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# TIANQI LITHIUM

**Tianqi Lithium Corporation**

**天齊鋰業股份有限公司**

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

**(Stock Code: 9696)**

## **PROPOSED ADOPTION OF EMPLOYEE STOCK OWNERSHIP PLAN OF THE YEAR 2022 (DRAFT)**

A meeting of the board of directors (the “**Board**”) of Tianqi Lithium Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) was held on August 30, 2022, to consider and approve (among other things) the Company’s 2022 Employee Stock Ownership Plan (Draft) (the “**Employee Stock Ownership Plan (Draft)**”). To further improve the corporate governance mechanism of the Company, enhance the overall value of the Company, further improve the core competitive advantages of the Company, improve the compensation incentive system, and realize equal emphasis on incentives and constraints, the Board resolved to approve the Employee Stock Ownership Plan (Draft) for the directors (excluding independent directors), supervisors, middle and senior managers and core business/technical personnel of the Group according to the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), Guiding Opinions on the Implementation of Pilot Employee Stock Ownership Plan of Listed Companies (《關於上市公司實施員工持股計劃試點的指導意見》), the Shenzhen Stock Exchange Self-discipline Supervisory Guidelines for Listed Companies No. 1 – Main Board Listed Company Standard Operation (《深圳證券交易所上市公司自律監管指引第 1 號——主板上市公司規範運作》) and other relevant laws and administrative regulations, regulations and normative documents and the articles of association of the Company (the “**Articles of Association**”).

The independent non-executive directors of the Company have expressed their independent views and approved the Employee Stock Ownership Plan (Draft). Under relevant laws and regulations and the Articles, the Employee Stock Ownership Plan (Draft) is subject to the shareholders’ approval at the Company’s first extraordinary general meeting in 2022.

The following is a translation of the Employee Stock Ownership Plan (Draft) which is solely for the purpose of providing information to the shareholders. Should there be any discrepancies, the Chinese version will prevail.

By order of the Board  
**Tianqi Lithium Corporation**  
**JIANG Weiping**  
*Chairman of the Board and Executive Director*

Hong Kong, August 30, 2022

*As at the date of this announcement, the Board comprises Mr. JIANG Weiping, Mr. ZOU Jun, Ms. JIANG Anqi and Mr. HA, Frank Chun Shing as executive Directors, Mr. PAN Ying, Mr. XIANG Chuan, Ms. TANG Guo Qiong and Ms. HUANG Wei as independent non-executive Directors.*

**TIANQI LITHIUM CORPORATION  
EMPLOYEE STOCK OWNERSHIP PLAN  
OF THE YEAR 2022  
(DRAFT)**

**August 2022**

## **STATEMENT**

The Company and all the members of the Board guarantee the authenticity, accuracy, and completeness of the Plan and undertake that there is no misrepresentation, misleading statement, or material omission herein.

## **RISK WARNING**

1. The Employee Stock Ownership Plan of the Company shall be implemented upon approval by the shareholders' general meeting of the Company. It is uncertain whether the Plan will be approved at the shareholders' general meeting of the Company.

2. The detailed scale and implementation scheme of the Employee Stock Ownership Plan are preliminarily planned. It is uncertain whether the implementation can be completed.

3. The Company will disclose relevant progress in accordance with regulations in the future. Investors are advised to exercise caution when making a decision and pay attention to investment risks.

## **SPECIAL NOTICE**

1. The Employee Stock Ownership Plan of the Year 2022 (hereinafter referred to as the “Employee Stock Ownership Plan” or “the Plan”) of Tianqi Lithium Corporation (hereinafter referred to as “Tianqi Lithium” or the “Company”) is prepared by Tianqi Lithium in accordance with the provisions of relevant laws, administrative regulations, rules, normative documents such as the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Guidance Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies and the Guidelines for Self-discipline Regulation of Listed Companies of Shenzhen Stock Exchange No. 1 – Normative Operation of Listed Companies on the Main Board, and the Articles of Association.

2. The Plan follows the principle of discretionary decisions of the Company, and the voluntary participation of the employees, with no employees being forced to participate in the Plan by mandatory apportionment and distribution, etc.

3. The Participants of the Plan are Directors (excluding independent Directors), Supervisors, middle and senior management personnel, and core business/technical personnel of the Company or its controlling subsidiaries who play an important role and have an influence on the overall performance and medium and long-term development of the Company, with no more than 240 people (excluding the reserved number of people).

4. The Plan intends to acquire the ordinary A Shares of Tianqi Lithium repurchased through the Company’s designated repurchase account by means of non-trading transfer and other methods permitted by laws and regulations. The total number of shares is not more than 1.832 million based on the simulation calculation of the closing price on 19 August 2022, accounting for 0.11% of the total share capital of the Company as of the announcement date of this draft plan. The final share and proportion are subject to the Company's actual repurchase quantity and the actual subscription of each participant.

To meet the sustainable development needs of the Company and continue to attract talents and retain outstanding talents, this Employee Stock Ownership Plan intends to set a part certain reserved shares, accounting for 37.47% of the total share capital of the Employee Stock Ownership Plan.

After the implementation of the Plan, the total number of shares held under all effective Employee Stock Ownership Plans shall not exceed 10% of the total share capital of the Company. The accumulated Shares held by any individual employee according to his equity obtained shall not exceed 1% of the total share capital of the Company. The total number of Target Shares excludes the Shares acquired by Holders before the initial public offering of the Company, the shares acquired from the secondary market on their own, and the shares obtained through share incentive.

5. The price of the repurchased shares to be transferred under the Plan will be RMB 0 per share.

6. The term of the Plan is 48 months, starting from the date when the Company announces that the last tranche of Target Shares has been transferred to this Plan. The Employee Stock Ownership Plan will be automatically terminated if it is failed to be extended upon expiry. Within two months before the expiry of the Plan, as agreed by the Holders present at the Holders' Meeting holding more than 2/3 (inclusive) of the total units and submitted to the Board for consideration and approval, the term of the Plan can be terminated in advance or be extended, but the single extension period shall not exceed 6 months, and the number of extensions shall not exceed 2 times.

7. The lock-up period of the Employee Stock Ownership Plan is 36 months, starting from the date when the Company announces that the last tranche of Target Shares has been transferred to the Employee Stock Ownership Plan. No transactions are allowed during the lock-up period. The specific unlock ratio and quantity are determined according to the Company's performance indicators and the Holder's evaluation results.

8. The Employee Stock Ownership Plan will be managed by the Company during the term of the Plan. A Management Committee will be established for the Employee Stock Ownership Plan to exercise the shareholders' rights, other than voting rights, on

behalf of the Holders of the Employee Stock Ownership Plan and take charge of the daily management of the Plan.

9. The Plan and Holders of the Plan will waive the voting rights entitled by the direct or indirect holding of the Company's stock.

10. Before the implementation of the Plan, the Company sought the opinions of the employees through the employee representative meeting. Upon the consideration and approval of the Plan by the Board, the Company will issue a notice of convening a shareholders' general meeting, which will be submitted to the shareholders' general meeting for consideration and approval before implementation. A combination of on-site voting and online voting will be adopted at the shareholders' general meeting of the Company to consider the Plan. The Company will provide its shareholders with a voting platform in the form of an online voting platform through the Shenzhen Stock Exchange trading system and the Internet voting system, and shareholders can exercise their voting rights through the above-mentioned systems during the online voting time.

11. The Plan is subject to approval of the shareholder's general meeting and the authorization to the Board for handling before implementation.

12. The implementation plan of the specific subscription amount and proportion of the Plan is a preliminary result, and there are uncertainties. Investors are advised to exercise caution when making a decision and pay attention to investment risks.

13. The Company's financial, accounting treatment and tax matters related to the implementation of the Plan shall be implemented in accordance with the relevant financial system, accounting standards, and tax regulations. The relevant tax to be paid by the employees due to the implementation of the Plan shall be borne by the employees themselves.

14. The shareholding structure of the Company will remain in compliance with the listing requirements after the implementation of the Plan.

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## DEFINITIONS

Unless otherwise specified, the following terms used herein shall have the meanings set out below:

Tianqi Lithium/Company	Tianqi Lithium Corporation
Employee Stock Ownership Plan/the Plan	the Employee Stock Ownership Plan of the Year 2022 of Tianqi Lithium Corporation
Holder(s)	the employee(s) of the Company participating in the Plan
Holders' Meeting	meeting of Holders of the Employee Stock Ownership Plan
Management Committee	the management committee of the Employee Stock Ownership Plan
Administrative Measures for the Employee Stock Ownership Plan	the Administrative Measures for the Employee Stock Ownership Plan of the Year 2022 Tianqi Lithium Corporation
Target Shares	Shares of the Company purchased and held by means permitted by laws and regulations, such as non-trading transfer through the Employee Stock Ownership Plan
Unlocking/Vesting	the action to ascertain the actual entitlements of the Holders to the Employee Stock Ownership Plan according to the provisions therein
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
CSDCC	Shenzhen Branch of China Securities Depository and Clearing Corporation Limited
RMB, RMB10,000, RMB100 million	RMB, RMB10,000, RMB100 million

Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Guidance Opinions	the Guidance Opinions on the Pilot Implementation of Employee Stock Ownership Plans by Listed Companies (《關於上市公司實施員工持股計劃試點的指導意見》)
Guidelines	the Guidelines for Self-discipline Regulation of Listed Companies of Shenzhen Stock Exchange No. 1 – Normative Operation of Listed Companies on the Main Board (《深圳證券交易所上市公司自律監管指引第1號——主板上市公司規範運作》)
Articles of Association	the Articles of Association of Tianqi Lithium Corporation

Note: Any discrepancy between the total amount and the sum of each amount herein is due to rounding.

## **I. PURPOSES OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

The Company formulated the Plan for the Directors (excluding independent Directors), Supervisors, middle and senior management personnel, and core business/technical personnel of the Company or its subsidiaries in accordance with provisions of relevant laws, administrative regulations, rules, normative documents such as the Company Law, the Securities Law, the Guidance Opinions and Guidelines, as well as the Articles of Association.

The specific objectives of the Plan are as follows:

### **(I) Further improve the corporate governance mechanism and enhance the overall value of the Company.**

Through the Employee Stock Ownership Plan, we can further optimize the shareholding structure of the Company, improve the modern corporate governance mechanism, establish and improve the “risk bearing and benefit sharing” mechanism between core and backbone employees, the Company and shareholders, and encourage core and backbone employees to “share a same fate” with the Company, so as to enhance the cohesion of core and backbone employees and the Company's development vitality, hence promoting the overall value of the Company.

### **(II) Advocate the company and individual common sustainable development concept, and reconstruct core competitive advantages.**

Through the Employee Stock Ownership Plan, we can fully mobilize the enthusiasm and initiative of core and backbone employees, carry out the company and individual common sustainable development concept, and take the consolidation of core talent team as a new starting point to reconstruct the core competitive advantages of the Company, promote the Company's strategic transformation and reform, and continuously improve and enhance business performance.

### **(III) Further improve the remuneration incentive system to achieve an equal emphasis on incentives and restraints.**

Through the Employee Stock Ownership Plan, the original relatively single, cash-led remuneration incentive system will be changed, and a remuneration incentive system with performance achievement as the basic requirement, long-term development as the basic goal, and redemption of partial remuneration incentive with equity as the basic method will be established. While giving moderate incentives, we will strengthen performance binding, behavior binding, and retention binding, achieve an equal emphasis on incentives and restraints, and guide core and backbone employees to balance short-term interests and long-term development of the Company.

## **II. BASIC PRINCIPLES OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

### **(I) Legality and Compliance**

The Company implements the Employee Stock Ownership Plan in strict compliance with requirements of relevant laws and administrative regulations, which require the Company to disclose true, accurate, and complete information in a timely manner. Insider trading, manipulation of the securities market, and other fraudulent actions through the Employee Stock Ownership Plan are strictly prohibited.

### **(II) Voluntary Participation**

The implementation of the Employee Stock Ownership Plan is subject to the discretionary decisions of the Company and the voluntary participation of the employees. The Company is not permitted to force employees to participate in the Employee Stock Ownership Plan by mandatory apportionment and distribution, etc.

### **(III) Self-bearing of Risk**

The Participants of the Employee Stock Ownership Plan shall undertake their own risks for gains or losses and enjoy equal rights with other investors.

## **III. BASIS FOR DETERMINATION AND SCOPE OF HOLDERS OF THE PLAN**

### **(I) Determination Basis of Holders of the Plan**

Participants of the Employee Stock Ownership Plan are determined according to the provisions of relevant laws and regulations, rules and normative documents, including the Company Law, the Securities Law, the Guidance Opinions, and the Guidelines, as well as the Articles of Association. Employees of the Company shall participate in the Employee Stock Ownership Plan in accordance with relevant laws and regulations on a voluntary basis and at their own risk.

## **(II) Scope of Holders of the Plan**

The total number of employees participating in the Employee Stock Ownership Plan is not more than 240 (excluding the reserved number of employees), including 9 Directors, Supervisors, as well as middle and senior management personnel of the Company, and no more than 231 other personnel. The specific number of participants is determined based on the actual situation. The above Participants need to sign labor contracts or employment contracts with the Company, the wholly-owned subsidiaries or controlling subsidiaries of the Company.

The Directors, Supervisors, middle and senior management personnel, and core business/technical personnel of the Company and its subsidiaries are the backbone supporting the Company's business performance and sustainable development, maintaining the Company's competitiveness and promoting the Company's continuous reform and development, who are also the Participants of the Plan.

The above employees shall participate in the Plan in the principles of legality and compliance, discretionary decisions of the Company, and the voluntary participation of the employees as well as self-bearing of risk, with no employees being forced to participate in the Plan by mandatory apportionment and distribution, etc.

The Supervisory Committee of the Company will verify the list of Holders and explain the verification situation at the general meeting of shareholders.

## **(III) List of Holders of the Plan and Allocation of Shares**

The Employee Stock Ownership Plan uses "units" for subscription, and each unit is equal to RMB1.00, and the upper limit of units held under the Plan is RMB200 million.

The number of Participants of the Plan is no more than 240 (excluding the reserved number), and the corresponding equity share and the upper limit of the proportion of the Holders are as follows:

TIANQI LITHIUM CORPORATION EMPLOYEE STOCK OWNERSHIP PLAN OF THE YEAR  
2022 (DRAFT)

Name of Holders		Position	Maximum number of units (10 thousand)	Maximum proportion to the Plan
1	Xia Juncheng (夏浚诚)	Director/President	190	0.95%
2	Zou Jun (邹军)	Director/Executive Vice President/Chief Financial Officer	161	0.81%
3	Guo Wei (郭维)	Executive Vice President/Chief Operating Officer	161	0.81%
4	Liu Ying (刘莹)	Executive Vice President/Chief Strategic Integration Officer	161	0.81%
5	Yan Dong (阎冬)	Senior Vice President	137	0.69%
6	Xiong Wanyu (熊万渝)	Vice President	99	0.50%
7	Zhang Wenyu (张文宇)	Secretary to the Board/Vice President/Joint Hong Kong Company Secretary	24	0.12%
8	Li Guo (李果)	Vice President	84	0.42%
9	Hu Yi (胡轶)	Employee Representative Supervisor/Audit Director	57	0.29%
Other personnel of the Company (not more than 231 people)			11,432	57.16%
Subtotal			12,506	62.53%
Reserved			7,494	37.47%
<b>Total</b>			<b>20,000</b>	<b>100.00%</b>

The share and proportion of the Target Shares finally attributable to each Holder will be determined according to the achievement of the Company's performance objectives during the evaluation period, and the Company will then make a separate announcement.

To meet the sustainable development needs of the Company and continue to attract talents and retain outstanding talents, the Employee Stock Ownership Plan intends to set apart certain reserved shares, accounting for 37.47% of the total share capital of the

Employee Stock Ownership Plan. The allocation plan for reserved shares (including but not limited to the determination of the Participants, unlocking conditions and time arrangement, etc.) shall be determined by the Management Committee authorized by the Board at one time or in batches during the term. Participants of the reserved shares can be those who have already held shares under the Employee Stock Ownership Plan, but if the persons who have been granted the aforementioned shares are the Directors, Supervisors, or senior management of the Company, the allocation plan shall be submitted to the Board for consideration and determination. If the reserved shares have not been fully allocated upon the expiry of the term of the Employee Stock Ownership Plan, the Management Committee will decide on the disposal of the remaining shares.

After the implementation of the Plan, the total number of shares held under all effective employee stock ownership plans shall not exceed 10% of the total share capital of the Company. The accumulated shares held by any individual employee according to his equity obtained shall not exceed 1% of the total share capital of the Company. The total number of shares held under the Employee Stock Ownership Plan excludes the shares acquired by employees before the initial public offering of the Company, the shares acquired from the secondary market on their own, and the shares obtained through share incentive.

Where some employees waive their subscription, and the aforementioned shares are allocated to the Directors, Supervisors, or senior management of the Company, the allocation plan shall be submitted to the Board for consideration and determination.

#### **IV. SIZE, SOURCE OF SHARES, AND PURCHASE PRICE OF THE PLAN**

##### **(I) Size of the Target Shares of the Plan**

The Plan intends to accept the transfer of ordinary A Shares of Tianqi Lithium repurchased by the Company's special repurchase account through non-transaction ownership transfer and any other means permitted by laws and regulations. Based on the simulated closing price on 19 August 2022, the total ordinary shares do not exceed 1.832 million shares, accounting for 0.11% of the Company's total share capital as of the date of publication of the Plan. The final share and proportion shall be subject to the actual

repurchase amount of the Company and the actual subscription of each participant, and the Company will promptly fulfill the obligation of information disclosure as required.

After the implementation of the Plan, all the total effective shares held by the Plan shall not exceed 10% of the total share capital of the Company, and the Target Shares corresponding to the Plan shares held by any Holder shall not exceed 1% of the total share capital of the Company (except the shares acquired by the employees before the IPO of the Company, the shares purchased through the secondary market and the shares acquired through equity incentives).

### **(II) Share Source of the Plan**

The source of shares in the Plan is ordinary A Shares of Tianqi Lithium repurchased through the Company's designated repurchase account.

Upon the approval of the Plan at the shareholders' general meeting of the Company, the Company will acquire Shares held in the designated repurchase account of the Company through non-trading transfer and other means permitted by laws and regulations.

### **(III) Subscription Price of the Shares of the Plan**

The price at which the Plan accepts the transfer of the shares repurchased by the Company is RMB 0/share.

The price at which the Plan accepts the transfer of the shares is made in accordance with the applicable laws and regulations as well as the actual conditions of the Company. The price is mainly determined on the basis of comprehensively considering the realistic and long-term factors such as the necessity of talent incentives, employee investment ability, the industry cycle fluctuations existing during the stock lock-up period, and the risk of the capital market. Most of the participants are the backbone employees who develop together with the Company and are the backbone of the Company's main business development and industrial layout. The Plan is an affirmation and returns for the past work and contributions of the employees. It is beneficial to prevent the brain drain, enhance the stability of the talent team, encourage the talents to develop with the company continuously in the long run, improve the core competitiveness of the Company, facilitate the company's ability to resist the risk of cyclical fluctuation, increase the enthusiasm of employees' participation in the Plan, and enhance the participation and coverage scope of employee stock ownership, in order to realize in-depth binding between employees' and



the Company's interests and enable full play of the incentive effects.. In addition, the Plan has set up a 36-month lock-up period arrangement to assess the overall performance evaluation indicators of the Company and the individual employees so as to achieve a balance between incentives and constraints without violation of the applicable laws and regulations.

## **V. TERM, LOCK-UP PERIOD, AND APPRAISAL MECHANISM OF THE PLAN**

### **(I) Term of the Plan**

1. The term of the Plan is 48 months, starting from the date when the Company announces the registration of the last tranche of the Target Shares under the Plan. The Plan will be automatically terminated if failed to be extended upon expiry.

2. Within two months before the expiry of the Plan, as agreed by the Holders present at the Holders' Meeting holding more than 2/3 (inclusive) of the total units and submitted to the Board for consideration and approval, the term of the Plan can be terminated in advance or extended, but the single extension period shall not exceed 6 months, and the number of extensions shall not exceed 2 times.

3. When the assets of the Employee Stock Ownership Plan are all monetary funds, or under the premise of the system support of the Shenzhen Stock Exchange and the registration and settlement company at that time, upon the transfer of shares to the account of the Holders of the Plan, this tranche of the Plan can be terminated in advance. The Holders shall withdraw from the Plan.

4. A listed company shall disclose a reminder announcement six months before the expiry of the Plan, stating the number of shares held by the expiring Employee Stock Ownership Plan and its proportion to its total share capital.

### **(II) Lock-up Period of the Plan**

1. The lock-up period for the shares subscribed/granted under the Plan is 36 months, starting from the date when the Company announces that the last tranche of Target Shares has been transferred to the Plan; it will be unlocked at one time after the lock-up period expires. After passing the evaluation, the corresponding proportion of equity shares will be unlocked, and all Target Shares attributable to the Holder are available for sale.

The Target Shares acquired by the Plan and the shares derived from the distribution of dividends by the listed Company and the conversion of capital reserves shall also comply with the above lock-up arrangement.

When distribution of dividends by the Company, the cash dividends obtained under the Employee Stock Ownership Plan due to holding the shares of the Company shall be included in the monetary assets of the Employee Stock Ownership Plan, and no distribution will be made. It will only be distributed according to the resolution of the Management Committee during the term of the Employee Stock Ownership Plan and after the end of the lock-up period.

### (III) Evaluation Mechanism of the Plan

The evaluation of the Plan is divided into corporate performance evaluation and individual performance evaluation, and the evaluation year will be the three financial years from 2022 to 2024.

#### 1. Corporate Performance Evaluation

By the end of 2024, the Company's total production capacity of lithium chemical products will reach 90,000 tons of lithium carbonate (equivalent).

#### 2. Individual Performance Evaluation

According to the Company's current performance evaluation system, the Company will set the evaluation content and evaluation objectives for the Holders under this tranche of the Employee Stock Ownership Plan, so to assess the Holders' three-year average performance from 2022 to 2024. The individual performance evaluation is organized and implemented by the Company's human resources department and the Holder's department, and the personal unlocking ratio is determined based on the performance evaluation level:

Evaluation standard	S	A	B	C	D
Unlocking ratio	100%	100%	90%	80%	0%

The number of individuals unlocked underlying equity rights = target unlocking number × corresponding unlocking ratio.

Upon the fulfillment of the Company's performance evaluation indicators under this tranche of the Employee Stock Ownership Plan, the Holders can enjoy the underlying equity rights that are vested to him/her according to the unlocking ratio of the above individual performance level under this tranche of the Employee Stock Ownership Plan; If failed to fulfill the Company's performance evaluation indicators under the Plan, all the underlying equity rights under this tranche of the Employee Stock Ownership Plan shall be owned by the Company, and all Holders will no longer enjoy the underlying equity rights under this tranche of the Employee Stock Ownership Plan.

#### **(IV) Transaction Rules of the Plan**

1. All parties under the Employee Stock Ownership Plan must strictly abide by the market trading rules and the requirements that no Shares shall be traded during the information-sensitive period. All parties must not exploit the Employee Stock Ownership Plan for security fraudulence such as insider trading and market manipulation. The aforesaid sensitive period refers to:

(1) Within 30 days before the announcement of the annual report and the interim report of the Company, if the date of the report is delayed due to special reasons, it shall commence from 30 days before the originally scheduled announcement date to the actual announcement date;

(2) 10 days prior to the release of the quarterly report, performance forecast, or preliminary results announcement of the Company;

(3) The period from the date when a material event, which may significantly affect the trading price of the Shares of the Company and their derivatives, occurs or come into the process of decision-making to the date of lawful disclosure;

(4) Other periods as stipulated by the CSRC and the Shenzhen Stock Exchange;

(5) Other circumstances under which the Company's shares are not allowed to be traded;

(6) If the relevant laws, administrative regulations, departmental rules, or normative documents change in the future, the new requirements shall prevail.

## **VI. PARTICIPATION IN FINANCING OF THE COMPANY WITHIN THE TERM OF THE PLAN**

Within the term of the Plan, when the Company raises funds by means of placement of shares, secondary public offering, and convertible bonds, the Management Committee shall discuss whether to participate, formulate corresponding participation plans and fund solutions, and submit them to the Holders' Meeting for deliberation.

## **VII. RIGHTS AND OBLIGATIONS OF THE COMPANY AND HOLDERS**

### **(I) Rights and Obligations of the Company**

#### 1. Rights of the Company

(1) To supervise the operation of the Plan and safeguard the interests of the Holders;

(2) If the Holders seriously damage the interests or reputation of the Company due to offense of law, violation of professional ethics, leakage of company secrets, dereliction of duty, or malfeasance, the Company shall have the right to disqualify the Holders from participating in the Plan, and dispose of their units in accordance with "X. Amendment and Termination of the Employee Stock Ownership Plan" of the Plan; and

(3) Other rights as stipulated by laws and administrative regulations as well as the Plan.

#### 2. Obligations of the Company

(1) Perform the information disclosure obligations concerning the Plan truthfully, accurately, completely, and in time;

(2) Open and cancel securities trading accounts for the Plan in accordance with the applicable laws and regulations; and

(3) Other obligations as stipulated by laws, administrative regulations, and the Plan.

### **(II) Rights and Obligations of the Holders**

#### 1. Rights of the Holders

(1) Enjoy the rights and interests in the assets of the Plan according to their units of the Plan;

(2) Participate in or appoint their agents to attend the Holders' Meeting, and exercise the corresponding voting rights;

(3) Supervise the management of the Plan and make suggestions or inquiries;

(4) Waive the voting right in the Company's shares indirectly held through their participation in the Plan; and

(5) Other rights as stipulated by laws, administrative regulations, departmental rules, or the Plan.

## 2. Obligations of the Holders

(1) Abide by laws, administrative regulations, departmental rules, and relevant provisions of the Plan;

(2) Undertake the investment risks of the Plan based on their units of the Plan;

(3) The tax burden generated by a Holder's participation in the Plan shall be subject to the relevant provisions of the national tax laws and regulations and shall be borne by the Holder;

(4) Abide by the Administrative Measures for the Employee Stock Ownership Plan;

(5) During the term of the Plan, except as otherwise stipulated by laws, administrative regulations, and departmental rules, or reviewed and approved by the Management Committee, the units of the Plan held by the Holders shall not be transferred, withdrawn, used for mortgage or pledge, guarantee, repayment of debts or similarly disposed of;

(6) Not to request the distribution of the assets of the Plan during the term of the Plan;

(7) Follow the resolutions of the Holders' Meeting;

(8) Keep all secrets during the implementation of the Plan (except for the information announced by the Company according to law); and

(9) Other obligations as stipulated by laws and administrative regulations, as well as the Plan.

## **VIII. MANAGEMENT MODE OF THE PLAN**

The Plan will be managed by the Company, with the Holders' Meeting as the highest internal management authority. Holders' Meeting shall consist of all Holders of the Plan. A Management Committee will be elected and authorized by the Holders' Meeting as the manager to take charge of the daily management of the Plan (including but not limited to

reducing the shares of the Company held under the Plan upon the expiry of the lock-up period, distributing gains and cash assets to the Holders on behalf of the Plan, etc.), and exercise the power of shareholder on behalf of the Holders of the Plan, and protect the legitimate interests of the Holders of the Plan. The Board of the Company shall be responsible for drafting and revising the Plan and shall deal with other matters related to the Plan within the scope of authorization as granted by the shareholders' general meeting.

**(I) Holders' Meeting**

1. Holders' Meeting is the highest internal management authority of the Employee Stock Ownership Plan. All holders shall have the right to participate in Holders' meetings. The Holders may attend and vote at Holders' meetings in person or entrust proxies to attend and vote on his behalf. The expenses of travel, board and lodging, etc. incurred by the Holders and their proxies to attend the Holders' Meeting shall be borne themselves.

2. The following matters shall be considered and reviewed at the Holders' Meeting:

(1) Election and removal of any members of the Management Committee;

(2) Amendment, termination in advance, and extension of the term of the Employee Stock Ownership Plan;

(3) When the Company raises funds by placement of shares, secondary public offering, issuance of convertible bonds, etc., the Management Committee will decide whether to participate in the specific funding plan and submit it to the Holders' Meeting for consideration;

(4) Consideration and amendment to the Administrative Measures for the Employee Stock Ownership Plan;

(5) Authorization to the Management Committee to supervise the daily management of the Employee Stock Ownership Plan;

(6) Authorization to the Management Committee to exercise the shareholder rights of the Target Shares entitled by the Employee Stock Ownership Plan;

(7) Authorization to the Management Committee to formulate and revise relevant management rules;

(8) Authorization to the Management Committee to be responsible for the liquidation and distribution of assets of the Plan.

(9) Other matters deemed to be necessary for consideration at the Holders' Meeting by the Management Committee.

3. The first Holders' Meeting shall be convened and presided over by the Secretary of the Board or other authorized person, and the subsequent Holders' Meeting shall be convened by the Management Committee and presided over by the chairperson of the Management Committee. When the chairperson of the Management Committee is unable to perform his duty, he/she shall appoint a member of the Management Committee to preside over the meeting.

4. To convene a Holders' Meeting, the Management Committee shall send out a written notice of meeting 5 days prior to the meeting to all the Holders through direct delivery, mail, facsimile, e-mail, or other means. The written notice of the meeting shall at least include the following details:

- (1) Time and location of the meeting;
- (2) Conference type;
- (3) Proposed matters to be considered at the meeting (proposals);
- (4) Convener and host of the meeting and the proposer(s) of the extraordinary meeting (s) and their written proposals;
- (5) Meeting materials necessary for voting;
- (6) Requirements for the Holders to attend the meeting in person or entrust other Holders to attend the meeting on their behalf;
- (7) Contact person and contact information;
- (8) Date of issuance of the notice.

In case of emergency, a Holders' Meeting can be convened by a verbal notice. The verbal meeting notice shall at least include the above clauses (1), (2), (3), and an explanation of the emergency and necessity to convene a Holders' Meeting.

#### 5. Voting Procedures of the Holders' Meeting

(1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairperson may also invite Holders attending the meeting to vote after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot;

(2) Each unit held by the Holders of the Employee Stock Ownership Plan is entitled to one vote;

(3) The Holders may choose to vote for, against, or abstain in any resolution. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more than two options indicated will be deemed as an abstention. Any vote which is not filled or filled wrongly or with unrecognizable writing or not cast shall be deemed as an abstention. Any vote made after the announcement of voting results by the chairperson of the meeting or lapse of the voting period shall not be counted;

(4) The chairperson of the meeting shall announce the on-site voting results at the spot of the meeting. Unless the consent of more than two-thirds (inclusive) of the units with the voting right held by the Holders present at the Holders' Meeting is required by the Plan, other resolutions shall only become valid in the Holders' Meeting after being passed by the Holders holding more than 50% (exclusive) of the voting rights and attending the Holder's Meeting.

(5) In the event that a resolution of the Holders' Meeting must be submitted to the Board and the shareholders' general meeting of the Company for consideration, it shall be submitted to the Board and the shareholders' general meeting of the Company for consideration in accordance with the provisions of the Articles of Association; and

(6) The chairperson of the meeting shall arrange staff responsible for record-keeping for the Holders' Meeting.

6. Holders who individually or jointly hold over 30% of the units in the Employee Stock Ownership Plan may submit a temporary proposal to the Holders' Meeting. Such temporary proposal shall be submitted to the Management Committee 3 days before the Holders' Meeting is convened.

7. Holders who individually or jointly hold over 30% of the units in the Employee Stock Ownership Plan may propose to convene a Holders' Meeting.

## **(II) Management Committee**

1. The Plan shall set up the Management Committee to supervise the daily management of the Plan. It shall be accountable to the Holders' Meeting and exercise shareholders' rights on behalf of the Holders.

2. The Management Committee comprises five members, with one chairperson of the Management Committee. All members of the Management Committee shall be elected by the Holders' Meeting. The chairperson of the Management Committee shall be elected



by more than half of all members of the Management Committee. The term of the members of the Management Committee shall be the same term of the Employee Stock Ownership Plan.

3. Members of the Management Committee shall abide by laws, administrative regulations, and the Administrative Measures for the Employee Stock Ownership Plan, safeguard the legitimate rights and interests of the Holders, ensure asset safety under the Employee Stock Ownership Plan and have the following fiduciary duties to the Employee Stock Ownership Plan:

(1) Not to take advantage of their position and authority to accept bribes or other illegal income; not to occupy any property of the Employee Stock Ownership Plan;

(2) Not to misappropriate funds of the Employee Stock Ownership Plan;

(3) Without the consent of the Management Committee, not to open a personal account under his or her own name or other people's names with the assets or funds of the Employee Stock Ownership Plan as the deposits;

(4) Not to lend the funds of the Employee Stock Ownership Plan to other persons or provide guarantee for other persons with the properties of the Employee Stock Ownership Plan without the consent of the Holders' Meeting;

(5) Not to take advantage of their positions and authority to jeopardize the interests of the Employee Stock Ownership Plan;

(6) Not to arbitrarily disclose commercial secrets in relation to the Employee Stock Ownership Plan; and

(7) Other obligations as specified by laws, administrative regulations, departmental rules, and the Administrative Measures for the Employee Stock Ownership Plan.

If a member of the Management Committee breaches the above fiduciary duties and causes losses to the Employee Stock Ownership Plan, he/she shall be liable for compensation.

4. The Management Committee shall discharge the following functions and authority:

(1) Convene the Holders' Meetings;

(2) Supervise the daily management of the Plan on behalf of all Holders;

(3) Exercise shareholders' rights on behalf of all Holders;

(4) Execute relevant agreements or contracts externally on behalf of the Plan;

(5) Manage the allocation of benefits of the Plan and decide on the disposal, sales, allocation, transfer, and other matters of the Target Shares upon the expiry of the lock-up period of the Employee Stock Ownership Plan;

(6) Decide on the vesting of the transferred units and the forcibly transferred units of the Plan;

(7) Handle the book-building and registration for the amendment and inheritance of the units of the Plan;

(8) Be responsible for the share reduction arrangement of the Plan;

(9) Formulate and amend the Administrative Measures for the Employee Stock Ownership Plan;

(10) Decide on the transfer, withdrawal, use for mortgage or pledge, guarantee, repayment of debts, or other similar disposals of the units of the Plan held by the Holders;

(11) Decide on the free recovery and acceptance of the shares under the Plan and the arrangements for the realization of the corresponding income of the Plan;

(12) Adjust the units of rights and interests held by the Holders based on changes in the positions of the Holders;

(13) Consider and determine the Plan on the allocation/re-allocation of the units retained personally, the units with subscription waived, and the units recovered due to failure in the evaluation and personal changes based on the provisions of the Employee Stock Ownership Plan (if the persons granted the retained units are directors, supervisors or senior management of the Company, such allocation plan should be submitted to the Board for consideration and determination);

(14) Determine the disqualification of the Holders and the handling of the units held by the disqualified Holders, including the change of the Holders' units, etc., in accordance with the provisions of the Plan;

(15) Liquidate the assets and conduct asset allocation under the Plan according to the authorization of the Holders' Meeting;

(16) Decide whether to participate in and formulate specific participation plans and financing solutions when the Company raises funds through placing of shares, secondary public offering, issue of convertible bonds, or other financing methods within the term of the Plan according to the authorization of the Holders' Meeting;

(17) Handle the registration for the inheritance of the units of the Holders and other special matters under the Plan;

(18) Exercise the responsibilities on asset management under the Employee Stock Ownership Plan according to the authorization of the Holders' Meeting, including but not limited to the sale of the shares of the Company for realization upon the expiry of the lock-up period and making other investments based on the resolutions at the Holders' Meeting;

(19) Other responsibilities as authorized at the Holders' Meeting; and

(20) Other responsibilities to be performed by the Management Committee according to relevant laws and regulations and the provisions of the Plan.

5. The chairperson of the Management Committee shall discharge the following functions and authority:

(1) Preside over the Holders' Meetings, convene and preside over the Management Committee meetings;

(2) Exercise shareholders' rights on behalf of all Holders as authorized by the Management Committee;

(3) Supervise and inspect the execution of resolutions of the Holders' Meetings and the Management Committee;

(4) Execute relevant agreements or contracts with external parties on behalf of the Employee Stock Ownership Plan; and

(5) Other functions and authority as delegated by the Management Committee.

6. The Management Committee meetings may be convened from time to time. Such meeting shall be called by the chairperson of the Management Committee. Notice of the meeting shall be sent out to all members of the Management Committee three days before a meeting is convened. With the unanimous of all the members of the Management Committee to the proposed matters, the meeting may be convened, with the voting being carried out by means of telecommunication. The notice of the Management Committee meeting shall include the following details:

(1) Date and venue of the meeting;

(2) Period of the meeting;

(3) Subject matters and agenda;

(4) Date of issuance of the notice.

As agreed by all members of the Management Committee, the dispatch of notice can be exempted from the above time limit. Where an interim Management Committee meeting is required to be convened as soon as possible in case of emergency, a notice of meeting can be given via telephone or other verbal means, but explanations shall be given by the convener at the meeting.

7. A Management Committee meeting shall only be held when more than half of the members are present. Meeting resolutions shall be valid only upon obtaining approval from more than half of all members of the Management Committee. The voting for resolutions of the Management Committee shall follow the one-person, one-vote principle.

8. Voting for resolutions of the Management Committee shall be conducted by way of an open ballot. Provided that members of the Management Committee can fully express their views, the Management Committee meeting can be conducted, and resolutions can be passed by means of facsimile or e-mail, and such resolutions shall be signed by members of the Management Committee attending the meeting.

9. Members of the Management Committee shall attend the Management Committee meetings in person. For any member who cannot attend the meetings in person, he/she can appoint another member (s) of the Management Committee as his/her proxy(ies) in writing to attend the meetings. A form of proxy shall be signed or sealed by the authorizer with the name(s) of the proxy(ies) and the matters, scope, and validity period of the authorization being specified. The authorized member of the Management Committee shall exercise his/her rights as a member of the Management Committee within the scope of authorization. Any Management Committee member who neither attends the meetings nor authorizes another member as his/her proxy will be deemed to abstain from voting at the meetings.

10. The Management Committee shall take minutes of the matters discussed at the meeting, and all members of the Management Committee attending the meeting shall sign the minutes.

11. Minutes of the Management Committee meetings shall include the following items:

- (1) Date, venue, and name of the convener of the meeting;
- (2) Attendance of the members of the Management Committee and the appointed proxies attending the Management Committee meeting;

- (3) The agenda;
- (4) Key points in the statements of the members of the Management Committee;
- (5) Way of voting for each resolution and the respective voting results (stating clearly the number of votes for, against, and abstained, respectively).

## **IX. ASSET COMPOSITION AND ALLOCATION OF SHARES UNDER THE PLAN**

### **(I) Asset Composition of the Plan**

1. Rights and interests corresponding to the Shares of the Company: rights and interests in relation to the Company's shares held under the Employee Stock Ownership Plan;
2. Cash deposits, accrued interests, and dividends;
3. Assets arising from other investments with the Employee Stock Ownership Plan.

The assets under the Employee Stock Ownership Plan are the assets independent of the assets owned by the Company. The Company shall not include the assets of the Employee Stock Ownership Plan into its own assets. The properties and profits acquired from the management, utilization, or other means of the Employee Stock Ownership Plan shall be included in the assets of the Employee Stock Ownership Plan.

### **(II) Distribution of Rights and Interests within the Term of the Plan**

1. Within the term of the Plan, unless otherwise stipulated in laws, administrative regulations, and departmental rules or upon consideration and approval of the Management Committee, the units of the Plan held by the Holders shall not be transferred, withdrawn, used for mortgage or pledge, guarantee, repayment of debts or other similar disposals.

2. During the lock-up period, when the Company converts capital reserve into share capital and distributes bonus shares, the newly acquired shares under the Employee Stock Ownership Plan due to the holding of shares of the Company shall be locked up together and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such shares is the same as the corresponding shares.

3. During the lock-up period, when the Company pays dividends, the cash dividends acquired by the Employee Stock Ownership Plan for holding shares of the Company shall

be included in the monetary assets of the Employee Stock Ownership Plan and shall not be distributed for the time being. Only after the lock-up period and within the term of the Employee Stock Ownership Plan, the above assets shall be distributed according to the resolution of the Management Committee.

4. Within the term, the Holders shall not request the distribution of rights and interests of the Employee Stock Ownership Plan.

5. When the term of the Employee Stock Ownership Plan expires, or terminated in advance, the Holders' Meeting shall authorize the Management Committee to complete the liquidation within 30 working days after the expiry or the termination and make distribution based on the units held by the Holders after deducting relevant taxes and fees according to laws.

## **X. AMENDMENT AND TERMINATION OF THE EMPLOYEE STOCK OWNERSHIP PLAN**

### **(I) Change of Actual Control, Consolidation, and Division of the Company**

In case of any changes in the actual controller of the Company or the consolidation and division of the Company for any reason, no amendment shall be made to the Plan.

### **(II) Amendment to the Employee Stock Ownership Plan**

Within the term, any amendment to the Employee Stock Ownership Plan shall be passed by more than two-thirds (inclusive) of the units held by the Holders attending the Holders' Meeting and be submitted to the Board of the Company for consideration and approval.

### **(III) Termination of the Employee Stock Ownership Plan**

1. The Plan will be terminated automatically after the expiry of the term.

2. If the assets held under the Plan are all monetary funds or the shares are transferred to the accounts of the Holders of the Plan under the support of the systems of the SZSE and the CSDCC, the Plan may be terminated in advance, and the Holders shall withdraw from the Plan.

3. The term of the Plan may be terminated in advance or extended within 2 months before the expiry of the term of the Plan, as agreed by more than two-thirds (inclusive) of

the units held by the Holders attending the Holders' Meeting as well as considered and approved by the Board of the Company, provided that the term shall not be extended by over 6 months in a single extension and not be extended more than twice.

4. Where the Company's shares held under the Employee Stock Ownership Plan are unable to be realized in full amount prior to the expiry of the upper limit of the term due to the suspension of the Company's shares or short trading window, the term of the Employee Stock Ownership Plan may be extended as agreed by more than two-thirds (inclusive) of the units held by the Holders attending the Holders' Meeting as well as considered and approved by the Board of the Company.

## **XI. DISPOSAL OF EQUITY OF HOLDERS**

### **(I) Measures for Disposal within the Term of the Plan**

1. Within the term of the Plan, unless otherwise stipulated in laws, administrative regulations, and departmental rules or upon consideration and approval of the Management Committee, the units of the Plan held by the Holders shall not be transferred, withdrawn, used for mortgage or pledge, guarantee, repayment of debts or other similar disposals. Otherwise, such disposals shall be invalid.

2. If the Holders are involved in one of the following circumstances within the term of the Plan, the Management Committee shall recover all interests of the Target Shares not disposed of by the Holders for free (no matter whether such interests have been vested to the Holders) and decide on vesting to the Company or stimulating other core and backbone employees.

(1) The employment contract is rescinded or terminated due to the voluntary resignation or layoff of the Holders or the Holders leave the Company after the employment contract expires without renewal but do not violate the non-competition agreement;

(2) The Holders are dismissed by the Company due to seriously damaging the benefits of the Company, disclosure of business secrets of the Company, violation of the employment contract or rules and systems of the Company, serious violation of professional ethics, negligence or dereliction of duty, serious violation of laws and disciplines, failure in appraisal and other reasons;

(3) Serious violation of internal management systems of the Company and other circumstances damaging the benefits of the Company as determined by the Management Committee;

(4) Damaging the benefits or the reputation of the Company due to their violation of laws; and

(5) Causing losses to the Company due to disclosure of business secrets of the Company;

3. If the Holders violate non-competition restrictions after leaving the company or are found to be involved in the disclosure of business secrets of the Company, serious violation of professional ethics, negligence or dereliction of duty, serious violation of laws and disciplines, serious violation of internal management systems of the Company and other activities causing serious losses or damaging the reputation of the Company during their terms of employment after leaving the company, the Company shall have the right to request the Holders to return all the income from all Target Shares vested under the Employee Stock Ownership Plan.

4. If the Holders are involved in one of the following circumstances within the term of the Plan, the outstanding interests in shares shall be dealt with under the normal procedures stipulated in the Plan, and their personal performance evaluation conditions shall not be included in the unlocking conditions. No changes shall be made to the vested part.

(1) The Holders are injured, disabled, or lost working capacity due to work-related reasons;

(2) The Holders retire after reaching the statutory retirement age; and

(3) Where the Holders die due to work-related reasons, the part of the interests under the Employee Stock Ownership Plan held by them without changes shall be inherited and continue to be enjoyed by their legal successors. Such successors shall not be subject to the qualification to participate in the Plan.

5. If the Holders are involved in one of the following circumstances within the term of the Plan, the outstanding interests in shares shall be cancelled, and the Company shall recover them for free. No changes shall be made to the vested interests in shares.

(1) The Holders are injured, disabled, or lost working capacity due to non-work-related reasons;



(2) The Holders resign due to layoffs or structural adjustments of the Company; and  
(3) Where the Holders die due to non-work-related reasons, the outstanding interests in shares shall be cancelled, and no changes shall be made to the vested interests in shares, which shall be inherited and continue to be enjoyed by their legal successors. Such successors shall not be subject to the qualification to participate in the Plan.

6. The Board will authorize the Management Committee to deposit the units of interests recovered in the retained units of interests or directly reallocate them to other qualified staff based on actual conditions, provided that when the staff granted the above-mentioned units are directors, supervisors, or senior management of the Company, such allocation plan shall be submitted to the Board for consideration and determination.

7. The Company and the Management Committee of the Employee Stock Ownership Plan shall have the right to adjust the units of interest held by the Holders if there are significant changes in the positions of the Holders within the term.

8. Other circumstances

In case of other circumstances not covered herein, the disposal of the units of the Employee Stock Ownership Plan held by the Holders shall be negotiated by the Company and the Management Committee and subject to consideration and determination by the Board.

**(II) Measures for Disposal of Shares upon Expiry of the Term of the Plan**

1. If all shares of the Company held under the Employee Stock Ownership Plan are sold or transferred to the holders of the units of the Employee Stock Ownership Plan and the liquidation and distribution of the assets under the Employee Stock Ownership Plan have been completed according to the requirements of the Plan, the Plan shall be terminated immediately upon consideration and approval at the Holders' Meeting and by the Board of the Company.

2. If the shares of the Company held under the Plan are not sold or transferred completely to the holders of the units of the Employee Stock Ownership Plan within two months prior to the expiry of the term of the Employee Stock Ownership Plan, the term of the Plan may be extended upon consideration and approval at the Holders' Meeting and by the Board of the Company.

3. Where the shares of the Company held under the Employee Stock Ownership Plan cannot be fully realized before the expiry of the upper limit of the term due to the suspension of trading of the shares of the Company or short trading window, the term of the Plan may be extended as agreed by more than two-thirds (inclusive) of the units held by the Holders attending the Holders' Meeting and considered and approved by the Board of the Company.

4. Where the Plan is not extended upon the expiry of the term, the Holders' Meeting shall authorize the Management Committee to liquidate the assets under the Employee Stock Ownership Plan, complete the liquidation within 30 working days after the expiry of the term and make distribution based on the units held by the Holders after deducting relevant taxes and fees according to laws.

## **XII. ACCOUNTING TREATMENT FOR THE EMPLOYEE STOCK OWNERSHIP PLAN**

According to Accounting Standard for Business Enterprises No. 11 - Share-based Payments, the share-based payment to exchange for the staff services and settled with equity that cannot be exercised only until the service in waiting period is completed or the performance condition required is realized, the service obtained in the current period shall be included in relevant costs or expenses and capital reserves on each balance sheet date within the waiting period, on the basis of the best estimate of the number of vesting equity instruments, as per the fair value of equity instruments of the grant date.

Assuming that the Employee Stock Ownership Plan is considered and approved by the general meeting of shareholders, the Target Shares are transferred to the Employee Stock Ownership Plan in September 2022, and the lock-up period expires, the Employee Stock Ownership Plan will sell the Target Shares held in the above-agreed proportion. Based on the stock price on the calculation day, the share-based payments recognized by the Company for the implementation of the Employee Stock Ownership Plan are expected to be RMB 125.06 million (excluding reserved fund), which shall be shared by the Company during the lock-up period based on the proportion unlocked each time and included in the relevant costs or expenses and capital reserves. The amortization of share-based payments under the Employee Stock Ownership Plan from 2022 to 2025 is calculated as follows:

Unit: RMB 10,000

Total share-based payments	2022	2023	2024	2025
12,506	1,042	4,169	4,169	3,127

The above impact on the Company's business performance will be revised after the transfer of the Target Shares is completed according to the current stock ownership plan and shall be subject to the final annual audit report issued by the accounting firm.

Without considering the impact of the Employee Stock Ownership Plan on the Company's performance, the amortization of expenses under the Employee Stock Ownership Plan has a certain, but not major, impact on the net profit of each year during the term of the Plan. If the positive effect of the Employee Stock Ownership Plan on the development of the Company is considered, the Employee Stock Ownership Plan will effectively stimulate the enthusiasm of the Company's employees and improve operational efficiency.

### **XIII. PROCEDURES FOR IMPLEMENTATION OF THE PLAN**

1. Before implementing the Employee Stock Ownership Plan, the Board of the Company is responsible for formulating the Draft of the Employee Stock Ownership Plan. The Company will seek opinions from employees through the employee representatives.

2. When the Board considers and approves the Draft and Abstract of the Employee Stock Ownership Plan, the Directors who are related to the Employee Stock Ownership Plan shall abstain from voting. The Independent Directors should express their independent opinions on whether the Employee Stock Ownership Plan is conducive to the sustainable development of the Company, whether it is detrimental to the interests of the Company and its Shareholders as a whole and whether employees are forced to participate in the Employee Stock Ownership Plan by way of apportionment, forced distribution, etc.;

3. The Supervisory Board is responsible for verifying the list of Participants, and expressing opinions on whether the Plan is conducive to the sustainable development of the Company, whether it is detrimental to the interests of the Company and its shareholders as a whole and whether employees are forced to participate in the Plan by way of apportionment, forced distribution, etc.;

4. When the Board considers the Employee Stock Ownership Plan, the Directors who are related to the Plan shall abstain from voting. The Board will, within 2 trading days from consideration and approval of the Employee Stock Ownership Plan (Draft) at the meeting, publish the resolution of the Board, the Draft and Abstract of Employee Stock Ownership Plan, the opinions of Independent Directors, and the opinions of the Supervisory Committee.

5. The Company shall appoint a law firm to issue legal opinions on whether the Employee Stock Ownership Plan and its related matters are legal and compliant and whether the necessary decision-making and approval procedures have been performed; and issue its legal opinion two trading days before the general meeting of shareholders to review the Employee Stock Ownership Plan.

6. Convene a general meeting of shareholders to consider the Employee Stock Ownership Plan. The general meeting of shareholders will adopt the combination of on-site voting and online voting, and the voting of small and medium-sized investors will be counted separately and disclosed publicly; relevant Directors, Supervisors, and Shareholders related to the Employee Stock Ownership Plan shall abstain from voting. The Employee Stock Ownership Plan can be implemented after approval by more than half of the valid voting rights attending the general meeting of shareholders;

7. A Holders' Meeting of the Employee Stock Ownership Plan shall be convened to elect members of the Management Committee and clarify the specific matters for the implementation of the Employee Stock Ownership Plan;

8. In implementing the Employee Stock Ownership Plan by the Company, the time, quantity, and proportion of the Target Shares acquired shall be disclosed in an extraordinary announcement within 2 trading days from the completion date of the transfer of the Target Shares to the Employee Stock Ownership Plan;

9. Other procedures required by the CSRC and stock exchange.

#### **XIV. AUTHORIZATION TO THE BOARD BY GENERAL MEETING**

Upon the consideration and approval of the Plan, the general meeting of shareholders may authorize the Board to solely handle the matters related to the Employee Stock Ownership Plan, including but not limited to the following:

1. Authorizing the Board to formulate and revise the Plan;
2. Authorizing the Board to implement the Employee Stock Ownership Plan, including but not limited to nominating candidates for members of the Management Committee;
3. Authorizing the Board to handle the establishment, revision, and termination of the Employee Stock Ownership Plan, including but not limited to the early termination of the Employee Stock Ownership Plan;
4. Authorizing the Board to make a decision on the extension of the term of the Plan and the early termination of the Plan;
5. Authorizing the Board to make a decision on the matters related to refinancing, such as the participation in the placement of shares and any other refinancing matters during the term of the Employee Stock Ownership Plan;
6. Authorizing the Board to change the participants in and the determination standards of the Employee Stock Ownership Plan;
7. After the Employee Stock Ownership Plan is considered and approved by the general meeting of shareholders, if the applicable laws, regulations, and policies change in the period of implementation of the Plan, the Board shall be authorized to make corresponding adjustments to the Employee Stock Ownership Plan in accordance with the new laws, regulations, and policies;
8. Authorizing the Board to handle all matters concerning the transfer, lock-up, and ownership of the shares purchased under the Plan;
9. Authorizing the Board to determine or change the management mode of the Employee Stock Ownership Plan and sign relevant agreements (if required);
10. Authorizing the Board to handle the securities account opening and capital account opening for the Employee Stock Ownership Plan and other matters related to CSDCC;
11. Authorizing the Board to formulate and sign all agreements and documents related to the Employee Stock Ownership Plan;
12. Authorizing the Board to explain the Plan; and
13. Authorizing the Board to handle other necessary matters required by the Employee Stock Ownership Plan, except the rights to be exercised by the general meeting

of shareholders as clearly stipulated by the applicable laws, regulations, normative documents, and the Articles of Association.

The above authorizations shall take effect as of the date of adoption thereof at the general meeting of shareholders of the Company to the completion of the implementation of the Plan thereof.

## **XV. EXPLANATION OF RELATED RELATIONSHIPS AND RELATIONSHIP OF ACTING IN CONCERT**

The Employee Stock Ownership Plan and the controlling shareholders, actual controllers, directors, supervisors, and senior management of the Company shall not constitute the relationship of acting in concert as stipulated in the Administrative Measures on Acquisition of Listed Companies, specifically as follows:

1. The controlling shareholders and actual controllers of the Company have not participated in the Employee Stock Ownership Plan; the Employee Stock Ownership Plan has not executed the Agreement of Acting in Concert with the controlling shareholders and actual controllers of the Company, and there is no arrangement of acting in concert between them.

2. Certain directors, supervisors, and senior management of the Company hold the shares of the Employee Stock Ownership Plan. The Holders of the Employee Stock Ownership Plan have no related relationship among them, have not executed any Agreement of Acting in Concert, and have no arrangements for acting in concert. As the highest authority of the Employee Stock Ownership Plan, the Holders' Meeting elects members to form the Management Committee and supervises the daily management of the Employee Stock Ownership Plan. The shares held by the Holders of the Plan are relatively dispersed. The directors, supervisors, and senior management of the Company, as the Holders, shall abstain from voting where the Holders' Meeting and the Management Committee consider and approve any matters related to them; no single Holder is able to have a significant impact on the decisions of the Holders' Meeting and the Management Committee.

3. The shareholding ratio of the Employee Stock Ownership Plan in the Company is relatively low. Where the general meeting of shareholders, the Board, and the Supervisory Board consider and approve matters related to the Employee Stock Ownership Plan, the

Plan, and the relevant shareholders, directors, supervisors, and senior management shall abstain from voting.

## **XVI. OTHER IMPORTANT MATTERS**

1. If the relevant provisions of the Plan are in conflict with the applicable national laws, regulations, and administrative rules and regulations, the latter shall prevail.

2. The consideration and approval of the Plan by the Board and the general meeting of shareholders shall not mean that the Holder shall have the right to continue to work for the Company and shall not constitute the Company's commitment to the employment term of the Holder. The employment relationship between the Company and the Holder shall still be subject to the employment contract or engagement contract executed between the Company or its subsidiaries and the Holder.

3. The financial, accounting, and tax matters related to the implementation of the Employee Stock Ownership Plan shall be handled in accordance with the relevant financial system, accounting standards, and tax system. The tax burden generated by a Holder's participation in the Plan shall be subject to the relevant provisions of the national tax laws and regulations and shall be borne by the Holder(s).

4. For the Employee Stock Ownership Plan, there is no third party to provide incentives, subsidies, and allowances for employees to participate in the Employee Stock Ownership Plan.

5. The Plan shall come into force as of the date of approval by the general meeting of shareholders.

6. The Board shall hold the right to interpret the Plan.

Board of Directors of Tianqi Lithium Corporation

30 August 2022