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赣锋锂业
GanfengLithium
Ganfeng Lithium Group Co., Ltd.
江西赣锋锂业集团股份有限公司

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

(Stock Code: 1772)

CONNECTED TRANSACTION
ACQUISITION OF 70% EQUITY INTEREST IN MENGJIN MINING

The Board is pleased to announce that, on July 27, 2023, the Purchaser, the Vendor, Ms. Xu and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase the Target Equity Interest from the Vendor at a total consideration of RMB1,424,072,623.39.

Mr. Li, the Vendor, is the chairman and an executive Director. Accordingly, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all of the percentage ratios (other than the profits ratio) is less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. ACQUISITION OF 70% EQUITY INTEREST IN TARGET COMPANY

Reference is made to the announcement of the Company dated October 11, 2021, the circular of the Company dated November 30, 2021 and the poll result announcement of extraordinary general meeting of the Company dated December 20, 2021. In order to avoid the Company's investment risk and maximize the

protection of the interests of the Company and all Shareholders, especially minority Shareholders, after careful judgment and full consultation with Mr. Li, one of the actual controllers of the Company, Mr. Li purchased 70% of the equity interest of Mengjin Mining with self-owned funds. Mr. Li will actively promote the development and the construction of Gabus niobium tantalum mine of Mengjin Mining within 60 months after obtaining 70% equity interest of Mengjin Mining. When Mengjin Mining obtains a new mining certificate and the mining amount meets expectations, Mr. Li undertakes to preferentially transfer the 70% equity interest of Mengjin Mining he holds to the Company at the cost of his acquisition of Mengjin Mining and additional investment (if any) in addition to reasonable expenses (including audited capital interest and other reasonable expenses).

The Board is pleased to announce that, on July 27, 2023, the Purchaser, the Vendor, Ms. Xu and the Target Company entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase the Target Equity Interest from the Vendor at a total consideration of RMB1,424,072,623.39.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out as follows:

i. Date

July 27, 2023 (after trading hours)

ii. Parties:

Purchaser	The Company
Target Company	Xianghuangqi Mengjin Mining Development Co., Ltd. (鑲黃旗蒙金礦 業開發有限公司)
Vendor	Li Liangbin
Other party	Xu Xiaowei

iii. Subject matters

Pursuant to the Equity Transfer Agreement, the Vendor agreed to sell, and the Purchaser agreed to purchase, the Target Equity Interest, representing 70% of the total registered share capital of the Target Company. The total registered share capital of the Target Company is RMB75,880,000.

iv. Consideration and the basis of consideration

The parties have agreed through negotiation that the total consideration agreed to be paid by the Purchaser for the Acquisition of 70% equity interest in the Target Company is RMB1,424,072,623.39 (comprising RMB1,339,071,948.89 being the consideration for the Target Equity Interest and RMB85,000,674.5 being the outstanding shareholders' loan owed by the Target Company to the Vendor), which shall be paid in cash. In determining the consideration for the Acquisition, the Company has considered (1) the original acquisition cost and the subsequent investment made by the Vendor; (2) the audit report of the Target Company for the year ended December 31, 2022 and the six months ended June 30, 2023 issued by Grant Thornton, an independent audit firm engaged by the Company; (3) the special audit report on the Vendor's acquisition cost for the Target Equity Interest and the relevant funding costs issued by Grant Thornton (the "**Special Audit Report**") ; and (4) the valuation report issued by Shanghai Lixin Asset Appraisal Co., Ltd.* (上海立信資產評估有限公司), an asset appraisal institution with securities qualification engaged by the Company on the valuation of the entire equity interest of the Target Company and the mining rights held by the Target Company (the "**Valuation Report**").

According to the Valuation Report, the valuation of the entire equity interest of the Target Company as at valuation date (i.e. June 30, 2023), based on the asset-based approach, is RMB1,958.26 million of which the valuation of the mining rights held by the Target Company as at the valuation date (i.e. June 30, 2023) is RMB1,993.21 million. According to the Special Audit Report, the sum of total acquisition cost together with the funding costs and related taxes and fees that the Vendor needs to bear was RMB1,424.07 million.

The components of the consideration are as follows:

- (a) RMB1,339,071,948.89 being the consideration for the Target Equity Interest held by the Vendor;
- (b) RMB85,000,674.5 being a shareholder's loan granted by the Company to the Target Company for the repayment of the outstanding shareholders' loan (inclusive of principal and interest) on the loans owed by the Target Company to the Vendor;

The consideration for the Acquisition shall be settled in two instalments in the manner set out below:

- (a) RMB1,000,000,000 (the “**First Instalment**”), shall be paid by the Purchaser to the Vendor within 3 working days from the effective date of the Equity Transfer Agreement;

The Vendor shall complete the relevant industrial and commercial change registration procedures (including but not limited to changes in shareholders, directors, supervisors, managers, amendments to the articles of association) in respect of the Acquisition within 15 working days after the receipt of the First Installment, and the costs of the industrial and commercial change registration or filing procedures shall be borne by the Target Company.

- (b) RMB424,072,623.39 shall be paid by the Purchaser to the Vendor and the Target Company within 15 working days after the effective date of the Equity Transfer Agreement. Among which, RMB339,071,948.89 shall be paid to the Vendor and RMB85,000,674.5 shall be paid to the Target Company;

v. *Management of the Target Company upon completion*

The parties to the Equity Transfer Agreement agreed that, upon completion of the Acquisition:

- (a) the board of directors of the Target Company shall comprise three directors, with the Purchaser nominating two persons to act as the chairman and a director of the Target Company and Xu Xiaowei nominating one person to act as a director of the Target Company.
- (b) no supervisory committee of the Target Company would be established and the Purchaser shall nominate one person to act as a supervisor of the Target Company.
- (c) the Purchaser shall nominate a general manager of the Target Company who shall be the legal representative of the Target Company.

vi. *Conditions precedent to the agreement*

- (a) The Equity Transfer Agreement has been approved by the competent authorities;
- (b) The representations and warranties are true and accurate in all material respects, and the undertakings of the parties have been strictly complied with; and
- (c) Xu Xiaowei confirms and agrees to waive the preemptive right of subscription for this equity transfer.

vii. Taxes and fees

- (a) The stamp duty involved in this equity transfer shall be borne entirely by the Purchaser;
- (b) The personal income tax, value-added tax on the invoicing of interest income, urban construction and education surcharge tax on the invoicing of interest income, and personal income tax on the invoicing of interest income involved in this equity transfer shall be borne entirely by the Vendor;
- (c) Other taxes and fees charged by the governmental authorities involved in this equity transfer shall be borne by the Purchaser.

II. INFORMATION ON THE TARGET COMPANY

Company name:	Xianghuangqi Mengjin Mining Development Co., Ltd. (鑲黃旗蒙金礦業開發有限公司)
Unified social credit code:	911525280616432887
Legal representative:	Dou Meilin
Registered capital:	RMB75.88 million
Company type:	limited liability company
Date of establishment:	March 15, 2013
Business scope:	tantalum, niobium, lithium, rubidium and cesium mining, and mineral product processing and sales (except those prohibited by the State)

Set out below are the financial data of Target Company for the two years and the period indicated:

Unit: RMB0'000

	As at December 31, 2021 (Unaudited)	As at December 31, 2022 (Audited)	As at June 30, 2023 (Audited)
Total Assets	42,857.29	53,304.31	59,070.01
Net Assets	4,090.36	980.99	-780.49

	For the twelve months ended December 31, 2021 (Unaudited)	For the twelve months ended December 31, 2022 (Audited)	For the six months ended June 30, 2023 (Audited)
Revenue	38.76	73.23	38.00
Profit (loss) before taxation	-1,343.29	-2,911.86	-1,761.48
Profit (loss) after taxation	-1,343.29	-2,911.86	-1,761.48

As at June 30, 2023, the gearing ratio of Mengjin Mining was 101.32%. As of the date of this announcement, the Gabus niobium tantalum mine project held by Mengjin Mining is still under construction. The negative net profit was mainly due to various expenses incurred in the project construction. The negative net assets was mainly due to the borrowings from shareholders and banks required for the development and construction of Mengjin Mining. The difference between the net assets and the appraised value in the Valuation Report was mainly due to the appreciation of the mining rights taking into account of the prices of the mineral products in recent years.

The original acquisition cost of the Target Equity Interest to the Vendor was RMB1,344 million (including the purchase price of RMB1,177.17 million for the Target Equity Interest and RMB166.83 million for the loan provided to the Target Company at the time of acquisition by the Vendor).

The shareholdings of each shareholder in the Target Company before and after the Acquisition are as follows:

Shareholder	Before the Acquisition		After the Acquisition	
	Subscribed capital contribution (RMB0'000)	Shareholding percentage	Subscribed capital contribution (RMB0'000)	Shareholding percentage
The Company	0	0%	5,311.6	70%
Li Liangbin	5,311.6	70%	0	0%
Xu Xiaowei	2,276.4	30%	2,276.4	30%

Upon completion of the Acquisition, the Target Company will become a subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Mining rights involved

Mengjin Mining owns the Gabus niobium tantalum mine located in Xianghuangqi, Xilin Gol League, Inner Mongolia Autonomous Region. The current mining license is as follows:

Mining right license number:	C1500002014115210136090
Mining right owner:	Mengjin Mining
Geographic location:	Xinbaolag Town Industrial Park, Xianghuangqi, Xilin Gol League, Inner Mongolia Autonomous Region
Mining minerals:	Tantalum, niobium, lithium, rubidium, cesium
Mining mode:	Underground mining
Mining scale:	600,000 tons/year
Mining area:	2.34 square kilometers
Expiry date:	November 6, 2020 to November 6, 2023
Issuing unit:	Natural Resources Department of Inner Mongolia Autonomous Region* (內蒙古自治區自然 資源廳)

According to “Reply Letter on the Review and Filing of Mineral Reserves <Resource Verification Report of Lithium-Tantalum Ore Reserves in Gabus mining area, Xianghuangqi, Inner Mongolia Autonomous Region>” Nei Zi Ran Zi Chu Bei Zi [2023] No. 42(內自然資儲備字[2023]42號《關於<內蒙古自治區鑲黃旗加不斯礦區鋰鉭礦資源儲量核實報告>礦產資源儲量評審備案的復函》) issued by Inner Mongolia Autonomous Region Natural Resources Department, as at the reserve estimation benchmark date (30 April 2023), details of resources are set out as the table below:

Type of resources	Mineral resources (0,000 tons)			Average grade (%)			Metallic oxide (tons)			
	Total mineral resources									
		Li ₂ O	Ta ₂ O ₅	Nb ₂ O ₅	Li ₂ O	Ta ₂ O ₅	Nb ₂ O ₅	Li ₂ O	Ta ₂ O ₅	Nb ₂ O ₅
Measured Resources	3,931.4	3,702.0	3,776.6	3,525.8	0.73	0.016	0.008	270,762	5,963	2,684
Indicated Resources	1,776.7	1,501.8	1,725.5	1,572.6	0.57	0.012	0.008	85,930	2,018	1,188
Inferred Resources	1,536.2	1,473.7	1,438.1	1,208.3	0.64	0.010	0.007	93,990	1,467	900

III. INFORMATION ON THE PARTIES

The Company

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

The Vendor

Mr. Li, the Vendor, is the chairman and an executive Director. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

The Other Party

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Xu Xiaowei is a merchant and is a third party independent of the Company and connected persons of the Company.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The purpose of the Acquisition is to secure the raw material supply for the Company's development and further improve resource layout of the Company. It is conducive to ensuring the long-term stable development of the Company, and improving core competitiveness of the Company. The Acquisition is in line with the development strategy of the Company. Despite the Acquisition will lead to a net cash outflow of the Company to a certain degree, it will not have a significant impact on the sufficiency of working capital of the Company. The Board believes that the Acquisition will have a positive impact on the financial position and operating results of the Company in the future.

The Board (including the independent non-executive Directors) is of the view that terms of the Equity Transfer Agreement and the Acquisition are fair and reasonable, and the Equity Transfer Agreement are on normal commercial terms and in the interests of the Company and the its shareholders as a whole.

Since Mr. Li is the Vendor and has material interests in the Acquisition, he is required to abstain and did abstain from voting on the board resolution approving the Acquisition in accordance with the requirements of the articles of association of the Company and the Listing Rules.

V. IMPLICATIONS UNDER THE LISTING RULES

Mr. Li, the Vendor, is the chairman and an executive Director. Accordingly, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all of the percentage ratios (other than the profits ratio) is less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Target Equity Interest by the Purchaser from the Vendor pursuant to the terms of the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Company” or “Purchaser”	Ganfeng Lithium Group Co., Ltd. (江西贛鋒鋰業集團股份有限公司), a joint stock company established in the PRC on March 2, 2000 and converted from its predecessor Jiangxi Ganfeng Lithium Company Limited (江西贛鋒鋰業有限公司, formerly known as Xinyu Ganfeng Lithium Company Limited(新余贛鋒鋰業有限公司)) into a joint stock company with limited liability under the PRC Company Law on December 18, 2007, the H shares and A shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1772) and the Shenzhen Stock Exchange (Stock Code: 002460)
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated July 27, 2023 entered into by and among the Purchaser, the Vendor, the Target Company and Xu Xiaowei
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mengjin Mining” or “Target Company”	Xianghuangqi Mengjin Mining Development Co., Ltd. (鑲黃旗蒙金礦業開發有限公司)

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Interest”	70% equity interest of the Target Company held by the Vendors
“Vendor” or “Mr. Li”	Mr. Li Liangbin, the chairman and an executive Director of the Company

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

Jiangxi, the PRC
July 27, 2023

As at the date of this announcement, the Board comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Ms. DENG Zhaonan and Mr. SHEN Haibo as executive Directors; Mr. YU Jianguo and Ms. YANG Juan as non-executive Directors; and Mr. Wang Jinben, Ms. WONG Sze Wing, Ms. XU Yixin and Mr. XU Guanghua as independent non-executive Directors.