You should carefully consider all of the information in this Prospectus and, in particular, the risks and uncertainties described below, before making an investment in our H Shares. We are affected materially by requirements and restrictions that arise under laws, regulations, judicial interpretations and government policies in nearly all aspects of our businesses in the jurisdictions where we operate.

The risks described below are not the only risks that may affect us or our H Shares. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below occur, our business, financial condition and results of operations could be materially and adversely affected. The trading price of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this Prospectus.

RISKS RELATING TO OUR BUSINESS

We are exposed to market fluctuations of lithium prices.

Changes in current and expected supply and demand impact the current and expected prices of lithium products. Between 2019 and 2020, market prices for lithium products experienced a steady decrease, primarily as a result of decreased demand from end users and the negative impact from the COVID-19 pandemic. According to the Wood Mackenzie Report, the average contract price for battery-grade lithium carbonate peaked in 2018 at US$14,319 per ton cost, insurance, freight agreement to Asia (**CIF Asia**) and declined to US$9,174 per ton in 2020, and further declined to US$8,707 in 2021. The average spot prices for battery-grade lithium carbonate in China decreased from US$8,748 per ton in 2019 to US$5,051 per ton in 2020, representing a decrease of 42%, before increasing to US$13,308 per ton in 2021; the average spot price for industrial-grade lithium carbonate in China decreased from US$7,530 per ton in 2019 to US$4,283 per ton in 2020, representing a decrease of 43%, and increased to US$12,542 per ton in 2021. Any decline in lithium prices could materially and adversely affect our business, financial condition and results of operations. According to the Wood Mackenzie Report, factors that may impact lithium prices include global economic growth, the COVID-19 impact, supply and demand dynamics, changes to the cost of production including energy and raw materials costs, changes to the cost of production including labor costs, changes to freight costs, changes to exchange rates, stockpiling of commodities and technological developments. There is no assurance that a fall in prices of lithium will not occur. These factors may materially and adversely affect our businesses, financial condition and results of operations in various ways, including but not limited to the following:

- a significant or sustained reduction in lithium prices could result in customers' unwillingness to honor their contractual commitments to purchase lithium products at pre-agreed pricing terms;
- a significant or sustained reduction in lithium prices could result in a reduction in our sales and earnings;

- a significant or sustained reduction in lithium prices could result in a decline in the value of our lithium products which may result in write-downs to our assets, including impairment losses in our equity investment in SQM; and
- the production of lithium products may be curtailed or suspended if it is no longer economically viable.

On the other hand, in the event of a significant or sustained increase in lithium prices, customers may seek alternatives such as hydrogen batteries or other more affordable energy solutions, which may reduce the market demand for lithium batteries. Consequently, our financial condition and results of operations may be materially and adversely affected.

We currently rely on the Greenbushes Mine for all of our lithium concentrate production and supply of lithium raw materials and we are exposed to risks and uncertainties in relation to this mine.

As of the Latest Practicable Date, we relied on the Greenbushes Mine for all of our lithium concentrate production and supply of lithium raw materials. Any disruption to the supply of lithium concentrate from the Greenbushes Mine may materially affect our production processes.

We expect that all of our revenue from the mining, production and sales of lithium concentrate will continue to be generated from the Greenbushes Mine. According the BDA Report, there are a number of risks in relation to the Greenbushes Mine, including but not limited to the following: (i) the bulk of the resource drilling grid is irregular, which is relatively wide for detailed definition of the mineralisation at the highest confidence level, accordingly, the in-situ resources have been classified as indicated and inferred; (ii) localized or significant pit wall failure in open pit mining may occur which may reduce the quantity of ore available; (iii) high rainfall events may occur which may affect short-term mine production in open pit mining; (iv) the design of CGP3 and CGP4 is based on prior operating experience; (v) the power supply to site may be vulnerable to short-term outages such as lightning strikes; there may be a production shortfall during the future transition period for upgrade in production units; (vi) there may be social risks arising from impacts associated with dust, noise, traffic and other issues associated with the mining activities; (vii) there may be shortfalls in achieving targets during transition to higher production rates and the planned increase in production capacity relies on significant expansion in world-wide demand for lithium, which may not take place as anticipated; (viii) there may be overrun in capital costs during the design and construction of resource projects; and (ix) unit operating cost may escalate in the future, particularly during production expansion, which may cause the actual operating cost to deviate from our estimation. See "Appendix IV—Competent Person's Report" for more information. Any material failure to avoid or mitigate such risks could have a material adverse effect on our business, financial condition and results of operations.

Tensions in international economic relations, in particular between the U.S. and China and between Australia and China, respectively, may have an adverse effect on our business, financial condition and results of operation.

Recently, there have been heightened tensions in international economic relations, such as that between the U.S. and China. Political tensions between the U.S. and China have escalated due to, among other things, trade disputes, the COVID-19 pandemic, sanctions imposed by the U.S. Department of Treasury on certain officials of the Hong Kong Special Administrative Region and the PRC central government and the executive orders issued by the U.S. government in August 2020 that prohibit certain transactions with certain China-based companies and their respective subsidiaries. Rising trade, political and regulatory tension between the U.S. and China could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. In addition, in recent years, trade tensions between China and Australia have escalated and China has imposed trading restrictions on imports of certain products from Australia. We currently rely on the Greenbushes Mine for all of our lithium concentrate production and supply of lithium raw materials. As of the Latest Practicable Date, there had been no restrictions in China that materially and adversely affect the import of lithium raw materials from Australia, and as of the Latest Practical Date, we had not experienced any mining or trading restrictions on the lithium products that would have a material impact on our results of operations or financial condition. However, the development of the trade policy between China and Australia and the trading restriction on imports from Australia imposed by China as well as the related impact on our business are unclear at this time. We cannot foresee whether and how developments in these trading restrictions, or other trading restrictions taken by the Australia or the PRC government will impact our business and financial performance. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be harmed. Any current and future actions or escalations by either the U.S., Australia or China may cause global economic turmoil and potentially have a negative impact on our business, financial condition and results of operations, and we cannot provide any assurance as to whether such actions will occur or the form that they may take.

We had incurred net losses for the years ended December 31, 2019 and 2020, and we cannot assure you that we will continue to be profitable in the future.

In 2019 and 2020, we had net losses of RMB5,480.4 million and RMB1,124.6 million, respectively. Although we have generated profits of RMB4,205.8 million for the year ended December 31, 2021, we cannot assure you that we will continue to be profitable in the future. We generate our revenues from sale of lithium concentrate, lithium compounds and derivatives. Any material decrease in the price of the lithium products or the current and expected supply and demand dynamics of lithium would have a significant impact on our financial conditions. In addition, we anticipate that we will continue to grow our business, manufacture lithium compounds and derivatives, construct or continue to construct mining sites and manufacturing plants and adopt new technologies and construction methods. These efforts may prove more costly than we currently anticipate, and we may not succeed in increasing our revenues sufficiently to offset the high expenses. As a result of the foregoing and other factors, we cannot guarantee that we will continue to be profitable in the future.

We incurred substantial additional indebtedness to finance the SQM Transaction, which may decrease our business flexibility and adversely affect our financial results.

On December 3, 2018, we completed our acquisition of 62,556,568 Series A shares of SQM from Nutrien at a consideration of approximately US$4.07 billion. In addition to our cash on hand, we entered into two facilities agreements on October 26, 2018 (the "**Syndicated Loan A and Syndicated Loan B**") and a further facility agreement on October 29, 2018 (the "**Syndicated Loan C**") and have drawn down all available facilities thereunder of US$3.5 billion to finance the consideration for the SQM Transaction. As a result, our total debt obligations increased following the completion of the SQM Transaction. The Syndicated Loan A, Syndicated Loan B and Syndicated Loan C are secured by pledge over shares of certain of our subsidiaries and all the SQM shares held by us, a personal guarantee provided by our chairman, Mr. Jiang Weiping, and a deed of undertaking provided by the Single Largest Group of Shareholders pursuant to which the Single Largest Group of Shareholders must pledge A Shares to the lenders under certain circumstances.

In January 2020, we repaid a portion of the principal of the Syndicated Loan C. On December 28, 2020, we entered into an amendment and extension deed and the amended and restated facility agreement with the lenders of Syndicated Loan A and Syndicated Loan C, pursuant to which the lenders conditionally agreed to modify the terms of the loans, mainly including the extension of the maturity dates, and adjustments of the interest rate and interest period. The maturity date of Syndicated Loan A and Syndicated Loan C was then extended to November 26, 2021 with conditional automatic extension, and the maturity date of Syndicated Loan B was extended to November 29, 2023. The maturity date of Syndicated Loan A and Syndicated Loan C were further extended to November 25, 2022. Although we incurred net gains from modification of syndicated bank loans of RMB671.2 million for the year ended December 31, 2021, the financial and other covenants to which we have agreed in connection with the SQM Indebtedness, the pledge over shares of certain of our subsidiaries and all the SQM shares held by us, and our increased indebtedness and higher debt-to-equity ratio in comparison to our historical figures may have the effect, among others, of reducing our flexibility to respond to changing business and economic conditions, thereby placing us at a competitive disadvantage compared to competitors that have less indebtedness and making us more vulnerable to general adverse economic and industry conditions. The increased indebtedness will also increase borrowing costs and the covenants pertaining thereto may also limit our ability to obtain additional financing to fund working capital, capital expenditures, additional acquisitions, business development efforts or general corporate requirements. We will also be required to dedicate a larger portion of our cash flow from operations to payments on indebtedness, thereby reducing the availability of our cash flow for other purposes, including working capital, capital expenditures and general corporate purposes. In addition, certain terms and conditions of the SQM Indebtedness may not be favorable to us, the facility agreements of the SQM Indebtedness contain a number of restrictive covenants of certain financial ratios, as well as pledge over shares of certain of our subsidiaries and as such, could further increase the cost of the SQM Indebtedness, as well as the overall burden of such debt upon us and our business flexibility. Further, since a portion of the SQM Indebtedness is at variable rates of interest, we will be exposed to the risk of increased interest rates. As a result, increases in interest rates will increase the cost of servicing our financial instruments with exposure to interest rate risk and could materially reduce our profitability and cash flows. Please refer to the section headed "Financial Information—Indebtedness relating to the SQM Transaction" for details of the SQM Indebtedness.

We plan to apply approximately HK$8,865 million out of the total net proceeds of HK$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 outstanding balance of SQM Indebtedness. See "Future Plans and Use of Proceeds—Use of Proceeds." We also expect that the Global Offering will increase our net assets, decrease our debt-to-asset ratio and enhance our resistance capacity against financial risks. If, however, for any reason the Global Offering is not completed as planned, we would not be able to realize the aforementioned benefits. Any of the foregoing consequences could adversely affect our financial results.

If we do not obtain additional financing, our business may be at risk or execution of our development plan may be delayed.

As of December 31, 2021, we had cash and cash equivalents of RMB1,766.1 million, and we incurred net losses of RMB5,480.4 million and RMB1,124.6 million for the years ended December 31, 2019 and 2020, respectively, before generating net profit of RMB4,205.8 million for the year ended December 31, 2021. Given our historical net losses and limited funds, we may need to seek additional funds in the future through equity or debt financings. Obtaining additional funding will be subject to various factors, including general market conditions, investor acceptance of our business plans and ongoing results from our construction and commissioning efforts. These financings could require contractual or other restrictions on our operations or on alternatives that may be available to us. If we raise additional funds by issuing debt securities, these debt securities could impose significant restrictions on our operations. Any such required financing may not be available in amount or on terms acceptable to us, and the failure to procure such required financing could have a material and adverse effect on our development plan and continuous growth.

We may not be able to acquire additional funds on acceptable terms, or at all. If we are unable to raise adequate funds, we may have to delay some of our plants construction, therefore affecting our profitability in the short and long term. If we do not have, or are not able to obtain, sufficient funds, we may be required to delay further development or commercialization of our mineral resources. Any of these factors could harm our operating results.

We recorded net current liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks.

During the Track Record Period, we recorded net current liabilities of RMB15,817.6 million, RMB23,522.4 million and RMB6,140.9 million as of December 31, 2019, 2020 and 2021, respectively. Our net current liability position was primarily attributable to our bank loans and other borrowings. However, there can be no assurance that we will not experience liquidity problems in the future. The net current liabilities and/or net liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, results of operations and financial condition could be materially and adversely affected.

The COVID-19 pandemic could have a material adverse effect on our business, financial condition and results of operation.

The COVID-19 pandemic has created significant uncertainty and economic disruption. In response to the spread of the COVID-19, virus, including variants and mutant strains, such as the recently detected Delta and Omicron variants, the PRC government and many other countries have implemented numerous measures to try to contain the virus, such as travel bans and restrictions, social distancing, quarantines, stay-at-home or shelter-in-place orders, and business shutdowns. These measures by government authorities may remain in place for a significant period of time and they are likely to continue to adversely affect our workforce and operations, our customers' businesses and the demand for our products, our suppliers and the supply chain network and the global economies. We may experience disruptions and delays within our supply chain and logistics operations in China, Australia, Chile and other countries or areas. This may include challenges at ports due to national quarantines, difficulties with scheduling cargo ships, additional warehouse costs due to shipment delays, and the restriction of movements by trucks within and between countries. 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. However, new or continuing government restrictions, and any failure to obtain or retain an exemption, may lead to a negative impact on our business, including increased costs and/or an inability to meet supply obligations to customers.

Our domestic and overseas plants cooperated with the pandemic prevention measures in the respective countries and areas, resumed production in an orderly and safe manner, actively fulfilled corporate social responsibilities, and donated medical supplies in a timely manner. The extent to which the COVID-19 pandemic continues to impact our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating activities can resume. Even after the COVID-19 pandemic has subsided, we may continue to experience an adverse impact to our business resulting from the global economic slowdown, including any recession that has occurred or may occur in the future.

There are no comparable recent events that may provide guidance as to the effect of the spread of COVID-19, and, as a result, the ultimate impact of the COVID-19 pandemic or a similar health epidemic may be uncertain.

Our auditors with respect to our A Shares listed on the Shenzhen Stock Exchange issued a qualified audit report for the year ended December 31, 2019, which was later modified by a special report, and expressed doubt about our ability to continue as a going concern for the years ended December 31, 2019 and 2020.

On April 28, 2020, ShineWing Certified Public Accountants (Special General Partnership) ("**ShineWing China**"), our auditor with respect to our A Shares listed on the Shenzhen Stock Exchange, issued a qualified audit report on our financial statements for the year ended December 31, 2019 due to our failure to provide the complete construction expenses breakdown and other sufficient audit evidence in relation to our investments in the Kwinana project, Western Australia, which was caused by the termination of the engagement with the engineering, procurement and construction contractor, and the subsequent delay in the account closing of the engineering investments, as well as the failure of ShineWing China to complete other on-site audit procedure due to the COVID-19 pandemic. On July 16, 2020, ShineWing China issued a special report, confirming that the audit issue causing the issuance of the qualified audit report for the year ended December 31, 2019 no longer existed and no retrospective adjustment on the 2019 financial statements was required. In addition, in the qualified audit report for the year ended December 31, 2019 and unqualified audit report for the year ended December 31, 2020, ShineWing China included a section headed "material uncertainty related to going concern" which takes into account the liquidity risk mainly arising from the additional indebtedness to finance the SQM transaction. We cannot assure you that our auditor with respect to our A Shares listed on the Shenzhen Stock Exchange will not issue a qualified audit report or an audit report emphasizing a going concern issue in the future, which may have a negative impact over our ability to raise fund through offerings of equity or debt securities in the capital market in China or our overall fund raising capabilities.

The Greenbushes Mine has a limited life and we may need to replenish our lithium reserves and resources from time to time.

We currently rely on the Greenbushes Mine, our only active mining operation, for our lithium raw materials supply. However, the Greenbushes Mine has a limited life and will eventually be depleted. We may need to replenish our lithium reserves from time to time in order to support our production of lithium compounds and derivatives. There is no assurance that we will be able to discover or acquire new and valuable lithium reserves or resources, or that the actual production results may match the expected results.

To acquire additional reserves, we will need to identify new lithium resources. There are a number of uncertainties inherent in the acquisition of new lithium reserves, including but not limited to (i) the availability and timing of necessary governmental approvals; (ii) the timing and costs to construct mining and processing facilities; (iii) the availability and costs of labor, utilities, auxiliary materials and other supplies and the accessibility of transportation and other infrastructure; and (iv) the availability of funds to finance construction and production activities. There can be no assurance that any future acquisition initiatives will result in any economic mining operations and this may have a material adverse effect on our business, financial condition and results of operations.

Failure to obtain or maintain required government permits, licenses and approvals for our mining and exploration activities or renewals thereof could materially and adversely affect our business, results of operations, financial position and growth prospects.

Under the relevant PRC mineral laws and regulations, all mineral resources in China are owned by the state. Mining companies are required to obtain mining and exploration permits prior to undertaking any mining or exploration activities, and the mining and exploration permits are limited to a specific geographic area and period. Our mining permit in China is generally granted with a term of up to 20 years and renewable subject to certain conditions. Under the relevant Australian laws and regulations, such as the Mining Act 1978 (WA) and Mining Regulations 1981 (WA) in Western Australia, the state generally owns and regulates all the mineral resources, and ownership of minerals does not pass to the miner until the minerals have been extracted from the land. Mining companies are required to obtain the relevant exploratory titles, mining titles and ancillary titles prior to undertaking any mining or exploration activities. In addition, pursuant to the PRC and Australian laws and regulations, before commencing mining operations, we are required to pass a number of inspections and obtain permits and licenses with respect to environmental protection, production safety and, in case of our Australian operations, acknowledgment and protection of aboriginal people's property and heritage interest and rights, among other things. As of the Latest Practicable Date, we held one valid mining permit in China with respect to our Yajiang Cuola Mine, which is valid until 2032 and renewable subject to certain conditions. As of the Latest Practicable Date, we held a total of 13 valid mining leases, one exploration license and four related ancillary titles for the Greenbushes Mine. Applications for two general purpose licenses and a prospecting license are pending. The expiry dates for these mining leases and ancillary titles are set out in the table in "Business—Our Mining Permits." The expiry dates of our mining leases for the Greenbushes Mine range from December 27, 2026 to September 27, 2036. Upon the expiry of current terms of our mining leases, the Western Australian Minister for Mines and Petroleum will have the discretion to extend the leases for further periods (no more than 21 years each) subject to our compliance with the conditions in the leases. See "Business—Our Mining Permits" for more information. In addition, Talison's mining titles and related ancillary licenses for the Greenbushes Mine are subject to encumbrances including registered mining mortgage and caveats in relation to certain corporate loan taken by our Australian subsidiaries. The expiry date of our exploration license is March 7, 2026. Upon the expiry of the current term of our exploration license, the Western Australian Minister for Mines and Petroleum will have the discretion to extend the license for a term of five years and any subsequent renewal terms of two years if the Minister is satisfied that the exploration license is in good standing and a prescribed ground for extension of the exploration license exists. See "Business—Our Mining Permits" for more information.

Changes in local laws, regulations and policies relating to our mining licenses and permits that are out of our control may affect our ability to obtain timely renewals for such licenses and permits and as a result we might suspend or cease mining and exploration activities. As of the Latest Practicable

Date, we had obtained the requisite approvals, licenses and permits for our current operations in all material aspects. There can be no assurance that we will be able to fully and economically utilize the entire mineral resources of all of our lithium mines during the currently effective permit or approval periods. We cannot assure that the government authorities with jurisdiction over our mining operations, including the Greenbushes Mine, will not revoke or significantly alter our licenses, permits or approvals or that our licenses, permits or approvals will not be challenged or impugned in the future. Moreover, we may not be able to obtain or renew such approvals, licenses or permits, comply with all conditions requested by government authorities to maintain those approvals, licenses or permits, or obtain, retain or renew other approvals, licenses and permits necessary for our business operations in the future, either in respect of our existing mines or at any mines we may operate in the future. As of the Latest Practicable Date, we did not have any mining permits being renewed or required to be renewed in the near future in the PRC or Australia. For our operations at the Greenbushes Mine, there are a number of ancillary permits, authorizations and approvals primarily related to environmental and planning compliance that are required to be renewed before June 30, 2022.

Any failure to obtain, retain or renew, or any delay in obtaining or renewing, such approvals, licenses or permits could subject us to a variety of administrative penalties or other government actions and adversely impact our business operations.

In addition, our mineral property interests may interact with others' mining rights, which could adversely impact our ability to access our mining properties and could adversely impact the viability of our mining claims and concessions. There can be no guarantee that we will be successful in negotiating with other mining license owners to acquire their rights, if we determine that we need their permission to drill or mine on the land covered by such mining licenses. If we are unable to obtain the necessary rights, the viability of our mining claims and concessions could be materially impacted and we may not be able to develop any such properties.

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

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

The current or expected supply of lithium may fluctuate, depending on resource availability in the lithium market. Currently, the lithium industry is competitive. The majority of raw material is produced by fewer than ten lithium suppliers. There is no assurance that we may continue to be able to secure high quality lithium supply at relatively low cost. We may face increasing competition with new market entrants over time. The discovery and successful exploration of new lithium mines by new or existing competitors may also affect our businesses. For example, new lithium mines are being explored in Australia and South America and could therefore provide new or existing competitors with an abundant source of lithium at competitive cost, which in turn may affect the global lithium supply, the global price of lithium and our businesses.

The demand for lithium depends on factors such as the use of lithium in the end markets, technological developments resulting in product or technological substitutions and general economic conditions. Our customers generally engage us to design, develop and produce products for use in end products, such as EVs, consumer electronics, chemicals and pharmaceuticals. Accordingly, demand for our products is determined in part by the demand for the end products that our customers design, develop, produce and sell and the pace of industry acceptance and adoption of new technologies or standards, and any reduction in demand or activity in such industries could cause our customers to place fewer orders or reduce the volume of their orders, materially impacting our business, financial condition and results of operations. If we fail to anticipate the industry trends of the end markets that we serve, our prospects will be materially and adversely affected. Accordingly, a decrease in customer demand for our products as a result of a general decline in the global lithium end markets as well as the fluctuations in orders placed by our customers in the global lithium end markets based on their respective product introduction schedules may affect our revenue generated from our sales of goods. The growth of lithium demand over the last decade has been led by the rapidly increasing use of lithium in rechargeable battery applications in the form of lithium carbonate and more recently lithium hydroxide. As we believe that the market for high-quality lithium-based batteries has promising growth potential, we have focused our initiatives on enhancing our products' quality and features. However, there is no assurance that the demand for lithium-based batteries will continue to increase. In addition, if a more cost-effective substitute for lithium-based batteries gains market acceptance, our business, financial condition and results of operations may be materially and adversely affected.

We rely on the market demand for lithium batteries from the electric vehicles market and any technological development of the lithium batteries for electric vehicles could result in substitute products and may have a material impact on us.

Our battery-grade lithium compound products are preferred raw materials for production and manufacturing of lithium batteries used for electric vehicles. The revenue generated from 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 compound in 2019, 2020 and 2021, respectively. Changes in technology, the development of substitute chemicals or minerals used for electric vehicle batteries could adversely affect the demand for our battery-grade lithium compound products and other products we produce. In addition, other alternatives to our products may become more economically attractive as global commodity prices shift. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

We may not realize the expected benefits of the SQM Transaction.

We are the second largest shareholder of SQM. However, we are not able to exercise any control or have any decisive influence over SQM or its underlying business, and we currently do not have any offtake agreements or any other arrangements with SQM with respect to its lithium resources. In particular, on May 17, 2018, we entered into the SQM Share Purchase Agreement with Nutrien. Considering the possible impact of concentration of the operators after the transaction, the Production Development Corporation (the "**CORFO**") demanded the Chilean antitrust regulator, the FNE to initiate an investigation on the SQM Transaction. On June 15, 2018, FNE initiated the investigation. On August 27, 2018, we and FNE entered into the FNE Agreement which subjects us to certain restrictive measures with respect to our rights as an SQM shareholder and our dealings with SQM. Such measures, including but not limited to certain restrictions on our rights in electing directors on SQM's board and accessing SQM's sensitive information and certain requirements to notify the FNE of potential contracts with SQM and investments in SQM, could further limit our ability to exercise any control or have any decisive influence over SQM and its underlying business. Such FNE

Agreement has an effective term of four years and will be automatically renewed for two years thereafter, and is expected to expire around 2024. We do not have access to SQM's lithium brine resources, and we have no previous experience in dealing with lithium brine as resources. In addition, in light of our positive outlook on the lithium market, we expect that our holding of SQM equity will bring long-term stable financial returns to us given SQM's strong profitability and steady cash dividends. However, the amount of dividend distributions by SQM will be determined by its board of directors based on a number of financial parameters, and dividends declared or paid by SQM in prior periods may not be indicative of future dividend distributions. Accordingly, we cannot ensure you that SQM will make steady cash dividends payments to us, or at all, in which case our liquidity may be adversely affected.

We negotiated the purchase price for the SQM Transaction based on a valuation of the market value of the equity interest in SQM. However, our valuation may not be entirely accurate, due to various factors such as our lack of full access to all the financial documents of SQM, and the possibility that the assumptions we made in our evaluation do not align with SQM's actual performance in the future. Furthermore, the transaction does not entail any representation, warranty, or guarantee with respect to future business performance of SQM, and we will not be indemnified if SQM's future performance falls short of our expectation.

If the anticipated benefits of the SQM Transaction are not realized or if SQM is unsuccessful in addressing the risks related to its business, our financial condition and results of operations may be materially and adversely affected.

We may incur impairment losses in connection with our investment in SQM.

Our investment in SQM is adjusted for the post acquisition change in our share of SQM's net assets and any impairment losses relating to the investment. At each reporting date, we assess whether there is any objective evidence that our investment is impaired. In view of a significant and prolonged decline in the fair value of SQM in its equity instrument, the adverse macro-economic changes, the latest lithium product price forecast derived from the published industry report, as well as the delay of SQM's project construction for production capacity expansion announced in early 2020, we assessed the recoverable amount of the interest in SQM and as a result an impairment loss of RMB5,236.6 million was recognised in "impairment losses" 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 and as a result a reversal of impairment loss of RMB1,601.3 million was recognised in "reversal of impairment losses" for the year ended December 31, 2021. We cannot assure you that we will not incur further impairment losses in connection with our investment in SQM in the future.

We face competition in the lithium industry.

We compete with a number of domestic and international companies focused on the mining of lithium resources, production of lithium concentrate, and manufacturing of lithium compounds and derivatives, particularly those with extensive marketing and sales networks and large reserves of lithium resources. Competition in our industry may intensify as our competitors expand their products, or as new competitors enter into our existing or new markets. The majority of lithium mine supply is dominated by seven companies, operating mines in Australia and China, according to the Wood

Mackenzie Report. As of December 31, 2021, the top four lithium compounds and derivatives suppliers accounted for approximately 50% of global mined lithium output, according to the Wood Mackenzie Report. Expansion of existing competitors and threat from new entrants could be disruptive to the near-term and medium-term supply demand equilibrium. New and existing competitors strive to increase their market shares with continued research and development efforts, optimized production processes, active marketing campaigns and high talent pool. Our competitors may have longer operating histories and greater financial, technical and other resources. They may also have better track records, greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion and sale of their products. Competition could also have an adverse impact on the demand for, and pricing of, our lithium products, which in turn affects our growth and market share. There can be no assurance that we will be able to continue to compete effectively or maintain or improve our market position. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our businesses, results of operations and financial condition.

The mining and manufacturing processes are complex and dangerous and we may experience accidents or disruptions in our mining and manufacturing process, which could damage our reputation, subject us to liability claims and result in substantial costs.

The mining and manufacturing of lithium compounds and derivatives and other products involves complex, precise and often dangerous processes, requiring production in tightly controlled environments. As a result, our operations are subject to manufacturing risks, including, among others:

- the failure to achieve an acceptable success rate in the manufacturing of our products. Our operations may also be subject to production difficulties such as capacity constraints, mechanical and systems failures, construction and upgrade delays and delays in the delivery of machinery. The likelihood of facing such difficulties is higher when transitioning to new methods of production, which may occur from time to time during various stages of the mining and manufacturing process. The interruption of certain processes or the failure to achieve acceptable manufacturing yields at any of our facilities could adversely affect our business and results of operations;
- risks associated with the use of hazardous, toxic or flammable raw materials and intermediate products. The storage of such materials near our production facilities and the handling of these materials in the mining and production process pose inherent risks. An accident could materially disrupt our mining and manufacturing operations and could lead to death or personal injuries. Any such accident could have a material adverse effect on our operations, business and financial condition. Any such accident may also subject us to adverse publicity and damage to our brand name and reputation. Due to the growing awareness of and concern about safety and environmental protection, the risk of such accident may result in social demonstrations against the construction and operation of our plants and facilities, which may further disrupt our business operations, negatively affect our image and reputation and materially and adversely affect our business and financial condition;
- the consumption of substantial amounts of electricity and natural gas in our mining and production processes. Despite taking certain measures to reduce interruptions and to facilitate a continuous source of electricity and natural gas, we cannot assure you that power shortages would not adversely affect our results of operations and financial condition; and

- certain inherently dangerous activities undertaking by in the course of our operations that expose us to a number of additional risks, including the risk of fire, explosion, leakage, release of toxic fumes or other unexpected or hazardous conditions causing personal injuries or death, property damage, environmental damage or interruption of operations. Any of these consequences, if significant, could result in business interruption, legal liability and damage to our reputation and corporate image. In addition, we may also be subject to claims resulting from subsequent use by the customers or other third parties of the facilities and the products we produced.

We cannot assure you that such accidents will not happen in the future. Furthermore, our operations could be adversely affected if we are not able to overcome mining and manufacturing problems, secure access to advanced mining and manufacturing process technologies or maintain necessary safety measures in a timely and cost-effective manner.

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

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

Our business and operational activities, such as mining, production and sales of lithium concentrate, manufacturing and sales of lithium compounds and derivatives, storage of raw materials, transportation and exportation of lithium products and certain other activities, are affected by laws and regulations, administrative adjudications, court decisions and other legal and regulatory constraints, especially the extensive environmental, chemical manufacturing, health and safety laws and regulations and stringent standards which are promulgated by the PRC government and the governments of overseas jurisdictions in which we operate, including Australia and Chile. We are required to obtain and maintain relevant environmental, chemical production, health and safety related licenses and certificates for our mining, production and sales of lithium concentrate and lithium compounds and derivatives. For more information, see "Regulatory Environment—Western Australian Mining Laws and Regulations—Environmental Law in Australia."

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

To comply with the extensive environmental laws and regulations relating to air, water and soil quality, waste management and public health and safety in China, Australia and Chile, we must prepare environmental impact assessment reports and obtain the relevant approvals for our mines and production facilities in operation and projects under construction. In China, we must also pass both periodic and sporadic inspections of our production facilities by relevant authorities to ensure the safety of our equipment. If we fail to obtain such environmental approvals or pass the inspections, the relevant authorities may suspend our mines, construction projects or production facilities and may impose a fine on us.

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

In addition, environmental, chemical manufacturing and health and safety laws and regulations, administrative adjudications and court decisions in China and other jurisdictions which we are subject to continue to evolve, which may lead to stricter standards and enforcement trends, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed mines or production facilities, as well as increased liability exposure for us and our officers, directors and employees. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, costs that may not be able to be passed on to our customers, or other obligations or liabilities, which could decrease our capital and our ability to pursue developments in other areas. In recent years, the regulatory landscape of environmental protection in China has undergone substantial development. The scope of environmental protection has been continuously expanded and regulatory scrutiny regarding environmental protection has been enhanced. Consequentially, the number of environmental regulatory actions has been increasing in recent years. Recent environmental protection legislations and policies in China include, but are not limited to, the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) and the relevant regulation on the implementation, the Public Participation Measures for Environmental Impact Assessment (《環境影響評價公眾參與辦法》), the Soil Pollution Prevention and Control Law of the PRC (《中華人民共和國土壤污染防治法》), the Three-Year Action Plan for Quality Supervision and Inspection of Ecological Environment Monitoring (2018-2020) (《生態環境監測質量監督檢查三年行動計劃 (2018-2020年) 》) and the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》). In addition, on September 12, 2018, the General Office of the State Council issued the Notice on Carrying out the Cleanup of Ecological Environment Protection Laws, Regulations, and Regulatory Documents (《關於開展生態環境保護法規、規章、規範性文件清理工作的通知》) to promote a comprehensive overhaul to the existing environmental protection laws, regulations, judicial interpretations and normative documents in order to enhance environmental protection measures in China. On January 2, 2019, the Supreme People's Procuratorate and the other nine ministries jointly issued the Opinions on Strengthening Cooperation in Procuratorial Public Interest Litigation to Fight the Battle to Prevent and Control Pollution (《關於在檢察公益訴訟中加強協作配合依法打好污染防治攻堅戰的意見》) to give full play to the role of procuratorial organs and administrative agencies in the prevention and control of environmental pollution. With the implementation and development of these policies and regulations, our manufacturing operations' compliance costs, including those related to air pollutants, water pollutants and solid waste emissions taxable, public environmental impact assessment procedures for construction projects, soil pollution-related litigation, fees for self-inspection and rectification, may increase in the future. If we fail to meet the requirements and standards of the continuously changing environmental policies and regulations in China, the operations of our manufacturing plants in China and our financial condition may be materially and adversely affected. In addition, the development of our future projects in China may be altered, restricted or aborted due to changes to environmental protection regulations and policies in China. Furthermore, some of the new overseas markets that we may enter could have more stringent environmental, chemical manufacturing and health and safety regulations than China's, and compliance with such regulations may be costly and could hinder our endeavors to enter these new overseas markets.

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

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

Our products are used in the production of, or are incorporated into, final products that are sold into a number of end markets which include battery-related, glass and ceramics, aircraft and other markets. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For instance, on October 20, 2020, the General Office of the State Council issued the New Energy Automobile Industry Development Plan (2021-2035) (《新能源汽車產業發展規劃(2021—2035年)》) (國辦發[2020]39號), further supporting the accelerated development of new energy vehicles. On March 11, 2021, the National People's Congress passed Outline of the 14th Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which focused on the development of new generation of new energy vehicles and other strategic emerging industries. On December 10, 2021, the MIIT issued the Lithium-Ion Battery Industry Standard Conditions (2021 version) (《鋰離子電池行業規範條件 (2021年本)》) and the Interim Measures for the Administration of the Lithium-ion Battery Industry Specification Announcement (2021 version) (《鋰離子電池行業規範公告管理暫行辦法(2021年本)》). The standard is proposed to guide enterprises to reduce manufacturing projects that simply expand production capacity, strengthen technological innovation, improve product quality, and reduce production costs. It also requires enterprises to adopt technology-advanced, energy-saving, environmentally friendly, safe, stable and highly intelligent production processes and equipment. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may not be able to do so in a timely and efficiently manner.

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

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

In 2019, 2020 and 2021, sales to our largest customer, Albemarle and its related entities, accounted for 27.4%, 32.4% and 17.8% of our total revenue, respectively. For the same periods, our sales to our five largest customers accounted for 51.0%, 56.7% and 49.8% of our total revenue, respectively. If any of these customers terminates its contracts with us or significantly reduces the amount of purchases from us, we may not be able to find replacement customers in the near term and our results of operations could be materially and adversely affected.

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

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

Our businesses are vulnerable to downturns in the general economy.

The global macroeconomic environment is facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies. There have also been concerns over unrest in countries including the Middle East and Africa, which have resulted in volatility in commodity prices and other markets. Unfavorable financial or economic conditions may adversely affect the demand for lithium concentrate and lithium compounds and derivatives. Furthermore, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment, consumer confidence, asset values, capital market volatility and liquidity issues may create difficult operating conditions in the future. Additionally, the recent trade tensions between the U.S. and China and between Australia and China, and any future economic conflicts escalated therefrom, may materially and adversely affect our industry and end markets, as well as the global economic conditions in general.

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

We may undertake acquisitions, investments, joint ventures or other alliances, which could prove difficult to integrate, disrupt our business or otherwise negatively impact our results of operations.

As part of our business strategy, we regularly evaluate potential acquisitions, investments and alliances, including joint ventures, minority equity investments and strategic investments. These transactions involve numerous risks, including:

- the failure to achieve the expected benefits of the acquisition, investment or alliance;
- difficulties in, and the cost of, integrating operations, technologies, services and personnel;

- write-offs of investments or acquired assets;
- non-performance by, or conflicts of interest with, the parties with whom we enter into investments or alliances;
- limited ability to monitor or control the actions of other parties with whom we enter into investments or alliances;
- misuse of proprietary information shared in connection with an acquisition, investment or alliance; and
- depending on the nature of the acquisition, investment or alliance, exposure to new regulatory risks.

The realization of any of these risks could materially and adversely affect our business. In addition, if we finance acquisitions by issuing equity or convertible debt securities, our existing shareholders may be diluted, which could affect the market price of our Shares. Furthermore, we may fail to identify or secure suitable acquisition, investment and other strategic opportunities, or our competitors may capitalize on such opportunities before we do, which could impair our ability to compete with our competitors and adversely affect our growth prospects and results of operations.

Our businesses and operations require significant capital resources on an ongoing basis and are subject to uncertainties.

Our businesses and operations are capital intensive. We have been undertaking, and may undertake in the future, capital intensive projects or businesses as part of our growth strategies, which could be delayed or otherwise adversely affected by a number of risks and uncertainties, including, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology, equipment and raw material suppliers and other contractors, employees, and local governments and communities, natural disasters, availability of power and other energy supplies, availability of technical or human resources, adverse changes in the relationships between China and relevant foreign countries, and war or other significant adverse developments in international relations.

Before we commence new projects or businesses, we typically conduct extensive feasibility studies, which may require significant capital outlay. There is no assurance that each project or business, either ongoing, planned or to be undertaken, will ultimately be implemented or will generate any profit. Moreover, actual costs for these projects or businesses may exceed the initial budgets due to factors such as delays, changes in scope, increases in funding costs due to foreign exchange and interest rate volatility and increases in raw material, equipment or labor costs. In addition, these projects or businesses may not be able to achieve the anticipated economic results and commercial viability due to various factors, including but not limited to adverse changes in market conditions, lower-than-expected grade or yield of lithium reserves, low capacity utilization in respect of production and manufacturing facilities, high construction and production costs, and decreased demand for and prices of our products. If any of these projects or businesses is not completed as planned, exceeds our initial budgets or time limits, or fails to achieve the anticipated economic results or commercial viability, our business, financial condition and results of operations could be materially and adversely affected.

In addition, we require significant capital resources to obtain exploration and mining rights and purchase and maintain mining, processing and manufacturing plants, machinery and equipment in

China and abroad, such as Australia. We also require significant capital to build, maintain, operate and expand production facilities, purchase machinery and equipment, and develop new technologies and products. Furthermore, we may incur various encumbrances, including mortgage secured by our mining tenements, when raising capital to finance our projects. We also require substantial capital resources to fund our research and development programs. For the years ended December 31, 2019, 2020 and 2021, our capital expenditures were RMB3,735.4 million, RMB962.9 million and RMB1,000.9 million, respectively. The fluctuations of our capital expenditure during the Track Record Period were primarily driven by (i) the decrease in capital expenditure incurred for the Greenbushes Mines and the Kwinana Plant, as the construction of Greenbushes CGP2 and the first phase of the Kwinana Plant had completed in 2019 and the construction of the second phase of the Kwinana Plant has suspended since 2019, and (ii) the fluctuation of exchange rates.

We currently fund our operations primarily through cash generated from operations, bank loans and other borrowings, and proceeds from the issuance of equity and debt instruments. We may need to obtain additional financing for business growth, future acquisitions and investment opportunities. For instance, we may expand our existing production facilities or acquire new mining resources. In addition, if we acquire or invest in another company, the company we acquire or invest in may require additional financing to fund continuing operations and/or growth.

There is no assurance that cash generated from our existing operations will be sufficient to fund our development and expansion. The availability of external funding is subject to various factors, including governmental approvals, market conditions, credit availability, interest rates and the performance of the businesses we operate. To the extent that additional financing proves to be unavailable or unaffordable when needed for a particular investment or acquisition, we may be compelled to restructure, delay or abandon the transaction and, as a result, our business, financial condition, results of operations, growth prospects and expansion plans may be materially and adversely affected.

Our lithium production depends on a stable, timely and adequate supply of raw materials, utilities and energy at commercially reasonable prices.

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

We are exposed to foreign currency exchange fluctuations.

A substantial portion of our revenues and cost of sales is denominated in Renminbi. However, as we operate part of our business in Australia and other international jurisdictions, we have made and expect to continue to make significant equity and other investments outside of China. We are therefore subject to significant risks associated with foreign currency exchange fluctuations.

Changes in the value of foreign currencies could increase our Renminbi costs for, or reduce our Renminbi revenues from, our foreign operations, or affect the prices of our exported products and the prices of our imported equipment and materials. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies, primarily Australian dollars and U.S. dollars. With respect to our monetary assets and liabilities denominated in foreign currencies, we recorded net foreign exchange gains of RMB20.2 million and RMB497.1 million for 2019 and 2020, respectively, and net foreign exchange loss of RMB242.4 million for 2021. With respect to our operations outside of China, we recorded other comprehensive income on exchange differences on translation of financial statements of subsidiaries outside of China of RMB90.5 million and RMB206.0 million for 2019 and 2020, respectively, and other comprehensive losses on exchange differences on translation of financial statements of subsidiaries outside of China of RMB773.8 million for 2021. The exchange differences were recognized in other comprehensive income during the Track Record Period, and may be reclassified subsequently to profit or loss in the event of a disposal of the relevant foreign operations. We cannot guarantee that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

The value of the Renminbi is subject to changes in the PRC's governmental policies and international economic and political environment. The PRC government may adopt further reforms of the PRC's exchange rate system in the future. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. Further appreciation of the Renminbi against foreign currencies may affect our overseas operations.

During the Track Record Period, we used a variety of forward contracts, currency options, currency swaps and other hedging instruments to protect us from fluctuations in foreign currency exchange rates, particularly the exchange rates between Renminbi, U.S. dollar and Australian dollar. We have established a set of policies to guide the approval and management of our foreign exchange hedging activities. According to such policies, we do not engage in foreign exchange hedging activities for any speculative purposes. We base our hedging decisions on our foreign exchange receipts and payments forecasts, including those generated from our foreign transactions, investments and financings. Our finance department is in charge of analyzing foreign exchange trends and hedging instruments to plan our hedging activities. Our audit department periodically reviews and monitors our hedging activities. However, our foreign exchange hedging activities and the relevant policies may fail to sufficiently protect us against foreign exchange fluctuations. As a result, our financial condition, results of operation and business may be materially and adversely affected.

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

Historically, we have not experienced any material collection issue in connection with our trade and other receivables. For the years ended December 31, 2019, 2020 and 2021, our trade receivables turnover days were 35.2 days, 33.2 days and 21.0 days, respectively. We generally require our domestic customers to pay in advance of delivery. As of December 31, 2019, 2020 and 2021, our trade and other receivables amounted to RMB1,024.4 million, RMB891.8 million and RMB3,369.5 million, respectively, representing 16.0%, 31.4% and 52.2% of our total current assets, respectively. For the years ended December 31, 2019, 2020 and 2021, we recognized impairment/(reversal of impairment) losses on trade and other receivables of RMB0.6 million (impairment losses), RMB3.6 million (reversal of impairment losses) and RMB10.4 million (impairment losses), respectively.

In the event that the creditworthiness of our customers deteriorates or that a significant number of our customers fail to settle their trade and other receivables in full for any reason, we may incur impairment losses and our results of operations and financial condition could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and other receivables from the customers or that they will settle our trade and other receivables in a timely manner.

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

Our inventories primarily consist of raw materials, work-in-progress, finished goods and low-value consumption goods. As of December 31, 2019, 2020 and 2021, our inventories amounted to RMB917.0 million, RMB851.0 million and RMB871.8 million, respectively, accounting for 14.3%, 29.9% and 13.5% of our total current assets, respectively. While most of our inventories are not exposed to the risk of obsolescence since they do not deteriorate easily, we made provision for write-down of inventories for certain low-value consumption goods. When the carrying amount of inventories is greater than their net realizable value at the end of a period, we will write down our inventory to net realizable value and record a provision of write-down of inventories. Our provision for write-down of inventories slightly decreased from RMB2.6 million as of December 31, 2019 to RMB2.4 million as of December 31, 2020 and further decreased to RMB1.8 million as of December 31, 2021. For more details, see "Financial Information—Analysis of Selected Consolidated Statements of Financial Position—Inventories."

We have been actively managing our inventory turnover days to more effectively plan our production and monitor our inventory level to minimize the risk of obsolescence of our inventory. Given that certain of our inventories inherently face obsolescence risks, if we fail to manage them at a proper level due to various factors, such as interruptions in our production lines, failure to achieve anticipated production expansions, excessive purchases and decrease in the demand of our products, which may expedite the deterioration of our inventories and increase the volume of obsolete inventory and in turn heighten the risk of inventory obsolescence, we may need to either sell off such inventory at a lower price to third parties or write off such inventory, in the event of which our financial condition and results of operations may be materially and adversely affected.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial condition in the future.

As of December 31, 2019, 2020 and 2021, our deferred tax assets amounted to RMB524.9 million, RMB866.5 million and RMB115.6 million, respectively. Deferred tax assets arise from the deductible temporary differences between the carrying amounts of assets and liabilities from financial reporting purposes and their tax base, as well as unused tax losses and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatment of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee that the recoverability of our deferred tax assets, and to what extent they may affect our financial condition in the future.

Impairment losses relating to goodwill and other intangible assets could materially affect our profits.

As of December 31, 2019, 2020 and 2021, we had goodwill of RMB416.1 million, RMB416.1 million and RMB416.1 million, and intangible assets of RMB165.0 million, RMB131.3 million and RMB118.8 million, in each case respectively. Our intangible assets consisted of software, patents, mining rights and development cost during the Track Record Period. As of December 31, 2021, the net book value of our software, patents, mining rights and development cost was RMB26.7 million, RMB4.1 million, RMB88.0 million and nil, respectively.

There are inherent uncertainties in the estimates, judgments and assumptions used in assessing recoverability of goodwill and intangible assets. Economic, legal, regulatory, competitive, reputational, contractual, and other factors could result in future declines in the operating results of our business or market values that do not support the carrying value of the goodwill and other intangible assets. Any reduction in or impairment of the value of goodwill or intangible assets will result in a charge against our profits, which could have a material adverse impact on our results of operations and financial condition.

We face exposure to fair value change for FVPL and valuation uncertainty due to the use of unobservable inputs.

For the years ended December 31, 2019 and 2020, we recorded net realized and unrealized gain on financial assets measured at FVPL of RMB4.5 million and RMB35,000, respectively. We recorded a carrying amount of financial assets at FVPL of RMB10.0 million as of December 31, 2019. We face exposure to fair value change for the financial assets at FVPL. We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our result of operations for future periods. In addition, the valuation of fair value change of financial assets at FVPL are subject to uncertainties in estimations. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the financial assets at FVPL valuation has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in significant fluctuations in profit or loss from year to year.

Our financial assets measured at FVOCI and derivative financial instruments are subject to the uncertainties in accounting estimates. Fluctuations in fair value of our financial assets at FVOCI and derivative financial instruments due to the use of unobservable inputs would affect our financial results.

Our financial instruments include our investment in wealth management products issued by banks at fair value through profit or loss ("FVTPL"), our bank acceptance note receivable and investment in unlisted equity securities at fair value through other comprehensive income ("FVOCI") and our derivative financial instruments, categorized into three-level fair value hierarchy as defined in IFRS 13, fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows: (i) level 1 valuations which refer to unadjusted quoted prices in active markets for identical assets or liabilities, (ii) level 2 valuations which refer to valuation techniques which fails to meet level 1 valuations but not using significant unobservable inputs, and (iii) level 3 valuations which refer to valuation techniques using significant unobservable inputs. See note 33(e) to the Accountants' Report included in Appendix I to this Prospectus issued by the reporting accountants. In particular, the fair value of our investment in collar options is determined by option pricing model with significant unobservable input of expected volatility, the fair value of our investment in wealth management products issued by banks is determined using the forecast future cashflow discounted by risk-adjusted discount rate, and the fair value of unlisted equity instruments is determined with reference to the latest transaction price.

As of December 31, 2019, 2020 and 2021, we recorded financial assets at FVOCI of RMB495.3 million, RMB181.0 million and RMB2,710.0 million, respectively. As of December 31, 2019, 2020 and 2021, we recorded assets of derivative financial instrument of RMB232.8 million, nil and nil, respectively, while we recorded liabilities of derivative financial instrument of RMB46.7 million, RMB490.4 million and RMB388.4 million, respectively. We have a team headed by the finance manager performing valuations for the financial instruments and discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year. 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. In addition, for the years ended December 31, 2019 and 2021, we recorded net realized and unrealized gains on derivative financial instruments of RMB238.8 million and RMB51.0 million, and recorded net realized and unrealized losses on derivative financial instruments of RMB661.9 million for the year ended December 31, 2020. We cannot assure you that we will not incur any such loss on derivative financial instruments nor incur any other fair value losses in the future. In the event that we incur such losses, our results of operations, financial condition and prospects may be adversely affected.

Share-based compensation expenses may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted a restricted share incentive plan for the benefit of our directors, senior management and key employees as remuneration for their outstanding services provided to us to incentivize and reward the eligible persons who have contributed to our success. For the years ended December 31, 2019, 2020 and 2021, we incurred share-based payment expenses of RMB4.3 million, nil and nil, respectively. To further incentivize our directors, senior management and key employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position

Our contract liabilities are recognized when the customer pays non-refundable consideration before we recognize the related revenue and also when we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. As of December 31, 2019, 2020 and 2021, we had contract liabilities of RMB172.3 million, RMB158.1 million and RMB164.5 million, respectively. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognised as revenue. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Our investments in joint ventures and associates may subject us to risks, including the associated liquidity risk if we are not able to receive dividends from our joint ventures or associates.

In the course of our business, we have formed, and will continue to form, joint ventures or associate with other parties, to jointly engage in certain business activities, which include, among other things, undertaking mining projects, acquiring and operating mines, resources development projects, and production of lithium products. We generally expect to incur share of profit and loss in such joint ventures or associates. In light of our rapid growth in business scale and cooperation with joint ventures and associates, the carrying amount of such investments was significant to us during the Track Record Period. As of December 31, 2019, 2020 and 2021, our interest in associates amounted to RMB25,087.9 million, RMB23,400.6 million and RMB24,120.8 million, respectively. As of the same dates, our interest in joint venture were RMB65.0 million, RMB64.5 million and RMB112.8 million, respectively.

Furthermore, even if profits of our joint ventures and associates are recognized, such share of profits will not result in additional cash inflow without the declaration of dividends from such joint ventures and associates. Therefore, we may not receive any final remittance of surplus funds, which is typically in the form of dividend distribution, from these joint ventures and associates until declaration of dividends. Such declaration will be at the discretion of the boards and shareholders of the joint ventures and associates and therefore not within our control. Moreover, payments of dividends by our joint ventures and associates may be subject to restrictions under covenants contained in agreements such as bank facility agreements to which they are subject to. Accordingly, our investments in these joint ventures and associates are not as liquid as our investments in our subsidiaries. As we invest and expect to continue investing in joint ventures and associates for our businesses, our liquidity may be restricted if we are not able to receive dividends from our existing or future joint ventures or associates, which could materially and adversely affect our ability to conduct our business, and the performance of our financial condition and results of operations.

We may incur impairment losses in relation to our investments in joint ventures and associates. For example, we recognized an impairment loss of RMB5,309.5 million for the year ended December 31, 2019, primarily due to the impairment loss we recognized in connection with our shareholding in SQM in 2019. Any significant impairment losses charged against our investments in associates or joint ventures could have a material adverse effect on our business, financial condition and results of operations.

We are subject to uncertainties surrounding our estimated resources and reserves of lithium as our raw material, and the volume and grade of lithium we produce may not conform to current estimates.

Our estimated resources and reserves of lithium are based on a number of assumptions in accordance with relevant industry standards, such as the JORC Code. There can be no assurance that our estimated lithium resources and reserves will prove to be accurate or that we will be able to mine or process our lithium reserves at a profit. Estimated resources and reserves of lithium are inherently prone to variation. They involve expressions of judgment with regard to the presence and grade of lithium and the economic viability to extract and process the lithium. These judgments are based on a variety of factors, such as knowledge, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the extraction, sampling results, analysis of the samples, the procedures adopted, and the level of experience of the persons making the estimates. Lithium actually mined may be different from the estimated reserves in various aspects, such as quality, volume, mining costs and processing costs. In addition, lithium may not ultimately be extracted at a profit.

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

SQM faces risks associated with its international operations.

Headquartered in Santiago, Chile, SQM has regional offices in more than 20 countries worldwide including the United States, Belgium, Spain, Mexico, Italy, Germany, Thailand, China and South Africa. The success of our investment in SQM will depend significantly upon the successful operations of SQM in various regions of the world. We will depend on the board of directors and management of SQM for their experience in and expertise and knowledge of operating their business in Chile and other overseas jurisdictions.

The operations of SQM in various regions involve considerable risks and may not continue to be successful. Such risks include:

- political, economic and demographic developments in certain countries where SQM conducts a large portion of its business;
- the nature and extent of future competition in SQM's principal markets;
- SQM's ability to implement capital expenditure programs, including its ability to obtain financing when required;
- risks relating to the estimation of its reserves;
- changes in raw material and energy prices;
- changes in its quality standards or technology applications;

- risks relating to SQM's ability to continue operating certain mines located within areas that are leased from Chilean regulatory authorities;
- adverse legal, regulatory or labor disputes or proceedings involving SQM; and
- changes in governmental regulations affecting SQM.

We cannot anticipate all the risks relating to SQM's international operations or that we will be successful in our investment in SQM.

We are exposed to risks associated with legal proceedings, regulatory actions and other liabilities of SQM.

SQM is subject to legal proceedings and regulatory actions from time to time, which include but not limited to the following matters:

- A Chilean subsidiary of SQM holds exclusive and temporary exploitation rights to substantial mineral resources in the Salar de Atacama between 1993 and 2030 pursuant to a lease agreement with a Chilean government entity as the owner. The government entity initiated a series of arbitration proceedings against SQM regarding its performance under the lease agreement. In January 2018, the parties entered into an arbitration agreement to end the arbitration proceedings and amend the lease agreement to, among other things, increase lithium production quota to SQM. SQM challenged a governmental entity´s resolution to eliminate certain provision in such authorization that allows the relevant authority to revoke the amendment if any person or entity acquires control or decisive influence over SQM without prior antitrust approval. On April 26, 2021, the government authority accepted most of the sensitive points challenged by SQM and stipulated that the company, "upon formal knowledge of a relevant share ownership change," must inform the Chilean Antitrust Court within ten business days so that it "may exercise its legal powers in this matter." In addition, there have been pending legal actions initiated by certain local community organization to challenge the relevant government authorization of the amendment.
- SQM is subject to substantial risks as a result of various investigations by the relevant government authorities regarding certain allegedly improper payments made in Chile. In 2017, SQM reached a Deferred Prosecution Agreement ("**DPA**") with the U.S. Department of Justice and received a cease and desist order from the U.S. Securities and Exchange Commission, under which it agreed to pay a fine of US$15,487,500 and accept an external monitor for 24 months. The three-year term of the DPA ended on April 30, 2020, and on June 1, 2020, the SQM's CEO and CFO submitted the certification regarding the company's disclosure obligations, as required under the DPA. On November 11, 2020, the U.S. Department of Justice presented a motion to dismiss the criminal information against SQM, stating that SQM had "fully met its obligations under the DPA". On January 21, 2021, the motion to dismiss was approved by the United States District Court of the District of Columbia.
- In connection with the matter described in the preceding paragraph, a consolidated class action has been pending against SQM since 2015. The complaint alleges that certain statements, including SEC filings and press releases, made by SQM are materially false and/or misleading in violation of the relevant U.S. securities regulations, and the lead plaintiff seeks damages of an undetermined amount. On December 11, 2020, the company

and the lead plaintiff, the Council of the Borough of South Tyneside, filed a Stipulation of Settlement of the class action litigation. Pursuant to the Stipulation of Settlement, SQM agreed to pay US$62.5 million. The Stipulation of Settlement was finally approved on April 26, 2021, by the United States District Court for the Southern District of New York.

- SQM and SQM North America Corporation have been in lawsuits filed by the City of Pomona (the "**Pomona Lawsuit**") and City of Lindsay respectively in California since 2010 for alleged groundwater contamination by SQM's fertilizer products. Regarding the Pomona Lawsuit, on May 17, 2018, the District Judge Gary Klausner ruled in favor of SQM North America Corporation following the jury verdict. On February 6, 2020, the United States Court of Appeals for the Ninth Circuit demanded a retrial before the District Court, and in September 2021, the defendant was condemned to pay US$48,100,000 to the claimant. The decision is not final and after the judgment was issued, SQM by means of a material event notice dated September 8, 2021, made public its intention to file the corresponding remedies against it.

- Since 2016, SQM has been subject to certain regulatory actions of the relevant Chilean environmental agency related to the water usage and environmental impact of a local project. On August 6, 2020, the Superintendence of the Environment ordered SQM to implement a series of provisional measures, for a period of 30 calendar days. Such term has been successively renewed. On September 8, 2021, an indigenous community filed a petition for a new provisional measure, consisting of the temporary suspension of RCA 226/2006 or, the reduction of brine extraction from the Salar de Atacama.

- SQM is the defendant in several civil proceedings relating to tax, insurance and other causes of action.

Any legal proceedings and regulatory actions in which SQM is involved, if adversely concluded, could have a material adverse effect on its business, financial condition and results of operations. As one of the principal shareholders of SQM, we may lose the value of our holdings of SQM, our reputation, business and financial condition and results of operations could be adversely affected by the negative outcome of these legal proceedings and regulatory actions. We may also face significant exposure from current and unknown liabilities within SQM for which we have not obtained indemnification from Nutrien.

Certain facts and statistics derived from SQM's public disclosure may not be reliable.

We have derived certain facts, statistics and business and financial information relating to SQM from information disclosed by SQM in its various public disclosures. While we have taken responsible care in the reproduction of such information, it has not been prepared or independently verified by us, the Joint Sponsors, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the underwriters or any of our or their respective affiliates or advisors and, therefore, we cannot assure you as to the accuracy and reliability of such facts, statistics and information. In addition, SQM's lithium reserve data is not readily comparable with our lithium resources and reserves data which was determined and reported in accordance with the JORC Code, and we are unable to estimate SQM's lithium reserve data under the JORC Code. We cannot assure you that the information derived from SQM's public disclosures was stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere in this Prospectus. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts and statistics.

The value of our investment in SQM may be adversely affected by political conditions, legal system and currency fluctuations in Chile.

As a company based in Chile, SQM is exposed to changes in the political conditions in Chile. SQM's business, results of operations, financial condition and prospects, and in turn, the value of our investment in SQM, may be adversely affected by unfavorable changes in policies of the Chilean government, other political developments in or affecting Chile, changes in the standards or administrative practices of Chilean authorities or the interpretation of such standards and practices, all of which are beyond the control of SQM and us.

The Chilean legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable, which are beyond control of us.

SQM transacts a significant portion of its business in U.S. dollars, and the U.S. dollar is the currency of the primary economic environment in which it operates. In addition, the U.S. dollar is SQM's functional currency for financial statement reporting purposes. A significant portion of SQM's costs, however, is related to the Chilean peso. Therefore, an appreciation or depreciation of the Chilean peso against the U.S. dollar would affect SQM's costs of production. The Chilean peso has been subject to large devaluations and revaluations in the past and may be subject to significant fluctuations in the future. In addition, SQM also transacts business and has assets and liabilities in other non-U.S. dollar currencies, such as the Euro, the South African rand, the Mexican peso, the Renminbi, the Thai baht and the Brazilian real. As a result, any fluctuations in the exchange rates of the Chilean peso or such other foreign currencies to the U.S. dollar may have a material adverse effect on SQM's business, financial condition and results of operations and thereby affect the value of our investment in SQM.

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.

In August 2012, we commenced construction of phase I of the Yajiang Cuola Mine located in Sichuan Province, China, which is part of the larger Jiajika lithium mineralization district, the largest hard-rock lithium mineralization district in China and Asia, according to the BDA Report. However, due to an alleged leak from a neighboring mine owned and constructed by a third party resulting in an environmental incident (including a large number of dead fish) in a downstream river, all lithium operations in the Jiajika District, including the construction of our Yajiang Cuola Mine, were suspended by the Department of Land and Resources of Ganzi Prefecture in October 2013. At the time of the suspension, approximately 80% of the construction work for the mine and related facilities was completed. 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. We are conducting a feasibility study of the development and production of the Yajiang Cuola Mine, and expect to complete the feasibility study in the second half of 2022. We had spent approximately RMB150 million on the Yajiang Cuola Mine as of the Latest Practicable Date. We expect the construction will resume in the second half of 2022 and complete in 2025. We do not foresee any material impediment for recommencing the development and production pursuant to the regulatory guidance relating to the construction recommencement published in a press release by the People's Government of Ganzi Tibetan Autonomous Prefecture in 2019. We expect to incur additional capital expenditures for the development before we can commence the commercial production of the Yajiang Cuola Mine. We cannot assure you that the development of our Yajiang Cuola Mine will resume in the near future. If we resume the construction of the Yajiang Cuola Mine, we cannot assure you the construction will be completed with our estimated time and capital expenditures.

We may not be successful in expanding our operations to meet our demands or managing our growth effectively.

The success of our future expansion projects may depend on factors beyond our control, such as the progress of the construction conducted by the third party construction companies, local laws and regulations, government support, including in the form of tax breaks, and customer demand for our expanded production capacity. Furthermore, as we expand our business operations in the future organically or by acquisition, we expect to incur additional costs or require additional funds. There can be no assurance that we will be able to achieve the expansion of our operations or manage our growth in a timely or cost-effective manner.

In addition to successfully managing our expansion, our success in the future will depend on, among other things, our ability to implement our business strategies for future growth. The successful implementation of such business strategies may be affected by a number of factors including fluctuations in demand from domestic markets, changes in customer preference and demand, the availability of resources suitable for our future product diversification, increasing competition, our ability to obtain any necessary approvals in the future and changes in government policies. We may also require additional funds and/or resources from time to time to implement our future business strategies. There can be no assurance that our business strategies can be implemented successfully or that the funds required to implement the business strategies will be available. If availability of funds and/or other resources cannot be met timely, we may be unable to pursue our business strategies and this may adversely affect our future growth and profitability.

Failure to hire and retain management executives, technicians and other qualified personnel could adversely affect our businesses and prospects.

The growth of our businesses is dependent upon the continued service of our senior management team. The industry experience, expertise and contributions of our executives and senior management are essential to our continued success. We will require an increasing number of experienced and competent executives in the future to implement our growth plans. If we were to lose the services of any of our key management members and were unable to recruit and retain personnel with equivalent qualifications, the management and growth of our businesses could be adversely affected.

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

Any failure to maintain an effective quality control system for our construction, production and other operational activities could have a material adverse effect on our business, financial condition and results of operations.

As the quality of our products is critical to the success of our businesses, we must maintain an effective quality control system for our construction, production and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines.

Any failure or deterioration of our quality control systems could result in defects in our projects or products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our businesses, financial condition, results of operations and reputation.

Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions.

We have historically relied on short-term and long-term borrowings to fund our business operation and capital expenditures, and expect to continue in the future. As of December 31, 2021, we had total interest-bearing bank loans and other borrowings of RMB21,562.7 million. For details of our bank loans and other borrowings, see "Financial Information—Indebtedness" and Note 26 to "Appendix I—Accountants' Report".

As of December 31, 2021, 45.3%, or RMB9,762.5 million, of our bank loans and other borrowings were due within one year or on demand. These borrowings arose primarily from our use of short-term loans from banks in the PRC to satisfy our working capital needs. Due to our reliance on these borrowings, we are exposed to interest rate risk resulting from interest rate fluctuations.

The effective interest rates of our bank loans ranged from 3.1% to 7.6%, 2.9% to 9.3% and 2.1% to 9.3% per annum for the years ended December 31, 2019, 2020 and 2021, respectively. In addition, some of our bank loans are subject to the fulfillment of covenants relating to certain of our financial ratios, as are commonly found in lending arrangements with financial institutions. If we breached the covenants, such bank loans may become payable on demand. Escalation of prevailing interest rates could substantially increase our finance costs, which could materially and adversely affect our businesses, financial condition and results of operations.

Our ability to meet our debt obligations largely depends on our operating performance and the ability of our customers to fulfill their payment obligations to us. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations and financial condition may be materially and adversely affected, and we may not be able to expand our business. We may be forced to sell assets, issue additional capital reduce or delay capital expenditures, strategic acquisitions and investments, or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures, could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business.

We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debt could result in the imposition of penalties, including increases in interest rates that we pay on our debt and legal actions against us by our creditors, or even bankruptcy.

In addition, obtaining additional external financing may require us to issue additional equity or debt securities or obtain additional bank loans. The sale of additional equity or convertible debt securities could result in dilution of our shareholders' equity interests. The incurrence of additional indebtedness could result in increased fixed obligations and operating covenants that restrict our operations. We cannot assure you that additional financing will be available in amounts or on terms acceptable to us, if at all.

Due to our level of borrowings, our ability to respond to changing market conditions may be limited and our business expansion plans through acquisitions may be impeded. This would also increase our vulnerability to adverse economic and industry conditions and place us at a disadvantage compared to competitors who have lower levels of debt obligations.

We are subject to certain restrictive covenants and risks associated with our debt financing terms which may limit or otherwise adversely affect our business, financial condition, results of operations and prospects.

We are subject to restrictive covenants in loan agreements entered into between us and certain banks. These covenants may restrict or adversely affect our business, financial condition, results of operations and prospects, including our ability to finance our operations through additional loan facilities and one of our subsidiaries to pay dividend, make distribution or provide any loan other than in its ordinary course of its business. Our failure to meet any payment obligations or comply with these restrictive covenants or any financial ratio contained therein, or violation of any restrictive covenants, may constitute an event of default under such loan agreements. In connection with certain corporate loans taken by our Australian subsidiaries, we have granted security interests and incurred encumbrances over certain assets in Australia including the mining rights and related ancillary licenses owned by Talison in connection with the mining operations at the Greenbushes Mine, and we have agreed to certain financial and other covenants in connection with the SQM Indebtedness.

In case of any default under any of these loan agreements, the lenders will be entitled to accelerate payment of all or any part of the loans and may have recourse to the properties in which we have granted them security interests. For more details of our bank loans and other borrowings, see "Financial Information—Indebtedness" and Note 26 to "Appendix I—Accountants' Report".

We may not be able to perform all of our obligations under the loan agreements in the future. In case of any defaults under our loan agreements, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are subject to risks relating to product concentration and our product development efforts may not be successful.

We derived the majority of our revenue from sales of lithium compounds and derivatives during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, revenue generated from the manufacturing and sales of lithium compounds and derivatives accounted for 60.3%, 54.0% and 65.3%, respectively, of our total revenue. We expect that manufacturing and sales of lithium compounds and derivatives will continue to contribute to a large percentage of our total revenue in the near term. Market acceptance of our lithium compounds and derivatives products is critical to our future success. Any negative changes in the demand for or prices of these products could have a material adverse effect on our business, financial condition and results of operations.

We may plan to expand our product portfolio in the future. There can be no assurance that any products we develop will achieve market acceptance. Any failure to successfully develop, launch and market new products could jeopardize our ability to recover our investments, which in turn may materially and adversely affect our business, financial condition and results of operations.

Eventual closure of our lithium mining operations may entail costs and risks regarding ongoing monitoring, rehabilitation and compliance with environmental standards.

In the event of a closure of our mining operations, we will need to perform certain procedures to remedy and rehabilitate the environmental and social impact on the environment and local communities. Environmental and social remediation and rehabilitation and the closure and removal of our facilities will incur various costs and subject us to various risks. The key tasks for mine closures include, but are not limited to, (i) long-term management of permanent engineered structures; (ii) closure in accordance with local or international environmental standards; (iii) orderly retrenchment of employees and third-party contractors; and (iv) relinquishment of the sites, along with the associated permanent structures and local infrastructure development projects, to the new owners. There is no assurance that such closure of mines will be successful and without delays or additional costs. The consequences of a difficult closure include increased closure costs, handover delays, ongoing monitoring and environmental rehabilitation costs and damages to our reputation if the desired outcome cannot be achieved. In the event of a difficult closure, our business and results of operations could be materially and adversely affected.

In addition, in order to address mine closure and other geological and environmental issues, a mining company is required to submit rehabilitation plans and pay rehabilitation fees to the relevant government authorities under applicable laws and regulations. Non-compliance with applicable rehabilitation plans or a default in paying required rehabilitation fees may result in a variety of penalties and other administrative actions, including the suspension of certain administrative procedures relating to (i) the approval of annual report on mining activities, (ii) the extension of mining permits or (iii) the application for new mining permits, any of which might adversely affect our business and results of operations.

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

In the course of our business, we have formed, and will continue to form, joint ventures, consortiums or other cooperative relationships with other parties, including in some cases foreign governmental entities, to jointly engage in certain business activities, which include, among other things, undertaking mining projects, acquiring and operating mines, resources development projects, and production of lithium products. For example, we have entered into an investment agreement with IGO in 2021 in relation to the Company's Western Australian operations in which IGO owns 49% of the equity interest.

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

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

The offtake and distribution or other agreements with other consortium members or joint venture or business partners are likely to be complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our relevant rights, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may have disputes with these counterparties over various aspects, such as performance of each party's obligations, scope of each party's responsibilities and product quality. A dispute with our joint venture or other business partners may cause loss of business opportunities or disruption to or termination of the relevant project or business venture. For example, our subsidiary, Tianqi Lithium Kwinana Pty Ltd ("**TLK**"), had been in dispute with MSP Engineering ("**MSP**") since early 2020 in relation to the development of a two-stage lithium hydroxide processing plant at Kwinana, Western Australia (**"LHPP**"). MSP was the head contractor engaged by TLK to design, construct and undertake certain commissioning work on the LHPP, but its engagement was terminated by us on August 7, 2020 due to substantial breaches of contract by MSP, including breaches of warranties and performance obligations, as the project had encountered unacceptable delays and cost overruns on LHPP1 (and were equally forecasted on LHPP2). In April 2020, TLK commenced arbitration proceedings against MSP in relation to claimed delays and cost overruns on the LHPP. Around the same time, MSP commenced proceedings against TLK in the Supreme Court of Western Australia in relation to payment claims that TLK had certified under the LHPP contracts. MSP also commenced arbitration proceedings against us to enforce a parent company guarantee that we provided for the LHPP. In October 2021, the parties entered into a settlement agreement to resolve all disputes in connection with the LHPP. In February 2022, all the conditions contained in the settlement deed were fulfilled. As such, parties have discontinued all legal proceedings by consent, which has been formalized by applicable sealed orders. For more information, see "Business—Legal and Regulatory Compliance—Legal Proceeding."

If disputes or litigations with our joint venture and other business partners cannot be settled in a timely and satisfactorily manner, our financial condition and businesses may be adversely affected.

Such dispute or litigation may also divert our management's attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related project or operations.

We may not be able to identify or pursue suitable acquisition or expansion opportunities or optimal results in future acquisitions or expansions and we may encounter difficulties in successfully integrating and developing acquired assets or businesses.

To further grow our businesses and increase our competitiveness and profitability, we intend to continue expanding our mining and production operations in various product segments or regions both inside and outside of China. We have been actively looking for acquisition or expansion opportunities that may be beneficial to us. Over the past few years, we have entered into negotiations relating to certain target companies in which we were interested in acquiring a stake. In the future, we will continue to seek opportunities of acquisition and expansion. These acquisitions may not be successfully concluded and we may not be able to find or consummate another suitable acquisition or expansion. If these acquisitions are successfully concluded, we may raise financing, either in the capital markets or in the form of bank financing, to cover all or part of the purchase price, which will lead to changes to our financial structure.

We have acquired and may in the future acquire other businesses or companies with exploration or mining rights and additional lithium assets or manufacturing plants, or other businesses or assets with capabilities and strategies that we believe are complementary to and are likely to enhance our businesses. However, there can be no assurance that we will be able to identify attractive acquisition targets, negotiate acquisitions on favorable terms, obtain necessary government approvals, if applicable, accurately estimate the mineral resources and reserves of these acquisition targets or obtain the necessary funding to complete such acquisitions on commercially acceptable terms or at all.

Acquisitions and expansions involve numerous risks, including potential difficulties in the retention and assimilation of personnel, risks and difficulties associated with integrating the operations and culture of acquired businesses, diversion of management attention and other resources, and lack of experience and knowledge in the industry and market of the new businesses.

In addition, acquisitions or expansions may significantly stretch our capital, personnel and management resources and, as a result, we may fail to manage our growth effectively. Any new acquisition or expansion plans may also result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the new businesses, and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm our businesses, financial condition and results of operations. In particular, if any of the new businesses fail to perform as we expected, we may be required to recognize a significant impairment charge, which may materially and adversely affect our business, financial condition and results of operations. There may also be established players in these sectors and markets which enjoy significant market share, and it may be difficult for us to win market share from them. Furthermore, some of the overseas markets that we are targeting may have high barriers of entry for foreign players. There can be no assurance that our acquisition or expansion plans will be successful.

Furthermore, there are complex procedures for certain acquisitions of PRC companies as established by the PRC Anti-monopoly Law (《中華人民共和國反壟斷法》) and the Provisions of the State Council on the Threshold for the Reporting of Undertaking Concentrations (《國務院關於經

營者集中申報標準的規定》), which require us to file anti-monopoly applications for some acquisitions based on the turnover of the acquirer and the target entity. The Interim Provisions on the Examination of Concentrations of Undertakings (《經營者集中審查暫行規定》) was promulgated by the Standing State Administration for Market Regulation on October 23, 2020 and implemented on December 1, 2020 and latest revised on March 24, 2022. The State Administration for Market Regulation is responsible for conducting the anti-monopoly examination of concentrations of undertakings, as well as investigating and punishing illegal concentrations of undertakings.

In addition, the PRC Anti-monopoly Law prohibits monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition. The relevant restrictions and requirements may affect our ability to expand our operations, result in adjustments to our business plans and limit the growth of our business.

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

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

We may not have adequate or any insurance coverage on the abovementioned operational risks. In China, we maintain property insurance, employer liability insurance, environmental liability insurance, directors' and officers' liability insurance, public liability insurance and safety production liability insurance for our business operations. In Australia, we maintain property insurance, mobile plant and motor vehicle insurance, workers compensation insurance, public and products liability insurance, marine transit insurance, construction liability insurance, corporate travel insurance, personal accident journey insurance and directors and officers liability insurance for our business operations. Consistent with what we believe to be customary practice in our industry, we generally do not maintain any business interruption insurance. In addition, in line with industry practice, we do not maintain product liability insurance in China. Product liability insurance usually covers finished and consumer goods and our products are primarily intermediate materials for further industrial use. However, there can be no assurance that the insurance held by us will be sufficient to cover, for instance, personal injury or property or environmental damage claims arising from accidents on our property or relating to our operations.

We maintain endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance for our employees and personal injury insurance for all our employees in China pursuant to the relevant PRC laws and regulations and in line with customary practices in the PRC. In Australia, we maintain workers compensation insurance in line with Western Australian laws. However, there can be no assurance that the insurances held by us will be sufficient to cover, for instance, personal injury or other claims arising from accidents on our property or relating to our operations. For example, under our outsourcing contracts, the third-party contractor is required to comply with our safety standards as well as the applicable laws and regulations and safety requirements imposed by the relevant governmental authorities, and all losses caused by, or incurred pursuant to, the mining works of the third party contractors or production at our manufacturing plants as a result of our failure to maintain proper safety standards are borne by us. If any claim in respect of the outsourced activities is made by third parties against us directly, we may have to incur costs and use resources to defend ourselves against such claims. Any such claims could damage our reputation and result in loss of customers and decreased revenue.

According to the relevant PRC laws and regulations, we will be liable for losses and costs arising from accidents resulting from fault or omission on the part of us or our employees. The relevant PRC laws, regulations and/or guiding opinions from relevant government agencies require mining enterprises and enterprises that manufacture hazardous chemicals to obtain safety production liability insurance.

Although we carry insurance in line with the customary practice in the PRC and Australia, there is no assurance that the insurance taken by us will be sufficient and our results of operations may be adversely affected. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Our operations may be affected by our research and development capabilities, which may not always produce positive results.

Our ability to improve our mining and production capabilities and launch new products depends largely on our research and development capabilities. We incurred research and development costs of RMB48.4 million, RMB24.3 million and RMB18.9 million for the year ended December 31, 2019, 2020 and 2021, respectively, which we believe are important to improve the production efficiency and quality of our products. We cannot assure you that such investment will yield immediate tangible benefits or our research and development efforts will be effective. Even if such efforts are successful, we may be unable to apply our newly developed technologies to our products in ways that are accepted by our customers.

If we are unable to maintain or enhance our research and development capabilities, our competitiveness may be undermined, which could adversely affect our businesses, financial condition, results of operations and future development. We are often engaged to undertake large-scale or complicated projects that require us to develop or adopt new technologies and construction methods, which could put a strain on our research and development resources. The use of new technologies and construction methods may also result in experimental failures, increased costs and unstable work conditions, which may adversely affect the profitability of our businesses.

The failure to maintain or protect our intellectual property rights, trade secrets, and proprietary technologies and processes could have an adverse effect on our business, financial condition and results of operations.

Our success also depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We seek to protect our intellectual property rights, trade secrets and proprietary technology and processes. We maintain a combination of patent filings for our invention patents in the PRC and overseas, design patents and utility model patents. As of the Latest Practicable Date, we had 166 authorized patents, including 84 invention patents in the PRC and 4 invention patents overseas, 11 design patents and 67 utility model patents, and we were in the process of applying for 32 patents in China. As of December 31, 2021, we had 29 and 33 registered trademarks in China and overseas, respectively, which are material to our business. In addition, we maintain trademark registrations and patents in the PRC and may need to make filings with relevant authorities in order to maintain such trademark registrations and annual fees to maintain our authorized patents. Any failure to promptly make such filings or pay such fees may adversely affect our intellectual property rights, which may in turn have an adverse effect on our business, financial condition and operating results.

We may face claims or disputes from third parties alleging ownership of certain intellectual property rights, trade secrets, and proprietary technologies and processes. We cannot assure that our measures taken will be sufficient to protect our intellectual property rights, trade secrets, and proprietary technologies and processes. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. If we lose any of such intellectual property rights, trade secrets and proprietary technologies and processes, we may lose our competitive advantage and may be prevented from marketing or licensing our intellectual properties to others.

Litigation may be required to enforce our intellectual property rights, protect our trade secrets and proprietary technologies or processes, or determine the validity and scope of proprietary rights of others. Any action we may take to protect our intellectual property rights could be costly and could absorb a significant amount of our time and attention. If any of the foregoing occurs, we may be unable to execute our business plan. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations. The failure to protect our intellectual property rights may have an adverse effect on our business, financial condition and operating results.

We are dependent on suppliers and contractors for various services and products in our business.

We rely on third-party suppliers and contractors for various goods and services including utilities, energy, raw materials, mining operation services and construction services in line with industry practice. We endeavor to source products and services from third-party manufacturers and service providers whom we believe are able to meet our quality, delivery schedule and other requirements. Nevertheless, we may not be able to monitor the performance of these subcontractors and other third parties as directly and efficiently as we do to our own staff. Therefore, we are exposed to the risk that our third-party service providers may fail to perform our obligations, which may in turn adversely affect our business operations.

We continuously expand our production capacity. 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. In addition, If we need extra manpower due to a shortage of labor, or in order to accelerate the progress of project work, we may need to subcontract labor services, hire short-term temporary workers, or engage independent third-party subcontractors. Qualified processing plants, subcontractors and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified processing plants, subcontractors and other third parties, our ability to meet market demand and complete projects or other contracts could be impaired. If the amounts we are required to pay to processing agent, subcontractors and other third parties exceed what we have estimated, especially in the case contracts with our customers have a pre-agreed price, we may suffer losses on those contracts. Outsourcing also exposes us to risks associated with non-performance, delayed performance or sub-standard performance by processing plants, subcontractors or other third parties. As a result, we may experience deterioration in the quality of our products, incur additional expenses due to delays to or higher costs of the delivery of our products, or be subject to liability under the relevant contract for the non-performance, delayed performance or sub-standard performance of our sub-contractors or other third parties.

Any of the above events could have a material adverse impact on our profitability, financial performance and reputation, and may result in litigation or damage claims against us.

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

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

There is also no assurance that we can secure sufficient number of workers to meet our production needs, or that our labor costs will not increase. Should we fail to recruit staff in a timely and cost-efficient manner and/or retain our existing staff, we may not be able to achieve our production target, accommodate any sudden increase of purchase orders from our customers or carry out our expansion plans.

As of the Latest Practicable Date, we had 1,473 full-time employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers, contractors or customers (in each case, especially in the PRC) may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees' labor unions or between our suppliers, contractors or customers and their respective unions could have an adverse effect on our financial condition and results of operations.

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

We face risks associated with our overseas operations.

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

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

We are subject to litigation risks.

In the ordinary course of business, claims involving customers, suppliers and subcontractors may be brought against us in connection with our contracts. Claims may be brought against us for back charges for alleged defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, delayed payments to our suppliers or subcontractors, late completion or other contractual disputes. The claims and back charges may involve actual damages and contractually agreed upon liquidated sums. If we were found liable on any of the claims, we would have to incur a charge against our current earnings to the extent that a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against project owners may include claims for additional costs incurred in excess of current contract provisions arising out of delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from project owners or other claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract.

For example, in March 2020, MSP Engineering commenced legal proceedings against our subsidiary TLK in the Supreme Court of Western Australia, seeking payment of approximately A$38.9 million for the construction of the lithium hydroxide plant in Kwinana, Western Australia. In April 2020, TLK commenced arbitral proceedings in Perth against MSP Engineering, claiming damages for breach of contract and misleading or deceptive conduct, totalling approximately A$225 million. In January 2021, MSP Engineering commenced separate arbitration proceedings against TLK for construction fees claimed as owing, totalling approximately A$50.5 million. Although parties have discontinued all legal proceedings by consent, which has been formalised by applicable sealed orders, see "Business—Legal Proceedings—Legal Proceedings Relating to MSP Engineering" for more information, we cannot assure you that we will not be subject to similar claims in the future.

We may be involved in such legal proceedings from time to time. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our businesses, financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects to secure contracts in the future.

We are subject to regulatory risks with respect to our tax compliance.

In the ordinary course of business we may be subject to inquiries, reviews, claims, assessments or other regulatory actions conducted by relevant tax or revenue authorities in the jurisdictions in which we operate. We may incur additional tax or duty liabilities, or increased statutory royalties in relation to our mining and mineral production operations, as a result of any unfavorable decisions made by such relevant tax or revenue authorities, which may materially and adversely affect our business, financial condition and results of operations. Such regulatory actions may also divert our management's attention and other resources, especially if they are not resolved in a timely manner. For example, since 2015, Windfield only sold products to its two shareholders. The Australian Taxation Office (the "**ATO**") requests companies report and file information of related party transactions annually. If a company can reach an Advanced Price Agreement ("**APA**") with the ATO, there is no risk of tax adjustment for the selling prices of products sold to the company's related parties within the scope of the APA. The price of lithium ore market rose significantly in 2017. The ATO made special tax adjustments to the selling prices of Windfield's lithium concentrates sold in the years from 2015 to 2018. As such, in 2019, Windfield made up the payment of A$52.0 million for the income tax from 2015 to 2018. Although Windfield has changed its pricing mechanism since January 1, 2020, there is no assurance that the ATO will not have further investigations and make special adjustments to the income taxes that Windfield paid in the future, which may have adverse impact on our financial results.

On December 8, 2020, TLC and TLEA entered into an investment agreement with IGO and IGO Lithium, pursuant to which IGO Lithium invested US$1.4 billion in TLEA by way of a share subscription and obtained a 49% ownership interest in TLEA (the "**IGO Transaction**") which did not crystallise an Australian taxation liability. The IGO Transaction required the TLH Multiple Entry Consolidated (the "**MEC**") group to undertake an 'internal restructure'. The ATO is currently focused on arrangements whereby a restructure by an MEC group enables a tax free exit from Australian investments. We are currently consulting with the ATO in respect of the tax treatment of the IGO Transaction to obtain certainty of the tax outcomes. If the ATO sought to apply Part IVA Income Tax Assessment Act 1936 to the IGO Transaction and the internal restructure, based on what is considered the counterfactual most likely to be put forward by the ATO, this may give rise to an approximate total tax liability of A$167 million (before penalties and interest) by the MEC group based on indicative capital gain tax calculation. Pursuant to a tax indemnity deed between IGO and us, IGO will pay 49% of the tax payable (subject to a cap) in connection with the IGO transaction. In addition, we might be subject to penalties ranging from 25% to 100% of the total tax liabilities payable by the MEC group. As this engagement process is in its early stages, the outcome and timing are uncertain at this stage.

We are in the process of applying for ownership certificates for some of our properties and any failure to obtain such certificates and any related dispute may affect our business and results of operations.

As of the Latest Practicable Date, we did not obtain the required ownership related certificates from the local government authorities for a portion of our owned properties in the PRC. These properties are located on land for which we have land use rights and used as manufacturing facilities. As of the Latest Practicable Date, we were in the process of applying for the relevant ownership certificates. Currently there has been no dispute with respect to their ownership. However, there is no assurance that the relevant local government authorities will grant us the ownership certificates or that no dispute with regard to their ownership will arise. Any failure to obtain such certificates and any related dispute may affect our business and results of operations. See "Business— Properties" for more information.

We are exposed to severe weather and climate conditions, acts of God, severe contagious disease, acts of terrorism or war, and adverse work environments in the PRC and abroad.

A significant amount of our business activities, particularly those activities in our mining and production business, is conducted outdoors and could be materially and adversely affected by severe weather and climate conditions. We also operate in areas that are under the threat of ice storms, floods, earthquakes, landslides, mudslides, bushfires, sandstorms or drought. Acts of war and terrorist attacks, including those in foreign jurisdictions in which we have operations, may cause damage or disruption to us and our respective employees, subcontractors, operations, equipment, facilities and markets, any of which could impact our revenues, cost of sales and reputation. The outbreak of any severe contagious disease such as SARS, the H1N1 Influenza and COVID-19 could also result in interruption of our business. Actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical uncertainty could have a similar adverse effect on the regional and global economy. The Russia/Ukraine conflict has had an immediate impact on the global economy resulting in higher prices for certain goods and services which in turn is contributing to higher inflation across the globe with significant disruption to financial markets. If the disruption to financial markets continues, we may be potentially indirectly adversely impacted. In addition, the physical impacts of climate change on our operations are highly uncertain and will be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher temperatures. During periods of curtailed activity, we may continue to incur operating expenses, but our revenue from operations may be delayed or reduced. Such events could also have severe effects on the overall business sentiment and environment in China and worldwide, and may in turn lead to a slower economic growth in China or globally, which may have a material adverse effect on our businesses, operating results and financial condition.

In addition, we conduct some of our operations under a variety of challenging geographical and other conditions, including difficult terrain, harsh conditions, busy urban centers where delivery of materials and availability of labor may be affected and sites which may have been exposed to environmental hazards. Such conditions may result in personal injuries or fatalities or have a negative effect on our work performance and efficiency.

We may fail to detect and prevent fraud, negligence or other misconduct committed by our employees, sub-contractors, or third-parties.

We may be subject to financial losses and sanctions imposed by government authorities as well as harm to our reputation if our employees, subcontractors or third-parties commit fraud, negligence or other misconduct. Such misconduct includes crimes like theft, vandalism, embezzlement and bribery. We have established risk management and internal control systems consisting policies and transactions in a timely manner, or at all, which could enable us to identify and prevent fraud, negligence and other misconduct committed by our employees, subcontractors and third-parties, and take remedial measures in relation to them timely and effectively. However, although we may have limited, or even no control, over the behaviors of these parties, we may still be viewed as at least partially responsible for their conduct under theories related to contract or tort. We may become a defendant or a joint-defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or other parties. To the extent that we cannot recover related costs from the employees, sub-contractors or other third parties involved, we may suffer material adverse effects on our business, financial position and reputation, which could damage our reputation or put us in a position where we may be required to compensate the injured parties even in the absence of a legal requirement to do so.

RISKS RELATING TO THE PRC

Changes in the PRC's economic, political and social conditions as well as governmental policies could affect our business, financial condition and results of operations.

The Chinese economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The Chinese economy has been undergoing transformation. For the past four decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in China's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, China has also displayed signs of a slowdown as evidenced by a decrease in the growth rate of its GDP in recent years. In 2019, China's economic growth rate slowed to 5.9% and further slowed to 2.3% in 2020 due to the negative impact from the COVID-19 pandemic. There can be no assurance that the PRC government will continue to implement reforms which may result in economic growth. Our businesses, financial conditions and results of operations could be adversely affected by the PRC government's inability to effect timely economic reforms.

In addition, global economic and financial conditions remain unstable following, among other things, volatile commodity prices, American inflation and monetary policies, the global credit and liquidity crisis, currency movements in the Renminbi and volatility in the Chinese stock markets. Any recurrence of a global financial crisis, which could potentially be sparked by the recent market volatility attributed to concerns over the foregoing, may cause a further slowdown in the Chinese economy, and there can be no assurance that any measures or actions taken by the PRC government with an aim to increase investors' confidence in the Chinese economy in China will be effective. The slowdown in the Chinese economy may adversely affect our financial condition and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

A major part of our operations is conducted in the PRC and is governed by PRC laws, rules and regulations. Our PRC subsidiaries, plants and operations are subject to applicable laws, rules and in China. Some of our activities outside of China are also subject to the extra-territorial jurisdiction under the relevant PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

The PRC government has promulgated a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past few decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

The Chinese government's control of foreign currency conversion may limit our foreign exchange transactions.

Currently, the Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, we will have sufficient foreign currencies to meet our demand for foreign currencies. Under the current the PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at financial institutions within the PRC that have the license to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE except for foreign exchange capital, foreign debts and repatriated funds raised through overseas listing. If we fail to obtain approval from the SAFE to exchange the Renminbi into any foreign currencies for any purposes, our capital expenditure plans, and even our businesses, results of operations and financial condition, may be materially and adversely affected. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy its foreign currency demands, we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

Our labor costs may increase for various reasons including the implementation of the PRC Labor Contract Law or inflation in the PRC.

As of the Latest Practicable Date, we had approximately 1,473 employees. The PRC Labor Contract Law (《中華人民共和國勞動合同法》) imposes stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. For example, pursuant to the PRC Labor Contract Law, an employer is required to make a compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. In addition, under some circumstances, unless objected to by the employees themselves, the employer is required to enter into open-ended employment contracts with employees. Furthermore, an employer is deemed to have concluded an open-ended employment contract with an employee who has worked for the employer for more than one year without concluding a written employment contract.

In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' service. Employees who consent to waive such vacation at the request of employers shall be compensated with an amount equal to three times their normal daily salaries for each vacation day being waived.

As a result of the PRC Labor Contract Law and the Regulations on Paid Annual Leave for Employees, our labor costs, inclusive of those incurred by contractors, may increase. Further, under the PRC Labor Contract Law, when an employer terminates its PRC employees' employment under certain circumstances, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate open-ended employment contracts under the PRC Labor Contract Law without cause. In the event we decide to significantly change or decrease our workforce, the PRC Labor Contract Law could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that we desire, which could result in an adverse impact on our businesses, financial conditions and results of operations.

Further, if there is a shortage of labor or for any reason the labor cost in the PRC rises significantly, our production costs are likely to increase. This may in turn affect the selling prices of products, which may then affect the demand of such products and thereby adversely affect our sales and financial condition. Increase in costs of other components required for production of the products may cause similar adverse effects, particularly if we are unable to identify and employ other appropriate means to reduce the costs of production. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

Failure to comply with PRC labor laws and regulations including regulations in relation to social insurance and housing fund contributions for our employees, could subject us to fines and other legal or administrative sanctions.

We are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in China.

According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), we are required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund in time and in full for our employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a PRC enterprise is required to obtain social insurance certificates (社會保險登記證) for its employees and to pay the social insurance contributions in time and in full. Although we had not been subject to any administrative penalties in connection with our contribution of social insurance plans during the Track Record Period, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans will at all times be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of any such non- compliance, we may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties if we fail to do so.

According to the Labor Law of the PRC (《中華人民共和國勞動法》), we are required to maintain a system of daily working hours for each worker not in excess of eight hours and average weekly working hours not in excess of 44 hours. In addition, according to the Provisions of the State Council on the Working Hours of Employees (《國務院關於職工工作時間的規定》), the weekly working hours of an employee shall last 40 hours. However, according to the Notice on Issuing the Measures for the Examination and Approval of Flexible Working Hours Arrangement and Comprehensive Working Hours Scheme Adopted by Enterprises (《關於企業實行不定時工作制和綜合計算工時工作制的審批辦法》), enterprises that are not in a position to maintain a system of daily and weekly working hours under the Labor Law of the PRC due to particularities of their production may adopt a flexible working hours arrangement or comprehensive working hours scheme and other measures for work and rest. Local measures for work and rest, such as flexible work hours work systems or comprehensive work hours work systems, shall be formulated by the labor administration department of the various provinces, and filed with the labor administration department of the State Council. As some of our subsidiaries with a flexible working hours arrangement have not comply with the relevant regulations, there is no assurance that the relevant labor administrative departments will not deem the excess working hours as overtime working hours, and thus order our relevant subsidiaries to pay our employees overtime wages, which will lead to an increase in our labor costs.

In addition to the above, if we fail to comply with any other relevant PRC labor laws and regulations, we may be exposed to penalties or be required to pay damages to employees. For example, if any of our PRC subsidiaries engaging in manufacturing fails to comply with the relevant laws on prevention and treatment of occupational diseases, then such subsidiary may be subject to fines and other administrative penalties, and also, any employees who are deemed to suffer from occupational diseases may have rights to seek compensation from us. Compliance with the relevant PRC labor laws and regulations could substantially increase our labor costs. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition and results of operations. In particular, an increase in labor costs in China could increase our production costs in the future and we might not be able to pass these increases on to our consumers due to competitive pricing pressure.

The PRC legal system is continuously evolving and has uncertainties, and the legal protections available to the investors in our H Shares may be limited.

As the Company is incorporated under PRC laws and most of our businesses are conducted in the PRC, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation of PRC laws and regulations still involves a significant degree of uncertainty. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of its violation of these policies and rules until sometime after the violation.

Any administrative and court proceedings in the PRC may be protracted, resulting in substantial costs and diversion of resources and management attention. Since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we might enjoy than it is in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our businesses and results of operations.

The PRC Company Law (《中華人民共和國公司法》) came into effect on July 1, 1994 and the PRC Securities Law (《中華人民共和國證券法》) came into effect on July 1, 1999. Since then, the PRC Company Law was further amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018, and the PRC Securities Law was further amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019. The State Council and the CSRC may revise the special regulations and the mandatory provisions and adopt new rules and regulations, to implement and to reflect the amendments to the PRC Company Law and the PRC Securities Law. There can be no assurance that any revision of the current rules and regulations or the adoption of new rules and regulations by the State Council and the CSRC will not have an adverse effect on the rights of the holders of our H Shares.

Changes in tax regulations and failure to comply with such tax regulations in the PRC may adversely affect our businesses and financial results.

The Enterprise Income Tax Law imposed a tax rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. For instance, our subsidiaries, Shehong Tianqi and Chongqing Tianqi enjoy a preferential enterprise income tax rate of 15% as the enterprises located in western China and fall in the "Encouraged Category" of the industrial catalog of China's western development program. To the extent there are any changes in, non-renewal or withdrawals of, our preferential tax treatment, or increases in the effective tax rate, our tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added, business, resources, fuel and oil, property development and other taxes. Non-compliance with the PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to PRC tax laws and regulations and tax penalties or fines could have an adverse effect on our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. Due to the facts that the tax environment is different in different regions and that the regulations regarding various taxes, including corporate income tax, foreign contractor tax, personal income tax and poll tax, are complex, our overseas operations may expose us to the risks associated with the overseas tax policy changes. In the meantime, we may need to make corresponding judgments to deal with the uncertainties with respect to tax treatment of certain operating activities.

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

Under applicable PRC tax laws, regulations and statutory documents, non-resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. Where, under the circumstance of withholding at source or designated withholding, non-resident taxpayers determine through self-assessment that they are eligible for and need to claim treaty benefits, they shall fill out an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits, submit it to their withholding agents. If a non-resident taxpayer fails to submit an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits to the withholding agent or the information entered is incomplete, the withholding agent shall withhold taxes in accordance with the provisions of domestic tax laws.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to the PRC enterprise income tax at the rate of 10% on dividends received from the PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the Enterprise Income Tax Law and other applicable PRC tax regulations and statutory documents. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares, including HKSCC Nominees. Entitlement to treaty benefits for non-resident taxpayers shall be handled by means of "self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference". Non-resident taxpayers and withholding agents need cooperate with PRC tax authorities in the follow-up administration and investigation of non-resident taxpayers' entitlement to treaty benefits.

There remains significant uncertainties as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax on gains derived by holders of our H Shares from their disposition of our H Shares on the oversea stock exchange may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected. For more details, please see "Appendix V—Taxation and Foreign Exchange—Chinese Taxes."

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against us or our respective management residing in the PRC.

A majority of our Directors and executive officers reside within the PRC, and a substantial amount of our assets and subsidiaries are located in the PRC and Australia. Therefore, investors may encounter difficulties in effecting service of process from outside of the PRC upon us or our respective management including for matters arising under applicable securities law.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. If a final and conclusive judgment made by a Hong Kong court is applied for recognition and enforcement in mainland China, the relevant court in mainland China shall examine it in accordance with the certain regulations and documents made between mainland China and the HKSAR. In this regard, so far as we know, there exists Supreme People's Court, Arrangement of the Supreme People's Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) ("**Arrangement**") regarding the recognition and enforcement of the civil and commercial judgment between mainland China and HKSAR, which is applied where an agreement is subject to the exclusive jurisdiction of the HKSAR court or the court in mainland China (as the case may be). Where a court in mainland China believes that enforcing in the mainland China a decision made by a HKSAR court is against the public interests of the mainland, or where a HKSAR court believes that enforcing in the HKSAR a decision made by a court in mainland China is against the public policies of the HKSAR, the said court shall not recognize and enforce the decision.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements.

Inflation in China could negatively affect our growth and profitability.

The Chinese economy has experienced rapid growth in recent years. Such growth can lead to growth in money supply and rising inflation. According to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 2.9%, 2.5% and 0.9% in 2019, 2020 and 2021, respectively. Although the PRC is experiencing creeping inflation in recent years, such inflation in the PRC increases the costs of labor and other costs for production. Rising labor costs may increase our operating costs and partially erode the cost advantage of our operations and therefore negatively impact our profitability. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs due to inflation, our business and financial performance may be materially and adversely affected.

The PRC government has imposed controls on bank credit, limits on loans for fixed assets and restrictions on state-owned banks' lending in the past in order to control inflation. Such austerity policies can lead to a slowing of economic growth and could materially and adversely affect our businesses, growth and profitability.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

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

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade, such as:

- variations in our revenue, earnings and cash flow;
- announcement of new investments, strategic alliances or acquisitions;
- any unexpected business interruptions resulting from natural disasters or power shortages;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete with our competitors effectively;
- political, economic, financial and social developments;

- fluctuations in market prices for our products or raw materials; or
- the removal of the restrictions on H share transactions.

The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Since there will be a gap of several days between the pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during this period before the trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise trade our H Shares during that period.

Accordingly, the price of our H Shares could fall before trading begins due to adverse market conditions or other adverse developments between Price Determination Date and the date on which trading begins.

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

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

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

As the Offer Price of our H Shares is higher than our consolidated net tangible assets per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon the purchase of our H Shares.

The Offer Price of our H Shares is higher than the net tangible asset book value per share immediately prior to the Global Offering. As a result, purchasers of the H Shares in the Global Offering will experience immediate dilution. Purchasers of H Shares may experience further dilution if the Underwriters exercise the Over-allotment Option or if we issue additional H Shares in the future.

We cannot assure you when, if and in what form or size we will pay dividends in the future.

We cannot assure you when, if and in what form or size we will pay dividends in the future. Our Board of Directors determines the frequency and amount of dividend distributions mainly based on our results of operations, cash flow and financial position, capital adequacy ratios, business prospects, regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. See "Financial Information—Dividend Policy." We may not adopt the same dividend policy that we have adopted in the past.

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

We have derived certain facts, forecasts and statistics in this Prospectus relating to China, Hong Kong and their respective economies, as well as the lithium industry from various government or other third party sources. While we have taken reasonable care in the reproduction of the information, neither we nor any other parties involved in the Global Offering have prepared or independently verified these facts, forecasts and statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside of China.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced relating to other economies, and therefore we cannot assure you of the accuracy or reliability of the information derived from government. Accordingly, you should not place undue reliance on such information as a basis for making your investment in our H Shares.

There are risks associated with forward-looking statements contained in this Prospectus.

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. For details of these forward-looking statements including the associated risks, see "Forward-looking Statements".

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

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

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

We may be subject to press and media coverage prior to the publication of this Prospectus, and subsequent to the date of this Prospectus but prior to the completion of the Global Offering. The Global Offering may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this Prospectus.

You should rely solely upon the information contained in this Prospectus, the **GREEN** Application Form and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the Global Offering.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their investment decisions regarding the Global Offering.

In making their decisions as to whether to purchase our H Shares, prospective investors in the Global Offering should only rely on the financial, operational and other information included in this Prospectus and the Application Forms. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus and the **GREEN** Application Form.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Share. It is therefore possible that the final Offer Price will be set at HK$62.10 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply.

If the final Offer Price is set at HK$62.10, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$9,877 million.