, processing and sales of non-ferrous metals, batteries, instrumentation components, machinery and equipment, chemical products, chemical raw materials and chemical products.

#### ***Liangcheng Mining***

Liangcheng Mining is a limited liability company established on May 2, 2018 under the laws of the PRC, and a wholly-owned subsidiary of the Company. The business scope of the company includes the mining, selection, production and sale of lithium ores and associated ores products, the development of potassium salt, lithium salt, boron, magnesium and other salt lake resources and the process, production and sale of related products, the mining, selection, production and sale of potassium chloride fertilizer, potassium sulfate fertilizer, potash magnesium sulphate fertilizer, particulate potassium fertilizer, lithium carbonate, lithium chloride and other products.

### **THE VENDORS**

Zhu Nailiang, is an executive partner of the Target Company, and holds 0.18% equity interest in the Target Company.

#### ***CITIC Securities***

CITIC Securities, on behalf of CITIC Securities Hongda No.1 Targeted Asset Management Plan, holds 63.94% equity interest in the Target Company. CITIC Securities is a limited liability company established and existing under the laws of the PRC. It was established in Beijing on October 25, 1995, and has been listed on the Shanghai Stock Exchange (stock code: 600030) and the Hong Kong Stock Exchange (stock code: 6030) since January 6, 2003 and October 6, 2011, respectively. The business scope of the company includes securities brokerage (for areas other than Shandong Province, Henan Province, Tiantai County, Zhejiang Province and Cangnan County, Zhejiang Province); securities investment consultation; financial advisory in relation to securities trading and securities investment; securities underwriting and sponsorship; securities proprietary; securities asset management; margin financing and securities lending; securities investment fund sales agency; intermediary services for futures companies; distribution of financial products; stock options market making business.

## ***Tibet Hongda***

Tibet Hongda is a limited liability company established and existing under the laws of the PRC. It was established on April 6, 2016, and holds 35.88% equity interest in the Target Company. The business scope of the company includes the research and development of the new energy, new material, and technology promotion (the operation of projects which are subject to approval in accordance with law can only be carried out upon approval by the relevant authorities). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owner of Tibet Hongda is Zhu Nailiang, who holds 43.44% equity interest in Tibet Hongda as at the date of this announcement.

## ***The Target Company***

Hongda Foundation is a limited partnership established in the PRC on February 24, 2016. The business scope of the company includes equity investment in non-listed companies, holding shares of listed companies by subscribing for non-publicly issued shares or accepting of equity transfer and related consulting services. As at the date of this announcement, the Target Company and China Minmetals Non-ferrous Metals Holding Company Limited have been jointly investing in Minmetals Salt Lake, among which, the subscribed capital contribution and the paid-in capital contribution by the Target Company to Minmetals Salt Lake was RMB564,406,500, representing 49% equity interest of Minmetals Salt Lake. The subscribed capital contribution and the paid-in capital contribution by China Minmetals Non-ferrous Metals Holding Company Limited to Minmetals Salt Lake was RMB587,443,500, representing 51% equity interest in Minmetals Salt Lake.

Before and after the Acquisition, the shareholding of the Target Company by each shareholder is as follows:

<b>Name of shareholder</b>	<b>Before the Acquisition</b>		<b>After the Acquisition</b>	
	<b>Subscribed capital contribution (RMB'0,000)</b>	<b>Shareholding percentage</b>	<b>Subscribed capital contribution (RMB'0,000)</b>	<b>Shareholding percentage</b>
CITIC Securities	70,940.11	63.94%	0	0
Tibet Hongda	39,800	35.88%	0	0
Zhu Nailiang	200	0.18%	0	0
Ganfeng Lithium	0	0	200	0.18%
Liangcheng Mining	0	0	110,740.11	99.82%

The financial information of the Target Company is set out below:

	<b>For the year ended</b>		<b>For the six</b>
	<b>December 31(Audited)</b>		<b>months ended</b>
	<b>2018</b>	<b>2019</b>	<b>June 30</b>
	<b>(RMB'0,000)</b>	<b>(RMB'0,000)</b>	<b>(Unaudited)</b>
			<b>2020</b>
			<b>(RMB'0,000)</b>
Total assets	103,853.15	103,891.51	107,466.05
Net assets	100,175.04	94,023.40	94,019.94
Revenue	0	0	0
Net profit (loss) before taxation	-5,786.71	-6,151.63	-3.46
Net profit (loss) after taxation	-5,786.71	-6,151.63	-3.46

#### *Information on Minmetals Salt Lake*

Minmetals Salt Lake is a limited liability company established under the laws of the PRC on September 18, 2019. Its business scope includes underground mining of lithium ore, boron rock and potassium ore; research and development, production and sales of lithium carbonate, lithium chloride, borax, potash fertilizer (potassium chloride, potassium sulphate, potash magnesium sulphate fertilizer), sodium carbonate, carnallite, low-sodium carnallite, brine, magnesium products (magnesium hydroxide, magnesium chloride, magnesium carbonate); sales of waste materials; research and development of boric acid; lithium hydroxide (invoicing operation without storage) and import and export of goods or technology. The largest shareholder of Minmetals Salt Lake is China Minmetals Non-ferrous Metals Holding Company Limited, which holds 51.00% equity interest of it, and Hongda Foundation holds 49% equity interest of it. To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, 100% equity interest of China Minmetals Non-ferrous Metals Holding Company Limited is held by China Minmetals Corporation Limited. China Minmetals Corporation Limited is controlled by China Minmetals Group Co., Ltd., and the remaining equity interest is held by certain other shareholders with the shareholding percentage of less than 10%. The State-owned Assets Supervision and Administration Commission of the State Council holds 100% equity interest of China Minmetals Group Co., Ltd.

As of the date of the announcement, the shareholding of Minmetals Salt Lake is as follows:

Name of shareholder	Capital contribution (RMB'0,000)	Shareholding percentage
China Minmetals Non-ferrous Metals Holding Company Limited	58,744.35	51%
Hongda Foundation	56,440.65	49%
Total	<u>115,185</u>	<u>100%</u>

The financial information of Minmetals Salt Lake is set out below:

	For the year ended December		For the six months ended
	31(Audited)	31(Audited)	June 30
	2018	2019	2020
	(RMB'0,000)	(RMB'0,000)	(RMB'0,000)
Total assets	255,163.41	267,543.67	264,202.52
Net assets	94,367.21	105,287.64	106,869.88
Revenue	35,031.14	80,876.92	39,131.33
Net profit (loss) before taxation	4,437.74	10,726.57	1,784.11
Net profit (loss) after taxation	4,437.74	10,373.31	1,389.37

The mining right of Minmetals Salt Lake is as follows:

- (1) Minmetals Salt Lake owns the Yiliping Lithium Salt Lake Project in Qaidam, Qinghai Province, which currently has one mining license:

Mining right license number	C6300002013095220131493
Mining right owner	Minmetals Salt Lake Co., Ltd.
Geographic location	Lenghu Administrative Committee of Haixi Prefecture
Mining minerals	lithium ore, boron rock, potassium ore
Mining method	underground mining
Mining scale	10,000.00 tons/year
Mining area	422.7284 square kilometers
Expiry date	September 4, 2028
Issue unit	Department of Land and Resources of Qinghai Province



- (2) The method, date and examination and approval department of the ownership change of the mining right in recent three years: there has been no change in the ownership of the mining right in recent three years.
- (3) The main product in Salt Lake and its usage and product sales methods: Salt Lake is mainly used to produce lithium carbonate, potassium chloride and other products from lithium-enriched brine, which are used directly or indirectly in raw materials of lithium battery, agricultural fertilizer and other fields.
- (4) Mineral resources reserves: the total porosity reserves of Yiliping Salt Lake resources are 984,803,900 m<sup>3</sup> brine, including 1,897,000 tons of lithium chloride and 18,658,700 million tons of potassium chloride. The total water supply reserves of resources are 469,199,200 m<sup>3</sup> brine, including 920,740 tons of lithium chloride and 9,003,600 million tons of potassium chloride. As of April 2020, the amount of resources used and consumed by Minmetals Salt Lake over the years is 23,790 tons of lithium chloride and 849,000 million tons of potassium chloride. Inventory resources and the accessible quantity of salt fields are 69,820 tons of lithium chloride, 713,600 tons of potassium chloride.
- (5) The payment of various fees for the mining right involved in this transaction: Minmetals Salt Lake has paid and settled the fees such as the usage fee of the mining right and resource taxes in accordance with the relevant laws and regulations.
- (6) Procedures to be performed for the transfer of the mining right ownership to be transferred: the transfer subject of the Company is 100% of the equity interest of Hongda Foundation. The mining right is still under the name of Minmetals Salt Lake, which does not involve the transfer of mining right ownership.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT**

This Acquisition will further increase the Company's market share of lithium products, so as to ensure the long-term stable development of the Company, and help to improve the core competitiveness of the Company. The increase in project equity interest is expected to provide the Purchasers with a significant economic return and will result in the majority seats of the board and management.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio for the transaction under the Equity Transfer Agreement and Supplemental Agreement are more than 5% but less than 25%, the entering into of the Equity Transfer Agreement constitutes a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and is subject to the announcement requirement thereunder.

After the execution of the Equity Transfer Agreement and the Supplemental Agreement, the Company will make disclosures in accordance with the requirement of Chapter 14 of the Listing Rules.

## DEFINITIONS

“Acquisition”	the acquisition of the Target Equity Interest by the Purchasers from the Vendors pursuant to the terms of the Equity Transfer Agreement and Supplemental Agreement
“Board”	the board of Directors of the Company
“CITIC Securities”	CITIC Securities Co. Ltd. (on behalf of “ <b>CITIC Securities Hongda No.1 Targeted Asset Management Plan</b> ”)
“Company”	Ganfeng Lithium Co., Ltd.(江西贛鋒鋰業股份有限公司), a joint stock company established in the PRC on March 2, 2000 and converted from our predecessor Jiangxi Ganfeng Lithium Company Limited(江西贛鋒鋰業有限公司, formerly known as Xinyu Ganfeng Lithium Company Limited(新余贛鋒鋰業有限公司) into a joint stock company with limited liability under the PRC Company Law on December 18, 2007, the A shares of which have been listed on the Shenzhen Stock Exchange since August 10, 2010 (Stock Code:002460), and except where the context otherwise requires includes its predecessors and subsidiaries
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the agreement about to be entered into among the Purchasers, the Vendors and the Target Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Liangcheng Mining”	Qinghai Liangcheng Mining Co., Ltd.* (青海良承礦業有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minmetals Salt Lake”	Minmetals Salt Lake Co., Ltd.* (五礦鹽湖有限公司)

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser(s)”	the Company and Liangcheng Mining
“Target Company”, “Hongda Foundation”	Ili Hongda Foundation Equity Investment Partnership (Limited Partnership)* (伊犁鴻大基業股權投資合夥企業(有限合夥)), a limited partnership organized and existing under the laws of the PRC
“Target Equity Interest”	the 100% equity interest of the Target Company held by the Vendors in aggregate
“Tibet Hongda”	Tibet Hongda New Energy Technology Co., Ltd.* (西藏鴻大新能源科技有限公司)
“Supplemental Agreement”	the supplemental agreement to the Equity Transfer Agreement about to be entered into among the Purchasers, the Vendors and the Target Company
“Vendor(s)”	collectively, Zhu Nailiang, Tibet Hongda and CITIC Securities (on behalf of “CITIC Securities Hongda No.1 Targeted Asset Management Plan”)

**The Acquisition is subject to the execution of the Equity Transfer Agreement and the Supplemental Agreement. Shareholders and potential investors are advised to exercise caution in dealing in the Shares of the Company. Further announcement(s) shall be made by the Company in accordance with requirements under Chapter 14 of the Listing Rules upon the execution of the Equity Transfer Agreement and the Supplemental Agreement.**

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

Jiangxi, PRC  
March 8, 2021

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