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XIMEI RESOURCES HOLDING LIMITED

稀美資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9936)

TERMINATION OF CONNECTED TRANSACTION IN RELATION TO JOINT VENTURE

References are made to the announcements of Ximei Resources Holding Limited (the “**Company**”) dated 18 November 2021 and 1 December 2021 (the “**Announcements**”) in relation to a connected transaction regarding the formation of a joint venture. Unless otherwise defined, capitalised terms used herein shall have the same meaning as defined in the Announcements.

As disclosed in the Announcements, on 18 November 2021, Ximei Hong Kong, a wholly-owned subsidiary of the Company entered into the Joint Venture Agreement with Guangdong Yuanwei, Hainan Aosi, Mr. Gao and Hainan Jingxingda, in relation to the Joint Venture. The purpose of the Joint Venture Company was to develop a project in relation to the operation of a circular economy industrial park (循環經濟產業園) for production of 50,000 tons of battery grade lithium salt per annum, in Sichuan Province, the PRC.

The Joint Venture Company was established in November 2021 with a registered capital of RMB200 million. Pursuant to the Joint Venture Agreement, Ximei Hong Kong, Guangdong Yuanwei, Hainan Aosi, Mr. Gao and Hainan Jingxingda shall make capital injection of approximately RMB37.3 million, RMB99.5 million, RMB50.0 million, RMB12.2 million and RMB1.0 million respectively to the Joint Venture Company, in proportion to their respective equity holding in the Joint Venture Company, representing approximately 18.66%, 49.75%, 25.0%, 6.09% and 0.5% of the registered capital of the Joint Venture Company, respectively. As at the date of this announcement, Ximei Hong Kong and Hainan Jingxingda made capital injection of approximately RMB37.3 million and RMB0.6 million respectively to the Joint Venture Company. As the Joint Venture is still at a preliminary stage and has not commenced acquisition of land or construction of production facilities for production of lithium salt, only a portion of capital injected has been utilised, which was mainly used for planning, design and evaluation of the Joint Venture, such as the preparation of feasibility reports in respect of environment, safety and energy usage.

Since the beginning of 2022, due to the changing external environment, there has been a significant increase in raw material cost of lithium salt. Accordingly, the production cost of battery grade lithium salt is significantly higher than that as expected in 2021. Taking into account of, among others, the significant increase in the production cost of lithium salt and the changing market conditions, Ximei Hong Kong, Guangdong Yuanwei, Hainan Aosi, Mr. Gao and Hainan Jingxingda, after arm's length negotiation, entered into a termination agreement on 7 June 2022 (the "**Termination Agreement**"), pursuant to which the Parties agreed to terminate the Joint Venture Agreement with immediate effect.

Pursuant to the Termination Agreement, (i) the Parties shall be released and discharged from their respective rights and obligations under the Joint Venture Agreement; and (ii) the Joint Venture Company shall be dissolved under the relevant PRC laws and regulations.

In addition, pursuant to the Termination Agreement, the Parties shall share the expenses (the "**Expenses**") incurred by the Joint Venture (including but not limited to relevant dissolution expenses, legal expenses, labour expenses and other expenses) pro-rata to their respective equity holdings. Accordingly, Ximei Hong Kong, Guangdong Yuanwei, Hainan Aosi, Mr. Gao and Hainan Jingxingda shall share approximately 18.66%, 49.75%, 25.0%, 6.09% and 0.5% of the Expenses. Save for Ximei Hong Kong which has made full capital injection to the Joint Venture Company in accordance with the Joint Venture Agreement, the other Parties shall make respective capital injection to the Joint Venture Company to bear their respective share of the Expenses before the dissolution of the Joint Venture Company.

Guangdong Yuanwei has agreed to compensate Ximei Hong Kong by cash for Ximei Hong Kong's share of the Expenses. Therefore, the capital of approximately RMB37.3 million contributed by Ximei Hong Kong in December 2021 shall be returned to Ximei Hong Kong in full after the dissolution of the Joint Venture Company.

Due to the reasons above, the Board considers the termination of the Joint Venture Agreement is in the interests of the Parties and the shareholders of the Company as a whole, and it will not have any material adverse effect on the business, operation or financial position of the Group.

By Order of the Board
Ximei Resources Holding Limited
Wu Lijue
Chairman and executive Director

Hong Kong, 7 June 2022

As at the date of this announcement, the Board comprises an executive Director, namely Mr. Wu Lijue; and three independent non-executive Directors, namely Mr. Lau Kwok Fai Patrick, Mr. Zhong Hui and Mr. Yin Fusheng.