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, 2019, 2020 and 2021, as well as the accompanying notes included in the Accountants' Report set out in Appendix I to this Prospectus. The consolidated financial statements have been prepared in accordance with IFRSs. Potential investors should read the Accountants' Report set out in Appendix I to this Prospectus in its entirety and not rely merely on the information contained in this section. 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 a leading lithium producer in China and globally. We are well-positioned to capitalize on the new energy revolution globally, particularly in the EV and energy storage sectors. We are the only lithium producer in China that has achieved 100% self-sufficiency and fully vertically integrated lithium mines through a large, consistent and stable supply of lithium concentrates, according to the Wood Mackenzie Report. We operate in critical stages of the lithium value chain, including (i) mining of lithium ore and manufacturing of lithium concentrate, and (ii) manufacturing of lithium compounds and derivatives. By leveraging the high-quality and low-cost lithium concentrate from the Greenbushes Mine, we are able to achieve self-sufficiency in lithium raw materials for efficient manufacturing of high-quality lithium compounds and derivatives.

One of our subsidiaries is the largest mined lithium operator globally in terms of lithium concentrate output in 2021, with a market share of 38%, and we ranked third in terms of revenue generated from lithium in 2021, according to the Wood Mackenzie Report. We are also the world's fourth largest and Asia's second largest lithium compound producer as measured by production output in 2021, according to the same source. Through our subsidiary Talison, we have access to the lithium mining rights at the Greenbushes Mine. The Greenbushes Mine was the largest lithium mine in the world in terms of production and reserves as of December 31, 2021, according to the Wood Mackenzie Report. It was also the lowest-cost large-scale mined lithium producer globally in 2021, according to the Wood Mackenzie Report. As of the Latest Practicable Date, we held a 22.78% equity interest in and are the second largest shareholder of SQM, the largest producer of lithium compounds from brine globally by production output in 2021, according to the Wood Mackenzie Report. According to the Wood Mackenzie Report, SQM is also one of the lowest-cost producers of lithium carbonate in the world, calculated based on production cost in 2021. Our products are primarily divided into two categories, (i) lithium concentrate products and (ii) lithium compounds and derivatives products. Lithium concentrate products include chemical grade and technical grade lithium concentrate, whereas lithium compounds and derivatives products include lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. Our three domestic manufacturing plants in Shehong, Sichuan province, Zhangjiagang, Jiangsu province and Tongliang, Chongqing, China, together were capable of manufacturing the full spectrum of lithium compounds and derivatives with a combined annual production capacity of 44,800 tons as of December 31, 2021.

Our revenue decreased from RMB4,816.4 million for the year ended December 31, 2019 to RMB3,215.2 million for the year ended December 31, 2020, primarily due to the decreased revenue of both sales of lithium compounds and derivatives business and sales of lithium concentrate business.

Our revenue significantly increased to RMB7,597.9 million for the year ended December 31, 2021, representing a growth of 136.3%. Our gross profit decreased from RMB2,697.3 million for the year ended December 31, 2019 to RMB1,327.0 million for the year ended December 31, 2020, and significantly increased to RMB4,687.9 million for the year ended December 31, 2021, representing a growth of 253.3%. We incurred net losses of RMB5,480.4 million and RMB1,124.6 million for the years ended December 31, 2019 and 2020, and recorded a net profit of RMB4,205.8 million for the year ended December 31, 2021. Our gross profit margin for the years ended December 31, 2019, 2020 and 2021 was 56.0%, 41.3% and 61.7%, respectively.

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:

- Lithium prices and demand in end markets;
- Capacity expansion through organic growth and strategic cooperation;
- Operational improvement and production cost control;
- Our capital structure; and
- SQM investment.

Lithium Prices and Demand in End Markets

We are exposed to movements in the market prices of lithium products. Our revenue is derived from the sales of lithium compounds and derivatives, and lithium concentrate. We generally sell our products based on our pricing strategy, which takes into account the prevailing market price as well as various other factors applicable to individual customers such as specifications of products, raw material costs, production costs, length of contracts, relationship with the customers and other contract terms such as delivery and payment. The market price of lithium products is largely subject to market forces, in particular, the supply and demand for lithium products. During the Track Record Period, market price for lithium products experienced a decrease in 2020, primarily as a result of the decrease in sales in our end-users and the negative impact from the COVID-19 pandemic, and experienced a significant increase in the first nine months of 2021. According to the Wood Mackenzie Report, the average spot price for battery-grade lithium carbonate in China decreased from US$8,748 per ton in 2019 to US$5,051 per ton in 2020, and increased to US$13,308 per ton in 2021; the average spot price for technical-grade lithium carbonate in China decreased from US$7,530 per ton in 2019 to US$4,283 per ton in 2020, and increased to US$12,542 per ton in 2021. During the Track Record Period, our revenue was, to a significant extent, driven by the changes of selling price of our products, which was generally in line with the trend in prevailing market prices of lithium products.

Demand for our products is also affected by demand in the end markets we serve, which primarily include lithium-based batteries, aircraft, ceramics and glass. In the most recent years, our sales growth has been driven by the strong demand in the end markets, in particular, the lithium-based batteries market, primarily due to the significant growth in demand for EV batteries and energy storage batteries. Our battery-grade lithium compound products, which are largely purchased by battery material manufacturers, accounted for 70.6%, 67.2% and 84.3% of our total revenue generated from lithium compounds in 2019, 2020 and 2021, respectively. We expect that our sales will continue to be driven by the demand in the end markets we serve.

Capacity Expansion through Organic Growth and Strategic Cooperation

The growth in our revenue is affected by our ability to expand our production capacity. We have been constructing additional lithium manufacturing facilities and increasing our production capacity. For example, we acquired a battery-grade lithium carbonate manufacturing plant in Zhangjiagang in 2015 and the assets of a lithium metal manufacturing plant in Tongliang in 2017. As of the Latest Practicable Date, we operated three manufacturing plants in Shehong, Zhangjiagang and Tongliang in China. Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Wood Mackenzie Report. As of December 31, 2021, our production capacity of lithium compounds and derivatives was 44,800 tons.

We have also been strategically making acquisitions in lithium resources around the world to ensure stable lithium supply in the future. In 2014, we acquired a 51% equity interest in Windfield, which owns the Greenbushes Mine in Australia, the largest hard rock lithium mine in the world as measured by the size of reserve and mining output in 2021, according to the Wood Mackenzie Report. In June 2021, we restructured our shareholding in Windfield through our subsidiary, TLEA, in which we hold a 51% equity interest, whereas a strategic investor, IGO, holds the remaining 49% of TLEA. TLEA in turn holds 51% equity interest in Windfield. The high-quality ore at the Greenbushes Mine allows for efficient and low-cost production of lithium concentrates. The Greenbushes Mine has three plants for the processing of lithium ore into lithium concentrate, which are located adjacent to the open pit mining operation. The three plants, namely TGP, CGP1 and CGP2, produce lithium concentrates containing a range of grades with varying iron impurity levels. Low iron technical-grade concentrates are produced at the TGP, and chemical-grade concentrate which contains higher levels of iron is produced at CGP1 and CGP2. Talison has completed commissioning of CGP2 and its associated crusher, CR2, which is in the ramp up stage.

In order to meet the fast-growing demand for lithium compounds and derivatives, we plan to expand our production capacity plants in Australia and the PRC. We plan to continue to expand our production capacity to capture growth opportunities in the lithium industry and continue to expand our market share. Our key expansion plans include expanding our production capacities at our existing manufacturing plants, as well as constructing additional manufacturing plants. In 2016, we announced the construction of the Kwinana Plant for manufacturing battery-grade lithium hydroxide in Kwinana, Western Australia. The construction of the first phase of the Kwinana Plant has been completed and is now in the trial production stage. We are conducting a feasibility study regarding the construction plan and preparing estimates for the required capital expenditure of the second phase of the battery-grade lithium hydroxide plant in Kwinana, which is expected to achieve an annual production capacity of 24,000 tons when in full operation. We are also constructing a lithium carbonate manufacturing plant in Anju District of Suining, Sichuan province, China with an annual production capacity of 20,000 tons, and we plan to expand the lithium metal production capacity at the Tongliang Plant in Chongqing by adding an annual production capacity of 2,000 tons. When our plants are fully constructed and operational, our total annual production capacity of lithium compounds is expected to exceed 110,000 tons. Before the new production capacity becomes available, we cooperate with and outsource some manufacturers of lithium compounds and derivatives to downstream lithium compounds processing plants through tolling arrangements to enhance our processing capabilities and meet the demand of our downstream customers. We also plan to establish various strategic partnerships with major participants in the upstream and downstream of the value chain, including equity investments, projects, collaboration at product level, joint technological innovation, etc., which we expect to help reduce our initial capital investment, share project risks, and at the same time fully benefit from both sides' respective advantages and achieve a win-win situation.

Operational Improvement and Production Cost Control

Our ability to maintain and improve our production efficiency and control production costs affects our profitability and results of operations. We have taken several initiatives in recent years to improve our production efficiency, including upgrading equipment and machinery and optimizing the production processes and techniques. Our ability to improve manufacturing processes grants us the flexibility to optimize the use of our production lines. We are able to coordinate production across our manufacturing 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 in short timeframes, which enables us to optimize our allocation of assets and identify the critical resources to quickly ramp up large-scale production. The following table sets forth a summary of our effective production capacity and utilization rates for our manufacturing plants for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)
	(tons)	%	(tons)	%	(tons)	%
Shehong Plant	24,200	102	24,200	81	24,200	99
Zhangjiagang Plant	18,500	100	20,000	90	20,000	96
Tongliang Plant	600	84	600	76	600	84

Notes:

(1) The effective production capacity represents the average of each month's designed production capacity multiplied by the number of months in actual production. The effective production capacity is measured in tons.

(2) The utilization rate is calculated based on the actual output for the relevant period divided by the effective production capacity for the relevant period.

We intend to further increase productivity through implementing upgraded, automated machinery and equipment at our manufacturing facilities, and streamlining our production process with the data analysis capacity of our ERP system. We believe that as our sales volume grows and our operational efficiency increases, our production costs as a percentage of revenue will tend to decrease due to economies of scale.

Our Capital Structure

On December 3, 2018, we completed our acquisition of 62,556,568 Series A shares of SQM held by Nutrien at a consideration of approximately US$4.07 billion. In addition to our cash on hand, we entered into two facilities agreements and have drawn down all available facilities thereunder of US$3.5 billion to finance the consideration for the SQM Transaction. As a result of the SQM Transaction, we carry significant amounts of investment in associates and debt on our consolidated statements of financial position. This has caused us to bear significant amounts of interest expense and to pay significant amounts of cash for interest. The SQM Indebtedness consists of term loan facilities at floating interest rates, which are set at certain fixed rates plus LIBOR. As a result, we are exposed to the risk of market interest rates fluctuations. See "—Indebtedness—Indebtedness relating to the SQM Transaction" and "—SQM Investment".

As of December 31, 2019, 2020 and 2021, we had total bank loans and other borrowings of RMB33,863.1 million, RMB30,152.6 million and RMB21,562.7 million, respectively. For the year ended December 31, 2019, 2020 and 2021, our finance costs amounted to RMB2,045.5 million, RMB1,835.6 million and RMB1,474.8 million, respectively, which accounted for 42.5%, 57.1% and 19.4%, respectively, of our total revenue for the relevant year. As of December 31, 2019, 2020 and 2021, our gearing ratios, which is calculated by dividing total debt (which includes current and non-current bank loans, lease liabilities and other borrowings) by total equity, amounted to 382.6%, 409.9% and 110.2%, respectively, and our liquidity ratios amounted to 28.8%, 10.8% and 51.2%, respectively.

We plan to apply HK$8,865 million out of HK$12,022 million total net proceeds from the Global Offering to repay the SQM Indebtedness. Following such repayment, the amount of outstanding loans under the above facility agreements will be fully repaid, and accordingly, our overall finance cost will decrease and our capital structure and liquidity will improve. We believe that our capital structure and liquidity upon completion of the Global Offering will improve our financial flexibility to capitalize efficiently on an industry recovery, ultimately increasing value for our shareholders.

After the completion of the Global Offering, our primary cash needs will continue to be for working capital, capital expenditures, repayment of indebtedness and other discretionary investments. Our focus will be on the continued prudent management and reduction of our debt balances. We believe this focus creates potential for strong free cash flow generation during an industry upcycle. Additionally, we believe that our growth opportunities will be organic and funded by cash flow from operations.

SQM Investment

In 2018, we successfully acquired an equity stake in SQM and became its second largest shareholder. We held 22.78% of SQM's outstanding shares as of the Latest Practicable Date. According to the Wood Mackenzie Report, SQM is the world's largest producer of lithium compounds as measured by production output in 2021. Our strategic holding of SQM has allowed us to benefit from SQM's operation in world-class brine resources, thereby further consolidating our position in the industry and generating stable and attractive long-term financial returns.

Our business and historical financial condition and results of operations have been, and will continue to be affected by the financial condition and results of operation of SQM. We recorded our investment in SQM as "interests in associates" and adjust our investment for the post acquisition change in our share of SQM's net assets and any impairment loss relating to the investment. In view of the adverse macro-economic changes especially after the outbreak of COVID pandemic, the market consensus lithium price forecast derived from the published industry reports at that time, the delay of SQM's project construction for production capacity expansion announced in early 2020, we reassessed the fair value of SQM equity value and the recoverable amount of our interest in SQM. We recognized an impairment loss of RMB5,236.6 million for the year ended December 31, 2019. In 2021, with the recovery of the fair value of SQM in its equity instrument, the macro-economic condition and continuing strong performance of lithium industry, we determined that the indicators for impairment recognised in prior periods for SQM had decreased and assessed the recoverable amount of the interest in SQM, resulting in a reversal of impairment loss of RMB1,601.3 million for the year ended December 31, 2021 in connection with our interest in SQM. For the years ended December 31, 2019, 2020 and 2021, our share of profits less losses in associates was RMB333.1 million, RMB161.1 million and RMB752.8 million, respectively. As of December 31, 2019, 2020 and 2021, our interests in associates amounted to RMB25,087.9 million, RMB23,400.6 million and RMB24,120.8 million, respectively.

The recoverable amounts of our investment in SQM were determined by value-in-use calculations. These calculations use cash flow projections based on SQM's historical financial information, operation plan, latest market information and independent technical review report, etc. Cash flows beyond the forecast periods stay the same with the last year in the projection period.

The followings are key assumptions that management used in the above mentioned value-in use calculations of our investment in SQM for December 31, 2019 and 2021.

	Key assumptions	Range
As of December 31, 2019	Projected gross margin	34%-48%
	Pre-tax discount rate	11.5%
As of December 31, 2021	Projected gross margin	47%-49%
	Pre-tax discount rate	13.5%

The value-in-use calculations of our investment in SQM is positively correlated to the projected gross margin and negatively correlated to the discount rates.

IMPACT OF COVID-19 PANDEMIC

In response to the spread of the COVID-19 virus, including the spread of variants and mutant strains, such as the recently detected Delta and Omicron variants, the PRC government and governments in other countries where we have established operations implemented numerous measures, including travel bans and restrictions, quarantines, stay-at-home orders and shutdowns. We took a series of measures in response to the outbreak to protect our employees in compliance with governments' measures, including, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. While our manufacturing facilities maintained normal operations since the outbreak of the COVID-19 pandemic in the first quarter of 2020, we experienced temporary disruptions to our supply chain and logistics operations. At our Shehong Plant, the supply of raw materials was temporarily delayed due to restrictions on transportation and logistics imposed by local government on January 29, 2020. The normal supply of raw materials resumed on February 24, 2020 as the Shehong Plant implemented various measures, including special logistics arrangements. Our other manufacturing facilities were not affected by the COVID-19 pandemic.

The economic slow-down and regional lock-down resulting from the COVID-19 pandemic, negatively impacted our business and results of operations in 2020. Between 2019 and 2020, market prices for lithium products experienced a steady decrease, primarily as a result of slowdown in global economy and decreased sales volume in our end-users, attributing to the decreased market demand. Our revenue decreased from RMB4,816.4 million for the year ended December 31, 2019 to RMB3,215.2 million for the year ended December 31, 2020.

Since the second quarter of 2020, many of the quarantine measures in China have been relaxed, with sporadic resurgence of the pandemic in different regions. We witnessed a growth in our revenue from RMB3,215.2 million for the year ended December 31, 2020 to RMB7,597.9 million for the year ended December 31, 2021.

Since January 1, 2022, certain areas across the PRC have suffered from some regional outbreaks of COVID-19 variants including Delta and Omicron variants. In response, local governments in the affected areas imposed various restrictions on business and social activities, including city lockdowns, restrictions on travel and emergency quarantines. We have not experienced any material operating difficulties, labor shortages, supply chain disruptions or order cancellations due to the recent recurrence of COVID-19. In addition, our business and revenue have continued to grow. Our revenue increased significantly from RMB899.6 million for the three months ended March 31, 2021 to RMB5,213.1 million for the three months ended March 31, 2022. Although our operations have not been directly affected by COVID-19 pandemic, we are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. As the COVID-19 pandemic remains an evolving situation, there is great uncertainty as to the development of the disease.

We believe the impact on demand growth, our sales volumes and our average selling prices will depend on the duration of the COVID-19 pandemic in the regions where we operate, the efficiency of the measures implemented to contain the spread of the COVID-19 virus and relevant fiscal incentives that may be implemented to promote economic recovery. While we have resumed business operations, there remain significant uncertainties surrounding the COVID-19 pandemic and its further development. In the event of the resurgence of the COVID-19 pandemic, governments may re-impose or implement strengthened measures to combat it, which may impact our business and operations, our results of operations, financial condition, cash flow and liquidity in the future.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies is set forth in Note 2 and Note 3 to the Accountants' Report in Appendix I 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 recognized when the control over a product or service is transferred to a customer, on the following bases:

- from the sale of lithium compounds and derivatives, when the goods are delivered to and have been accepted at customers' premises for domestic sales or a designated port of loading for export sales, provided that for contracts that permit the customer to return an item, revenue is adjusted to exclude expected returns, which are estimated based on the historical data for specific types of lithium products;
- from the sale of lithium concentrate, when the goods are dispatched from our warehouse for domestic sales or are delivered to and have been accepted at a designated port of

loading for export sales, provided that for contracts that permit the customer to return an item, revenue is adjusted to exclude expected returns, which are estimated based on the historical data for specific types of lithium products;

- dividend income from unlisted investments, when the shareholders' right to receive payment is established;
- dividend income from listed investments, when the share price of the investment goes ex-dividend;
- interest income, on an accrual basis under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset; and
- government grants, when there is reasonable assurance that they will be received and we will comply with the conditions attaching to them.

Inventories and Other Contract Costs

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfill a contract with a customer which are not capitalized as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that we incur to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalized when incurred if the costs relate to revenue which will be recognized in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfill a contract are capitalized if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because we entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalized as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalized contract costs are stated at cost less accumulated amortization and impairment losses. Impairment losses are recognized to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that we expect to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognized as expenses.

Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized.

Property, Plant and Equipment

Windfield's freehold land in Australia is stated at historical cost and has not depreciated.

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses:

- right-of-use assets arising from leases over freehold or leasehold properties where we are not the registered owner, which consists of the property interest;
- mine properties and development (including capitalized stripping costs); and
- items of plant and equipment, including right-of-use assets arising from leases of underlying plant and office equipment.

The cost of an item of property, plant and equipment comprises its purchase price, any directly attributable costs of bringing it to its present working condition and location for its intended use, the costs of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the item and restoring the site on which the item is located, and changes in the measurement of existing liabilities recognized for these costs resulting from changes in the timing of outflow of resources required to settle the obligation or from changes in the discount rate.

Cost of replacing part of an item of property, plant and equipment is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, such cost is capitalized in the carrying amount of the asset.

Depreciation of property, plant and equipment is calculated write off the cost of each item of property, plant and equipment to its estimated residual value over its estimated useful life using straight line method, reducing balance method or units of production method. We review the estimated useful lives periodically to determine the related depreciation charges. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. We will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of Non-financial Assets

We assess whether there are any indicators of impairment for all non-financial assets (including the right of-use 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 of disposal and its value in use. The calculation of the fair value less costs of disposal 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.

Reserves and Resources

Reserves are estimates of the amount of mineral product that can be economically extracted from our properties. We make estimates and assumptions of certain geological, technical and economic factors, which include quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short- and long-term commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies to be determined by analyzing geological data. This process may require complex and difficult geological judgments and calculations to interpret the data.

We determine and report ore reserves under the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect our financial results and financial position in a number of ways, including:

- Asset carrying values may be impacted due to changes in estimated future cash flows.
- Depreciation and amortization charged in the income statement may change where such charges are calculated using the units of production basis.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves alter expectations about the timing or cost of these activities.

Depreciation and amortization of mining assets is prospectively adjusted, based on these changes.

Mining Rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights include the cost of acquiring mining licenses. Mining rights are amortized over the estimated useful lives of the mines in accordance with the proven and probable reserves of the mines using the units of production method. The mining rights held by us are relating to Yajiang Cuola Mine. As of the Latest Practicable Date, we had not commenced operation in Yajiang Cuola Mine. Therefore, the mining rights of Yajiang Cuola Mine did not amortize during the Track Record Period.

Capitalized Stripping Costs

In open-pit mining, stripping costs are accounted separately for each component of an ore body unless the stripping activity provides improved access to the whole of the ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan.

Development stripping costs are capitalized as a stripping activity asset and form part of the cost of constructing the mine, when it is probable that future economic benefits associated with the asset will flow to us and the costs can be measured reliably. Capitalization of development stripping costs ceases and these costs are transferred to mine properties and development when the ore body or the component of an ore body is ready for its intended use.

Production stripping can give rise to two benefits, which are the extraction of ore in the current period and improved access to the ore body or the component of an ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognized as cost of inventories. To the extent the benefit is improved access to the ore body or the component of an ore body in future periods, the stripping costs are capitalized as mine properties and development, if the following criteria are met:

- It is probable that the future economic benefits (improved access to the ore body or the component of an ore body) will flow to us;
- The ore body or the component of an ore body for which access has been improved can be identified; and
- The costs relating to the stripping activity can be measured reliably.

Production stripping costs are allocated between the inventories produced and the mine properties and development capitalized using a life-of-component waste-to-ore strip ratio. When the current stripping ratio is greater than the life-of-component waste-to-ore ratio, a portion of the stripping costs is capitalized to the existing mine properties and development.

Production stripping costs can be incurred both in relation to the production of inventories in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventories, while the latter are capitalized as mine properties and development, where certain criteria are met. Significant judgement is required to distinguish between the production stripping that related to the extraction of inventories and what relates to the creation of mine properties and development.

Once we have identified the production stripping for each surface mining operation, we identifies the separate components of the ore bodies for each of our mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventories and any stripping activity asset for each component. We consider that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the ore body, the most suitable production measure.

Rehabilitation and Mine Closure Provisions

Rehabilitation and mine closure provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate mine properties and development. The discounted value reflects a combination of our assessment of the cost of performing the work required, the timing of the cash flows and the discount rate. A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact on the carrying value of the provision.

In the case of provisions for assets which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for assets no longer in use or for obligations arising from the production process, the adjustment is reflected directly in profit or loss.

Useful Life of Property, Plant and Equipment

Management determines the estimated useful lives of and related depreciation charges for our property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Recognition of Deferred Tax Assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to our operating environment and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in the future periods.

Leased assets

At inception of a contract, we assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), we have elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, we recognize a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for we are primarily laptops and office furniture. When we enter into a lease in respect of a low-value asset, we decide whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Credit Losses and Impairment of Assets

(i) Credit losses from financial instruments

For financial assets measured at amortized cost, including cash and cash equivalents, trade and other receivables and restricted and pledged deposits, we recognize allowance for expected credit losses. We measure credit losses as the present value of all expected cash shortfalls, which represent the difference between the cash flows due to us in accordance with the contracts and the cash flows that we expect to receive. We re-measure the expected credit losses at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the amount of expected credit losses is recognized as an impairment gain or loss.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- goodwill;
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Our development of the Yajiang Cuola Mine is currently suspended. For more information, see "Risk Factors—Risks Relating to Our Business—The development of our Yajiang Cuola Mine is currently on hold and we cannot assure you that the development of our Yajiang Cuola Mine will resume in the near future." We did not recognize any impairment losses in respect of the Yajiang Cuola Mine during the Track Record Period. Our impairment assessment was performed through comparing the recoverable amount and the carrying amount of the cash-generating units in relation to the Yajiang Cuola Mine.

We commenced construction of phase I of the Yajiang Cuola Mine in August 2012. However, due to an alleged environmental incident related to a neighboring mine owned and constructed by a third party, all lithium operations in the Jiajika District, including the construction of Yajiang Cuola Mine, were suspended by the Department of Land and Resources of Ganzi Prefecture in October 2013. The People's Government of Ganzi Tibetan Autonomous Prefecture published a regulatory guidance relating to the construction recommencement in a press release in 2019, which provided policy guidance for our business development in Ganzi, in particular, in relation to our development and construction at Yajiang Cuola Mine. As of December 31, 2019, 2020, and 2021, the cash-generating units ("Shenghe Lithium CGU") consisted of mining rights and certain construction in progress and are identified as follows:

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Construction in progress	137.8	84.5	84.0
Mining rights	88.0	88.0	88.0
Shenghe Lithium CGU	225.8	172.5	172.0

The key assumptions that our management has adopted in the estimation of discounted future cash flows include budgeted gross margin and pre-tax discount rate.

	Key assumptions	Range
As of December 31,		
2019	- Budgeted gross margin	9.2% - 68.8%
	- Pre-tax discount rate	12.9%
2020	- Budgeted gross margin	16.7% - 72.8%
	- Pre-tax discount rate	12.9%
2021	- Budgeted gross margin	58.7% - 85.8%
	- Pre-tax discount rate	18.7%

As of December 31, 2019, 2020, and 2021, based on the value-in-use calculations, the recoverable amount exceeded the carrying amount of Shenghe Lithium CGU by RMB665.1 million, RMB977.5 million, and RMB1,769.0 million respectively. The following table sets forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, of impairment assessment of the Yajiang Cuola Mine as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of the cash-generating units exceeding their carrying amount		
	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Budgeted gross margin decreases by 1%	604.3	902.0	1,597.0
Budgeted gross margin decreases by 3%	492.7	764.7	1,310.7
Budgeted gross margin decreases by 5%	392.7	642.7	1,081.6
Discount rate increases by 0.5%	611.2	912.8	1,676.2
Discount rate increases by 1.5%	513.1	794.7	1,505.2
Discount rate increases by 2.5%	426.5	690.0	1,351.8

Impairment of Goodwill

Our goodwill amounted to RMB416.1 million as of December 31, 2019, 2020 and 2021, respectively. Such goodwill resulted from our acquisition of Tianqi Lithium (Jiangsu) in 2015. We did not record any goodwill impairment during the Track Record Period.

The key assumptions used in determining the recoverable amount of the cash-generating units of Tianqi Lithium (Jiangsu) include budgeted gross margin and pre-tax discount rate.

	Key assumptions	Range
As of December 31,		
2019	- Budgeted gross margin	(1.5%) - 37.5%
	- Pre-tax discount rate	14.1%
2020	- Budgeted gross margin	15.9% - 31.4%
	- Pre-tax discount rate	15.5%
2021	- Budgeted gross margin	33.8% - 36.3%
	- Pre-tax discount rate	19.5%

Budgeted gross margins—the basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved or expected to achieve in the year immediately before the budget year, adjusted for expected market change on annual basis. As at December 31, 2019 the budgeted gross margin was estimated to be negative 1.5% for the forecasted year of 2020 based on the then market information.

Discount rates—the discount rates used are pre-tax and reflect specific risks relating to Tianqi Lithium (Jiangsu) CGU.

As of December 31, 2019, 2020 and 2021, based on the value-in-use calculations, the recoverable amount of Tianqi Lithium (Jiangsu) CGU exceeded the carrying amount by RMB859.6 million, RMB206.6 million and RMB4,141.2 million, respectively.

The Company's directors were of the view that any reasonably possible changes in key assumptions would not cause the carrying amount of the Tianqi Lithium (Jiangsu) CGU to exceed its recoverable amount as at December 31, 2019, 2020 and 2021.

The following tables sets forth the impact of possible changes in each of the key assumptions, with all other variables held constant, of impairment assessment of goodwill as of the dates indicated.

Possible changes of key assumptions	Recoverable amount of Tianqi Lithium (Jiangsu) CGU exceeding its carrying amount by		
	As of December 31,		
	2019	2020	2021
	(RMB in thousands)		
Budgeted gross margin decreases by 0.5%	783,863	152,247	4,119,300
Budgeted gross margin decreases by 1%	709,294	98,575	4,097,751
Budgeted gross margin decreases by 1.5%	635,847	45,600	4,076,536
Discount rate increases by 0.5%	763,493	163,472	4,002,387
Discount rate increases by 1.5%	590,699	85,506	3,744,801
Discount rate increases by 2.5%	439,816	17,090	3,510,873

Exchange Differences on Translation of Financial Statements

As we conduct part of our business in Australia and other international jurisdictions, the functional currencies of certain of our subsidiaries are currencies other than Renminbi. At the end of the reporting period, the statements of financial position items of these entities are translated into Renminbi at the closing exchange rates at the end of the reporting period and the results of foreign operations are translated into Renminbi at the exchange rates approximating the prevailing foreign exchange rates at the dates of the relevant transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve. Upon disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, 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.

	For the year ended December 31,		
	2019	2020	2021
	(RMB in millions)		
Revenue	**4,816.4**	**3,215.2**	**7,597.9**
Cost of sales	(2,119.1)	(1,888.2)	(2,910.0)
Gross profit	**2,697.3**	**1,327.0**	**4,687.9**
Other net income/(loss)	350.5	(195.1)	478.6
Selling and distribution expenses	(22.5)	(20.5)	(20.5)
Administrative expenses	(432.7)	(414.7)	(478.1)
Research and development costs	(48.4)	(24.3)	(18.9)
(Impairment)/reversal of impairment losses	(5,310.1)	(51.3)	1,652.4
(Loss)/Profit from operations	**(2,765.9)**	**621.1**	**6,301.4**
Finance costs	(2,045.5)	(1,835.6)	(1,474.8)
Share of profits less losses of associates	333.1	161.1	752.8
(Loss)/Profit before taxation	**(4,478.3)**	**(1,053.4)**	**5,579.4**
Income tax	(1,002.1)	(71.2)	(1,373.6)
(Loss)/Profit for the year	**(5,480.4)**	**(1,124.6)**	**4,205.8**
Attributable to:			
Equity shareholders of the Company	(5,981.4)	(1,830.9)	3,649.2
Non-controlling interests	501.0	706.3	556.6

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived our revenue from sales of lithium compounds and derivatives business as well as sales of lithium concentrate business. Our revenue decreased by 33.2% from RMB4,816.4 million for the year ended December 31, 2019 to RMB3,215.2 million for the year ended December 31, 2020, and increased by 136.3% to RMB7,597.9 million for the year ended December 31, 2021.

Revenue by Business Segment

The following table sets forth a breakdown of our revenue by business segment, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Sales of lithium compounds and derivatives	2,902.3	60.3	1,735.3	54.0	4,960.2	65.3
Sales of lithium concentrate	1,914.1	39.7	1,479.9	46.0	2,637.7	34.7
Total revenue	**4,816.4**	**100.0**	**3,215.2**	**100.0**	**7,597.9**	**100.0**

The fluctuation of our total revenue during the Track Record Period was primarily driven by the fluctuation in our revenue from our sales of lithium compounds and derivatives business.

Revenue from our sales of lithium compounds and derivatives decreased by 40.2% from RMB2,902.3 million for the year ended December 31, 2019 to RMB1,735.3 million for the year ended December 31, 2020, while revenue from our sales of lithium concentrate business decreased by 22.7% from RMB1,914.1 million for the year ended December 31, 2019 to RMB1,479.9 million for the year ended December 31, 2020, primarily driven by (i) a decrease in the selling prices of our products, and (ii) a decrease in sales volume of lithium compounds and derivatives.

Revenue from our sales of lithium compounds and derivatives business increased by 185.8% from RMB1,735.3 million for the year ended December 31, 2020 to RMB4,960.2 million for the year ended December 31, 2021, mainly due to (i) an increase in the selling prices of our products, and (ii) an increase in sales volume attributable to strong market demand. Revenue from our sales of lithium concentrate business increased by 78.2% from RMB1,479.9 million for the year ended December 31, 2020 to RMB2,637.7 million for the year ended December 31, 2021, primarily driven by a significant increase in sales volume attributable to strong market demand.

Revenue from our sales of lithium compounds and derivatives business as a percentage of our total revenue decreased from 60.3% in 2019 to 54.0% in 2020, and such percentage increased to 65.3% in 2021; and revenue from our sales of lithium concentrate business as a percentage of our total revenue increased from 39.7% in 2019 to 46.0% in 2020, and such percentage decreased to 34.7% in 2021. The changes were because market prices of lithium products experienced a significant increase in 2021. Our lithium compounds and derivatives products are mainly sold to customers under short-term orders, in which selling prices are more flexible to reflect changes of market prices. During the track record period, a substantial majority of our lithium concentrate products were sold to Albemarle Germany, an indirect shareholder of Talison through Windfield, pursuant to the Albemarle Agreements, under which the parties negotiated and agreed selling prices every six months. As such, the selling prices are less responsive to market prices volatilities.

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 periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
China	3,527.4	73.2	2,473.1	76.9	6,578.9	86.6
Overseas	1,289.0	26.8	742.1	23.1	1,019.0	13.4
Total revenue	**4,816.4**	**100.0**	**3,215.2**	**100.0**	**7,597.9**	**100.0**

Revenue from China and overseas represents our revenue from the sales of products delivered to China and overseas, respectively. China is our key market and has had the largest revenue contribution during the Track Record Period. Revenue from China contributed 73.2%, 76.9% and 86.6% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively. Revenue from China increased by 166.0% from RMB2,473.1 million for the year ended December 31, 2020 to RMB6,578.9 million for the year ended December 31, 2021, primarily because of (i) an increase in selling price of our products sold under short-term contracts in China, and (ii) an increase in sale volume in China. Revenue from China decreased by 29.9% from RMB3,527.4 million for the year ended December 31, 2019 to RMB2,473.1 million for the year ended December 31, 2020, primarily driven by (i) a decrease in the selling prices of our products, and (ii) a decrease in sales volume of lithium compounds and derivatives attributable to decreased market demand. During the Track Record Period, approximately 98.4% of our sales contracts were short-term contracts with a term of less than one year, and approximately 99.8% of our sales in China were under short-term contracts and approximately 14.1% of our sales contracts in overseas were long-term contracts with a term of more than one year.

Sales Volume and Average Selling Price

The following table sets forth our sales volume and average selling price of each business segment for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(ton)	(RMB in thousands /ton)	(ton)	(RMB in thousands /ton)	(ton)	(RMB in thousands /ton)
Sales of lithium compounds and derivatives	40,847.9	71.0	35,701.0	48.6	47,710.9	104.0
Sales of lithium concentrate	345,506.9	5.5	352,746.8	4.2	551,190.0	4.8

The fluctuation in the sales volume of our lithium compounds and derivatives during the Track Record Period was primarily driven by adjustments to production volume and fluctuations in market demand. The fluctuation in the average selling price of our lithium compounds and derivatives during the Track Record Period was generally in line with the market prices that we used as benchmarks to price our own products.

The sales volume of our lithium concentrate stayed relatively stable in the years of 2019 and 2020. The sales volume of our lithium concentrate increased from 352,746.8 tons in the year ended

December 31, 2020 to 551,190.0 tons in the year ended December 31, 2021, primarily due to increased orders of shareholders of Windfield, which was in turn driven by increased market demand for lithium products. The average selling price of our lithium concentrates during the Track Record Period was generally in line with the market prices that we used as benchmarks to price our own products during the same period.

Cost of Sales

Our cost of sales decreased by 10.9% from RMB2,119.1 million for the year ended December 31, 2019 to RMB1,888.2 million for the year ended December 31, 2020. Our cost of sales increased by 54.1% to RMB2,910.0 million for the year ended December 31, 2021. The fluctuation of our cost of sales during the Track Record Period was in line with the fluctuation in our sales volume.

Cost of Sales by Business Segment

The following table sets forth a breakdown of our cost of sales by business segment, expressed as an absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Sales of lithium compounds and derivatives	1,521.1	71.8	1,333.1	70.6	1,908.0	65.6
Sales of lithium concentrate	598.0	28.2	555.1	29.4	1,002.0	34.4
Total cost of sales	**2,119.1**	**100.0**	**1,888.2**	**100.0**	**2,910.0**	**100.0**

Cost of sales attributable to our sales of lithium compounds and derivatives business as a percentage of our cost of sales generally decreased during the Track Record Period, even though revenue from sales of lithium compounds and derivatives business as a percentage of our total revenue increased from 54.0% for the year ended December 31, 2020 to 65.3% for the year ended December 31, 2021, because the sales volume from lithium compounds and derivatives business did not increase as much as the sale volume increase in lithium concentrate business from 2020 to 2021.

Cost of Sales by Nature

Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our sales of lithium compounds and derivatives business consists of cost of lithium concentrate, other raw materials, utilities, depreciation and amortization, overhead and labor.

The following table sets forth a breakdown of our cost of sales attributable to our sales of lithium compounds and derivatives business by the type of cost incurred, expressed as an absolute amount and as a percentage of our production cost attributable to our sales of lithium compounds and derivatives business, for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Lithium concentrate	577.1	38.5	425.4	35.3	693.6	37.1
Other raw materials	207.2	13.8	160.8	13.3	284.1	15.1
Utilities	243.7	16.3	203.7	16.9	220.2	11.7
Depreciation	157.3	10.5	161.2	13.4	159.4	8.5
Overhead	191.3	12.8	157.7	13.1	393.0	20.9
Labor	120.9	8.1	96.2	8.0	125.8	6.7
Total production cost attributable to production of lithium compounds and derivatives	**1,497.5**	**100.0**	**1,205.0**	**100.0**	**1,876.1**	**100.0**
Inventory movement	23.6		128.1		31.9	
Total cost of sales attributable to sales of lithium compounds and derivatives	**1,521.1**		**1,333.1**		**1,908.0**	

Lithium Concentrate Cost

Lithium concentrate cost is the largest component of our cost of sales attributable to our sales of lithium compounds and derivatives business. All of the lithium concentrate used for our sales of lithium compounds and derivatives business during the Track Record Period was provided by our mining, production and sales of lithium concentrate business, and thus the lithium concentrate cost was netted off in our consolidated financial statements due to intersegment elimination. Lithium concentrate cost accounted for 38.5%, 35.3% and 37.1%, respectively, of our production cost attributable to our sales of lithium compounds and derivatives business for the years ended December 31, 2019, 2020 and 2021.

Other Raw Materials Cost

Other raw materials cost represents the cost of raw materials, other than lithium concentrate, that are used for our manufacturing and sales of lithium compounds and derivatives business. Other raw materials primarily include various chemical products, such as sulfuric acid, hydrochloric acid, sodium hydroxide, sodium carbonate, calcium hydroxide, calcium chloride, and calcium carbonate. Other raw materials cost accounted for 13.8%, 13.3% and 15.1%, respectively, of our production cost attributable to our sales of lithium compounds and derivatives business for the years ended December 31, 2019, 2020 and 2021.

Utilities Cost

Utilities cost represents the cost of energy and power costs for our sales of lithium compounds and derivatives business. Utilities cost accounted for 16.3%, 16.9% and 11.7%, respectively, of our production cost attributable to our sales of lithium compounds and derivatives business for the years ended December 31, 2019, 2020 and 2021.

Depreciation Cost

Depreciation cost represents depreciation of property, plant and equipment associated with our sales of lithium compounds and derivatives business. Depreciation cost accounted for 10.5%, 13.4% and 8.5%, respectively, of our production cost attributable to our sales of lithium compounds and derivatives business for the years ended December 31, 2019, 2020 and 2021.

Overhead Cost

Overhead cost represents various other production costs associated with our sales of lithium compounds and derivatives business, including costs of packaging, repair and maintenance, consumables, safety-related and other miscellaneous costs. Overhead cost accounted for 12.8%, 13.1% and 20.9%, respectively, of our production cost attributable to our sales of lithium compounds and derivatives business for the years ended December 31, 2019, 2020 and 2021.

Labor Cost

Labor cost represents salaries and other staff-related costs of our sales of lithium compounds and derivatives business. Labor cost accounted for 8.1%, 8.0% and 6.7%, respectively, of our production cost attributable to our sales of lithium compounds and derivatives business for the years ended December 31, 2019, 2020 and 2021.

Sales of Lithium Concentrate

Cost of sales attributable to our sales of lithium concentrate business consists of (i) production cost, which includes cost of processing, mining, royalties, depreciation and amortization, transportation and mine administration and (ii) shipping cost, and is deducted by cost of lithium concentrate used for our sales of lithium compounds and derivatives business as a result of intersegment elimination.

The following table sets forth a breakdown of our cost of sales attributable to our sales of lithium concentrate business by the type of cost incurred, expressed as an absolute amount and as a percentage of our production cost attributable to our sales of lithium concentrate business, for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Processing	431.6	33.6	305.2	34.1	415.9	27.0
Mining	359.5	28.0	213.1	23.8	284.1	18.4
Royalties	203.2	15.8	84.1	9.4	388.4	25.2
Depreciation and amortization	126.6	9.9	156.1	17.5	255.5	16.6
Transportation	91.2	7.1	63.9	7.1	96.4	6.3
Mine administration	72.2	5.6	72.1	8.1	101.2	6.5
Total production cost attributable to sales of lithium concentrate	**1,284.3**	**100.0**	**894.5**	**100.0**	**1,541.5**	**100.0**
Shipping cost	143.2		53.2		172.2	
Inventory movement	(252.4)		32.8		(18.1)	
Less: Lithium concentrate used for lithium compounds and derivatives production	(577.1)		(425.4)		(693.6)	
Total cost of sales attributable to sales of lithium concentrate	**598.0**		**555.1**		**1,002.0**	

Processing Cost

Processing cost is the largest component of our cost of sales attributable to our sales of lithium concentrate business and primarily consists of cost of repair and maintenance, consumables, workforce employment and fuel, electricity and water associated with our processing activities. Processing cost accounted for 33.6%, 34.1% and 27.0%, respectively, of our production cost attributable to our sales of lithium concentrate business for the years ended December 31, 2019, 2020 and 2021.

Mining Cost

Mining cost represents cost of mining contractors, consumables, workforce employment, fuel, electricity and water, as well as repair and maintenance associated with our mining activities. Mining cost accounted for 28.0%, 23.8% and 18.4%, respectively, of our production cost attributable to our sales of lithium concentrate business for the years ended December 31, 2019, 2020 and 2021.

Royalties Cost

Royalties cost represents the cost of royalties paid to the Australian government for our mining operations at the Greenbushes Mine. Royalties cost accounted for 15.8%, 9.4% and 25.2%, respectively, of our production cost of sales attributable to our sales of lithium concentrate business for the years ended December 31, 2019, 2020 and 2021.

Depreciation and Amortization Cost

Depreciation and amortization cost represents depreciation of property, plant and equipment and amortization of intangible assets associated with our mining, production and sales of lithium concentrate business. Depreciation and amortization cost accounted for 9.9%, 17.5% and 16.6%, respectively, of our production cost attributable to our sales of lithium concentrate business for the years ended December 31, 2019, 2020 and 2021.

Transportation Cost

Transportation cost represents the cost of land transportation of lithium concentrate from Greenbushes Mine to the port. Transportation cost accounted for 7.1%, 7.1% and 6.3%, respectively, of our production cost attributable to our sales of lithium concentrate business for the years ended December 31, 2019, 2020 and 2021.

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 periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
China	1,650.4	77.9	1,559.4	82.6	2,435.8	83.7
Overseas	468.7	22.1	328.8	17.4	474.2	16.3
Total cost of sales	**2,119.1**	**100.0**	**1,888.2**	**100.0**	**2,910.0**	**100.0**

Cost of sales attributable to China and overseas represents our cost of sales attributable to sales of products delivered to China and overseas, respectively. Cost of sales attributable to China contributed 77.9%, 82.6% and 83.7% of our total cost of sales for the years ended December 31, 2019, 2020 and 2021, respectively. The fluctuation of our cost of sales attributable to China as a percentage of our total cost of sales was generally in line with that of our revenue.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2019, 2020 and 2021, our gross profit amounted to RMB2,697.3 million, RMB1,327.0 million and RMB4,687.9 million, respectively. Our gross profit margin was 56.0%, 41.3% and 61.7%, respectively, during the same periods.

Gross Profit and Gross Profit Margin by Business Segment

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %
	(RMB in millions, except for percentage)					
Sales of lithium compounds and derivatives	1,381.2	47.6	402.2	23.2	3,052.2	61.5
Sales of lithium concentrate	1,316.1	68.8	924.8	62.5	1,635.7	62.0
Total	**2,697.3**	**56.0**	**1,327.0**	**41.3**	**4,687.9**	**61.7**

Gross profit margin for our sales of lithium compounds and derivatives business decreased from 47.6% in 2019 to 23.2% in 2020, primarily due to a decrease in the selling prices of our lithium compounds and derivatives in 2020, in line with decreased prevailing market prices, while the average production cost remained relatively stable. Gross profit margin for our sales of lithium compounds and derivatives business further increased to 61.5% in 2021, primarily due to a significant increase in the selling prices of our lithium compounds and derivatives in 2021 in line with increased prevailing market prices.

Gross profit margin for our sales of lithium concentrate business decreased from 68.8% in 2019 to 62.5% in 2020, primarily due to the decrease in the selling prices of our products driven by the decrease of prevailing market prices during the same period, and the increased production costs. Gross profit margin for our sales of lithium concentrate business remained stable in 2021, primarily due to the increase in the selling prices of our products driven by the increase of prevailing market prices during the same period, offset by the increased production costs.

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 periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %
	(RMB in millions, except for percentage)					
China	1,877.0	53.2	913.7	36.9	4,143.1	63.0
Overseas	820.3	63.6	413.3	55.7	544.8	53.5
Total	**2,697.3**	**56.0**	**1,327.0**	**41.3**	**4,687.9**	**61.7**

Gross profit margin attributable to sales to China significantly decreased from 53.2% in 2019 to 36.9% in 2020, and significantly increased to 63.0% in 2021. Fluctuations in our gross profit margin attributable to China were primarily driven by fluctuations in the average selling price of our lithium compounds and derivatives products in China in line with prevailing market prices.

Gross profit margin attributable to sales to overseas decreased from 63.6% in 2019 to 55.7% in 2020, primarily driven by decreases in the average selling price of our lithium concentrates in overseas markets in line with prevailing market prices. Gross profit margin attributable to sales to overseas further decreased to 53.5% in 2021, primarily driven by (i) slower increase in selling prices of our lithium compounds and derivatives sold under long-term contracts overseas which were less responsive to the market prices volatilities, as compared to faster increase in cost of sales attributable to overseas; and (ii) slower increase of selling price of our lithium concentrate overseas which was updated every six months, and this was offset by increased production cost.

The higher profit margin attributable to sales to overseas as compared to profit margin attributable to sales to China in 2019 and 2020 was primarily driven by (i) higher gross profit margin of sales of concentrates in overseas compared to the sales of concentrates in China in 2019 and 2020 and (ii) more stable selling price of our lithium compounds and derivatives sold under long-term contracts in overseas which were less responsive to the market prices volatilities and led to relatively higher selling prices and gross profit margin in the overseas market as the market prices of such long-term contracts were in a downward trend in 2019 and 2020.

The higher profit margin attributable to sales to China as compared to profit margin attributable to sales to overseas in 2021 was primarily driven by selling prices of our lithium compounds and derivatives sold under short-term contracts in China which were more responsive to the market prices volatilities and led to relatively higher selling prices and gross profit margin in the China market as the market prices of such short-term contracts were in an upward trend in 2021.

Other Net Income/(Loss)

Our other net income/(loss) primarily consists of interest income from bank deposits, dividend income from equity investments at FVOCI (non-recycling), government grants, net realized and unrealized gains/(loss) on derivative financial instruments, net gain from modification of syndicated bank loans, net (loss)/gain on disposal of property, plant and equipment, net (loss)/gain on disposal of intangible assets, net realized and unrealized gain on FVPL, net losses on dilution of interest in associates, gain on deemed disposal of an associate and net foreign exchange gain/(loss).

For the year ended December 31, 2019 and 2021, we had total other net income of RMB350.5 million and RMB478.6 million, respectively. For the year ended December 31, 2020, we recorded total other net loss of RMB195.1 million.

The following table sets forth a breakdown of the key components of our other net income/(loss), each expressed as an absolute amount and as a percentage of other net income/(loss), for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Interest income from bank deposits	9.0	2.6	7.1	(3.6)	3.4	0.7
Dividend income from equity investments at FVOCI (non-recycling)	—	—	4.5	(2.3)	—	—
Government grants	111.2	31.7	52.1	(26.7)	21.6	4.5
Net realized and unrealized gains/(losses) on derivative financial instruments	238.8	68.1	(661.9)	339.3	51.0	10.7
Net gains from modification of syndicated bank loans	—	—	—	—	671.2	140.2
Net losses on disposal of property, plant and equipment	(28.0)	(8.0)	(54.5)	27.9	(19.9)	(4.2)
Net losses on disposal of intangible assets	—	—	(19.6)	10.0	—	—
Net realized and unrealized gain on FVPL	4.5	1.3	0.0	0.0	—	—
Net losses on dilution of interest in associates	—	—	—	—	(51.3)	(10.7)
Gains on deemed disposal of an associate	—	—	—	—	64.7	13.5
Net foreign exchange gains/(losses)	20.2	5.8	497.1	(254.8)	(242.4)	(50.5)
Others	(5.2)	(1.5)	(19.9)	10.2	(19.7)	(4.2)
Total other net income/(loss)	**350.5**	**100.0**	**(195.1)**	**100.0**	**478.6**	**100.0**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of employee benefit expense, warehouse expense, advertising and business expense and office and traveling expense. For the years ended December 31, 2019, 2020 and 2021, our selling and distribution expenses amounted to RMB22.5 million, RMB20.5 million and RMB20.5 million, respectively. 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 periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Depreciation and amortization	0.1	0.5	0.1	0.5	0.1	0.5
Employee benefit expense	10.0	44.4	11.5	56.1	13.1	63.8
Warehouse expense	6.7	29.8	4.7	22.9	3.5	17.1
Advertising and business expense	0.3	1.3	0.2	1.0	0.2	1.0
Office and traveling expense	2.3	10.2	1.5	7.3	0.9	4.4
Port fee and insurance expense	3.0	13.3	2.5	12.2	2.7	13.2
Agencies and others	0.1	0.5	0.0	0.0	0.0	0.0
Total selling and distribution expenses	**22.5**	**100.0**	**20.5**	**100.0**	**20.5**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expense, professional service and consulting expense, share-based payment expense, downtime cost, depreciation and amortization, office expense, and traveling expense. We incurred professional service and consulting expenses for the engagements of professional parties for our operations, such as legal services, industry consulting services, evaluation services, audit services, tax services and general consulting services. In addition, we also incurred professional service and consulting expenses in relation to certain transactions during the Track Record Period, such as our listing application in August 2018, the SQM Indebtedness and the IGO Transaction. For the years ended December 31, 2019, 2020 and 2021, our administrative expenses amounted to RMB432.7 million, RMB414.7 million and RMB478.1 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 periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Employee benefit expense	172.4	39.8	161.1	38.8	201.4	42.1
Professional service and consulting expense	120.7	27.9	104.6	25.2	111.0	23.2
Share-based payment expense	4.3	1.0	0.0	0.0	0.0	0.0
Downtime cost	4.5	1.0	9.7	2.3	6.3	1.3
Depreciation and amortization	37.8	8.7	42.4	10.2	35.2	7.4
Office expense	57.4	13.3	80.5	19.4	95.2	19.9
Traveling expense	15.9	3.7	5.8	1.4	5.5	1.2
Others	19.7	4.6	10.6	2.7	23.5	4.9
Total administrative expenses	**432.7**	**100.0**	**414.7**	**100.0**	**478.1**	**100.0**

Research and Development Costs

Our research and development costs primarily consist of (i) employee benefit expenses for our research and development personnel, (ii) depreciation and amortization costs and (iii) fee and other research and development expenses. Our research and development costs decreased from RMB48.4 million in 2019 to RMB24.3 million in 2020, primarily attributable to (i) a decrease in the employee benefit expense, and (ii) a decrease in fees and expense paid in connection with our commissioned R&D projects. Our research and development costs further decreased to RMB18.9 million in 2021, primarily attributable to the decreased amortization of intangible assets due to the disposal of some patent rights in Chongqing Tianqi.

Finance Costs

Our finance costs primarily consist of interest on bank loans and other borrowings and interest on discounted bills. For the year ended December 31, 2019, 2020 and 2021, our finance costs amounted to RMB2,045.5 million, RMB1,835.6 million and RMB1,474.8 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 periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Interest on bank loans and other borrowings	2,032.5	99.4	1,871.1	101.9	1,495.4	101.4
Interest on lease liabilities	1.7	0.1	7.5	0.4	9.8	0.7
Interest on discounted bills receivable	58.7	2.9	10.0	0.5	17.2	1.2
Unwind of discount on rehabilitation and closure provision	4.8	0.2	4.7	0.3	5.6	0.4
Less: interest expense capitalized into construction in progress	(52.2)	(2.6)	(57.7)	(3.1)	(53.2)	(3.7)
Total finance costs	**2,045.5**	**100.0**	**1,835.6**	**100.0**	**1,474.8**	**100.0**

For the year ended December 31, 2019, 2020 and 2021, our finance costs amounted to RMB2,045.5 million, RMB1,835.6 million and RMB1,474.8 million, respectively, primarily attributable to a decrease in the interest on bank loans and other borrowings as (i) we repaid certain bank loans and other borrowings, and (ii) a decrease in the effective interest rate in connection with our outstanding bank loans and other borrowings.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates represents our share of profits of associates, deducted by our share of losses of associates. For the years ended December 31, 2019, 2020 and 2021, our share of profits less losses of associates amounted to RMB333.1 million, RMB161.1 million and RMB752.8 million, respectively, mainly in line with the performance and profit level of SQM.

Income Tax

The enacted income tax rates applicable to our PRC entities may fluctuate because of the preferential tax treatments, changes in income before taxes, and the recognition of deferred tax assets and liabilities for losses and gains to be carried forward. For more details, see "—Taxation" in this section. As of the Latest Practicable Date, we did not have any disputes with any tax authority. See "Risk Factors—Risks Relating to Our Business—We are subject to regulatory risks with respect to our tax compliance."

For the year ended December 31, 2019, 2020 and 2021, we had income tax expenses of RMB1,002.1 million, RMB71.2 million and RMB1,373.6 million, respectively. The large amount of income tax expenses for the year ended December 31, 2019 were line with our taxable income in 2019, and also included the payment of A$52.0 million made by Windfield in 2019 for the income tax from 2015 to 2018 due to the ATO's special tax adjustments to the selling prices of Windfield's lithium concentrates sold in the years from 2015 to 2018. The large amount of income tax expenses for the year ended December 31, 2021 were in line with our taxable income in 2021.

Taxation

China

Under the PRC Corporate Income Tax Law which became effective from January 1, 2008, we and our PRC subsidiaries are subject to a statutory income tax rate of 25%, subject to any applicable preferential tax treatments. Pursuant to the Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalog of Encouraged Industries in Western Region issued by relevant tax authorities in the PRC, certain subsidiaries of the Group enjoyed a preferential income tax rate of 15% during the Track Record Period.

Hong Kong

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

Overseas

Taxation for our overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant countries. The applicable statutory income tax rates of our overseas subsidiaries are set forth below.

The United Kingdom	19%
Australia	30%
Chile	27%

COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 136.3% from RMB3,215.2 million for the year ended December 31, 2020 to RMB7,597.9 million for the year ended December 31, 2021. The increase in our revenue was primarily due to increased revenue generated from both sales of lithium compounds and derivatives and sales of lithium concentrate segments, which was driven by increased sales volume and average selling prices of both segments.

Sales of Lithium Compounds and Derivatives

Revenue generated from our sales of lithium compounds and derivatives business significantly increased by 185.8% from RMB1,735.3 million for the year ended December 31, 2020 to RMB4,960.2 million for the year ended December 31, 2021, driven by increases in sales volume and average selling prices of our lithium compounds and derivatives in line with the increased market demands. Revenue generated from our sales of lithium compounds and derivatives business accounted for 54.0% and 65.3% of our total revenue for the year ended December 31, 2020 and 2021, respectively.

Sales of Lithium Concentrate

Revenue generated from our sales of lithium concentrate business increased by 78.2% from RMB1,479.9 million for the year ended December 31, 2020 to RMB2,637.7 million for the year ended

December 31, 2021, driven by (i) an increase in sales volume of our lithium concentrate from 352,746.8 tons for the year ended December 31, 2020 to 551,190.0 tons for the year ended December 31, 2021, due to increased orders from both shareholders of Windfield, which was in turn driven by increased market demands from end customers, and (ii) a slight increase of the average selling price of our lithium concentrate in 2021. Revenue generated from our sales of lithium concentrate business accounted for 46.0% and 34.7% of our total revenue for the year ended December 31, 2020 and 2021, respectively.

Cost of Sales

Our cost of sales increased by 54.1% from RMB1,888.2 million for the year ended December 31, 2020 to RMB2,910.0 million for the year ended December 31, 2021, driven by increased cost of sales attributable to both sales of lithium compounds and derivatives and sales of lithium concentrate segments. Our cost of sales as a percentage of our total revenue decreased from 58.7% to 38.3% during the same periods.

Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business increased by 43.1% from RMB1,333.1 million for the year ended December 31, 2020 to RMB1,908.0 million for the year ended December 31, 2021, in line with the increase of our sales volumes in the relevant period.

Sales of Lithium Concentrate

Cost of sales attributable to our mining, production and sales of lithium concentrate business increased by 80.5% from RMB555.1 million for the year ended December 31, 2020 to RMB1,002.0 million for the year ended December 31, 2021, primarily driven by (i) the increased sales volume of our lithium concentrate in 2021, and (ii) the increased royalties paid to the Australian government due to an increase in the average benchmark price, which increased in line with the prevailing market prices.

Gross Profit

As a result of the foregoing, our gross profit significantly increased by 253.3% from RMB1,327.0 million for the year ended December 31, 2020 to RMB4,687.9 million for the year ended December 31, 2021. Our gross profit margin increased from 41.3% for the year ended December 31, 2020 to 61.7% for the year ended December 31, 2021.

Sales of Lithium Compounds and Derivatives

Gross profit from our sales of lithium compounds and derivatives business significantly increased by 658.9% from RMB402.2 million for the year ended December 31, 2020 to RMB3,052.2 million for the year ended December 31, 2021. Gross profit margin from our sales of lithium compounds and derivatives business increased from 23.2% to 61.5% during the same periods.

Sales of Lithium Concentrate

Gross profit from our sales of lithium concentrate business increased by 76.9% from RMB924.8 million for the year ended December 31, 2020 to RMB1,635.7 million for the year ended

December 31, 2021. Gross profit margin from our sales of lithium concentrate business slightly decreased from 62.5% to 62.0% during the same periods.

Other Net Income/(Loss)

Our other net loss was RMB195.1 million for the year ended December 31, 2020, primarily due to a net realized and unrealized loss on derivative financial instruments of RMB661.9 million, caused by a loss from our collar options we held, partially offset by a net foreign exchange gain of RMB497.1 million attributable to fluctuation in exchange rates we adopted in connection with bank loans and other borrowings of our overseas subsidiaries.

For the year ended December 31, 2021, we recognized a total other net income of RMB478.6 million, primarily due to (i) a RMB671.2 million net gain from modification of syndicated bank loans recognized in the year ended December 31, 2021, resulting from the extension of our syndicated bank loans, and (ii) a RMB64.7 million net gain on deemed disposal of an associate, resulting from the dilution of our interest in WeLion as WeLion issued new equity securities in connection with its own financing activities, offset by a net foreign exchange loss we recognized in the same period.

Selling and Distribution Expenses

Our selling and distribution expenses were stable at RMB20.5 million for the year ended December 31, 2020 and 2021. Our selling and distribution expenses as a percentage of our total revenue slightly decreased from 0.6% for the year ended December 31, 2020 to 0.3% for the year ended December 31, 2021.

Administrative Expenses

Our administrative expenses increased by 15.3% from RMB414.7 million for the year ended December 31, 2020 to RMB478.1 million for the year ended December 31, 2021, primarily due to increased employee benefit expenses. Our administrative expenses as a percentage of our total revenue decreased from 12.9% for the year ended December 31, 2020 to 6.3% for the year ended December 31, 2021.

Reversal of Impairment Losses

Our reversal of impairment losses was RMB51.3 million for the year ended December 31, 2020. Our reversal of impairment losses was RMB1,652.4 million for the year ended December 31, 2021, primarily due to the impairment loss we reversed in connection with our investment in SQM.

Finance Costs

Our finance costs decreased by 19.7% from RMB1,835.6 million for the year ended December 31, 2020 to RMB1,474.8 million for the year ended December 31, 2021, primarily due to a RMB375.7 million decrease in interests on bank loans and other borrowings, which was driven by (i) a decrease in the principal amount of bank loans and other borrowings, and (ii) a decrease in the effective interest rate of our loans and borrowings. Our financial costs as a percentage of our total revenue decreased from 57.1% for the year ended December 31, 2020 to 19.4% for the year ended December 31, 2021.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates significantly increased by 367.3% from RMB161.1 million for the year ended December 31, 2020 to RMB752.8 million for the year ended December 31, 2021, primarily due to an increase in profit attributed to us from SQM in the same period, in line with its performance.

Profit/(Loss) before Taxation

As a result of the foregoing, we recorded a loss before taxation of RMB1,053.4 million for the year ended December 31, 2020, and we recorded a profit before taxation of RMB5,579.4 million for the year ended December 31, 2021.

Income Tax

Our income tax increased from RMB71.2 million for the year ended December 31, 2020 to RMB1,373.6 million for the year ended December 31, 2021, attributable to (i) our increased taxable profit, and (ii) an increase in the withholding tax on the dividend from overseas subsidiaries and investments.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a loss of RMB1,124.6 million for the year ended December 31, 2020 and a profit of RMB4,205.8 million for the year ended December 31, 2021. Our net profit margin for the year ended December 31, 2021 was 55.4%.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue decreased by 33.2% from RMB4,816.4 million for the year ended December 31, 2019 to RMB3,215.2 million for the year ended December 31, 2020, primarily due to decreased revenue generated from both sales of lithium compounds and derivatives and sales of lithium concentrate segments.

Sales of Lithium Compounds and Derivatives

Revenue generated from our sales of lithium compounds and derivatives business decreased by 40.2% from RMB2,902.3 million for the year ended December 31, 2019 to RMB1,735.3 million for the year ended December 31, 2020, primarily due to decreased sales volume and average selling price of our lithium compounds and derivatives products in line with the market selling prices. Revenue generated from our sales of lithium compounds and derivatives business accounted for 60.3% and 54.0% of our total revenue for the year ended December 31, 2019 and 2020, respectively.

Sales of Lithium Concentrate

Revenue generated from our sales of lithium concentrate business decreased by 22.7% from RMB1,914.1 million for the year ended December 31, 2019 to RMB1,479.9 million for the year ended December 31, 2020, driven by the decrease in the average selling prices of our lithium concentrate products, partially offset by the increased sales volume. Revenue generated from our sales of lithium concentrate business accounted for 39.7% and 46.0% of our total revenue for the year ended December 31, 2019 and 2020, respectively.

Cost of Sales

Our cost of sales decreased by 10.9% from RMB2,119.1 million for the year ended December 31, 2019 to RMB1,888.2 million for the year ended December 31, 2020, primarily driven by decreased cost of sales attributable to both sales of lithium compounds and derivatives and sales of lithium concentrate segments. Our cost of sales as a percentage of our total revenue increased from 44.0% for the year ended December 31, 2019 to 58.7% for the year ended December 31, 2020.

Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our sales of lithium compounds and derivatives business decreased by 12.4% from RMB1,521.1 million for the year ended December 31, 2019 to RMB1,333.1 million for the year ended December 31, 2020, primarily driven by decreased sales volume of our lithium compounds and derivatives products.

Sales of Lithium Concentrate

Cost of sales attributable to our sales of lithium concentrate business decreased by 7.2% from RMB598.0 million for the year ended December 31, 2019 to RMB555.1 million for the year ended December 31, 2020, primarily due to decreased mining and processing cost, as well as decreased royalty cost due to decreased selling price.

Gross Profit

As a result of the foregoing, our gross profit decreased by 50.8% from RMB2,697.3 million for the year ended December 31, 2019 to RMB1,327.0 million for the year ended December 31, 2020. Our gross profit margin decreased from 56.0% for the year ended December 31, 2019 to 41.3% for the year ended December 31, 2020.

Sales of Lithium Compounds and Derivatives

Gross profit from our manufacturing and sales of lithium compounds and derivatives business decreased by 70.9% from RMB1,381.2 million for the year ended December 31, 2019 to RMB402.2 million for year ended December 31, 2020. Gross profit margin from our sales of lithium compounds and derivatives business decreased from 47.6% to 23.2% during the same periods.

Sales of Lithium Concentrate

Gross profit from our mining, production and sales of lithium concentrate business decreased by 29.7% from RMB1,316.1 million for the year ended December 31, 2019 to RMB924.8 million for the year ended December 31, 2020. Gross profit margin from our sales of lithium concentrate business decreased from 68.8% to 62.5% during the same periods.

Other Net Income/(Loss)

Our other net income was RMB350.5 million for the year ended December 31, 2019, and our other net loss was RMB195.1 million for the year ended December 31, 2020, mainly due to a net realized and unrealized gains on derivative financial instruments of RMB238.8 million in 2019, in contrast to a net realized and unrealised loss of RMB661.9 million in 2020, partially offset by our increased net foreign exchange gains from RMB20.2 million in 2019 to RMB497.1 million in 2020, attributable to fluctuations in foreign exchange rate used to measure our bank loans and other borrowing denominated in foreign currencies.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 8.9% from RMB22.5 million for the year ended December 31, 2019 to RMB20.5 million for the year ended December 31, 2020, primarily due to the decreases of our office and traveling expense and warehouse expenses. Our selling and distribution expenses as a percentage of our total revenue increased slightly from 0.5% for the year ended December 31, 2019 to 0.6% for the year ended December 31, 2020.

Administrative Expenses

Our administrative expenses decreased by 4.2% from RMB432.7 million for the year ended December 31, 2019 to RMB414.7 million for the year ended December 31, 2020, primarily due to decreased professional service and consulting expenses and employee benefit expenses. Our administrative expenses as a percentage of our total revenue increased slightly from 9.0% for the year ended December 31, 2019 to 12.9% for the year ended December 31, 2020.

Impairment Losses

Our impairment losses decreased by 99.0% from RMB5,310.1 million for the year ended December 31, 2019 to RMB51.3 million for the year ended December 31, 2020, primarily due to the impairment loss we recognized in connection with our shareholding in SQM in 2019. Our impairment losses as a percentage of our total revenue decreased from 110.3% for the year ended December 31, 2019 to 1.6% for the year ended December 31, 2020.

Finance Costs

Our finance costs decreased by 10.3% from RMB2,045.5 million for the year ended December 31, 2019 to RMB1,835.6 million for the year ended December 31, 2020, primarily due to a RMB161.4 million decrease in interest on bank loans and other borrowings driven by a decrease in the principal amount of bank loans and other borrowings as we repaid some of the bank loans. Our finance costs represented 42.5% and 57.1% of our total revenue for the year ended December 31, 2019 and 2020, respectively.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates decreased by 51.6% from RMB333.1 million for the year ended December 31, 2019 to RMB161.1 million for the year ended December 31, 2020, primarily due to decreased profit recorded by SQM, which was primarily attributable to (i) decreased revenue driven by the decreased average selling prices of SQM's lithium products in line with the market selling prices, and (ii) the US$62.5 million settlement fee SQM paid for a class action relating to the violation of the U.S. Securities Act. Share of profits less losses of associates represented 6.9% and 5.0% of our total revenue for the year ended December 31, 2019 and 2020, respectively.

Profit/(Loss) Before Taxation

As a result of the foregoing, our loss before taxation decreased by 76.5% from RMB4,478.3 million for the year ended December 31, 2019 to RMB1,053.4 million for the year ended December 31, 2020.

Income Tax

Our income tax decreased by 92.9% from RMB1,002.1 million for the year ended December 31, 2019 to RMB71.2 million for the year ended December 31, 2020, primarily due to (i) decreased profit before taxation and (ii) certain tax provisions in relation to corporate tax obligation caused by transfer pricing adjustment of Windfield for the year ended December 31, 2019.

Profit/(Loss) for the Year

As a result of the foregoing, our loss for the year decreased by 79.5% from RMB5,480.4 million for the year ended December 31, 2019 to RMB1,124.6 million for the year ended December 31, 2020. Our net profit margin increased from negative 113.8% for the year ended December 31, 2019 to negative 35.0% for the year ended December 31, 2020.

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 December 31, 2021, we had RMB1,766.1 million in cash and cash equivalents, most of which were denominated in Renminbi and U.S. dollar. Our cash and cash equivalents primarily consist of cash and bank balance.

Summary Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the years or periods indicated.

	For the year ended December 31,		
	2019	2020	2021
	(RMB in millions)		
Net cash generated from operating activities	2,046.9	915.8	2,233.0
Net cash used in investing activities	(3,338.0)	(520.5)	(65.2)
Net cash generated from / (used in) financing activities	4,003.3	(3,508.0)	(1,147.9)
Net increase/(decrease) in cash and cash equivalents	**2,712.2**	**(3,112.7)**	**1,019.9**
Cash and cash equivalents at January 1	1,201.7	3,930.9	788.2
Effect of foreign exchange rate changes	17.0	(30.0)	(42.0)
Cash and cash equivalents at December 31	**3,930.9**	**788.2**	**1,766.1**

Net Cash Generated from Operating Activities

Net cash generated from operating activities for the year ended December 31, 2021 amounted to RMB2,233.0 million, primarily attributable to our profit before taxation of RMB5,579.4 million, adjusted by non-cash and non-operating items, primarily comprising (i) a reversal of impairment losses of RMB1,662.8 million, (ii) net gain from modification of syndicated bank loans of RMB671.2 million, and (iii) share of profits less losses of associates of RMB752.8 million, partially offset by (i) finance costs of RMB1,474.8 million, (ii) depreciation of RMB445.1 million and (iii) net foreign exchange loss of RMB242.4 million. The amount was further adjusted by changes in working capital, primarily consisting of an increase in trade and other receivables of RMB2,455.8 million, partially offset by (i) an increase in trade and other payables of RMB262.3 million, and (ii) a decrease in restricted deposits of RMB160.7 million.

Net cash generated from operating activities for the year ended December 31, 2020 amounted to RMB915.8 million. Our loss before taxation for year 2020 was RMB1,053.4 million, adjusted by non-cash and non-operating items, primarily comprising (i) finance cost of RMB1,835.6 million, (ii) net realized and unrealized losses on derivative financial instruments of RMB661.9 million, and (iii) depreciation of RMB352.4 million, partially offset by (i) net foreign exchange gain of RMB497.1 million, and (ii) share of profits less losses of associates of RMB161.1 million. The amount was further adjusted by changes in working capital, primarily consisting of a decrease in restricted cash of RMB350.9 million, offset by a decrease in trade and other payables of RMB309.1 million.

Net cash generated from operating activities for the year ended December 31, 2019 was RMB2,046.9 million. Our loss before taxation for year 2019 was RMB4,478.3 million, adjusted by non-cash and non-operating items, primarily consisting of (i) provision of impairment losses of non-current liabilities of RMB5,309.5 million, (ii) finance cost of RMB2,045.5 million, and (iii) depreciation of RMB314.0 million, partially offset by (i) share of profits less losses of associates of RMB333.1 million, and (ii) net realized and unrealized gain on derivative financial instruments of RMB238.8 million. The amount was further adjusted by changes in working capital, primarily consisting of (i) a decrease in trade and other receivables of RMB405.1 million, (ii) an increase in trade other payables of RMB417.0 million, and (iii) an increase in contract liabilities of RMB110.5 million, partially offset by (i) an increase in inventories of RMB356.4 million, and (ii) an increase in restricted cash of RMB289.8 million.

Net Cash Used in Investing Activities

Net cash used in investing activities for the year ended December 31, 2021 was RMB65.2 million, which was primarily attributable to payment for the purchase of property, plant and equipment, intangible assets and other non- current assets of RMB1,000.9 million, partially offset by (i) dividend received from associates of RMB861.7 million, and (ii) proceeds from disposal of partial interest in an associate of RMB73.2 million.

Net cash used in investing activities for the year ended December 31, 2020 was RMB520.5 million, which was primarily attributable to payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB962.9 million, partially offset by (i) dividend received from associates of RMB346.8 million, and (ii) proceeds from sale of property, plant and equipment, intangible assets and other non-current assets of RMB84.7 million.

Net cash used in investing activities for the year ended December 31, 2019 was RMB3,338.0 million, which was primarily attributable to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB3,735.4 million, (ii) payment for purchase of financial assets at fair value through profit or loss of RMB1,333.9 million, and (iii) settlement of direct cost incurred for acquisition of an associate of RMB131.1 million, partially offset by (i) proceeds from sale of financial assets at fair value through profit or loss of RMB1,369.9 million, and (ii) dividend received from associates of RMB550.7 million.

Net Cash (Used in)/Generated from Financing Activities

Net cash used in financing activities for the year ended December 31, 2021 was RMB1,147.9 million, which was primarily attributable to (i) repayments of bank loans and other borrowings of RMB11,936.6 million, (ii) interests paid of RMB1,245.9 million, (iii) dividends paid to non-controlling interests of RMB436.8 million, and (iv) restricted deposits for bank loans and other borrowings of RMB175.7 million, partially offset by (i) an issuance of shares of a subsidiary to a non-controlling shareholder of RMB8,994.5 million, and (ii) proceeds from bank loans and other borrowings of RMB3,751.2 million.

Net cash used in financing activities for the year ended December 31, 2020 was RMB3,508.0 million, which was primarily attributable to (i) repayments of bank loans and other borrowings of RMB6,418.5 million, (ii) dividends paid to non-controlling interests of RMB481.4 million, and (iii) interest paid of RMB798.2 million, partially offset by (i) proceeds from bank loans and other borrowings of RMB4,265.3 million, and (ii) restricted deposits for bank loans and other borrowings of RMB48.8 million.

Net cash generated from financing activities for the year ended December 31, 2019 was RMB4,003.3 million, which was primarily attributable to (i) proceeds from issue of ordinary A shares of RMB2,906.7 million, (ii) proceeds from bank loans and other borrowings of RMB6,563.1 million, and (iii) restricted deposits for bank loans and other borrowings of RMB523.5 million, partially offset by (i) interest paid of RMB1,687.8 million, (ii) repayments of bank loans and other borrowings of RMB3,670.0 million, (iii) dividends paid to non-controlling interests of RMB370.5 million, and (iv) dividend paid to equity holders of the Company of RMB205.6 million.

CAPITAL EXPENDITURES

Our capital expenditures decreased from RMB3,735.4 million for the year ended December 31, 2019 to RMB962.9 million for the year ended December 31, 2020, and increased to RMB1,000.9 million in 2021. Our capital expenditures were used primarily for the expansion of our mining and 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, each expressed as an absolute amount and as a percentage of our total capital expenditures, for the periods indicated.

	For the year ended December 31,					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)					
Purchase of property, plant and equipment	3,723.1	99.7	952.4	99.0	998.8	99.8
Intangible assets	12.3	0.3	10.5	1.0	2.1	0.2
Total capital expenditures	**3,735.4**	**100.0**	**962.9**	**100.0**	**1,000.9**	**100.0**

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to purchase of property, plant and equipment. As of December 31, 2019, 2020 and 2021, the total amount of our outstanding capital commitments was RMB937.8 million, RMB649.1 million and RMB1,053.9 million, respectively. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Contracted for:			
Anju Plant Phase I	351.1	332.8	324.1
Tianqi Global Research Center	118.9	6.3	69.8
Greenbushes CGP3	34.4	9.4	17.1
Greenbushes TRP	58.6	23.7	8.0
Greenbushes mining services area project	—	—	156.5
Greenbushes 132kV power project	—	—	28.0
Jiangsu Tianqi infrastructure project	19.6	19.6	27.5
Jiangsu Tianqi technique upgrading project	16.9	22.5	13.3
Other projects	56.7	22.6	15.1
	656.2	**436.9**	**659.4**
Authorized but not contracted for:			
Windfield-related contracts	281.6	212.2	394.5
Total	**937.8**	**649.1**	**1,053.9**

WORKING CAPITAL

We recorded net current liabilities of RMB15,817.6 million, RMB23,522.4 million and RMB6,140.9 million, respectively, as of December 31, 2019, 2020 and 2021. The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2019	2020	2021	2022(1)
	(RMB in millions)			(unaudited)
Current Assets				
Inventories	917.0	851.0	871.8	1,257.6
Trade and other receivables	1,024.4	891.8	3,369.5	4,892.2
Financial assets measured at fair value	10.0	—	—	—
Prepaid tax	12.1	117.0	235.3	230.1
Derivative financial instruments	0.3	—	—	—
Restricted deposits	496.3	193.8	209.8	253.4
Cash and cash equivalents	3,930.9	788.2	1,766.1	1,673.9
Total current assets	**6,391.0**	**2,841.8**	**6,452.5**	**8,307.2**
Current liabilities				
Trade and other payables	1,942.0	2,039.4	1,536.1	1,740.7
Derivative financial instruments	—	65.6	388.4	701.4
Contract liabilities	172.3	158.1	164.5	207.5
Bank loans and other borrowings	19,537.1	23,823.2	9,762.5	6,828.7
Lease liabilities	11.9	43.7	48.9	50.1
Deferred income	4.2	3.9	6.1	5.4
Current taxation	541.1	230.3	686.9	1,242.5
Total current liabilities	**22,208.6**	**26,364.2**	**12,593.4**	**10,776.3**
Net current liabilities	**(15,817.6)**	**(23,522.4)**	**(6,140.9)**	**(2,469.1)**

Note:

(1) the financial information as of April 30, 2022 presented above is extracted from our unaudited management accounts.

Our net current liabilities decreased by RMB17,381.5 million from RMB23,522.4 million as of December 31, 2020 to RMB6,140.9 million as of December 31, 2021, primarily due to (i) an increase of RMB977.9 million in cash and cash equivalents resulting from our strong operating performance, (ii) an increase of RMB2,477.7 million in trade and other receivables, (iii) a decrease of RMB14,060.7 million in current bank loans and other borrowings due to the modification of syndicated bank loans, and (iv) a decrease of RMB503.3 million in trade and other payables.

Our net current liabilities increased from RMB15,817.6 million as of December 31, 2019 to RMB23,522.4 million as of December 31, 2020, primarily due to (i) a decrease of RMB3,142.7 million in cash and cash equivalents as we used proceeds from the issuance of A shares in 2019 to repay the principal of the bank loans and other borrowing in 2020, (ii) a decrease of RMB302.5 million in restricted deposits, as we paid our interest with restricted deposited and decreased usage of certain note receivable services offered by commercial banks, under the terms of which receivables will be recorded as guarantee deposits after they are due, and (iii) an increase of RMB4,286.1 million in current bank loans and other borrowings that were previously categorized as non-current bank loans and other borrowings.

Our current financial assets measured at fair value consist of our investment in wealth management products issued by banks. Our derivative financial instruments included under current liabilities consist of collar option of the VPF contracts, interest rate swap and electricity derivatives. We have formulated policies setting out the approval process for the purchase of funds and wealth management products, and the responsible person/department for the enforcement of the policies. Our investment decisions are made on a case-by-case basis and after due and careful consideration of our cash flow and operational needs. Each transaction for the purchase of funds and wealth management products is initiated by our finance department, under the supervision of our audit department, and reviewed and approved by our board office. The purchase of wealth management products with a total amount under RMB30 million shall be approved by our general manager. The purchase of wealth management products with a total amount of more than RMB30 million shall be approved by our Board. The purchase with a total amount more than RMB50 million shall be approved by our Shareholders. See "Directors, Supervisors, Senior Management and Employees - Board of Directors" for a detailed description of the qualifications and credentials of our general manager and Board members.

We generally prefer bank-issued wealth management products with a relatively low risk level assigned to them by relevant banks and as stipulated in the purchase agreements for such products. We primarily purchase wealth management products from the PRC commercial banks, and such products invest principally in low risk and liquid fixed-income instruments, including, among others, monetary funds, treasury bonds, financial bonds, and high-credit and secured short-term margin notes, corporate bonds and medium-term notes.

We have also implemented internal control measures to mitigate the investment risks, including the follows:

- We only invest our own idle funds in entrusted wealth management products. The investments should not affect our normal business activities and investment needs.
- The investment target is low-risk, high-liquidity, and risk-controllable financial products.
- The entrusted party should be a financial institution with all legal qualifications, and we shall not conduct transactions with informal institutions.
- We shall not use personal accounts to operate wealth management products.

After the Listing, we intend to continue our investments in the funds and wealth management products strictly in accordance with our internal policies and guidelines, Articles of Associations, and the requirements under Chapter 14 of the Listing Rules.

In relation to the valuation of the Group's Level 3 financial assets, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of Level 3 financial assets; and (ii) carefully considered all information especially those unobservable input which require management assessments and estimates. Based on the above procedures, our Directors are of the view that the valuation of our Level 3 financial assets is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of our level 3 financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of unobservable inputs to fair value of level 3 measurements are disclosed in note 33(e) to the Accountants' Report included in Appendix I to this Prospectus issued by the reporting accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement

200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

The Joint Sponsors have conducted the following independent due diligence work in relation to the level 3 fair value measurement: (i) conducted due diligence work with the Company to understand the key basis and assumptions for the valuation of the financial liabilities, and reviewed their detailed financial model used for the valuation; (ii) discussed and interviewed with the Reporting Accountants in respect of audit procedure conducted regarding the valuation; and (iii) referred to the market price for similar products and estimated the valuation using derivatives models such as Black-Scholes Model. Based upon the due diligence work conducted by the Joint Sponsors as stated above, and having considered the confirmation from the Directors, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation performed by the external appraiser and the Company.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities, the estimated net proceeds available to us from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below HK$69.00, being the low end of the Offer Price range) and other funds raised from the capital markets from time to time, our Directors believe that we have sufficient working capital for 125% of our present requirements and for at least the next 12 months from the date of this Prospectus. As of the Latest Practicable Date, we had utilized banking facilities* of RMB14,215.9 million and unutilized banking facilities of RMB7,047.2 million.

Taking into account the cash and cash equivalents the Company has on hand, the Company's operating cash flows, the available bank facilities, the estimated net proceeds available to the Company from the Global Offering and other funds raised from the capital markets from time to time, as well as based on the written confirmation from the Company in respect of working capital sufficiency, review of the Accountants' Report in Appendix I to this Prospectus, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors and management of the Company, the Joint Sponsors concur with the Directors' view above.

Our future cash requirements will depend on many factors, including our operating cash flows, 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 funding from the capital markets or borrow from lending institutions. See "Risk Factors—Risks Relating to Our Business—Our businesses and operations require significant capital resources on an ongoing basis and are subject to uncertainties."

* Represent the outstanding balance of our bank loans.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Freehold land	17.5	68.4	63.0
Interest in leasehold land held for own use	360.6	354.8	339.0
Other properties, machinery and equipment leased for own use	39.3	128.9	92.6
Plants and buildings	1,606.9	1,748.0	1,582.9
Mine properties and development	2,766.2	2,959.0	2,798.4
Machinery and equipment	2,475.1	2,332.5	2,356.6
Motor vehicles	3.1	2.2	2.8
Office equipment and others	39.3	29.6	25.5
Construction in progress	6,412.3	6,880.2	6,473.6
Total	**13,720.3**	**14,503.6**	**13,734.4**

The net book value of our property, plant and equipment is RMB13,720.3 million, RMB14,503.6 million and RMB13,734.4 million as of December 31, 2019, 2020 and 2021.

We are still in the process of applying for the property ownership certificates for certain of our properties located in the PRC with carrying value of RMB21.4 million, RMB24.3 million and RMB23.7 million as of December 31, 2019, 2020 and 2021, respectively. As of the Latest Practicable Date, our Directors were of the opinion that the use of, and the conduct of operating activities at, the properties referred to above are not affected by the fact that we have not yet obtained the relevant property title certificates.

Intangible assets

The following table sets forth a breakdown of the net book value of our intangible assets as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Software	36.1	38.3	26.7
Patents	37.6	5.0	4.1
Mining rights	88.0	88.0	88.0
Development Cost	3.3	—	—
Total	**165.0**	**131.3**	**118.8**

The net book value of our intangible assets was RMB165.0 million, RMB131.3 million and RMB118.8 million as of December 31, 2019, 2020 and 2021.

Inventories

Our inventories primarily consist of raw materials, work in progress, finished goods and low-value consumption 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 14.3%, 29.9% and 13.5% of our total current assets as of December 31, 2019, 2020 and 2021, respectively.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Raw materials	131.8	199.5	196.2
Work in progress	307.8	323.1	339.5
Finished goods	366.5	183.5	138.2
Low-value consumption goods	113.5	147.3	199.7
Less: write down of inventories	(2.6)	(2.4)	(1.8)
Total	917.0	851.0	871.8

Our inventories remained relatively stable at RMB917.0 million, RMB851.0 million and RMB871.8 million as of December 31, 2019, 2020 and 2021. Our provision for write down of inventories are RMB2.6 million, RMB2.4 million and RMB1.8 million as of December 31, 2019, 2020 and 2021, respectively. As of May 31, 2022, RMB874.1 million, RMB786.8 million, and RMB727.1 million, or 95.3%, 92.5%, and 83.4% of our inventories as of December 2019, 2020 and 2021, respectively, were utilized or consumed.

The following table sets forth our inventory turnover days for the periods indicated.

	For the year ended December 31,		
	2019	2020	2021
Inventory turnover days(1)	127.3	170.9	108.0

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, 2019, 2020 and 2021.

Our inventory turnover days increased from 127.3 days for the year ended December 31, 2019 to 170.9 days for the year ended December 31, 2020, because our inventory stayed relative stable during this period while our cost of sales decreased due to the decreased sales volume of our products. The decrease in our inventory turnover days to 108.0 days for the year ended December 31, 2021 was primarily due to an increase in cost of sales in line with our increased sales volumes, while our average inventory level stayed relatively stable during this period. We aim to continue to manage actively our inventory turnover days in the future.

Construction in progress

The following table sets forth a summary of our construction in progress as of the dates indicated and the current construction status as of the Latest Practicable Date:

	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021	Key Timeline	Current Construction Status
	(RMB in thousands)				
Greenbushes CGP1	576,363[(1)]	450,973[(1)]	290,049[(1)]	N/A	Completed
Greenbushes CGP2	—	20,790[(1)]	30,141[(1)]	N/A	Completed
Greenbushes CGP3	340,049	500,673	538,221	Expect to complete in 2025.	Under Construction
Greenbushes TRP	255,405	451,140	630,433	N/A	Completed
Yajiang Cuola Mine	128,373	75,477	75,477	Expect to recommence development in the second half of 2022 and complete in 2025.	Feasibility Study
Kwinana Plant Phase I	3,530,640	3,721,393	3,451,427	N/A	Construction completed and in trial production stage
Kwinana Plant Phase II	1,255,646	1,301,960	1,138,306	Expect to recommence construction in the second half of 2022 and complete in 2024.	Feasibility Study
Others	325,857	357,827	319,615	—	—
Total	**6,412,333**	**6,880,233**	**6,473,669**	**—**	**—**

Note:

(1) These amounts refer to the sustaining capital expenditure incurred and were transferred to plants, machinery and equipment every year.

Certain construction-in-progress projects were delayed during the Track Record Period, mainly because of (i) demand shrunk in 2019 and 2020 during the lithium market downturn, and thus we slowed down our capacity expansion; and (ii) after the completion of our investment in SQM, we strategically reallocated our financial resources to prioritize the timely repayment of our bank borrowings and the operation of our existing business, and temporarily suspended some of our expansion plans which were less urgent.

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Trade receivables	363.1	239.4	657.5
Less: allowance for doubtful debts	(11.4)	(6.6)	(14.5)
	351.7	232.8	643.0
Bills receivable	—	443.6	448.2
Other receivables	158.4	40.2	193.2
Less: allowance for doubtful debts	(6.4)	(7.7)	(10.1)
	152.0	32.5	183.1
Deposits and prepayments	13.6	10.9	19.9
Value added tax recoverable	38.8	29.9	45.1
Goods and services tax recoverable	23.4	11.6	16.0
Bank acceptance notes receivable, carried at FVOCI	444.9	130.5	2,014.2
Total trade and other receivables	**1,024.4**	**891.8**	**3,369.5**

Our trade and other receivables decreased by 12.9% from RMB1,024.4 million as of December 31, 2019 to RMB891.8 million as of December 31, 2020, which is in line with our revenue in the relevant period. Our bank acceptance notes receivable, carried at FVOCI, decreased from RMB444.9 million in 2019 to RMB130.5 million in 2020, because we discounted our bank acceptance notes receivable on hand to increase our liquidity. Our trade receivables decreased from RMB363.1 million in 2019 to RMB239.4 million to 2020, in line with our decrease in revenue. Our trade and other receivables as of December 31, 2021 increased to RMB3,369.5 million, as compared to December 31, 2020, primarily due to increases in (i) trade receivables, (ii) other receivables, and (iii) bank acceptance notes receivable, carried at FVOCI in line with our increased revenue in 2021.

The following table sets forth our trade receivables turnover days for the periods indicated.

	For the year ended December 31,		
	2019	2020	2021
Trade receivables turnover days[(1)]	35.2	33.2	21.0

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, 2019, 2020 and 2021.

Our trade receivables turnover days slightly decreased from 35.2 days for the year ended December 31, 2019 to 33.2 days for the year ended December 31, 2020. Our trade receivables turnover days decreased to 21.0 days for the year ended December 31, 2021, primarily due to shorter credit terms granted to customers due to strong market demands of our products, and increased sales to domestic customers who are typically granted shorter credit terms than overseas customers.

We generally require our domestic customers to pay in advance of delivery. We maintain strict control over our outstanding receivables and have a credit control department to minimize credit risks. Overdue balances are reviewed regularly by senior management.

Trade debtors and bills receivable are typically due within 15 days to 60 days, except for receivables in connection with sales directly made by Talison, which typically subject customers to a credit period of 90 days. No interests are charged on the trade debtors and bills receivables. The following table sets forth the aging analysis of our trade receivables, presented based on the invoice date and net of loss allowance, as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Within one year	351.7	676.4	1,091.2

Impairment losses in respect of trade debtors are recorded using an allowance account unless we are satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. The following table sets forth the movement in the allowance for doubtful debts as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Trade debtors allowance for doubtful debts			
As of January 1	12.7	11.4	6.6
Impairment loss/(reversed)	(1.3)	(4.8)	7.9
As of December 31	11.4	6.6	14.5

As of May 31, 2022, all of our trade receivables were settled subsequent to December 31, 2021.

As of December 31, 2019, 2020 and 2021, our bills receivables with carrying amount of RMB314.9 million, RMB55.3 million and RMB27.2 million were pledged as collateral. As of May 31, 2022, RMB295.6 million, or 66.0%, of our bills receivables, were settled subsequent to December 31, 2021. As of May 31, 2022, we did not have any bills receivables that were past due but not settled.

As of May 31, 2022, RMB1,967.7 million, or 97.7%, of our bank acceptance notes receivable, carried at FVOCI, were settled subsequent to December 31, 2021.

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Bills payable	572.8	205.6	123.5
Trade creditors	399.8	532.7	765.1
Accrued payroll and benefits	79.6	92.3	91.9
Other taxes payable	7.1	20.0	204.6
Interest payable	50.9	539.3	1.5
Other payables	831.8	649.5	349.5
Total	1,942.0	2,039.4	1,536.1

Our trade and other payables mainly relate to prepayments from customers and other payables in connection with construction in progress. Our trade and other payables increased by 5.0% from

RMB1,942.0 million as of December 31, 2019 to RMB2,039.4 million as of December 31, 2020, and decreased by 24.7% to RMB1,536.1 million as of December 31, 2021, as compared to December 31, 2020, primarily driven by decreased interest payable.

The following table sets forth the turnover days of our trade payables for the periods indicated.

	For the year ended December 31,		
	2019	2020	2021
Trade payables turnover days[(1)]	123.1	165.4	102.0

Note:

(1) Trade payables turnover days are equal to the average balance of bills payable and trade creditors 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, 2019, 2020 and 2021.

Turnover days of our trade payables increased from 123.1 days for the year ended December 31, 2019 to 165.4 days for the year ended December 31, 2020, primarily because (i) our average balance of trade payables remained relatively stable, and (ii) our cost of sales decreased in the year ended December 31, 2020 in line with decreased sales volumes and market demands. Turnover days of our trade payables for the year ended December 31, 2021 decreased to 102.0 days, primarily because (i) our average balance of trade payables decreased due to the settlement of bills payable, and (ii) our cost of sales significantly increased as our sales volume increased in this period.

The following table sets forth the aging analysis of trade creditors (which are included in our trade and other payables) as of the dates indicated, based on the invoice date.

	As of December 31,		
	2019	2020	2021
	(RMB in millions)		
Within one year	970.6	734.0	885.9
One to two years	1.4	3.1	1.6
Two to three years	0.3	0.8	0.4
More than three years	0.3	0.4	0.7
Total	**972.6**	**738.3**	**888.6**

As of May 31, 2022, RMB971.5 million, RMB737.6 million and RMB721.0 million, or 99.9%, 99.9% and 94.2%, of trade payables as of December 31, 2019, 2020 and 2021, respectively, were settled.

CONTRACT LIABILITIES

We require certain customers to pay in advance of delivery. The receipts in advance are recognized as a contract liability until the products are delivered to the customer. As of May 31, 2022, RMB172.3 million, RMB158.1 million and RMB164.1 million, or 100.0%, 100.0% and 99.8%, of contract liabilities as of December 31, 2019, 2020 and 2021, respectively, were subsequently settled and recognized as revenue. All of the contract liabilities are expected to be recognized as revenue within one year. The following table sets forth the movements in contract liabilities as of the dates indicated.

	As at December 31,		
	2019	2020	2021
	(RMB in thousands)		
Balance at January 1	61,669	172,285	158,067
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(61,289)	(172,168)	(158,058)
Increase in contract liabilities as a result of receipts in advance	171,905	157,950	164,466
Balance at December 31	172,285	158,067	164,475

INDEBTEDNESS

As of December 31, 2019, 2020 and 2021, our bank loans and other borrowings totaled RMB33,863.1 million, RMB30,152.6 million and RMB21,562.7 million, respectively. Our bank loans and other borrowings decreased by 11.0% from RMB33,863.1 million as of December 31, 2019 to RMB30,152.6 million as of December 31, 2020, and further decreased by 28.5% to RMB21,562.7 million as of December 31, 2021, primarily due to our repayment of certain bank loans of in the same period.

During the Track Record Period, we used bank loans and other borrowings to finance our working capital requirements and capital expenditure. The following table sets forth the breakdown of our lease liabilities, bank loans and other borrowings as of the dates indicated.

	For the year ended December 31,			As of April 30,
	2019	2020	2021	2022(1)
	(RMB in millions)			(unaudited)
Current				
Secured bank loans	1,171.5	706.0	236.2	483.9
Unsecured bank loans	1,719.0	1,728.7	1,938.4	2,097.2
Other borrowings from a related party	—	672.8	—	—
Secured other borrowings from third-parties	300.4	302.0	—	—
Corporate bonds	296.9	—	1,911.7	1,972.8
Current portion of non-current secured bank loans:				
- SQM Indebtedness	16,002.3	20,363.7	4,465.5	1,760.3
- other bank loans	—	3.0	3.7	60.6
Current portion of non-current unsecured bank loans	47.0	47.0	208.6	—
Current portion of secured other borrowings from third parties	—	—	998.4	453.9
Total current bank loans and other borrowings	**19,537.1**	**23,823.2**	**9,762.5**	**6,828.7**
Lease liabilities-current	11.9	43.7	48.9	50.1
Non-current				
Secured bank loans:				
- SQM Indebtedness	24,258.8	20,366.7	12,008.6	9,205.4
- other bank loans	2,781.7	3,226.6	3,088.9	3,627.3
Unsecured bank loans	288.0	241.0	208.8	—
Other borrowings from a related party	—	—	1,171.7	1,189.4
Secured other borrowings from third parties	975.5	965.5	998.4	453.9
Corporate bonds	2,071.3	1,943.3	—	—
Less:				
Current portion of non-current secured bank loans:				
- SQM Indebtedness	(16,002.3)	(20,363.7)	(4,465.5)	(1,760.3)
- other bank loans	—	(3.0)	(3.7)	(60.6)
Current portion of non-current unsecured bank loans	(47.0)	(47.0)	(208.6)	—
Secured other borrowings from third parties	—	—	(998.4)	(453.9)
Total Non-current bank loans and other borrowings	**14,326.0**	**6,329.4**	**11,800.2**	**12,201.2**
Lease liabilities- non-current	201.3	246.0	200.4	204.3

Note:

(1) the financial information as of April 30, 2022 presented above is extracted from our unaudited management accounts.

The following table sets forth the maturity profile of our bank loans and other borrowings as of the dates indicated.

	For the year ended December 31,		
	2019	2020	2021
	(RMB in millions)		
Bank loans			
Within one year	18,939.8	22,848.4	6,852.4
After one year but within two years	8,303.5	197.0	10,555.7
After two years but within five years	2,975.7	3,223.6	72.8
Corporate bonds			
Within one year	296.9	—	1,911.7
After one year but within two years	—	1,943.3	—
After two years but within five years	2,071.3	—	—
Other borrowings from a related party			
Within one year or on demand	—	672.8	—
After one year but within two years	—	—	702.2
After two years but within five years	—	—	469.5
Other borrowings from a third-party			
Within one year or on demand	300.4	302.0	998.4
After one year but within two years	—	965.5	—
After two years but within five years	975.5	—	—
Lease liabilities			
Within one year or on demand	11.9	43.7	48.9
After one year but within two years	9.1	42.4	22.1
After two years but within five years	17.5	26.1	19.3
After five years	174.7	177.5	159.0

For the years ended December 31, 2019, 2020 and 2021, the effective interest rates of our bank borrowings ranged from 3.1% to 7.6%, 2.9% to 9.3% and 2.1% to 9.3% per annum, respectively.

Most of our outstanding bank borrowings are denominated in RMB and U.S. dollars. As of December 31, 2019, 2020 and 2021, certain of our outstanding bank loans were secured by the pledge of: (i) certain of our PRC subsidiaries' property, plant and equipment of RMB357.3 million, RMB334.6 million, and RMB253.7 million, respectively; (ii) our PRC subsidiaries' restricted bank deposits of RMB51.2 million, nil and RMB175.7 million, respectively; (iii) investment in Shigatse Zabuye of RMB314.4 million, RMB273.5 million and RMB285.5 million, respectively; (iv) all assets of Windfield of RMB8,818.0 million, RMB9,329.1 million and RMB9,160.1 million, respectively; (v) all assets of Tianqi Australia Investment 2 and Tianqi Australia Investment 1 of RMB23,323.7 million, RMB21,707.2 million and RMB21,034.8 million, respectively; (vi) all assets of TLEA of RMB2,800.6 million, RMB2,929.6 million and RMB7,918.3 million, respectively; (vii) all assets of TLK of RMB5,208.7 million, RMB5,859.1 million and RMB5,048.8 million, respectively; and (viii) investment in SQM of RMB24,599.1 million, RMB22,964.7 million and RMB23,652.4 million, respectively.

As of December 31, 2019, 2020 and 2021 and April 30, 2022, the borrowings we obtained from third parties amounting to RMB1,275.9 million, RMB1,267.5 million, RMB998.4 million and RMB453.9 million, respectively. The third-party lenders are Shehong Province State Asset Management Limited (射洪縣國有資產經營管理集團有限公司), a state-owned asset management company owned by the Shehong government, and Morgan Stanley & Co. International plc, respectively. As of December 31, 2019, 2020 and 2021 and April 30, 2022, the borrowings we obtained from Shehong Province State Asset Management Limited (射洪縣國有資產經營管理集團有限公司) amounted to RMB300.4 million, RMB302.1 million, nil and nil, respectively, and the borrowings we obtained from Morgan Stanley & Co. International plc amounted to RMB975.5 million, RMB965.4 million, RMB998.4 million and RMB453.9 million, respectively.

In November 2017, our subsidiary Tianqi Finco issued a five-year USD bond, with face value of US$300.0 million and carried a coupon interest rate of 3.75% per annum, through the Stock Exchange. As of December 31, 2019 and 2020 and December 31, 2021, the carrying amount was US$296.8 million (equivalent to RMB2,070.5 million), US$297.8 million (equivalent to RMB1,943.3 million) and US$299.8 million (equivalent to RMB1,911.7 million), respectively.

In February 2018, we issued a five-year corporate bond, with face value of RMB300.0 million and carried a coupon interest rate of 6.3% per annum, through the Shenzhen Stock Exchange. The maturity date of the corporate bonds is February 2023. At the end of second and fourth year, we may at our option adjust the coupon rate while the holders of the corporate bond may at their options redeem the corporate bond, in whole or in part, at a pre-determined price. In February 2020, we redeemed the outstanding corporate bond of RMB299.2 million and in March 2020, we redeemed the remaining corporate bond of RMB0.8 million.

In February and July 2019, we entered into variable prepaid forward contracts ("**VPF contracts**") with Morgan Stanley & Co. International plc, pursuant to which we borrowed an aggregate principal amount of US$158.9 million. The borrowings were secured by the pledge over 5,275,318 Series B shares of SQM. The collar option features to manage the equity price risk of SQM shares were embedded in the VPF contacts and measured at fair value through profit or loss. We plan to settle the borrowings under the VPF contracts when due by disposal of Series B shares of SQM pledged. As of the Latest Practicable Date, we had delivered 2,754,383 Series B shares of SQM to Morgan Stanley & Co. International plc in discharge of our settlement obligations.

In April 2022, we received a commitment letter from certain financial institutions, pursuant to which they conditionally commit to provide a term loan facility with an aggregate principal amount of US$800 million for a term of three years, which is earmarked for (i) the repayment of the SQM Indebtedness; (ii) the payment of the relevant fees, expenses and the day one interest reserve of the US$800 million facility; (iii) the repayment of the five-year USD bond issued in 2017; and (iv) future capital expenditure and working capital needs if the SQM Indebtedness and the relevant fees, expenses and interest reserve of the US$800 million facility have been fully repaid and there is sufficient liquidity to fully repay the five-year USD bond issued in 2017. In May 2022, we entered into a facility agreement for an approved line of credit of RMB600 million for a term of three years, which is earmarked for the repayment of the SQM Indebtedness. On June 8, 2022, we completed the drawdown of all of the RMB600 million principal amount under the RMB600 Million Facility, which was fully used for the repayment of SQM Indebtedness on June 10, 2022.

The agreements under our bank loans 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 loans and other borrowings, and did not breach any of the covenants in relation to the bank loans and other borrowings mentioned above, during the Track Record Period and up to the Latest Practicable Date.

Since December 31, 2021 and up to the Latest Practicable Date, there has not been any material change in our indebtedness except as disclosed in this Prospectus.

Indebtedness relating to the SQM Transaction

In May 2018, we entered into the SQM Share Purchase Agreement with Nutrien, pursuant to which we agreed to purchase and Nutrien agreed to sell 62,556,568 Series A shares in SQM at a consideration of approximately US$4.07 billion.

In addition to our cash on hand, we financed the consideration for the SQM Transaction through bank borrowings. On October 26, 2018, we entered into a syndicated facility agreement (the "**Onshore Syndicated Facility Agreement**") arranged by China CITIC Bank Corporation Limited, Chengdu Branch. On October 29, 2018, we entered into a syndicated facility agreement (the "**Offshore Syndicated Facility Agreement**") arranged by China CITIC Bank International Limited. The Onshore Syndicated Facility Agreement and the Offshore Syndicated Facility Agreement are collectively referred to as the "**Facility Agreements**."

The facility under the Onshore Syndicated Facility Agreement (the "**Onshore Syndicated Facility**") consists of (i) a term loan facility A commitment of US$1,300,000,000 and (ii) a term loan facility B commitment of US$1,200,000,000. The facility under the Offshore Syndicated Facility Agreement includes a term loan facility C commitment of US$1,000,000,000 (the "**Offshore Syndicated Facility**"). The Onshore Syndicated Facility and the Offshore Syndicated Facility are collectively referred to as the "**Facilities**." We drew down all of the Facilities to fund the purchase price, acquisition costs and fees associated with the SQM Transaction.

On December 28, 2020, we and the lenders under the Facility Agreements entered into an amendment and extension deed and amended and restated facility agreements, pursuant to which the lenders conditionally agreed to modify the terms of the Facility Agreements, mainly including the extension of the maturity dates, adjustments of the interest rate and interest payment dates, subject to the fulfillment of certain conditions. All required conditions were fulfilled as of December 31, 2021, which resulted in a net gain of RMB671,207,000.

On January 27, 2022, February 25, 2022, March 18, 2022, May 20, 2022 and June 10, 2022, we repaid US$80,000,000, US$205,000,000, US$200,000,000, US$140,000,000 and US$99,977,431 of the Facilities, respectively. As of June 10, 2022, the remaining Facilities amounted to US$1,129,284,300.

On April 1, 2022, we and the lenders under the Facility Agreements entered into an amendment deed, pursuant to which the lenders conditionally agreed to modify the terms of the Facility Agreements, mainly including the release of the obligations under the Shareholder Guarantee, and termination of subordination of Shareholder Loans upon the satisfaction of certain conditions such as the completion of our Listing and partial repayment of the Facilities.

We plan to apply HK$8,865 million out of the total net proceeds of HKS$12,022 million from the Global Offering (assuming an Offer Price of HK$75.50 per H Share, being the mid-point of the stated range of the Offer Price per H Share) to repay the SQM Indebtedness. See "Future Plans and Use of Proceeds—Use of Proceeds" for further details.

Maturity and Interest

The original maturity date for facility A, facility B and facility C is November 2020, November 2021 and November 2020, respectively. Pursuant to the Amendment and Extension Deed, parties to the Facilities agreed to (i) extend the maturity dates of facility A and facility C to November 26, 2021, subject to automatic extension to November 25, 2022 upon fulfillment of certain conditions, and (ii) extend the maturity date of facility B to November 29, 2023.

On July 2, 2021, we fulfilled all conditions required referred to in (i) and extended the maturity dates of facility A and facility C to November 25, 2022.

The interest rate of the loans under the Facilities ranges from LIBOR plus 2.70% to LIBOR plus 3.70% per annum, and the interest rate of the loan after extension shall be LIBOR plus 2.00% for each of the Facilities, and plus 0.90%, 2.20% and 3.90%, respectively, for facility A, facility B and facility C till the extended and/or final maturity dates, as applicable.

Information and General Undertakings

The Facility Agreements contain information undertakings and certain general customary covenants subject to certain permitted exceptions.

Financial Covenants

We are subject to a number of restrictive covenants on certain financial ratios. Such financial covenants are suspended pursuant to the amendment and extension deed and amended and restated facility agreements entered on December 28, 2020. During the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant restrictive covenants under the Facilities Agreements.

Events of Default

The Facility Agreements contain certain customary events of default, including but not limited to, non-payment, misappropriation of loan proceeds, breach of financial covenants and other obligations, failure of any representation or warranty to be true in all material respects when made or deemed to be made, cross default, insolvency and insolvency proceedings, material adverse change, audit qualification, cessation of business and material litigations.

Security and Guarantees

Collateral for the Facilities include, among other things, pledge over shares of certain of our subsidiaries including, but not limited to:

(a) in connection with the Onshore Syndicated Facility, (i) Shehong Tianqi, (ii) Tianqi Lithium (Jiangsu), (iii) Tianqi Australia Investments 1, (iv) ITS, (v) TLEA, (vi) Chongqing Tianqi, and (vii) Shigatse Zabuye;

(b) in connection with the Offshore Syndicated Facility, (i) Tianqi Xinlong, (ii) Tianqi Australia Investments 2, (iii) TLEA, (iv) Chongqing Tianqi, and (v) Shigatse Zabuye; and

(c) all shares of SQM acquired by us through the SQM Transaction.

In addition, the collateral for the Offshore Syndicated Facilities also include the account pledge of ITS, and the Facilities are guaranteed by our Company, Tianqi Xinlong and Mr. Jiang Weiping.

Pursuant to the deed of undertaking which is entered into by, among others, the Single Largest Group of Shareholders, if certain collateral coverage ratio are breached, our Company will need to ensure that additional collateral are pledged in favor of the secured parties. Additional collateral may include, among others, a certain number of our A Shares held by the Single Largest Group of Shareholders.

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.

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 April 30, 2022, being the latest practicable date for our indebtedness statement.

FINANCIAL INDEPENDENCE

Our Directors are of the view that our Company is financially independent from the Single Largest Group of Shareholders, and the Shareholder Loan (which will be fully repaid as soon as practicable after the Listing) and the Shareholder Guarantee (which will be discharged upon the Listing) will not affect our financial independence based on the following reasons:

Ability to Secure Financing Independently

- *Historical fundraising activities and independent ability to obtain financing*—we were able to conduct various fundraising activities during the Track Record Period without financial assistance from the Single Largest Group of Shareholders. We obtained the Shareholder Loans because we considered it was in the best interests of our Group and our Shareholders as a whole as the commercial terms of the Shareholder Loans were more favorable than the loans available from Independent Third Parties. Save for the SQM Indebtedness and that of the RMB300 million loan of Chengdu Tianqi, provided by Shehong Province State Asset Management Limited (射洪縣國有資產經營管理集團有限公司), an Independent Third Party, and guaranteed by our Single Largest Group of Shareholders, which has been fully repaid in 2021, we have been able to secure financing based on our stand-alone credit. We have also been able to borrow money from the international financial markets without financial assistance from the Single Largest Group of Shareholders. As of December 31, 2021, we had managed to obtain and utilized various debt facilities of approximately RMB8.4 billion in total, without any financial assistance or guarantee from the Single Largest Group of Shareholders, including amongst others: (i) working capital loans of approximately RMB2.4 billion from seven domestic banks in the PRC; (ii) US dollar-denominated bonds of approximately RMB1.9 billion listed on the Stock Exchange; and (iii) a syndicated loan of approximately RMB3.1 billion obtained by Windfield. Further, as of December 31, 2021, we also had an aggregate of unutilized banking facilities not guaranteed by the Single Largest Group of Shareholders of approximately RMB914.9 million which serve as readily available sources of funding in case any financial needs arise, of which RMB851.4 million can be used for general corporate purposes, and the remaining portion of the unutilized banking facilities has been earmarked for the construction of the Tianqi Global Research Center. Such banking facilities are subject to customary covenants and restrictions such as restrictions against disposal, sale, transfer or pledge of all or substantially all or material assets, material reorganization, material adverse change in business operations, and breach of anti-bribery or anti-money laundering laws, as set out in the relevant facilities agreements. In addition to the unutilized banking facilities aforementioned, we also received a commitment letter from certain financial institutions in April 2022, pursuant to which they conditionally commit to provide a term loan facility with an aggregate principal amount of US$800 million for a term of three years, and we entered into a facility agreement in May 2022 for an approved line of credit of RMB600 million for a term of 36 months from the drawdown date earmarked for the repayment of the SQM Indebtedness, which are both obtained independently from our Single Largest Group of Shareholders. Moreover, our wholly-owned subsidiary Chengdu Tianqi is in the process of signing the facility agreement for an approved line of credit of RMB1 billion from certain financial institutions for general corporate purposes, which is also obtained independently from our Single Largest Group of Shareholders.

- *Future fundraising activities*—depending on our financial needs after the Listing, we have preliminary plans to conduct further fundraising activities, including but not limited to share placement and issuance of debt or convertible securities on both onshore and offshore markets. Also, we believe key financial institutions in China and Australia, where our operations are mainly carried out, recognize the standalone credit of our Group and are willing to grant credit lines without financial assistance from the Single Largest Group of Shareholders or their close associates. We have been able to finance our daily operations based on our stand-alone credit without any support from the Single Largest Group of Shareholders. Our fundraising activities conducted during the Track Record Period set out in the preceding paragraph has proven our independent fundraising ability and we believe we will continue to be able to raise funds as and when such need arises.

Insignificance of the Shareholder Loan and Shareholder Guarantee

- The Shareholder Loan is insignificant as compared to our total bank loans and borrowings. As of December 31, 2021, we had approximately RMB21.56 billion bank loans and borrowings and RMB26.01 billion of total liabilities, and the outstanding Shareholder Loan only amounted to 5.4% and 4.5%, respectively. It is also noted that loan from the controlling shareholder or the single largest group of shareholders is not uncommon in the Chinese capital financing market and banks will routinely ask for guarantee from controlling shareholders or the single largest group of shareholders in connection with a corporate loan. We have sufficient net operating cash flow to meet our financial needs and we expect that our risk exposure and reliance on the Shareholder Loan and the Shareholder Guarantee will be substantially reduced after the Proposed Listing. As of December 31, 2021, we had RMB1,766 million in cash and cash equivalents which were not earmarked for specific purposes, primarily consisting of cash and bank balance. We believe that we would be able to replace the Shareholder Loans by loans from Independent Third Parties and/or by cash and cash equivalents held by us if needed, but given the more favorable commercial terms of the Shareholder Loans, we consider it is in the best interests of our Group and our Shareholders as a whole to obtain the Shareholder Loans.

Independent Financial Operation

- We have an independent accounting and internal control system. We also have an independent financial department responsible for performing accounting and financial functions, and we make financial decisions based on our own business needs.

The Shareholder Guarantee is solely for the SQM Indebtedness. As of December 31, 2021, except for the SQM Indebtedness and Shareholder Loans, there were no other loans, which were or may be secured by guarantees provided to us by the Single Largest Group of Shareholders or loans provided by the Single Largest Group of Shareholders and their respective associates.

We intend to apply approximately HK$8,865 million of the net proceeds from the Global Offering to fully repay the SQM Indebtedness. Accordingly, we expect that the Shareholder Guarantee will be released upon the Listing.

Taking into consideration the amendment deed and the proposed full repayment of the SQM Indebtedness by the listing proceeds, the Joint Sponsors concur with the Directors' view above.

We intend to fully repay other borrowings from Tianqi Group Company as soon as practicable after the Listing and full repayment of the indebtedness incurred in connection with the acquisition of SQM.

Taking into account the cash and cash equivalents the Company has on hand, the Company's operating cash flows, the available bank facilities, the estimated net proceeds available to the Company from the Global Offering and other funds raised from the capital markets from time to time, as well as based on the written confirmation from the Company in respect of working capital sufficiency, review of the Accountants' Report in Appendix I to this Prospectus, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors and management of the Company, the Joint Sponsors concur with the Directors' view above.

Based on the reasons above, notwithstanding the Shareholder Loans and the Shareholder Guarantee provided by the Single Largest Group of Shareholders, our Directors believe that we are capable of remaining financially independent from our Single Largest Group of Shareholders.

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.

	For the year ended December 31,		
	2019	2020	2021
Profitability:			
Gross profit margin	56.0%	41.3%	61.7%
Net profit margin	(113.8%)	(35.0%)	55.4%
Rates of return:			
Return on assets(1)	(11.7%)	(2.7%)	9.2%
Return on equity(2)	(61.5%)	(15.1%)	21.2%
Liquidity:			
Current ratio(3)	28.8%	10.8%	51.2%
Quick ratio(4)	24.6%	7.6%	44.3%
Gearing ratio(5)	382.6%	409.9%	110.2%

Notes:

(1) Return on assets ratio is calculated using net profit divided by total assets at the end of the year, multiplied by 100%.

(2) Return on equity ratio is calculated using net profit divided by total equity at the end of the year, multiplied by 100%.

(3) Current ratio is calculated using total current assets divided by total current liabilities.

(4) Quick ratio is calculated using total current assets less inventories divided by total current liabilities.

(5) Gearing ratio is calculated by dividing total debt (which includes current and non-current bank loans, lease liabilities and other borrowings) by total equity.

Return on assets ratio. The return on total assets ratio improved from negative 11.7% for the year ended December 31, 2019 to negative 2.7% for the year ended December 31, 2020, primarily due to a decrease in our net loss. The return on total assets ratio was 9.2% for the year ended December 31, 2021, attributable to the net profit of the same period.

Return on equity ratio. The return on equity ratio increased from negative 61.5% for the year ended December 31, 2019 to negative 15.1% for the year ended December 31, 2020, due to a decrease in our net loss. The return on equity ratio is 21.2% for the year ended December 31, 2021.

Current ratio. The current ratio decreased from 28.8% as of December 31, 2019 to 10.8% as of December 31, 2020, primarily as a result of (i) a decrease in current assets due to the repayment of our bank loans and other borrowings, and (ii) the re-classification of certain non-current bank loans and borrowings into current liabilities. The current ratio increased to 51.2% as of December 31, 2021, primarily as a result of (i) an increase in cash and cash equivalents, and (ii) a decrease in current liabilities due to repayment of our bank loans and other borrowings.

Quick ratio. The quick ratio decreased from 24.6% as of December 31, 2019 to 7.6% as of December 31, 2020, primarily as a result of decrease in current assets due to the repayment of our bank loans and other borrowings. The quick ratio increased to 44.3% as of December 31, 2021, primarily as a result of (i) an increase in cash and cash equivalents, and (ii) a decrease in current liabilities due to repayment of our bank loans and other borrowings.

CONTINGENT LIABILITIES

On December 8, 2020, we and TLEA entered into an investment agreement with IGO, pursuant to which TLEA agreed to issue and IGO agreed to subscribe for 177,864,310 new shares, representing 49% equity interest in TLEA after the share subscription which did not crystallise an Australian taxation liability. The ATO is currently focused on arrangements whereby a multiple entry consolidated group enables a tax free exit from Australian investments. We currently engage with the ATO in respect of the IGO Transaction to obtain certainty of the tax outcomes, although this engagement process is in its early stage so the outcome and timing is uncertain at this stage.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency Risk

Our business is located in China and Australia during the Track Record Period and up to the Latest Practicable Date. Most of our transactions are conducted and settled in Renminbi, U.S. dollars, Australian dollars, and Hong Kong dollars. We are exposed to currency risk primarily through sales and purchases which give rise to trade and other receivables, trade and other payables, cash and bank balances and through financing which gives rise to bank loans and other borrowings, restricted and pledged deposits and interest payable that are denominated in a foreign currency, which is a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Australian dollars and Hong Kong dollars.

The sensitivity analysis is performed by our management. See Note 33(d) to the Accountants' Report in Appendix I of this Prospectus for details.

Interest Rate Risk

Our interest rate risk primarily arises from bank loans and other borrowings. Borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk, respectively. Our exposure to the risk of changes in market interest rate relates primarily to our debt obligations with variable interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit after tax for the periods indicated and retained profits as of the dates indicated.

	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates
	(RMB in millions)	
For the year ended/as of December 31, 2019		
Effect on profit after tax	(194.0)	194.0
Effect on retained profits	(194.0)	194.0
For the year ended/as of December 31, 2020		
Effect on profit after tax	(165.2)	165.2
Effect on retained profits	(165.2)	165.2
For the year ended/as of December 31, 2021		
Effect on profit after tax	(105.6)	105.6
Effect on retained profits	(105.6)	105.6

For a sensitivity analysis on the change in our finance cost in connection with the bank borrowings in relation to the SQM Transaction that would arise due to a change in market interest rate, see "—Factors Affecting Our Financial Condition and Results of Operations—SQM Investment."

Credit Risk

Our credit risk is primarily attributable to our trade receivables. Our exposure to credit risk arising from cash and cash equivalents, restricted and pledged deposits, bills receivable, wealth management products and derivative financial assets is limited because the counterparties are banks, and we consider such counterparties as having low credit risk.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate, and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2019, 2020 and 2021, 59.7%, 74.6% and 65.6% of trade debtors were due from our largest customer, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 15 to 90 days from the date of billing. We request debtors with balances that are past due to settle all outstanding balances before any further credit is granted. We do not typically request collateral from customers.

Liquidity Risk

We regularly monitor our liquidity, expected cash flows and maturity of bank loans and other borrowings in order to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in both short and long terms.

The maturity profile of our financial liabilities as of December 31, 2019, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay, is as follows:

As of December 31, 2019	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	21,096.9	9,015.0	6,533.4	—	36,645.3	33,863.1
Lease liabilities	20.3	17.2	39.9	289.7	367.1	213.2
Trade and other payables	1,942.0	—	—	—	1,942.0	1,942.0
Derivative financial instruments liabilities	—	46.7	—	—	46.7	46.7
Total	**23,059.2**	**9,078.9**	**6,573.3**	**289.7**	**39,001.1**	**36,065.0**

The maturity profile of our financial liabilities as of December 31, 2020, based on the contractual undiscounted cash flows, including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period, and the earliest date we can be required to pay, is as follows:

As of December 31, 2020	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	24,411.1	3,358.3	3,318.8	—	31,088.2	30,152.6
Lease liabilities	53.5	51.0	48.9	289.6	443.0	289.7
Trade and other payables	2,039.4	—	—	—	2,039.4	2,039.4
Derivative financial instruments liabilities	65.6	424.8	—	—	490.4	490.4
Total	**26,569.6**	**3,834.1**	**3,367.7**	**289.6**	**34,061.0**	**32,972.1**

The maturity profile of our financial liabilities as of December 31, 2021, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay, is as follows:

As of December 31, 2021	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	10,351.4	12,195.9	556.1	—	23,103.4	21,562.7
Lease liabilities	57.4	29.0	39.8	256.4	382.6	249.3
Trade and other payables	1,536.1	—	—	—	1,536.1	1,536.1
Derivative financial instruments liabilities	388.4	—	—	—	388.4	388.4
Total	**12,333.3**	**12,224.9**	**595.9**	**256.4**	**25,410.5**	**23,736.5**

Lithium Price Risk

We are exposed to movements in the market prices of lithium products. Our revenue is derived from the sales of lithium compounds and derivatives, and lithium concentrate. We generally sell our products based on our pricing strategy, which takes into account the prevailing market price as well as various other factors applicable to individual customers such as specifications of products, raw material costs, production costs, length of contracts, relationship with the customers and other contract terms such as delivery and payment. The market price of lithium products is largely subject to market forces, in particular, the supply and demand for lithium products.

The following table demonstrates the sensitivity to a reasonably possible change in lithium price, with all other variables held constant, of our gross profit for the periods indicated.

	As of December 31,		
	2019	2020	2021
Changes in lithium prices		(RMB in thousands)	
-/+ 10%	-/+ 481,636	-/+ 321,523	-/+ 759,786
-/+ 20%	-/+ 963,272	-/+ 643,046	-/+ 1,519,573
-/+ 30%	-/+ 1,444,908	-/+ 964,569	-/+ 2,279,359
-/+ 40%	-/+ 1,926,544	-/+ 1,286,092	-/+ 3,039,145

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 36 to the Accountants' Report in Appendix I of this Prospectus. Our Directors are of the view that each of those related party transactions was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties.

DIVIDEND POLICY

Our Articles of Association require us to distribute cash dividends of no less than 30% of the average annual distributable profit under the PRC GAAP in any rolling three-year period, subject to significant investment or capital expenditure plans and working capital requirements. We distribute dividends primarily in the form of cash, but may also distribute dividends in the form of stocks or a combination of cash and stocks. If dividends in any distribution consists of both cash and stocks, the cash dividends shall comprise not less than 20% of such distribution. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

We did not declare any dividends in relation to our operations during the Track Record Period. We paid dividends of RMB205.6 million, nil and nil to our ordinary equity shareholders in 2019, 2020 and 2021, respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2019, 2020 and 2021, we did not have any reserves available for distribution.

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 positions or prospects since December 31, 2021, and there is no event since December 31, 2021 which would materially affect the information shown in the Accountants' Report in Appendix I to this Prospectus.

LISTING EXPENSES

Our Listing expenses mainly comprise professional fees payable to Joint Sponsors, Joint Bookrunners, Underwriters, legal advisors and our reporting accountants for their services rendered in relation to the Listing and the Global Offering. The total amount of Listing expenses that will be borne by us is estimated to be approximately RMB316.1 million (based on the mid-point of our indicative price range for the Global Offering), representing approximately 3.0% of our gross proceeds from the Global Offering (assuming an Offer Price of HK$75.5 per H Share, being the mid-point of the stated range of the Offer Price per H Share), of which approximately RMB313.4 million is expected to be accounted for as a deduction from equity and the remaining amount of approximately RMB2.7 million is expected to be charged to our profit or loss contained in the consolidated statements of profit or loss and other comprehensive income. The aforementioned estimated listing expenses of approximately RMB316.1 million include (i) the underwriting related expenses of approximately RMB256.8 million, (ii) non-underwriting related fees and expenses paid and payable to legal advisers and reporting accountants, of approximately RMB40.6 million, and (iii) other non-underwriting related fees and expenses of approximately RMB18.7 million. None of the Listing expenses was charged to our profit or loss for the years ended December 31, 2019, 2020 and 2021. For the year ended December 31, 2021, we incurred listing expenses of RMB8.9 million, which was recorded in "other non-current assets" in our consolidated statements of financial position and will be accounted for as a deduction from equity upon the listing of our H Shares.

Our Directors do not expect such expenses alone to materially impact our results of operations in 2022.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group 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 equity shareholders of the Company as of December 31, 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated 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 December 31, 2021 or at any future dates. It is prepared based on the consolidated total equity attributable to equity shareholders of the Company after deducting the intangible assets and goodwill as of December 31, 2021 as set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at December 31, 2021[(1)]	Estimated net proceeds from the Global Offering[(2)(5)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB[(3)]*	*HK$[(5)]*
Based on an Offer Price of HK$62.10 per H Share, after a Downward Offer Price Adjustment of 10%	13,830,425	8,445,157	22,275,582	13.57	15.87
Based on an Offer Price of HK$69.00 per H Share	13,830,425	9,389,114	23,219,539	14.15	16.55
Based on an Offer Price of HK$82.00 per H Share	13,830,425	11,167,583	24,998,008	15.23	17.81

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at December 31, 2021 is arrived at after (i) deducting the intangible assets of RMB118,811,000 and goodwill of RMB416,101,000 and (ii) adjusting the share of intangible assets attributable to non-controlling interest of RMB8,271,000 from the consolidated total equity attributable to equity shareholders of the Company of RMB14,357,066,000 as at December 31, 2021, which is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 164,122,200 H Shares expected to be issued pursuant to the Global Offering at the estimated offer prices of HK$69.00 per H Share (being the low-end price) and HK$82.00 per H Share (being the high-end price), and also based on an offer price of HK$62.10 per H Share, after making a downward offer price adjustment of 10%, after deduction of the estimated underwriting fees and other estimated listing expenses payable by the Group, respectively (excluding the listing expenses which have been charged to profit or loss up to December 31, 2021), assuming the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustment as described in note 2 above and is based on 1,641,221,583 Shares expected to be in issue immediately after the Global Offering, but do not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2021.

(5) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per Share are converted from or into Hong Kong dollars at the rate of HK$1.1696 to RMB1. No representation is made that the Renminbi amount has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were 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 in Chapter 13 of the Listing Rules.