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Application Proof of

Tianqi Lithium Corporation

天齊鋰業股份有限公司

(the "Company")

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

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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)

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment and the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED]**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**[REDACTED]**

Joint Sponsors

Morgan Stanley

CLSA A CITIC Securities Company

[REDACTED]

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A copy of this **[REDACTED]**, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix IX to this **[REDACTED]**, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this **[REDACTED]** or any other documents referred to above.

The **[REDACTED]** is expected to be determined by agreement between the Company and the **[REDACTED]** (on behalf of the **[REDACTED]**) on the **[REDACTED]** or such later date as may be agreed by the Company and the **[REDACTED]**, but in any event no later than **[REDACTED]** (Hong Kong time). The **[REDACTED]** is expected to be not more than HK$**[REDACTED]** per **[REDACTED]** and is expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. Applicants for **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** for each Hong Kong **[REDACTED]** together with brokerage of **[REDACTED]**, SFC transaction levy of **[REDACTED]** and Stock Exchange trading fee of **[REDACTED]**, subject to refund if the **[REDACTED]** is lower than HK$**[REDACTED]**. The **[REDACTED]** (on behalf of the **[REDACTED]**, and with the Company's consent) may reduce the number of Hong Kong **[REDACTED]** being offered under the **[REDACTED]** and/or the indicative **[REDACTED]** range stated in this **[REDACTED]** at any time prior to the morning of the last day for lodging applications under the Hong Kong **[REDACTED]**. In such a case, a notice of the reduction of the number of Hong Kong **[REDACTED]** and/or the indicative **[REDACTED]** range will be published on the website of the Stock Exchange at www.hkex.com.hk and our website at www.tianqilithium.com not later than the morning of the last day for lodging applications under the Hong Kong **[REDACTED]**. If applications for Hong Kong **[REDACTED]** have been submitted prior to the day which is the last day for lodging applications under the Hong Kong **[REDACTED]**, in the event that the number of **[REDACTED]** and/or the indicative **[REDACTED]** range is so reduced, such applications can subsequently be withdrawn. Details of the arrangement will then be announced by the Company as soon as practicable. If, for any reason, the **[REDACTED]** is not agreed between the Company and the **[REDACTED]** (on behalf of the **[REDACTED]**) on or before **[REDACTED]** (Hong Kong time), the **[REDACTED]** (including the Hong Kong **[REDACTED]**) will not proceed and will lapse.

We are incorporated, and the majority of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and in "Appendix VI—Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VII—Summary of the Articles of Association" in this **[REDACTED]**.

Pursuant to the force majeure provisions contained in the [REDACTED] in respect of the [REDACTED], the [REDACTED], on behalf of the [REDACTED], have the right in certain circumstances to terminate the obligations of the [REDACTED] pursuant to the [REDACTED] at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of the terms of the force majeure provisions are set out in the section headed "[REDACTED]—[REDACTED]—[REDACTED]—[REDACTED]—[REDACTED]" in this [REDACTED].

We have not been, and do not intend to be, registered under the U.S. Investment Company Act, and investors will not be entitled to the benefits of the U.S. Investment Company Act. The [REDACTED] have not been, and will not be, registered under the Securities Act or any other applicable law of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. Accordingly, the [REDACTED] are only being [REDACTED] and [REDACTED] (i) to persons in the United States or to or for the account or benefit of, U.S. Persons, in each case that are both "Qualified Institutional Buyers" and "Qualified Purchasers" in transactions exempt from or not subject to the registration requirements the Securities Act in reliance on Rule 144A and the U.S. Investment Company Act in reliance on Section 3(c)(7) of that act; or (ii) outside the United States to [REDACTED] that are not U.S. Persons nor persons acquiring for the account or benefit of U.S. Persons in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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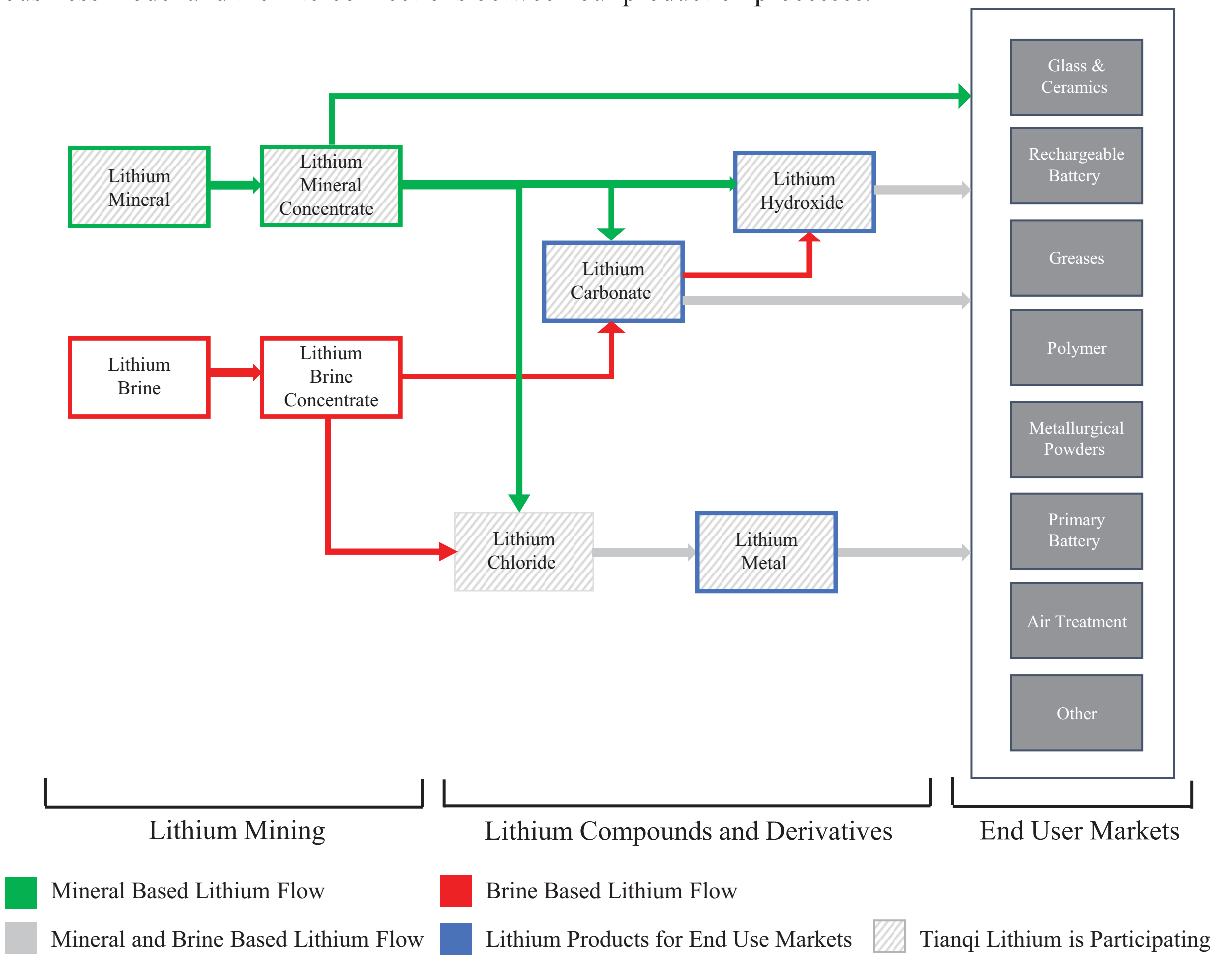
This summary aims to give you an overview of the information contained in this **[REDACTED]**. *As it is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this* **[REDACTED]**. *You should read this* **[REDACTED]** *in its entirety before you decide to invest in the* **[REDACTED]**.

There are risks associated with any **[REDACTED]** *in the* **[REDACTED]**. *We set out some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *in the section headed "Risk Factors." You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a leading new energy materials company in China and globally, with lithium at our core. We are well-positioned to capitalize on the new energy revolution, particularly in the EV and energy storage sectors and in China. We are the world's second largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017, according to the Roskill Report. We are also the world's third largest and Asia's and China's largest lithium compounds producer as measured by output in 2017, according to the Roskill Report. We are one of the few fully vertically integrated lithium producers in the world, and the only major lithium compounds and derivatives producer in China that has achieved self-sufficiency through a large, single and consistent supply of lithium concentrate, according to the Roskill Report. Our fully vertically integrated model incorporates critical stages of the lithium value chain, including (1) mining of lithium ore, (2) beneficiation of lithium ore into lithium concentrate, and (3) manufacturing of lithium compounds and derivatives. The diagram below illustrates our integrated business model and the interconnections between our production processes.



Our Business Segments

We operate in two business segments, namely (i) manufacturing and sales of lithium compounds and derivatives, and (ii) mining, production and sales of lithium concentrate. The following table sets forth a breakdown of our total revenue by business segment, each expressed in an absolute amount and as a percentage of our total revenue, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Manufacturing and sales of lithium compounds and derivatives	991.3	53.2	2,824.8	72.4	3,696.3	67.6	682.8	64.1	1,074.4	64.4
Mining, production and sales of lithium concentrate[(1)]	873.0	46.8	1,077.5	27.6	1,772.5	32.4	382.1	35.9	594.5	35.6
Total revenue	**1,864.3**	**100.0**	**3,902.3**	**100.0**	**5,468.8**	**100.0**	**1,064.9**	**100.0**	**1,668.9**	**100.0**

Note:

(1) Primarily represents revenue from sales of our lithium concentrates to a connected person of our Company. See "Connected Transactions" for further details.

Our Lithium Assets

We currently own two lithium assets, namely the Greenbushes Mine in Australia and the Yajiang Cuola Mine in China. The following table sets forth our ownership percentages in the two mines and their respective acquisition date, location, lithium reserve or resource amount and grade as of March 31, 2018, according to the BDA Report.

Assets	Ownership[(4)]	Acquisition time	Location	Type	Resources					Reserves			
					Measured (Mt LCE)[(8)]	Indicated (Mt LCE)[(8)]	Inferred (Mt LCE)[(8)]	Total (Mt LCE)[(8)]	Grade (lithium oxide)	Proved (Mt LCE)[(9)]	Probable (Mt LCE)[(9)]	Total (Mt LCE)[(9)]	Grade (lithium oxide)
Greenbushes Mine	51%[(1)]	May 2014	Greenbushes, Australia	Spodumene									
—Central Lode					0.01	8.46	0.29	8.78	2.0%[(5)]	0.01	6.9	6.9	2.1%[(6)]
—TSF1					—	0.49	0.09	0.58	1.28%[(5)]	—	0.36	0.36	1.42%[(6)]
Yajiang Cuola Mine	100%[(2)]	April 2012	Cuola, Yajiang, PRC	Spodumene	—	0.46	0.17	0.63	1.3%[(7)]	—[(3)]	—[(3)]	—[(3)]	—[(3)]

Notes:

(1) As of the Latest Practicable Date, we held a 51% equity interest in Windfield, which owns 100% of equity interest in Talison. Talison owns 100% equity interest in and holds the lithium mining titles at the Greenbushes Mine.

(2) We owned 100% equity interest in Yajiang Cuola Mine through our wholly owned subsidiary, Shenghe Lithium, in the Yajiang Cuola mine as of the Latest Practicable Date.

(3) As of March 31, 2018, the lithium reserves are considered not defined for the Yajiang Cuola Mine under the JORC standards, according to the BDA Report.

(4) On a fully diluted basis.

(5) Lithium oxide grade for measured resources, indicated resources and inferred resources in the Central Lode were 3.0%, 2.0% and 1.3%, respectively, as of March 31, 2018. Lithium oxide grade for the indicated resources in the enriched zone and inferred resources in depleted zone of TSF1 were 1.46% and 0.78%, respectively, as of March 31, 2018

(6) Lithium oxide grade for proven ore reserves and probable ore reserves in the Central Lode were 3.0% and 2.1%, respectively, as of March 31, 2018. Lithium oxide grade for probable reserves in the TSF1 was and 1.42%, as of March 31, 2018.

(7) Lithium oxide grade for indicated resource and inferred resource of Yajiang Cuola Mine were 1.31% and 1.26%, respectively, as of March 31, 2018.

(8) Resources in the Central Lode area of the Greenbushes Mine were based on a cut-off grade of 0.5% lithium oxide. Resources in TSF1 of the Greenbushes Mine were based on a cut-off grade of 0.7% lithium oxide. Resources in the Yajiang Cuola Mine were based on a cut-off grade of 0.5% lithium oxide. The cut-off grades on which our resources are based is in accordance with industry standard commonly used by experts for the same type of mine as our Greenbushes Mine and Yajiang Cuola Mine.

(9) Reserves in the Central Lode of the Greenbushes Mine were based on a block cut-off grade of 0.7% lithium oxide. Reserves in TSF1 of the Greenbushes Mine were based on a cut-off grade of 0.7% lithium oxide. The cut-off grades on which our reserves are based are in accordance with industry standards commonly used by experts for the same type of mine as the Greenbushes Mine.

Through our subsidiary, Talison, we hold lithium mining rights at the Greenbushes Mine, the largest hard rock lithium mine in the world as measured by size of resources and reserves, according to the Roskill Report. The Greenbushes Mine is the largest lithium mining operation in the world as measured by output in 2017, accounting for approximately 29% of the global lithium mining output in 2017, according to the Roskill Report. The Greenbushes Mine has the highest grade of ore and the lowest production costs for chemical-grade lithium concentrate, according to the Roskill Report. The Greenbushes Mine is located 90km southeast of the port of Bunbury, a major bulk-handling port in the southwest of Western Australia. According to the BDA Report, as of March 31, 2018, the remaining LoM of the Greenbushes Mine is estimated to be approximately 17 years, taking into consideration the expansion projects currently undertaken, planned and considered. The following table sets forth the operating cash costs of the Greenbushes Mine for the periods indicated, according to the BDA Report:

Cost Item

	For the year ended December 31,		
	2015	**2016**	**2017**
	A$ in million		
Mining cost	29.0	31.0	38.8
Processing cost	34.7	43.3	49.8
General and administrative cost	7.01	7.4	8.3
Product transportation and marketing cost	24.7	26.8	32.6
Royalty	11.7	14.8	20.9
Total	**107.3**	**123.2**	**150.4**

We hold 100% equity interest in the Yajiang Cuola Mine through our wholly-owned subsidiary, Shenghe Lithium. The Yajiang Cuola Mine is part of the larger Jiajika lithium mineralization district, which is believed to be the largest hard-rock lithium mineralization district in China, as well as in Asia, according to the BDA Report. The Yajiang Cuola Mine has 630,000 tons LCE of lithium resource as of March 31, 2018, according to the BDA Report. We are currently holding Yajiang Cuola Mine as a reserve lithium asset and we continuously monitor the status of the Yajiang Cuola Mine for future development.

As of the Latest Practicable Date, we held a total of 17 valid mining and related ancillary permits and licenses in China and Australia, covering a total area of approximately 10,273.3 hectares. Talison's existing mining and ancillary licenses are subject to certain mining mortgage and caveats in relation to a corporate loan taken by our Australian subsidiaries. The following table sets forth details of our mining and related ancillary permits and licenses as of the Latest Practicable Date:

Mines	Permit Type	Permit Holder (interest)	Area (hectare)	Permitted annual production volume (million tons)	Permit Number	Issuance Date	Expiry Date	Status
Greenbushes Mine	Mining Lease	Talison (100%)	969	—	M01/02	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	1,000	—	M01/03	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/04	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/05	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	985	—	M01/06	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	998	—	M01/07	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/08	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	997	—	M01/09	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	1,000	—	M01/10	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/11	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	19	—	M01/16	June 6, 1986	June 5, 2028	Live
	Mining Lease	Talison (100%)	3	—	M01/18	September 28, 1994	September 27, 2036	Live
	Mining Lease	Talison (100%)	70.4	—	M70/765	June 20, 1994	June 19, 2036	Live
	Miscellaneous License	Talison (100%)	9	—	L01/01	March 19, 1986	December 27, 2026	Live
	General Purpose Lease	Talison (100%)	10	—	G01/01	November 17, 1986	June 5, 2028	Live
	General Purpose Lease	Talison (100%)	10	—	G01/02	November 17, 1986	June 5, 2028	Live
Yajiang Cuola Mine	Certificate of Mining	Shenghe Lithium (100%)	206.9	1.2	C5100002012045210124005	April 6, 2012	April 6, 2032	Valid

For more details of our mining licenses and permits, see "Business—Our Mining Permits."

Our Lithium Compounds and Derivatives Manufacturing Plants

We operate three lithium compounds and derivatives manufacturing plants in China, which are located in Shehong, Zhangjiagang and Tongliang. For the year ended December 31, 2017, our effective production capacity of lithium compounds and derivatives was 34,800 tons. Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Roskill Report. We are also in the process of constructing a battery-grade lithium hydroxide manufacturing plant in Kwinana, Australia, which is expected to commence commissioning by the end of 2018 and have an annual production capacity of 48,000 tons when fully constructed and operational. We will also construct a lithium carbonate production plant in Anju District of Suining, Sichuan Province of the PRC with an annual production capacity of 20,000 tons.

Our Industry and Market

The supply of lithium products is undertaken by a number of companies, among which Albermarle, SQM, our Company, Ganfeng and FMC are the leading market participants, according to the Roskill Report. We are the world's largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017, according to the Roskill Report. The majority of large-scale lithium producers are integrated, either through partial or full ownership of operations from the extraction of raw materials through to production of lithium compounds.

A number of entry barriers to the global lithium industry need to be considered. According to the Roskill Report, key barriers to entry for companies in the lithium mining industry include (i) evaluation of risks, (ii) financing of projects, (iii) construction and commissioning of mineral projects, (iv) operational risks and (v) counter-party risks. According to the Roskill Report, key barriers to entry for companies in the lithium compounds and derivatives industry include (i) production technology and know-how, (ii) product development, (iii) marketing, sales, logistics and support, (iv) accreditation by customers, and (v) security of feedstock supply.

The global annual consumption of lithium is expected to increase at 19.8% per year from 2017 to 2027, according to the Roskill Report. In particular, consumption of lithium by EV's rechargeable batteries is estimated to grow at 36.9% per year from 2017 to 2027, according to the Roskill Report. In addition, energy storage systems will also be one of the fastest growing end markets of the lithium industry in the next decade, according to the Roskill Report. By leveraging our self-sufficiency in lithium raw material, diversified product portfolio and advanced production capabilities, we are able to keep in step with the latest market developments and technological breakthroughs in the lithium-based end markets.

Our Research and Development Capabilities

As of March 31, 2018, we had a team of 46 employees in our research and development department dedicated to product development and technology advancement. Our core team comprises a select group of experts with advanced degrees and extensive experience in materials engineering, inorganic chemistry, chemical engineering, metallurgy and other scientific fields essential to the research and development of lithium products. Our research and development teams are located in Chengdu, Shehong, Zhangjiagang, Tongliang and Western Australia. To improve our product quality and cost efficiency, we have made many breakthroughs in the traditional production processes and techniques. We have developed a series of innovative production techniques and installed advanced equipment to optimize the manufacturing process. Our R&D efforts have produced a number of technical achievements and have a proven track record of generating a large amount of intellectual property and industry know-how we use in our production processes. In addition, we are committed to building R&D collaborations with research institutions. For example, we engage in joint R&D collaboration with a world-class research institute on lithium metal research.

Our Products and Customers

We have a broad product portfolio of lithium compounds and derivatives, primarily including lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. Our key customers for lithium compounds and derivatives include battery material producers, as well as glass production companies, manufactures of pharmaceutical intermediaries and manufacturers of alloys for use in aircrafts. Throughout our over 20 years of industry experience, we have developed a stable customer base primarily consisting of top-tier battery material manufactures. Our notable customers include three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as seven of the ten largest cathode manufacturers in the world as measured by market share in 2017, according to the Roskill Report. Our products are sold primarily in China, as well as 17 other countries including Korea, Japan, India, France, Canada and United States. We also sell our technical-grade lithium concentrates primarily to companies engaged in the glass and ceramics and porcelain industries. In 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our revenue generated from our five largest customers amounted to RMB729.7 million, RMB1,319.9 million, RMB2,118.3 million, RMB407.0 million and RMB683.9 million, respectively, representing 39.1%, 33.8%, 38.7%, 38.2% and 41.0% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue from manufacturing and sales of lithium compounds and derivatives by product type, each expressed as an absolute amount and as a percentage of our revenue from such segment for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Sales revenue	%	Sales revenue	%	Sales revenue	%	Sales revenue	%	Sales revenue	%
	(RMB in millions, except for percentage)						(unaudited)			
Lithium carbonate	804.4	81.3	2,218.8	78.5	2,856.8	77.3	552.4	80.9	850.1	79.1
Lithium hydroxide	82.7	8.3	375.5	13.3	410.9	11.1	50.8	7.4	98.2	9.1
Lithium chloride(1)	54.8	5.5	92.3	3.3	164.9	4.5	41.8	6.1	17.3	1.6
Lithium metal	30.2	3.0	98.1	3.5	226.8	6.1	31.8	4.7	95.3	8.9
Others(2)	19.2	1.9	40.1	1.4	36.9	1.0	6.0	0.9	13.5	1.3
Total lithium compounds and derivatives	**991.3**	**100.0**	**2,824.8**	**100.0**	**3,696.3**	**100.0**	**682.8**	**100.0**	**1,074.4**	**100.0**

Notes:

(1) Majority of the lithium chloride we produced is consumed internally for manufacture of lithium metal.

(2) Others primarily include sodium sulfate, sodium hypochlorite and mineral ash and slag.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths will contribute to our growth and differentiate us from our competitors:

- We are a leading new energy materials company in China and globally, with lithium at our core

- Optimally positioned to capitalize on the new energy revolution, especially in EV and energy storage sectors, and particularly in China, through our ability to supply a range of products to a diverse end-customer base employing different technologies
- Strategic exposure to two of the largest, lowest cost and highest grade lithium mining operations in the world
- 100% lithium concentrate self-sufficiency, and sizable capability to produce a variety of end-products with consistency and quality, gives us a cost advantage that leads to operational efficiencies, security and flexibility and higher profitability
- Established leader in the global lithium industry that has built a top tier customer base over many years and a critical supplier in the supply chain system of many key battery and EV OEMs around the world with customer oriented R&D and high environmental, health and safety standards.
- We have a long and proven track record of highly efficient and successful operation in lithium mining and manufacturing, with expertise enabling us to achieve high product consistency and quality required by the accreditation process for customers in the battery industry supply chain
- Highly experienced and committed international management team with visionary leadership and proven execution capabilities, overseen by high standard corporate governance

OUR STRATEGIES

To solidify our leadership position in the new energy materials industry, we intend to pursue the following strategies:

- Expand our mining operations to support our future business expansions
- Further enhance our manufacturing capacity for lithium compounds and derivatives and enrich product offerings
- Cement solid and long-standing customer relationships and strengthen ties with the latest development in our end-use markets
- Continue to expand our international business presence and develop our global customer base
- Reinforce research and development capabilities and selectively pursue strategic investments

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have derived the consolidated financial information for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018 as set forth in the Accountants' Report in Appendix I to this **[REDACTED]**. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial information as set forth in the Accountants' Report in Appendix I to this **[REDACTED]**, including the related notes.

Our consolidated financial information was prepared in accordance with IFRSs.

Summary Consolidated Statements of Profit or Loss

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)			(unaudited)	
Revenue	**1,864.3**	**3,902.3**	**5,468.8**	**1,064.9**	**1,668.9**
Cost of sales	(988.9)	(1,118.8)	(1,628.5)	(332.3)	(436.0)
Gross profit	**875.4**	**2,783.5**	**3,840.3**	**732.6**	**1,232.9**
Other income	39.9	103.3	1,239.2	259.4	42.0
Selling and distribution expenses	(30.5)	(35.9)	(38.3)	(6.9)	(8.3)
Administrative expenses	(178.8)	(241.7)	(314.8)	(51.7)	(68.8)
Other expenses	(74.6)	(430.7)	(119.8)	(12.3)	(513.0)
Profit from operations	**631.4**	**2,178.5**	**4,606.6**	**921.1**	**684.8**
Finance costs	(119.5)	(86.9)	(127.0)	(28.2)	(50.6)
Share of profits less losses of associates	3.2	8.1	20.4	(2.6)	(5.2)
Profit before taxation	**515.1**	**2,099.7**	**4,500.0**	**890.3**	**629.0**
Income tax	(87.2)	(356.8)	(1,100.9)	(228.5)	(161.7)
Profit for the year/period	**427.9**	**1,742.9**	**3,399.1**	**661.8**	**467.3**

Non-IFRSs Measure

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)			(unaudited)	
Adjusted EBITDA[(1)]	805.5	2,763.4	3,837.1	729.4	1,217.8

Note:

(1) Adjusted EBITDA, as we present it, represents profit for the year or period before income tax, finance costs, interest income from bank deposits, depreciation and amortization, impairment losses, write down of inventories, compensation expenses, net unrealized fair value gains or losses from derivative financial instruments and equity investments at fair value through profit or loss ("**FVTPL**"), net realized gain or loss on settlement of derivative financial instruments, gain on disposal of subsidiary, net loss on disposal of property, plant and equipment, and net foreign exchange gains or losses. Adjusted EBITDA is not a standard measure under IFRSs. The use of adjusted EBITDA has limitation as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs. See "Financial Information—Adjusted EBITDA" for more information.

The following table reconciles profit for the year or period, which is the most directly comparable IFRSs measure, to adjusted EBITDA for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)				
				(unaudited)	
Profit for the year/period	427.9	1,742.9	3,399.1	661.8	467.3
Adjustments for:					
Income tax	87.2	356.8	1,100.9	228.5	161.7
Finance costs	119.5	86.9	127.0	28.2	50.6
Interest income from bank deposits	(24.6)	(19.1)	(32.2)	(5.8)	(22.6)
Depreciation	128.5	197.6	223.7	55.6	57.4
Amortization	2.8	2.5	10.8	0.7	4.9
Impairment losses	57.1	3.5	6.7	0.4	3.1
Write down of inventories	3.6	—	—	—	—
Compensation expenses	—	62.9	15.9	—	—
Net unrealized fair value gains from derivative financial instruments and equity investments at FVTPL	(2.3)	(2.2)	(1,043.7)	(211.8)	—
Net unrealized fair value losses from derivative financial instruments and equity investments at FVTPL	—	323.6	6.5	6.9	475.9
Net realized gain on settlement of derivative financial instruments	—	(21.2)	—	(2.8)	—
Net realized loss on settlement of derivative financial instruments	—	—	52.1	—	4.8
Gain on disposal of a subsidiary	—	(5.4)	—	—	—
Net loss on disposal of property, plant and equipment	4.9	9.0	19.8	—	2.8
Net foreign exchange gains	—	—	(49.5)	(32.3)	—
Net foreign exchange losses	0.9	25.6	—	—	11.9
Adjusted EBITDA	**805.5**	**2,763.4**	**3,837.1**	**729.4**	**1,217.8**

Selected Consolidated Statements of Financial Position Data

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Non-current assets	5,805.7	7,291.8	9,974.7	10,125.8
Current assets	1,710.7	3,914.1	7,865.2	8,034.0
Total assets	**7,516.4**	**11,205.9**	**17,839.9**	**18,159.8**
Non-current liabilities	1,799.5	2,442.7	4,675.1	5,040.3
Current liabilities	1,644.7	2,968.8	2,529.8	2,430.6
Total liabilities	**3,444.2**	**5,411.5**	**7,204.9**	**7,470.9**
Net current assets	**66.0**	**945.3**	**5,335.4**	**5,603.4**
Share capital	261.4	994.4	1,142.1	1,142.1
Reserves	2,811.1	3,596.8	7,927.6	8,092.4
Non-controlling interests	999.7	1,203.2	1,565.3	1,454.4
Total equity	**4,072.2**	**5,794.4**	**10,635.0**	**10,688.9**
Total liabilities and equity	**7,516.4**	**11,205.9**	**17,839.9**	**18,159.8**

Selected Consolidated Statements of Cash Flows Data

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)				
				(unaudited)	
Net cash generated from operating activities	659.6	1,776.4	3,094.6	659.5	924.5
Net cash used in investing activities	(570.8)	(2,054.4)	(1,468.8)	(230.4)	(1,564.8)
Net cash generated from / (used in) financing activities	77.1	1,113.8	2,264.0	(274.7)	180.3
Net increase/(decrease) in cash and cash equivalents	**165.9**	**835.8**	**3,889.8**	**154.4**	**(460.0)**
Cash and cash equivalents at January 1	434.6	545.3	1,468.4	1,468.4	5,276.0
Effect of foreign exchange rate changes	(55.2)	87.3	(82.2)	15.6	(180.0)
Cash and cash equivalents at December 31 / March 31	**545.3**	**1,468.4**	**5,276.0**	**1,638.4**	**4,636.0**

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios as of the dates or for the periods indicated.

	For the year ended/as of December 31,			For the three months ended/as of March 31,
	2015	2016	2017	2018
Profitability:				
Gross margin	47.0%	71.3%	70.2%	73.9%
Adjusted EBITDA margin(1)	43.2%	70.8%	70.2%	73.0%
Net profit margin	23.0%	44.7%	62.2%	28.0%
Rates of return:				
Return on assets(2)	5.7%	15.6%	19.1%	10.4%
Return on equity(3)	10.5%	30.1%	32.0%	17.7%
Liquidity:				
Adjusted net debt to capital ratio(4)	49.7%	47.1%	N/A	8.1%
Current ratio(5)	104.0%	131.8%	310.9%	330.5%
Quick ratio(6)	79.7%	116.0%	292.0%	311.5%

Notes:

(1) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

(2) Return on assets ratio is calculated using net profit divided by total assets at the end of the year or period, multiplied by 100%. Return on assets ratio for the three months ended March 31, 2018 is annualized for comparison purposes.

(3) Return on equity ratio is calculated using net profit divided by total equity at the end of the year or period, multiplied by 100%. Return on equity ratio for the three months ended March 31, 2018 is annualized for comparison purposes.

(4) Adjusted net debt to capital ratio is calculated using adjusted net debt divided by adjusted equity. Adjusted net debt is defined as current and non-current bank loans and other borrowings plus unaccrued proposed dividends less cash and cash equivalents. Adjusted equity comprises all components of equity less unaccrued proposed dividends.

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

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

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the **[REDACTED]** is completed and **[REDACTED]** H Shares are newly **[REDACTED]** in the **[REDACTED]**, (ii) the **[REDACTED]** for the **[REDACTED]** is not exercised, and (iii) **[REDACTED]** Shares are **[REDACTED]** and outstanding following the completion of the **[REDACTED]**:

	Based on an [REDACTED] of HK$[REDACTED]	Based on an [REDACTED] of HK$[REDACTED]
Market capitalization of our Shares(1)	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(2)	RMB**[REDACTED]** (HK$**[REDACTED]**)(3)	RMB**[REDACTED]** (HK$**[REDACTED]**)(3)

Notes:

(1) The calculation of market capitalization is based on **[REDACTED]** H Shares and **[REDACTED]** A Shares expected to be in issue immediately upon completion of the **[REDACTED]**.

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in "Appendix III Unaudited **[REDACTED]** Financial Information" in this **[REDACTED]**.

(3) The estimated net **[REDACTED]** from the **[REDACTED]** are translated into Renminbi at the rate of RMB[●] to HK$1.00, the exchange rate set by the PBoC prevailing on the Latest Practicable Date. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.

DIVIDEND POLICY

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

We declared dividends of RMB78.4 million, RMB179.0 million, RMB228.4 million and nil, respectively, in relation to our operations in 2015, 2016 and 2017 and the three months ended March 31, 2018. We paid dividends of nil, RMB77.8 million, RMB178.2 million and nil in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), our Company will be owned as to **[REDACTED]**% by Tianqi Group Company, which in turn is owned as to 88.60% by Jiang Weiping and as to 10% by Jiang Anqi. Zhang Jing, the spouse of Jiang Weiping, and Li Silong, the spouse of Jiang Anqi, will also directly hold **[REDACTED]**% and **[REDACTED]**% of the total issued share capital of our Company, respectively. As such, Tianqi Group Company, Jiang Weiping, Zhang Jing, Jiang Anqi and Li Silong will be deemed to have control over **[REDACTED]**% of the total issued share capital of our Company immediately following completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), and therefore, each a Controlling Shareholder under the Listing Rules.

See the section headed "Relationship with Our Controlling Shareholders" for further details about our Controlling Shareholders.

FUTURE PLANS AND USE OF [REDACTED]

The net **[REDACTED]** of the **[REDACTED]** (after deducting the relevant expenses) are estimated to be approximately HK$**[REDACTED]** before any exercise of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the stated range of the **[REDACTED]** between HK$**[REDACTED]** and HK$**[REDACTED]** per H Share. If the **[REDACTED]** is exercised in full, we estimate that the additional net **[REDACTED]** to our Company from the **[REDACTED]** of these additional H Shares will be approximately HK$**[REDACTED]** million, after deducting the relevant expenses, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share. We intend to apply the net **[REDACTED]** from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) in the following manner:

- Approximately 90% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** of the **[REDACTED]** will be used to partially repay debt to be incurred for the SQM Transaction; and
- Approximately 10% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** of the **[REDACTED]** will be used for general corporate purposes.

If the **[REDACTED]** is set at the high-end or the low-end of the indicative **[REDACTED]** range, being HK$**[REDACTED]** or HK$**[REDACTED]** per Share, respectively, the net **[REDACTED]** to us from the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised) will respectively increase or decrease by approximately HK$**[REDACTED]** million. In such case, we intend to modify the allocation of our additional or reduced net **[REDACTED]** (as the case may be) in the manner stated above on a pro-rata basis.

If the **[REDACTED]** is exercised in full, we estimate that we will receive total net **[REDACTED]** of approximately HK$**[REDACTED]** at the low-end of the **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]** and HK$**[REDACTED]** million at the high-end of the **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]**, after deducting the estimated **[REDACTED]** fees and expenses payable by us. Any additional net **[REDACTED]** received from the exercise of the **[REDACTED]** will be applied pro rata to the abovementioned purposes.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately required for the above purposes, the Directors currently intend that such **[REDACTED]** will be placed on short-term deposits and on other short-term capital preservation products with licensed banks or financial institutions in Hong Kong or the PRC.

RECENT DEVELOPMENT

On May 17, 2018, we entered into the SQM Share Purchase Agreement to purchase 62,556,568 Series A shares of SQM held by Nutrien at a consideration of approximately US$4.07 billion, representing approximately 23.77% of the total issued capital of SQM. Including the existing approximately 2.10% economic interest in SQM through the Series B shares already owned, we expect to hold approximately 25.86% of the economic interest in SQM upon completion of the SQM Transaction and become the second largest shareholder of SQM. In addition to our cash on hand, we expect to incur a debt of approximately US$3.5 billion to finance the consideration for the SQM Transaction. The completion of the SQM Transaction is subject to relevant regulatory approvals. We plan to apply 90% (approximately HK$**[REDACTED]** million, assuming the **[REDACTED]** is not exercised) of the net **[REDACTED]** from the **[REDACTED]** to partially repay the debt to be incurred in relation to the SQM Transaction. See "Business—Our Investments in the Global Lithium Value Chain—The SQM Transaction" for further details.

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since March 31, 2018, being the date of our consolidated financial statements as set out in the Accountant's Report included in Appendix I, and up to the date of this **[REDACTED]**.

RISK FACTORS

Our business and the **[REDACTED]** involve certain risks as set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to invest in our H Shares. Some of the major risks we face relate to (i) the market forces in the lithium industry, including the current and expected supply and demand dynamics of lithium; (ii) market fluctuations of lithium prices; (iii) competition in the lithium industry; (iv) operational risks associated with our mining and production businesses; and (v) new legislations or changes in the PRC regulatory requirements regarding the end markets of our products.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly comprise professional fees payable to Joint Sponsors, **[REDACTED]**, **[REDACTED]**, legal advisors and our reporting accountants for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. The total amount of **[REDACTED]** expenses that will be borne by us is estimated to be approximately RMB**[REDACTED]** (based on the mid-point of our indicative price range for the **[REDACTED]**), of which approximately RMB**[REDACTED]** is expected to be accounted for as a deduction from equity and the remaining amount of approximately RMB**[REDACTED]** is expected to be charged to our profit or loss contained in the consolidated statements of profit or loss and other comprehensive income. None of the **[REDACTED]** expenses was charged to our profit or loss for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018. Our Directors do not expect such expenses to materially impact our results of operations for the year ending December 31, 2018.

In this **[REDACTED]***, unless the context otherwise requires, the following expressions shall have the following meanings.*

"A Shares"	domestic shares of our Company with a nominal value of RMB1.00 each which are listed on the Shenzhen Stock Exchange and traded in RMB
"Anju Plant"	a lithium carbonate manufacturing plant in Anju District of Suining, Sichuan Province, PRC that we will construct. See "Business—Manufacture and Sales of Lithium Compounds and Derivatives—Production Expansion Plan" for more details
	[REDACTED]
"Articles of Association" or "Articles"	the articles of association of the Company adopted on August 9, 2018 and effective upon **[REDACTED]**, a summary of which is set out in Appendix VII to this **[REDACTED]**
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit and Risk Management Committee"	the audit and risk management committee of the Board
"BDA Report"	the competent person's report prepared by Behre Dolbear Australia Pty Limited, the effective date of which is March 31, 2018, and details of which are set out in "Appendix IV— Competent Person's Report"
"Board of Directors" or "Board"	our board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
	[REDACTED]

[REDACTED]

"Chengdu Tianqi"	Chengdu Tianqi Lithium Co., Limited (成都天齊鋰業有限公司), a company with limited liability incorporated in the PRC on August 22, 2014, which is a wholly-owned subsidiary of the Company
"Chile SALA"	Salares de Atacama Sociedad Contractual Minera, a company incorporated with limited liability in Chile on November 28, 2008, in which the Company holds a 50% equity interest indirectly through Chile SLI, while San Antonio Sociedad Contractual Minera and Alejandro Moreno Prohens hold 49.995% and 0.005% equity interest, respectively, and which we account for as a jointly controlled entity
"Chile SLI"	Inversiones SLI Chile Limitada, a company with limited liability incorporated in Chile on October 24, 2009, in which the Company holds a 51% equity interest through Windfield
"China" or "PRC"	the People's Republic of China, for the purpose of this **[REDACTED]**, excluding Hong Kong, Macau and Taiwan
"CLSA"	CLSA Capital Markets Limited, a licensed corporation licensed under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Chongqing Tianqi"	Chongqing Tianqi Lithium Co., Limited (重慶天齊鋰業有限責任公司), a company with limited liability incorporated in the PRC on February 13, 2017, a subsidiary of the Company in which the Company holds a 86.38% equity interest through Chengdu Tianqi
"Company Law"	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Eighth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented and otherwise modified from time to time

"Company," "our Company," "we" or "us"	Tianqi Lithium Corporation (天齊鋰業股份有限公司), a joint stock company incorporated in the PRC with limited liability, which was converted into a joint stock company from its predecessor, Shehong Lithium, a state-owned enterprise, on December 25, 2007, the A Shares of which are listed on the Shenzhen Stock Exchange with the stock code 002466, and, if the context required, including its predecessors, subsidiaries and branch offices
"Connected Person(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"EIT Law Implementation Rules"	The Implementation Rules of the New EIT Law (中華人民共和國企業所得稅法實施條例)
"EIT"	enterprise income tax of the PRC
	[REDACTED]
"FMC"	FMC Corporation
"GAM"	Global Advanced Metals Greenbushes Pty Ltd
"GAM Agreement"	the reserved mineral rights agreement entered into by and between Talison and GAM in 2009
"GDP"	gross domestic product
	[REDACTED]
"Greenbushes Mine"	a lithium mine located in Greenbushes, Western Australia, Australia and operated by Talison. See "Business—Mining, Production and Sales of Lithium Concentrate—Our Lithium Assets" for more details
"Group"	the Company and its subsidiaries

"H Shares"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars and **[REDACTED]** on the Stock Exchange
	[REDACTED]
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong at this time
	[REDACTED]
"Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"IASB"	International Accounting Standards Board

"IFRSs"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the IASB, and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"Independent Third Party(ies)"	party(ies) not connected with any of the Directors, Supervisors, chief executive, Substantial Shareholders of the Company or any of its subsidiaries or any of their respective associates
"INED(s)"	independent non-executive Director(s)
	[REDACTED]
"Inversiones TLC 1"	Inversiones TLC SpA, a limited liability company incorporated in Chile on April 30, 2018, which is a wholly-owned subsidiary of the Company
"Inversiones TLC 2	Inversiones TLC SPA, a limited liability company incorporated in Chile on July 10, 2018, which is a wholly-owned subsidiary of the Company
	[REDACTED]
"Joint Sponsors"	Morgan Stanley and CLSA

"Kwinana Plant"	a lithium hydroxide manufacturing plant in Kwinana, Western Australia, Australia that is currently under construction. See "Business—Manufacture and Sales of Lithium Compounds and Derivatives—Production Expansion Plan" for more details
"Latest Practicable Date"	August 10, 2018, the latest practicable date for the inclusion of certain information in this **[REDACTED]** prior to its publication
"Listing Committee"	the Listing Committee of the Stock Exchange
	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
	[REDACTED]
"Main Board"	the Main Board of the Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on September 29, 1994, as amended, supplemented or otherwise modified from time to time
"MOFCOM" or "Ministry of Commerce"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Morgan Stanley"	Morgan Stanley Asia Limited, a licensed corporation licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
"net profit"	profit for the year/period
"New EIT Law"	The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth National People's Congress on March 16, 2007, and effective January 1, 2008 and amended on February 24, 2017

"Non-PRC Resident Enterprise"	as defined under the New EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NPC" or "National People's Congress"	the National People's Congress of the PRC
"Nutrien"	Nutrien Ltd, an Independent Third Party
	[REDACTED]
"Old Enterprise Income Tax Law"	the applicable PRC tax laws and regulations prior to January 1, 2008
	[REDACTED]
"PBOC"	People's Bank of China (中國人民銀行)
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government" or "State"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
	[REDACTED]

[REDACTED]

"Promoters"	the promoters of the Company, namely Tianqi Group Company and Ms. Zhang Jing

[REDACTED]

"QIBs" or "Qualified Institutional Buyers"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
"QPs" or "Qualified Purchasers"	qualified purchasers, as defined in Section 2(a)(51) of the U.S. Investment Company Act and Rule 2a51-1 thereunder
"Regulation S"	Regulation S under the Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Roskill Report"	the independent industry report prepared by Roskill Consulting Group Ltd.
"RT Lithium"	RT Lithium Limited, an Independent Third Party, other than its 49% shareholding in Windfield
"Runfeng Minerals"	Yajiang County Runfeng Minerals Co., Ltd. (雅江縣潤豐礦業有限責任公司), a company with limited liability incorporated in the PRC on November 26, 2003, in which Tianqi Group Company holds a 50.81% equity interest and the remaining interests are held as to 30% by Jiang Weimin, the brother of Mr. Jiang Weiping, 1.84% by Jiang Anqi, 1.84% by Yang Qing, and the remaining 15.51% by Independent Third Parties, and a connected person of the Company
"Rule 144A"	Rule 144A under the Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (國家稅務總局)

"SAWS"	State Administration of Work Safety (國家安全生產監督管理總局)
"Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shareholder(s)"	holder(s) of our Shares
"Shares"	shares in the share capital of the Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares
"Shehong Lithium"	Sichuan Shehong Lithium Co., Limited (四川省射洪鋰業有限責任公司), the predecessor of the Company, a state-owned enterprise incorporated in the PRC on October 16, 1995
"Shehong Plant"	a lithium compounds and derivatives manufacturing plant located in Shehong, Sichuan Province, PRC and operated by Shehong Tianqi. See "Business—Manufacture and Sales of Lithium Compounds and Derivatives—Existing Manufacturing Plants" for more details
"Shehong Tianqi"	Tianqi Lithium (Shehong) Co., Limited (天齊鋰業（射洪）有限公司), a limited liability company incorporated in the PRC on March 23, 2016, which is a wholly-owned subsidiary of the Company
"Shenghe Lithium"	Sichuan Tianqi Shenghe Lithium Co., Ltd. (四川天齊盛合鋰業有限公司), a limited liability company incorporated in the PRC on November 4, 2008, which is a wholly-owned subsidiary of the Company
"Shigatse Zabuye"	Tibet Shigatse Zabuye Lithium High-Tech Co., Limited (西藏日喀則紮布耶鋰業高科技有限公司), a limited liability company incorporated in the PRC on June 30, 1999, in which the Company holds 20% equity interest with the remaining 80% equity interest held as to 50.72% by Tibet Mining Development Co., Ltd. (西藏礦業發展股份有限公司), 18% by BYD Co., Ltd. (比亞迪股份有限公司), 3.94% by Tibet Jinhao Investment Co., Ltd. (西藏金浩投資有限公司), and 1.21% by Tibet Mining Development Headquarters Co., Ltd. (西藏礦業發展總公司), all of whom are Independent Third Parties

"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended from time to time
"SQM"	Sociedad Quimica y Minera de Chile S.A., a limited liability company incorporated in Chile on June 29, 1968 and listed on the Valparaiso Stock Exchange, the Santiago Stock Exchange, the Santiago Electronic Stock Exchange and the New York Stock Exchange, in which the Company currently holds indirectly through Tianqi HK a 2.10% equity interest and proposes to acquire an approximately 23.77% additional equity interest as of the Latest Practicable Date
"SQM Transaction"	the proposed acquisition of an approximately 23.77% additional equity interest in SQM in accordance with the terms and conditions set out in the SQM Share Purchase Agreement
"SQM Share Purchase Agreement"	the share purchase agreement dated May 17, 2018 entered into between our Company and Nutrien, pursuant to which Nutrien agreed to sell and our Company agreed to purchase 62,556,568 Series A shares of SQM at an aggregate consideration of approximately US$4.07 billion
"sq. m." or "m^2"	square meter(s)
	[REDACTED]
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange," "SEHK" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning ascribed thereto in section 15 of the Hong Kong Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed thereto in the Listing Rules
"Supervisor(s)"	one (or all) of our supervisors
"SZSE" or "Shenzhen Stock Exchange"	Shenzhen Stock Exchange
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Repurchases

"Talison Lithium Australia"	Talison Lithium Australia Pty Ltd, a limited liability company incorporated in Australia on September 11, 2009, in which the Company holds a 51% equity interest indirectly through Windfield
"Talison Lithium Canada"	Talison Lithium (Canada) Inc., a limited liability company incorporated in Canada on June 28, 2012, in which the Company holds a 51% equity interest indirectly through Windfield
"Talison MCP"	Talison Lithium (MCP) Pty Ltd, a limited liability company incorporated in Australia on June 28, 2011, in which the Company holds a 51% equity interest indirectly through Windfield
"Talison Minerals"	Talison Minerals Pty Ltd, a limited liability company incorporated in Australia on May 24, 2007, in which the Company holds a 51% equity interest indirectly through Windfield
"Talison Services"	Talison Services Pty Ltd, a limited liability company incorporated in Australia on May 25, 2007, in which the Company holds a 51% equity interest indirectly through Windfield
"Talison"	Talison Lithium Pty Ltd, formerly known as Talison Lithium Limited, a limited liability company incorporated in Australia on October 22, 2009, in which the Company holds a 51% equity interest indirectly through Windfield
"Tianqi Australia Investments 1"	Tianqi Lithium Australia Investments 1 Pty Ltd, a limited liability company incorporated in Australia on May 4, 2018, which is a wholly-owned subsidiary of the Company
"Tianqi Australia Investments 2"	Tianqi Lithium Australia Investments 2 Pty Ltd, a limited liability company incorporated in Australia on May 4, 2018, which is a wholly-owned subsidiary of the Company
"Tianqi Finco"	Tianqi Finco Co., Ltd, a limited liability company incorporated in the British Virgin Islands on June 6, 2017, which is a wholly-owned subsidiary of the Company
"Tianqi Group Company"	Chengdu Tianqi Industrial (Group) Co., Limited (成都天齊實業（集團）有限公司), a company with limited liability incorporated in the PRC on December 6, 2003, which is a Controlling Shareholder of the Company holding 409,543,290 A Shares, representing 35.86% of the total issued share capital of the Company as of the Latest Practicable Date

"Tianqi Group HK"	Tianqi Group HK Co., Limited, a limited liability company incorporated in Hong Kong on July 26, 2012 which is controlled by Tianqi Group Company and a connected person of the Company
"Tianqi HK"	Tianqi HK Co., Limited, a limited liability company incorporated in Hong Kong on January 24, 2013, which is a wholly-owned subsidiary of the Company
"Tianqi Lithium HK"	Tianqi Lithium HK Co., Limited, a limited liability company incorporated in Hong Kong on March 11, 2015, which is a wholly-owned subsidiary of the Company
"Tianqi Lithium International"	Tianqi Lithium International Limited (天齊鋰業國際有限公司), formerly known as Galaxy Lithium International Limited (銀河鋰業國際有限公司), a limited liability company incorporated in Hong Kong on July 23, 2009, which is a wholly-owned subsidiary of the Company
"Tianqi Lithium (Jiangsu)"	Tianqi Lithium (Jiangsu) Co., Limited (天齊鋰業(江蘇)有限公司), formerly known as Galaxy Lithium (Jiangsu) Co., Limited (銀河鋰業（江蘇）有限公司), a limited liability company incorporated in the PRC on February 10, 2010, which is a wholly-owned subsidiary of the Company
"Tianqi Mining"	Sichuan Tianqi Mining Co., Limited (四川天齊礦業有限責任公司), a limited liability company incorporated in the PRC, formerly a wholly-owned subsidiary of the Company and since June 2016, a wholly-owned subsidiary of Tianqi Group Company
"Tianqi Resources"	Tianqi Lithium Resource Recycling Technologies Research & Development (Jiangsu) Co., Limited (天齊鋰業資源循環技術研發（江蘇）有限公司), a limited liability company incorporated in the PRC on September 28, 2017, which is a wholly-owned subsidiary of the Company
"Tianqi Silicon"	Ganzi Tibetan Autonomous Prefecture Tianqi Silicon Co., Limited (甘孜州天齊矽業有限公司), a limited liability company incorporated in the PRC on November 4, 2008, which is a wholly-owned subsidiary of Tianqi Group Company and a connected person of the Company
"Tianqi Spain"	Tianqi Lithium Spain, S.L.U, a limited liability company incorporated in Spain on May 13, 2016, which is a wholly-owned subsidiary of the Company
"Tianqi Suining"	Suining Tianqi Lithium Co., Ltd. (遂寧天齊鋰業有限公司), a limited liability company incorporated in the PRC on

	January 3, 2018, which is a wholly-owned subsidiary of the Company
"Tianqi UK"	Tianqi UK Limited (天齊英國有限公司), a limited liability company incorporated in the United Kingdom on March 26, 2014, and which is a wholly-owned subsidiary of the Company
"Tianqi Xinlong"	Tianqi Xinlong Science & Technology (Chengdu) Co., Limited (天齊鑫隆科技（成都）有限公司), a limited liability company incorporated in the PRC on May 3, 2017 which is a wholly-owned subsidiary of the Company
"TLA"	Tianqi Lithium Australia Pty Ltd, a limited liability company incorporated in Australia on November 9, 2017, which is a wholly-owned subsidiary of the Company
"TLH"	Tianqi Lithium Holdings Pty Ltd, a limited liability company incorporated in Australia on November 9, 2017, which is a wholly-owned subsidiary of the Company
"TLK"	Tianqi Lithium Kwinana Pty Ltd, formerly known as Tianqi Lithium Australia Pty Ltd (TLA), a limited liability company incorporated in Australia on April 27, 2016, which is a wholly-owned subsidiary of the Company
"Tongliang Plant"	a lithium metal manufacturing plant located in Tongliang, Chongqing, PRC and operated by Chongqing Tianqi. See "Business—Manufacture and Sales of Lithium Compounds and Derivatives—Existing Manufacturing Plants" for more details
"TQMMM"	Chengdu Tianqi Machinery, Metals & Minerals Import & Export Co., Ltd. (成都天齊機械五礦進出口有限責任公司), a limited liability company incorporated in the PRC on January 22, 1998, which is controlled by Tianqi Group Company and a connected person of the Company
"Track Record Period"	the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018
"TSF1"	the original tailings storage facility at the Greenbushes Mine
"U.S. dollars" or "US$"	United States dollars, the lawful currency for the time being of the United States

[REDACTED]

[REDACTED]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Investment Company Act"	the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder
"U.S. Persons"	the U.S. persons as defined in Regulation S under the Securities Act
"VAT"	value-added tax

[REDACTED]

"Windfield Finco"	Windfield Finco Pty Ltd, a limited liability incorporated in Australia on February 18, 2013, in which the Company holds a 51% equity interest through Windfield
"Windfield"	Windfield Holdings Pty Ltd, a limited liability company incorporated in Australia on September 21, 2012, in which the Company holds a 51% equity interest through Tianqi UK and the remaining 49% equity interest held by RT Lithium, an Independent Third Party except being a substantial shareholder of Windfield
"Yajiang Cuola Mine"	a lithium mine located in Yajiang County, Sichuan Province, PRC and wholly owned by Shehong Lithium. See "Business—Mining, Production and Sales of Lithium Concentrate—Our Lithium Assets" for more details
"Zhangjiagang Plant"	a lithium carbonate manufacturing plant located in Zhangjiagang, Jiangsu Province, PRC and operated by Tianqi Lithium (Jiangsu). See "Business—Manufacture and Sales of Lithium Compounds and Derivatives—Existing Manufacturing Plants" for more details

"beneficiation"	the process of removing gangue minerals from ores to produce a higher grade product
"BEV"	battery electric vehicles are zero-emission vehicles which run solely on stored electrical energy, typically in the form of a battery
"Central Lode"	central lode of Greenbushes Mine
"ERP system"	an enterprise resource planning software
"EV"	electric vehicle
"exploration"	activity to prove the location, volume and quality of an orebody
"grade"	the percentage of metal elements or their component in ore, usually expressed as a percentage or gram per ton
"HEV"	hybrid electric vehicles are powered by both a battery connected to an electric motor as well as by an internal combustion engine running on conventional fuel.
"JORC"	the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code"), which is a professional code of practice that sets minimum standards for public reporting of minerals exploration results, mineral resources and ore reserves
"km"	kilometer
"LCE"	lithium carbonate equivalent, a unit of measurement for lithium
"LoM"	life of mine
"lithium alloy"	a mixture of lithium with other metals or a mixture of lithium with another element
"lithium brine"	a solution of lithium in water that naturally occurs on earth's surface, crust and within brine pools on ocean bottom
"lithium carbonate"	a compound of colorless monoclinic crystal or white powder that can be dissolved in dilute acid and is commonly used for lithium-ion battery materials
"lithium chloride"	a compound that is mainly used for the production of lithium metal through electrolysis.
"lithium concentrate"	lithium mineral feedstock processed from lithium ore and to be consumed directly or used for manufacturing and sales of lithium compounds and derivatives.
"lithium foil"	a very thin sheet of lithium metal

"lithium hydroxide"	a compound that is commonly used for lithium-ion battery materials
"lithium metal"	a soft, silvery-white metal
"mining"	the extraction of useful minerals or other geological materials from the crust, from an orebody, vein or coal seam
"MVR system"	mechanical vapor recompression system
"NMC"	lithium nickel manganese cobalt oxide
"OEM"	original equipment manufacturer
"offtake agreement"	an agreement between a producer of a resource and a buyer of a resource to purchase and sell portions of the producer's future production
"ore"	an occurrence of rock or sediment that contains minerals
"PHEV"	plug-in hybrid electric vehicles are equipped with both battery electric motor system and an internal combustion engine
"ppm"	parts per million
"R&D"	research and development
"reagent"	a substance or compound added to a system to cause a chemical reaction
"reserves"	the economically mineable part of a measured and/or indicated resource, including ores and estimated allowances for dilution and losses which may occur when the material is mined
"resources"	concentration or occurrence of material of intrinsic economic interest upon or inside the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction; resources, or mineral resources, are subdivided, in order of increasing geological confidence, into "inferred," "indicated" and "measured categories
"spodumene"	a pyroxene mineral consisting of lithium aluminum inosilicate and a source of lithium
"ton"	metric tonne

FORWARD LOOKING STATEMENTS

This **[REDACTED]** includes forward-looking statements. All statements other than statements of historical facts contained in this **[REDACTED]**, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "going forward," "continue," "predict" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully implement our business plan and strategies;
- future development, trends and conditions in the lithium industry;
- our operations and business prospects;
- the competitive markets for our products and the actions and development of our competitors;
- our financial condition and performance;
- general political and economic conditions, including those related to the PRC;
- costs, fluctuations in the price and availability of raw materials;
- expansion, consolidation or other trends in the lithium industry;
- our dividend policy;
- the exchange rate fluctuations and the development of legal systems, in each case pertaining to the PRC, Australia, Chile and the industry and markets in which we operate;
- regulations and restrictions on, including tariffs and environmental regulations;
- changes to our expansion plans and estimated capital expenditures; and
- macroeconomic measures taken by the PRC government to manage economic growth.

Additional factors that could cause actual performance or achievements to differ materially include, but not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this **[REDACTED]**. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this **[REDACTED]**. We undertake no obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this **[REDACTED]** might not occur. All forward-looking statements contained in this **[REDACTED]** are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this **[REDACTED]** *and, in particular, the risks and uncertainties described below, before making an* **[REDACTED]** *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 **[REDACTED]** *of our H Shares could decline owing to any of these risks, and you may lose all or part of your* **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS

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 in 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. A number of other companies either produce raw material and/or purchase and refine raw material and a number of significant new sources of lithium raw material may begin production in the short term. As we are operating in a competitive landscape where lithium suppliers are focused on developing new sources of lithium, there is no assurance that we may continue to be able to secure high quality lithium 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 our 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 and customer orders 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 increase in consumption of lithium in recent years has been driven by a number of end use applications, primarily including lithium-based batteries used in EVs and energy storage systems, according to the Roskill Report. Consumption of lithium has seen a strong growth from 2000 to 2017 at a cumulative annual growth rate of 7.1%; the growth in consumption has been led by the rechargeable battery market, which accounted for 45% of total lithium consumption in 2017, according to the Roskill Report. The Chinese government has introduced incentives to support the energy vehicle industry, including a variety of benefits for EV purchasers and subsidies for EV makers. 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.

The U.S. administration under President Donald Trump has advocated greater restrictions on trade generally and a significant increase on tariffs on goods imported into the United States, particularly from China, and has recently taken steps toward restricting trade in certain goods. The current U.S. administration has created uncertainty with respect to, among other things, existing and proposed trade agreements, free trade generally, and potential significant increases on tariffs on goods imported into the U.S. More specifically, on June 15, 2018, the U.S. Trade Representative published a list of products imported from China that are or could be subject to additional duty of 25%. While none of our products is currently on the list, we cannot assure you that changes to U.S. laws or policies will not have an adverse impact on our business and expansion plans.

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. During the Track Record Period, market prices for lithium products experienced a steady increase, primarily as a result of the continuously increasing demand. According to the Roskill Report, the average spot price for battery-grade lithium carbonate in China increased from US$7,695 per ton in 2015 to US$15,826 per ton in 2017, representing an increase of 43.4% per year for the period, and further increased to US$17,299 per ton in the first half of 2018; the average spot price for industrial-grade lithium carbonate in China increased from US$6,950 per ton in 2015 to US$19,336 per ton in 2017, representing an increase of 66.8% per year for the period, and slightly decreased to US$18,373 per ton in the first half of 2018. Any decline in lithium prices could materially and adversely affect our business, financial condition and results of operations. According to the Roskill Report, other factors that may impact lithium prices include global economic growth, changes to the cost of production including energy, raw material and labor costs, changes to freight costs, changes to exchange rates, capital availability, 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;
- the production of lithium products may be curtailed or suspended if it is no longer economically viable; and
- a significant or sustained reduction in lithium prices could make it more difficult for us to obtain financing and may increase the financing costs for our businesses.

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, the sales volumes of our lithium products and our business, financial condition and results of operations may be materially and adversely affected.

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. As of December 31, 2017, the top five lithium compounds and derivatives suppliers accounted for approximately 80% of global production capacity of lithium compounds and derivatives, according to the Roskill Report. New and existing competitors strive to increase their market shares with continued research and development efforts, optimized production processes and active marketing campaigns. We expect to face competition from both existing and new competitors as we grow our business into new business lines, geographic markets and product categories. 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. 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.

Our mining and production businesses are subject to operational risks, occupational and environmental hazards and other risks, which could damage our reputation, subject us to liability claims and result in substantial costs.

Our mining and production businesses are exposed to various risks, including operational and transportation-related risks and occupational and environmental hazards. We may experience various types of operational difficulties in connection with our lithium mining, lithium concentrate production and lithium compounds and derivatives manufacturing operations. Some of our raw materials and chemicals are hazardous (i.e., toxic or flammable) and their storage and usage in the production process involve inherent risks. Accidents could materially affect our production and may give rise to personal injuries and environmental hazards.

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, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our production output. Any significant manufacturing disruption could adversely affect our ability to make and sell products, which could have a material adverse effect on our business, financial condition and results of operations.

Our mining and production operations are dependent on access to adequate transportation channels. We rely on a combination of rail, sea and road transportation both in China and overseas to deliver our products to customers. However, there can be no assurance that the existing or planned transportation systems will be sufficient to meet our transportation requirements. Any shortage, disruption or limitation of transportation capacity may limit the volume of products delivered to our customers and may cause us to accumulate inventories and scale back production. Furthermore, any disruption to, or decrease in, the availability or capacity in the transportation networks, such as an earthquake, major rail or highway accidents, strikes, seasonal congestion during holidays or any significant rise in transportation costs, could materially and adversely affect our ability to deliver our products to customers and have a material adverse effect on our overall mining, processing, and manufacturing businesses and results of operations.

Under our mining and production operations, we can engage in certain inherently risky and hazardous activities, including, among other things, operations at height or on dangerous terrains, underground excavation and construction, use of heavy machinery, handling and discharge of hazardous chemicals such as flammable and explosive materials, production of lithium concentrate through facilities. As a result, we are subject to risks associated with these activities, including, among other things, geological catastrophes, toxic gas and liquid leakages, equipment failures, industrial accidents, fires, explosions and underground water leakages. These risks and hazards have in some cases resulted in personal injuries and fatal casualties, damage to or destruction of properties or production facilities, and pollution and other environmental damages. 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 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.

New legislations or changes in the PRC regulatory requirements regarding 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, the PRC government has promulgated, amended and updated a series of legislations in relation to the EVs market. On June 28, 2012, the State Council approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《節能與新能源汽車產業發展規劃 (2012-2020年) 》)(國發[2012]22號), granting generous support to EVs and HEVs. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) (國辦發[2014]35號) to grant subsidies and incentives for the application of EVs to be further promoted. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). It is further clarified that by 2020, the application of new energy vehicles in the transportation industry will be established and should reach 300,000 vehicles in total numbers. A preferential vehicle licensing system has also been adopted in several major cities in the PRC to further encourage the purchases of EVs. On March 16, 2016, the National People's Congress passed the 13th Five-Year Plan for the National Economic and Social Development (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), which highlighted China's next five years' focus on accelerating the development of core technologies in the fields of new energy and new energy vehicles. On January 31, 2018, the Measures for Implementation of Encouraging Purchase and Usage of New Energy Vehicles in Shanghai （《上海市鼓勵購買和使用新能源汽車實施辦法》）was issued, granting subsidies for new energy vehicles. On February 24, 2018, the Measures for Management of Promotion and Application of New Energy Vehicles in Beijing (《北京市推廣應用新能源汽車管理辦法》) was issued to encourage purchasing and using new energy vehicles. There is no guarantee that such favorable industry policies or regulatory requirements in China may continue to exist in the future. 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 the Company's business. Given the volatility of short-term orders, we may experience a material change in our revenue.

In 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, sales to our largest customer for our lithium compounds and derivatives accounted for 5.9%, 4.6%, 5.6%, 4.7% and 6.4% of our total revenue, respectively. For the same periods, our sales to our five largest customers for our lithium compounds and derivatives accounted for 21.9%, 20.9%, 21.9%, 18.9% and 24.2% of our total revenue, respectively. If any of these customers terminates their 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 financial markets experienced significant disruptions in 2008 and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global economy has continued to face new challenges, including the escalation of the European sovereign debt crisis in 2011 and the slowdown of the Chinese economy since 2012. 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, including the United States. 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 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.

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, among other things, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment 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 both 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, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our capital expenditures were approximately RMB107.1 million, RMB262.2 million, RMB1,559.5 million, RMB178.1 million and RMB867.2 million, respectively.

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.

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 on lithium compounds and derivatives which are promulgated by the Chinese government and the governments of overseas jurisdictions in which we operate, including Australia. For example, we are required to obtain and maintain valid licenses and certificates including, among others, those required for our mining and production of lithium compounds and derivatives.

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 and water quality, waste management and public health and safety in China and Australia, 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 annual inspection, the relevant authorities may suspend our mines, construction projects or production facilities and may impose a fine on us.

Environmental hazards may exist on the properties on which we holds interests, and such hazards may cause us to incur significant costs that could have a material adverse effect on our financial performance and results of operations. Our production at the Greenbushes Mine involves the use of various chemicals, including those which are designated as hazardous substances. The Greenbushes Mine site and the land upon which the Kwinana Plant is located are classified as a "contaminated-restricted use" site. In addition, there were some historical issues in relation to the Greenbushes Mine regarding noise and other risks inherent in standard mining operations. The close proximity of the Greenbushes Mine site to populated areas may also increase the likelihood of pollution, contamination, and the impacts of noise or dust produced as a result of Talison's operations causing damage to life or property, environmental damage and possible legal liability.

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, the environmental, chemical manufacturing, 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. Furthermore, some of the new overseas markets that we may enter could have more stringent environmental, chemical manufacturing, 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.

Our lithium production depends on a stable, timely and adequate supply of energy, power and raw materials such as electricity, oil fuel, water and chemicals at commercially reasonable prices.

In addition to lithium raw materials, we depend on the supply of energy, power and 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 such materials at acceptable prices and maintain a stable supply. The prices for these 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 materials, the availability of complementary and substitute materials, and local and national regulatory requirements. Furthermore, there can be no assurance that shortages of energy or water will not occur in the future or that we will be able to pass on any cost increases in raw materials, energy or water 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 energy and raw material prices that we are unable to pass onto our consumers will reduce our profit margins. Moreover, if the supply of such materials 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 conduct 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 the PRC. As a result, our foreign exchange-denominated assets and liabilities, including those denominated in Australian dollars and U.S. dollars, are expected to increase significantly as we further expand our overseas businesses. 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. Any increased costs or reduced revenues as a result of foreign currency exchange fluctuations could adversely affect our margins. 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.

The value of the Renminbi is subject to changes in the PRC's governmental policies and international economic and political environment. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5%. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. On August 11, 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on August 11, 2015, Renminbi depreciated significantly against the U.S. dollar. On December 11, 2015, the China Foreign Exchange Trade System ("**CFETS**"), a sub-institutional organization of the PBOC, published for the first time the CFETS Renminbi exchange rate index, which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Since then, , Renminbi experienced varying degrees of fluctuation in value against the U.S. dollar. In December 2016, the CFETS announced that starting on January 1, 2017, the number of currencies in the CFETS currency basket will be increased to 24 from 13. The 11 currencies to add, including the Korean won, the South African rand and the Mexican peso, will have a 21.09% weighting in the currency basket, while the U.S. dollar's weight in the basket will be 0.224%. The PRC government may adopt further reforms of PRC's exchange rate system in the future.

These changes in policy have resulted in fluctuations of the Renminbi against the U.S. dollar. There can be no assurance that such exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. At present, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in fluctuations in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies. Further appreciation of the Renminbi against these currencies may affect our overseas operations. Fluctuations in exchange rates may adversely affect the value, translated or converted into foreign currencies, of our net assets, earnings and any declared dividends.

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 judgement 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.

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 rely on the Greenbushes Mine for all of our lithium concentrate production and supply of lithium raw materials. Any disruption in 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. The BDA Report discloses a number of risks, including the following, in relation to the Greenbushes Mine: (i) the classification of resources as indicated (instead of inferred) in the depleted zone within the Greenbushes Mine may not be adequately supported by the current wide-spaced drilling; (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) there may be a production shortfall during the future transition period for upgrade in production units; (v) the planned increase in production capacity relies on significant expansion in world-wide demand for lithium, which may not take place as anticipated; (vi) there may be overrun in capital costs during the design and construction of resource projects; and (vii) unit operating cost may escalate in the future, particularly during production expansion, which may cause the actual operating cost deviates 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.

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. The LoM of the Greenbushes Mine has approximately 17 years remaining, considering the expansion works currently undertaken, planned and considered, based on the BDA Report. 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.

The development of our Yajiang Cuola Mine is currently on hold due to an alleged environmental incident with respect to a neighboring mine and we cannot guarantee that the development of our Yajiang Cuola Mine will resume in the near future.

Located in Sichuan Province, China, the Yajiang Cuola Mine 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. We commenced construction of phase I of the Yajiang Cuola Mine in August 2012. However, due to an alleged environmental incident related to a neighboring mine owned and constructed by a third party, all lithium operations in the Jiajika District, including the construction of 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 mill and other related facilities was completed. We cannot assure you that the development of our Yajiang Cuola Mine will resume in the near future.

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 services and 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 a portion of our capital expenditures, and expect to continue in the future. As of March 31, 2018, we had total interest-bearing borrowings of approximately RMB5,254.5 million. For details of our bank loans and other borrowings, please refer to the section headed "Financial Information—Indebtedness" in this **[REDACTED]** and note 24 of the accountants' report included in Appendix I to this **[REDACTED]**.

As of March 31, 2018, approximately 16.5%, or RMB867.8 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 and capital expenditure needs. Due to our reliance on these borrowings, we are exposed to interest rate risk resulting from interest rate fluctuations.

As of March 31, 2018, we had fixed-rate borrowings in the amount of approximately RMB3,520.0 million and variable-rate borrowings in the amount of approximately RMB1,734.5 million, and variable-rate borrowings accounted for approximately 33.0% of total bank loans and other borrowings. Rising interest rates would increase interest expenses relating to our outstanding variable-rate borrowings and increase the cost of new debt, including rolled over short-term loans. 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.

In addition, we expect our indebtedness will significantly increase as a result of the SQM Transaction. See "Financial Information—Indebtedness" for further details. 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. 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, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures.

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 in and incurred encumbrances over certain assets in Australia including the mining titles and related ancillary licenses owned by Talison in connection with the mining operations at the Greenbushes Mine. See "Financial Information—Indebtedness" for more information.

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 under such loan agreements and may have recourse to the properties in which we have granted them security interests. During the Track Record Period, we have not breached any financial covenants relating to bank loans and other borrowings. For more details of our bank loans and other borrowings, please refer to the section headed "Financial

Information—Indebtedness" in this **[REDACTED]** and note 24 of the accountants' report included in Appendix I to this **[REDACTED]**.

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 the manufacturing and sales of lithium compounds and derivatives during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, revenue generated from the manufacturing and sales of lithium compounds and derivatives accounted for approximately 53.2%, 72.4%, 67.6%, 64.1% and 64.4%, 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 local communities and the environment. 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.

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, including ourselves, 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 a certain time 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, including our subsidiaries, are required to obtain the relevant exploratory titles, mining titles and ancillary titles prior to undertaking any mining or exploration activities. The mining leases for the Greenbushes Mine are generally granted with a term of 21 years with an option to renew for another 21 years subject to certain conditions. In addition, pursuant to 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 and three related ancillary titles for the Greenbushes Mine. The expiry dates for these mining leases and ancillary titles are set out in the table in "Business—Our Mining Permits." 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. See "Financial Information—Indebtedness" for more information.

As of the Latest Practicable Date, there were four registered and one unregistered live native title claims in Australia involving our Greenbushes Mine operations. We are not aware of any determinations by the Australian courts that native title exists over the area of our mining titles and related ancillary licenses for the Greenbushes Mine. However, if native title is determined to exist over any part of mining titles and related ancillary licenses for the Greenbushes Mine and has not otherwise been extinguished, we may be required to pay compensation to the native title holder for impairment to such title. Currently, we are unable to assess the extent of compensation that may be payable to a current or subsequent native title holder.

In addition, as of the Latest Practicable Date, there was one registered aboriginal heritage site affecting five areas of land covered by our mining titles and related ancillary licenses for the Greenbushes Mine. There may also be unregistered aboriginal sites within the area covered by our mining titles and related ancillary licenses for the Greenbushes Mine. The presence of aboriginal heritage sites may limit or preclude additional mining, exploration or construction activity within the area of those sites and may cause delays and expenses in obtaining relevant clearances and approvals. Although we are not aware of any current issues associated with sites of indigenous heritage significance relating to the Greenbushes Mine, any failure to resolve potential issues associated with sites of indigenous heritage significance could impact adversely on our Australian operations.

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 December 31, 2019.

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.

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

In the course of our business, we have in the past formed, and will in the future 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.

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 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.

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, in the Greenbushes area, our subsidiary, Talison, has the mining rights to lithium, and GAM has the mining rights to all other minerals as stipulated in the GAM Agreement. On July 25, 2017, GAM commenced a legal proceeding against Talison in the Supreme Court of Western Australia, asserting that Talison was in breach of the GAM Agreement by the commencement of works relating to the construction and operation of CGP2 and the mining operations at the Greenbushes Mine. We believe that such litigation will not impact Talison's operation at the Greenbushes Mine. As of the Latest Practicable Date, the dispute between Talison and GAM is still pending in the Supreme Court of Western Australia, and the trial is scheduled to begin in October 2018. There is no assurance that such dispute, if determined adversely to Talison, would not affect our future businesses. 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 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》) 2008 and 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》) effective on August 2008, which requires us to file anti-monopoly applications for some acquisitions based on the turnover of the acquirer and the target entity. Pursuant to the PRC Anti-monopoly Law and the Interim Provisions for the Assessment of the Effect of the Concentration of Business Operators on Competition issued by MOFCOM (《商務部關於評估經營者集中競爭影響的暫行規定》), which was promulgated by the MOFCOM on August 29, 2011 and effective on September 5, 2011, the MOFCOM will consider the following factors when reviewing and assessing the transactions: (i) the market shares of the business operators involved in the potential concentration and their ability to control the relevant market; (ii) the degree of concentration in the relevant market; (iii) the effect of the concentration on market entry and technological progress; (iv) the effect of the concentration on consumers and other business operators; (v) the effect of the concentration on the development of the national economy; and (vi) other factors as deemed applicable by the regulatory authority when conducting the market competition analysis. Such requirements may make it more difficult and time-consuming for us to pursue growth through acquisitions in China, which may result in delays or restrictions on our ability to complete such transactions, and in turn may affect our ability to expand our business or maintain our market share. Such procedures and requirements may cause delays in acquisitions which may affect our expansion plans.

As a result, there can be no assurance that we will be able to realize the strategy behind an acquisition or expansion plan, reach the desired level of operational integration or achieve our investment return target.

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, crime insurance, construction liability insurance, charterers 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. 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 shall 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 underground mining works of the third party contractors or production at our manufacturing plants as a result of our failure to maintain proper safety standards shall be 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 depend on 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 make significant investments in our research and development activities, in particular, to improve the production efficiency and quality of our products, which we believe are crucial to our future development. We incurred research and development expenses of RMB5.4 million, RMB6.4 million, RMB24.0 million, RMB3.0 million and RMB3.5 million for the year ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively. 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 129 authorized patents, including 44 invention patents in the PRC and three invention patents overseas, 26 design patents and 56 utility model patents. As of March 31, 2018, we had 24 and three registered trademarks in China and overseas, respectively, which are material to our business. We are in the process of applying for seven trademarks in China and overseas. We also had two pending applications to register two patents in Australia. 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 ongoing 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.

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 internally, hire short-term temporary workers, or engage independent third-party subcontractors. Outsourcing our work to subcontractors and other third parties supplements our capacity, reduces our need to employ a large workforce, including skilled and semiskilled labor in different specialized areas, and increases our flexibility and cost effectiveness in carrying out contracts. In addition, qualified subcontractors and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified subcontractors and other third parties, our ability to complete projects or other contracts could be impaired. If the amounts we are required to pay to subcontractors and other third parties exceed what it has estimated, especially in the case of customer contracts with 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 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 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 across our respective business segments and have not experienced any material work stoppages, strikes or other major labor problems in the Track Record Period.

However, 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.

As of March 31, 2018, we had 1,462 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 (if any) 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 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. 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, our subsidiary Windfield, the parent entity of Talison, has lodged an application with the Australian Taxation Office (the "**ATO**") for an advanced pricing arrangement (the "**APA**"). The proposed APA applies to the pricing of all related party sales from January 1, 2017 to December 31, 2019. The ATO are also reviewing the pricing of related party sales in 2015 and 2016. As of the Latest Practicable Date, negotiations between Windfield and the ATO in relation to the APA and prior year review period are continuing. While we believe the pricing methods proposed in the APA and the pricing methods we adopted in 2015 and 2016 are appropriate and therefore, reasonable prices have been applied to relevant related party sales, there is no assurance that the ATO will not form a different view which would result in Windfield having a liability for additional income tax.

We are in the process of applying for ownership certificates for some of our properties.

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 our own land and used as manufacturing facilities. As of the Latest Practicable Date, we are in the process of applying for the relevant ownership certificates. Our PRC Legal Advisors do not anticipate any material legal impediment in such application process and confirmed that 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 materially affect our business and results of operations. See "Business—Our Operations—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, 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 in 2003 and the H1N1 Influenza in 2009 could also result in interruption of our business. 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.

RISKS RELATING TO THE SQM TRANSACTION

We may not be able to successfully complete the purchase of shares in SQM from Nutrien.

On May 17, 2018, we entered into the SQM Share Purchase Agreement, whereby we agreed to purchase 62,556,568 Series A shares of SQM held by Nutrien at a consideration of approximately US$4.07 billion, representing approximately 23.77% of the total issued capital of SQM. Including the existing approximately 2.10% economic interest in SQM through the Series B shares already owned, we expect to hold approximately 25.86% of the economic interest in SQM upon completion of the SQM Transaction and become the second largest shareholder of SQM. As of April 2, 2018, SQM's largest shareholder and its affiliates held in an aggregate of approximately 30.38% of the economic interest in SQM. See "Business—Our Investments in the Global Lithium Value Chain—The SQM Transaction." Under the SQM Share Purchase Agreement, the completion of the SQM Transaction is subject to the satisfaction or waiver of a number of customary closing conditions, including obtaining regulatory approvals and approvals by our shareholders. The SQM Transaction is required to be approved by and/or filed with various government authorities in multiple jurisdictions, including, but not limited to, the Competition Commission of India, the MOFCOM, State Administration for Market Regulation of China and the National Development and Reform Commission of China. The Fiscalía Nacional Económica (the "**FNE**"), a national competition authority of Chile, opened an investigation in June, 2018 regarding the effects on the markets of the SQM Transaction. As a result, the SQM Transaction might be delayed, modified or entirely blocked if the FNE determines that it entails antitrust risks and refers the SQM Transaction to the Chilean Antitrust Court. We cannot assure you that the closing conditions can be fulfilled or waived, that settlement will be completed successfully or that the SQM Transaction will be completed on schedule, if at all.

The SQM Transaction may not be completed if our financing becomes unavailable. In addition to our cash on hand, we intend to finance the consideration for the SQM Transaction through an offshore loan in the amount of US$1.0 billion (the "**SQM Offshore Financing**") and a syndicated loan in the amount of US$2.5 billion (the "**SQM Syndicated Financing**") provided by certain commercial banks. We have entered into commitment agreements for the SQM Offshore Financing and the SQM Syndicated Financing. In the event that the financing contemplated by the SQM Offshore Financing or SQM Syndicated Financing is not available, other financing may not be available on acceptable terms, in a timely manner or at all. If other financing becomes necessary and we are unable to secure such additional financing, the SQM Transaction may not be completed and we may be obligated under certain specified circumstances to pay a termination fee to SQM.

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

Under the SQM Purchase Agreement, we shall make full payment of the consideration for the SQM Transaction upon its closing. In addition to our cash on hand, we expect to incur additional debt of approximately US$3.5 billion to finance such consideration. As a result, we expect that our total debt obligations and our current ratio will increase following the completion of the SQM Transaction. The financial and other covenants to which we may agree in connection with the incurrence of such debt, and our increased indebtedness and higher debt-to-equity ratio in comparison to our historical figures may have the effect, among other things, 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 its indebtedness, thereby reducing the availability of its cash flow for other purposes, including working capital, capital expenditures and general corporate purposes. In addition, the terms and conditions of such debt may not be favorable to us, and as such, could further increase the cost of the SQM Transaction, as well as the overall burden of such debt upon us and our business flexibility. Further, if any portion of our borrowings 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.

We plan to apply approximately 90% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** from the **[REDACTED]** to partially repay the debt incurred in completing the SQM Transaction. See "Future Plans and Use of **[REDACTED]**—Use of **[REDACTED]**." We also expect that the **[REDACTED]** 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 **[REDACTED]** is not completed as planned, we would not be able to realize the aforementioned benefits and our credit rating may be downgraded and our financing costs will increase. Any of the foregoing consequences could adversely affect our financial results.

Our ability to make payments on our debt obligations and to fund planned capital expenditures will also depend on our ability to generate cash after the SQM Transaction. 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 cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business. Additionally, we may not be able to effect such actions, if necessary, on commercially reasonable terms, or at all. Any of the foregoing consequences could adversely affect our financial results.

Failure to complete the SQM Transaction could impact our future financial results.

If the SQM Transaction is not completed, our ongoing businesses may be adversely affected and we will be subject to several risks and consequences, including the following:

- we may be required, depending on the circumstances under which the SQM Transaction is terminated, to pay Nutrien break-up fees in the amount equal to US$81.3 million, US$162.6 million, or US$325.3 million, which are equal to approximately 2%, 4% and 8% of the total consideration;
- we will be required to pay certain fees, expenses and costs relating to the SQM Transaction, SQM Offshore Financing and SQM Syndicated Financing, whether or not it is completed, such as fees, expenses and costs of our legal, accounting and financial advisors;
- we may be required, subject to certain qualifications, to indemnify Nutrien for its losses suffered in connection with its assistance in respect of the SQM Offshore Financing and SQM Syndicated Financing and information utilized in connection therewith; and
- matters relating to the SQM Transaction require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to us.

In addition, if the SQM Transaction is not completed, we may experience negative reactions from the financial markets and from our customers and employees. We also could be subject to litigations related to any failure to complete the SQM Transaction or to enforcement proceedings commenced against us to perform our obligations under the SQM Share Purchase Agreement. If the

SQM Transaction is not completed, we cannot assure the risks described above will not materialize and will not materially and adversely affect our business and financial results.

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.

Our holdings in SQM are exposed to ongoing legal proceedings and other liabilities of SQM.

After the SQM Transaction, we will become one of the principal shareholders of SQM. Our holdings in SQM will be subject to numerous legal and regulatory risks of SQM, including, but not limited to, risks related 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 the production volume. SQM has challenged a government authorization issued for approving the extraction quota contemplated by the amendment, 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. 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 an cease and desist order from the U.S. Securities and Exchange Commission, under which it agreed to pay fines totaling about US$3.5 million and accept an external monitor for 24 months. In 2018, SQM reached a DPA with the relevant Chilean prosecutor, under which it agreed to pay the fines approximately equivalent to US$1.5 million and US$2.8 million to the government and charities respectively. It is possible that such authorities may reinstate their actions and/or bring further actions against SQM if they believe the terms of the relevant agreements are not complied with.

- 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.

- SQM and SQM North America Corporation have been in lawsuits filed by the City of Pomona and City of Lindsay respectively in California since 2010 for alleged groundwater contamination by SQM's fertilizer products.

- 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.

Ongoing 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 a result, we may lose the value of our holdings, 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.

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

Our primary reason for making the investment in SQM is to enhance the sustainable development of the industry to support growth in the lithium-ion battery and EV market. In light of our positive outlook on the lithium market, we expect that holding more SQM equity will also bring long-term stable financial returns for us given SQM's strong profitability and steady cash dividends.

Our final valuation of the equity interest in SQM that we intend to purchase was a result of our estimation of its market value and the negotiation processes. However, our valuation may not be entirely accurate, due to various factors such as our lack of full access to all the financial materials 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, and we cannot ensure you that SQM will make steady cash dividends payment to us, or at all. In addition, we may not be able to conduct comprehensive audits on SQM and thoroughly monitor its performance in the future as we will not be a controlling shareholder.

If the anticipated benefits of the SQM Transaction are not realized or if SQM is unsuccessful in addressing the risks related to its business, SQM's business, financial condition and results of operations may suffer and our investment in SQM may be at risk.

The unaudited* [REDACTED] *financial information are presented for illustrative purposes only, do not purport to be indicative of what our actual financial position or results of operations would have been had the SQM Transaction been completed on the dates indicated and may not be an indication of our financial condition or results of operations following the SQM Transaction.

The unaudited **[REDACTED]** financial information contained in Appendix III of this **[REDACTED]** are presented for illustrative purposes, do not purport to be indicative of what our actual financial position or results of operations would have been had the SQM Transaction been completed on the dates indicated and may not be an indication of our financial condition or results of operations following the investment for several reasons. The consolidated statement of assets and liabilities of us in the unaudited **[REDACTED]** financial information have been derived from our historical financial statements and adjustments and assumptions have been made after giving effect to the SQM Transaction.

The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with accuracy and are subject to further refinement which could have varying impact. For more detail about such adjustments and assumptions, see "Appendix II—Unaudited Supplementary Financial Information." As a result, the actual financial condition and results of operations of us following the SQM Transaction may not be consistent with, or evident from, these unaudited **[REDACTED]** financial information.

The assumptions used in preparing the unaudited **[REDACTED]** financial information may not prove to be accurate, and other factors may affect our financial condition or results of operations following the SQM Transaction. Any decline or potential decline in our financial condition or results of operations may materially and adversely affect our reputation and business. See "Appendix III—Unaudited **[REDACTED]** Financial Information."

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, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** 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. 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 **[REDACTED]**. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts and statistics.

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 2017, China's economic growth rate slowed to 6.9%, the second lowest in 26 years. On November 3, 2015, the PRC government announced a target annual growth rate of no less than 6.5% for the next five years. As such, there can be no assurance that the PRC government will continue to implement reforms which may conflict with such targeted 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 monetary policies, the global credit and liquidity crisis, the ongoing Greek debt crisis, currency movements in the Renminbi and recent volatility in the Chinese stock markets. In the summer months of 2015, there was significant volatility in the Chinese stock markets, with the Shanghai Composite Index falling more than 30% since June, 2015 and the PRC government taking unprecedented steps to support the markets. In August 2015, the PBOC lowered the daily mid-point trading price of the Renminbi significantly against the U.S. dollar. 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.

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 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 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 Chinese 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 at March 31, 2018, we had approximately 1,462 employees. The PRC Labor Contract Law (《中華人民共和國勞動合同法》) was issued on June 29, 2007 and became effective on January 1, 2008 in the PRC and was amended on December 28, 2012 and became effective on July 1, 2013. It 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》), which was issued on December 14, 2007 and became effective on January 1, 2008, 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 an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013–2020 (《國民旅遊休閒綱要2013–2020》) which became effective on February 2, 2013, all workers may receive paid annual leave by 2020.

As a result of the PRC Labor Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013–2020, 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, 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 condition 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.

In addition, inflation in the PRC has increased in recent years. According to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 1.4%, 2.0% and 1.6% in 2015, 2016 and 2017, respectively. 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.

Failure to comply with PRC labor laws and 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》), which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002, 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》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and became effective on July 1, 2011, 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. There is no assurance that our historical and current practice with respect to the contribution of social insurance plans will be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities. 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》), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and became effective on January 1, 1995 and was amended on August 27, 2009, 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》), which was promulgated by the State Council on February 3, 1994 and became effective on March 1, 1994 and was amended on May 1, 1995, 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》), which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, 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* [REDACTED] *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. Since 1979, 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 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 and December 28, 2013 (and implemented on March 1, 2014), and the PRC Securities Law was further amended on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014. As a result, 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 New EIT Law is effective in 2008, as amended in 2017 imposed a tax rate of 25% on business enterprises. Those business enterprises enjoying preferential tax treatment that were extended for a fixed term prior to January 1, 2008 will still be entitled to such treatment until such fixed term expires.

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, and such preferential treatment will expire on December 31, 2020. 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 many 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-PRC 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-PRC 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%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if we know the identity of the individual shareholder and the tax rate applicable thereto. There is uncertainty as to whether gains realized upon disposition of Shares listed on an overseas stock exchange by non-PRC individuals are subject to PRC individual income tax.

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 PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the New EIT 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). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to verification by PRC tax authorities.

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 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 the PRC, the relevant PRC court shall examine it in accordance with the international treaties concluded or acceded to by the PRC or with the principle of reciprocity. In this regard, so far as we know, there exists Supreme People's Court, Arrangement of the Supreme People's Court between China and Hong Kong 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 the PRC and Hong Kong, which is applied where an agreement is subject to the exclusive jurisdiction of the Hong Kong court or the PRC court (as the case may be).

Insofar as PRC Laws are concerned and after examining by the PRC courts in accordance with the Arrangement and concluding no contradiction of the basic principles of the PRC Laws or violation of state sovereignty, security and social and public interest of the country, the PRC court would recognize it by a ruling and, where necessary, issue an order of enforcement to enforce it according to the procedures specified by the PRC Laws pursuant to the Arrangement, subject to compliance with applicable provisions of the Civil Procedure Law and the General Principles of Civil Law of the PRC relating to the enforceability of judgments rendered by foreign courts.

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. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries with respect to civil and commercial matters. As a result, recognition and enforcement in the PRC of judgments from various jurisdictions is uncertain.

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. 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 [REDACTED]

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 **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be **[REDACTED]** 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 **[REDACTED]** or **[REDACTED]** between the H share and A share markets. With different **[REDACTED]** characteristics, the H share and A share markets have divergent **[REDACTED]** volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the **[REDACTED]** 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 **[REDACTED]** 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 **[REDACTED]** in our H Shares.

An active* [REDACTED] *market for our H Shares may not develop.

Prior to the **[REDACTED]**, 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 **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares may not be indicative of the **[REDACTED]** of our H Shares following the completion of the **[REDACTED]**. If an active public market for our H Shares does not develop following the completion of the **[REDACTED]**, the **[REDACTED]** and liquidity of our H Shares could be materially and adversely affected.

***The* [REDACTED] *and* [REDACTED] *volume of our H Shares may be volatile, which could result in substantial losses for* [REDACTED] *who* [REDACTED] *our H Shares in the* [REDACTED].**

The **[REDACTED]** and **[REDACTED]** 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 **[REDACTED]** and **[REDACTED]** volume at which our H Shares will **[REDACTED]**, 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 **[REDACTED]** of our H Shares.

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

The **[REDACTED]** of our H Shares is expected to be determined on the **[REDACTED]**. However, our H Shares will not commence **[REDACTED]** on the Stock Exchange until they are delivered, which is expected to be several business days after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to **[REDACTED]** or otherwise **[REDACTED]** our H Shares during that period.

Accordingly, the **[REDACTED]** of our H Shares could fall before **[REDACTED]** begins due to adverse market conditions or other adverse developments between **[REDACTED]** and the date on which **[REDACTED]** begins.

A future significant increase or perceived significant increase in the* [REDACTED] *of our H Shares in public markets could cause the* [REDACTED] *of our H Shares to decrease significantly, and/or dilute shareholdings of holders of our H Shares.

The **[REDACTED]** 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 **[REDACTED]**, 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 **[REDACTED]** 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 **[REDACTED]** for our H Shares.

As the* [REDACTED] *of our H Shares is [higher] than our consolidated net tangible assets book value per H Share,* [REDACTED] *of our H Shares in the* [REDACTED] *may experience immediate dilution upon the* [REDACTED] *of our H Shares.

The **[REDACTED]** of our H Shares is higher than the net tangible asset book value per share of the H Shares immediately prior to the **[REDACTED]**. As a result, **[REDACTED]** of the H Shares in the **[REDACTED]** will experience immediate dilution in **[REDACTED]** adjusted net tangible assets of HK$**[REDACTED]** per H Share (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range, and assuming the **[REDACTED]** is not exercised). **[REDACTED]** of H Shares may experience further dilution if the **[REDACTED]** exercise the **[REDACTED]** or if we **[REDACTED]** additional H Shares in the future.

Dividends paid in the past may not be indicative of our dividend policy in the future.

We declared dividends of RMB78.4 million, RMB179.0 million, RMB228.4 million and nil, respectively, in relation to our operations in 2015, 2016 and 2017 and the three months ended March 31, 2018. We paid dividends of nil, RMB77.8 million, RMB178.2 million and nil in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. However, dividends paid in prior periods may not be indicative of future dividend payments. 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.

We have significant discretion as to how we will use the net* [REDACTED] *from the* [REDACTED]*, and you may not necessarily agree with how we use them.

Our management may use the net **[REDACTED]** from the **[REDACTED]** in ways with which you may disagree or that do not yield a favorable return for the Shareholders. We plan to use the net **[REDACTED]** of the **[REDACTED]** to partially repay debt utilized for the acquisition of SQM and for general corporate purposes. See "Future Plans and Use of **[REDACTED]**—Use of **[REDACTED]**." However, our management will have the discretion as to the actual use of the net **[REDACTED]**. You are entrusting your funds to our management with respect to the specific use of the net **[REDACTED]** from the **[REDACTED]**.

Waivers were granted from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us, a number of waivers and consents under the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules" for further details. We cannot assure you that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs, and face uncertainties arising from challenges of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Certain facts and statistics derived from government and third-party sources contained in this* [REDACTED] *may not be reliable.

We have derived certain facts, forecasts and statistics in this **[REDACTED]** 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 **[REDACTED]** 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 or other third party sources. Accordingly, you should not place undue reliance on such information as a basis for making your **[REDACTED]** in our H Shares.

***There are risks associated with forward-looking statements contained in this* [REDACTED].**

This **[REDACTED]** 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, please refer to the section headed "Forward-looking Statements" in this **[REDACTED]**.

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 **[REDACTED]**. As a result, prospective **[REDACTED]** 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 **[REDACTED]** and the **[REDACTED]**. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this **[REDACTED]**, the **[REDACTED]** and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

***You should read the* [REDACTED] *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* [REDACTED].**

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

You should rely solely upon the information contained in this **[REDACTED]**, the **[REDACTED]** and any formal announcements made by us in Hong Kong in making your **[REDACTED]** decision regarding the **[REDACTED]**. 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 **[REDACTED]**.

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 **[REDACTED]** decisions regarding the **[REDACTED]**.

In making their decisions as to whether to **[REDACTED]** our H Shares, prospective **[REDACTED]** in the **[REDACTED]** should only rely on the financial, operational and other information included in this **[REDACTED]** and the **[REDACTED]**. By applying to **[REDACTED]** our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this **[REDACTED]** and the **[REDACTED]**.

We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. holders of our Shares.

A non-U.S. corporation will be classified as a passive foreign investment company (a "**PFIC**") for any taxable year if either: (a) at least 75% of its gross income is "passive income" for purposes of the PFIC rules or (b) at least 50% of the value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For this purpose, a non-U.S. corporation will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock. Assuming that we are (and continue to be) treated as owning 25% or more (by value) of the stock of SQM, and based on the current and anticipated composition of our income, assets and operations, we do not expect to be treated as a PFIC for the current taxable year or for the foreseeable future. However, whether we are treated as a PFIC is a factual determination that is made on an annual basis after the close of each taxable year. This determination will depend on, among other things, the ownership and the composition of the income and assets, as well as the value of the assets (which may fluctuate with our market capitalization and the market capitalization of SQM), of the Company and its subsidiaries from time to time. In addition, if we are treated as owning less than 25% percent of the stock of SQM under the applicable PFIC rules, SQM stock we own will generally be treated as a "passive" asset for purposes of determining whether we are a PFIC. For example, we may be treated as owning less than 25% of the stock of SQM as a result of dispositions of our SQM stock, future issuances of SQM stock to other persons or ambiguities in the manner in which the percentage of SQM's total stock owned by us is determined. As a result, there can be no assurance that we will not be treated as owning less than 25% of SQM's stock for this purpose. If we are treated as owning less than 25% of SQM's stock, there is a greater likelihood that we may be classified as a PFIC. Moreover, the application of the PFIC rules is unclear in certain respects. The U.S. Internal Revenue Service or a court may disagree with our determinations, including the manner in which we determine the value of our assets and the percentage of our assets that are passive assets under the PFIC rules. Therefore there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. If we were treated as a PFIC for any taxable year during which a U.S. investor held our Shares, such U.S. investor could be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning at least 10% of our Shares, such holder may be subject to adverse U.S. federal income tax consequences.

If a United States person is treated as owning (directly, indirectly or constructively) at least 10% of the value or voting power of our Shares, such person may be treated as a "United States shareholder" with respect to each "controlled foreign corporation" in our group (if any). If our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether we are or are not treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to annually report and include in its U.S. taxable income its pro rata share of "Subpart F income", "global intangible low-taxed income" and investments in U.S. property by controlled foreign corporations, whether or not we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. A failure to comply with these reporting obligations may subject a United States shareholder to significant monetary penalties and may prevent the statute of limitations with respect to such holder's U.S. federal income tax return for the year for which reporting was due from starting. We cannot provide any assurances that we will assist investors in determining whether we or any of our non-U.S. subsidiaries are treated as a controlled foreign corporation or whether such investor is treated as a United States shareholder with respect to any of such controlled foreign corporations or furnish to any United States shareholders information that may be necessary to comply with the aforementioned reporting and tax paying obligations. A United States investor should consult their own advisors regarding the potential application of these rules to its investment in our Shares.

We have not been, and do not intend to be, registered as an investment company under the U.S. Investment Company Act.

We have not been, and do not intend to be, registered with the U.S. Securities and Exchange Commission as an "investment company" as defined in Section 3 of the U.S. Investment Company Act, which provides certain protections to shareholders of and imposes certain restrictions on entities that are registered as investment companies. Accordingly, unlike registered investment companies, we will not be subject to the provisions of the U.S. Investment Company Act, including provisions that: (i) require the oversight of independent directors; (ii) prohibit or proscribe transactions between us and our affiliates; (iii) impose qualifications as to who may serve as custodian for our assets; and (iv) limit our ability to use leverage in connection with effecting purchases and sales of our investments.

However, if we were to become subject to registration under the U.S. Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the U.S. Investment Company Act, and the substantial costs and burdens of compliance therewith, could adversely affect our operating results and financial performance. We intend to rely on the exclusion from the registration requirements of the U.S. Investment Company Act provided by Section 3(c)(7) thereof in addition to any other applicable exemptions or exclusions. In order to help ensure compliance with the exclusion provided by Section 3(c)(7) of the U.S. Investment Company Act, we have, among other measures, implemented restrictions on the ownership and transfer of **[REDACTED]** by any persons acquiring **[REDACTED]** in the **[REDACTED]** who are in the United States or who are U.S. Persons. **[REDACTED]** in the United States or who are U.S. Persons will be required to execute and deliver a U.S. Qualified Purchaser Letter, in which, among other things, they certify their eligibility to **[REDACTED]** in the **[REDACTED]** and their understanding of the resale restrictions applicable to them, and agree to abide by certain restrictions in the resale of the **[REDACTED]**. The restrictions set forth in the U.S. Qualified Purchaser Letter may make it materially more difficult to resell the **[REDACTED]**. There can be no assurance that U.S. Persons or persons in the United States will be able to locate acceptable purchasers to effect a sale.

We may be deemed a "covered fund" under the Volcker Rule, which could result in reduced interest in the H Shares from banking entities, and could potentially reduce the liquidity of the H Shares on the secondary market.

As we intend to rely on the exception provided by Section 3(c)(7) of the U.S. Investment Company Act in the event we become subject to registration under the U.S. Investment Company Act because of a change of law or otherwise, we may be deemed a "covered fund" within the meaning of Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, together with the rules, regulations and published guidance thereunder including the final rule adopted on December 10, 2013 by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission and the Commodity Futures Trading Commission, commonly known as the "**Volcker Rule**." The Volcker Rule generally prohibits certain investors that are "banking entities" from engaging in proprietary trading, or from acquiring or retaining an "ownership interest" (as defined therein) in, sponsoring or having certain relationships with "covered funds", unless pursuant to an exclusion or exemption under the Volcker Rule. The following would be considered a "banking entity" subject to the Volcker Rule: (i) any U.S. insured depository institution, (ii) any company that controls a U.S. insured depository institution, (iii) any non-U.S. company that is treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978 (i.e., a non-U.S. company that maintains a branch, agency or commercial lending office in the U.S.) and (iv) any affiliate or subsidiary of the foregoing under the U.S. Bank Holding Company Act, regardless of geographic location, other than a "covered fund" that is not itself a banking entity under clauses (i), (ii) or (iii) above. For purposes of the foregoing, an "insured depository institution" does not include an institution that: (A) functions solely in a trust or fiduciary capacity, if (1) all or substantially all of the deposits of such institution are in trust funds and are received in a bona fide fiduciary capacity; (2) no deposits of such institution which are insured by the FDIC are offered or marketed by or through an affiliate of such institution; (3) such institution does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others or make commercial loans; and (4) such institution does not (a) obtain payment or payment related services from any Federal Reserve bank, including any service referred to in 12 U.S.C. § 248a or (b) exercise discount or borrowing privileges pursuant to 12 U.S.C. § 461(b)(7); or (B) does not have and is not controlled by a company that has: (1) more than US$10,000,000,000 in total consolidated assets; and (2) total trading assets and trading liabilities, as reported on the most recent applicable regulatory filing filed by the institution, that are more than 5 percent of total consolidated assets. A "covered fund" is broadly defined in the Volcker Rule to include, among other things, any issuer that would be an "investment company" (as defined in Section 3(a)(1) of the U.S. Investment Company Act) but for the exceptions provided by Section 3(c)(1) or Section 3(c)(7) thereunder.

If we are deemed to be a "covered fund" and the H Shares are determined to constitute "ownership interests" for purposes of the Volcker Rule, then a banking entity (as defined in the Volcker Rule) would generally be prohibited from **[REDACTED]** or **[REDACTED]** the H Shares, unless such a banking entity could rely on an exclusion from the definition of "covered fund" or exemption from the Volcker Rule's prohibitions. These limitations could result in some banking entities as defined in the Volcker Rule being restricted in their ability to **[REDACTED]** or **[REDACTED]** the H Shares or prohibited from **[REDACTED]** the H Shares in the absence of an applicable Volcker Rule exclusion or exemption, which, in turn, could diminish the liquidity of the H Shares on the secondary market and negatively affect the market value of the H Shares.

Each **[REDACTED]** must make its own determination as to whether it is a "banking entity" subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to **[REDACTED]** or **[REDACTED]** the H Shares. **[REDACTED]** are responsible for analyzing their own regulatory position and none of the Company, the Joint Sponsors, **[REDACTED]** or any other person connected with the **[REDACTED]** makes any representation to any prospective **[REDACTED]** or holder of the H Shares regarding the treatment of the Company or the H Shares under the Volcker Rule, or to such **[REDACTED]**'s **[REDACTED]** in the Company at any time in the future.

In preparation for the **[REDACTED]**, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rules 8.12 and 19A.15 of the Listing Rules require a PRC-incorporated issuer to have sufficient management presence in Hong Kong. This normally means that at least two of the PRC-incorporated issuer's executive directors must be ordinarily resident in Hong Kong. Currently, none of our executive Directors resides in Hong Kong. Since our principal operations are in China and/or Australia, we do not and, for the foreseeable future, will not have executive Directors who are ordinarily resident in Hong Kong for the purposes of satisfying the requirements of Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules, subject to, among other conditions, our appointment of:

(1) two authorized representatives, Ms. Jiang Anqi (蔣安琪) and Ms. Wong Sau Ping (黃秀萍), who will act at all times as our principal channel of communication with the Stock Exchange; and

(2) our compliance advisor, Somerley Capital Limited, who will act as our principal channel of communication with the Stock Exchange, in addition to our authorized representatives, pursuant to Rules 3A.19 and 19A.06(4) of the Listing Rules.

We have made arrangements to maintain effective communication with the Stock Exchange as follows:

(1) each of our authorized representatives referred to above will have access to our Board and senior management at all times as and when the Stock Exchange wishes to contact them for any matters. All of our Directors have provided their respective mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Stock Exchange. We will also inform the Stock Exchange promptly in respect of any change in our authorized representatives;

(2) Ms. Wong Sau Ping, one of our authorized representatives and one of our joint company secretaries, ordinarily resides in Hong Kong and will be readily contactable by the Stock Exchange at all times for any matters. All Directors who are not ordinary residents in Hong Kong have confirmed that they possess or may apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange upon reasonable notice; and

(3) in accordance with Rules 3A.19 and 19A.05 of the Listing Rules, we have appointed Somerley Capital Limited as our compliance advisor for the period commencing on the **[REDACTED]** and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. The compliance advisor will act as our additional channel of communication with the Stock Exchange and the compliance advisor shall have access at all times to our authorized representatives, our Directors and other officers to ensure that they are in a position to promptly respond to queries or requests from the Stock Exchange.

QUALIFICATION OF JOINT COMPANY SECRETARIES

Rules 3.28 and 8.17 of the Listing Rules require our company secretary to be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Mr. Li Bo has been the secretary of our Board since December 2010 and was appointed as a joint company secretary on August 15, 2018. As Mr. Li does not have the qualifications stipulated under Rules 3.28 and 8.17 of the Listing Rules, we have appointed Ms. Wong Sau Ping, who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience under Rules 3.28 and 8.17 of the Listing Rules, to act as a joint company secretary and assist Mr. Li in discharging his duties as our company secretary. The appointment of Ms. Wong Sau Ping is effective from August 1, 2018 until three years after the **[REDACTED]**. We will also implement procedures to provide Mr. Li with appropriate training in order to enable him to acquire such necessary experience upon the expiry of the three-year period.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted us], a waiver from strict compliance with requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver will be revoked if Ms. Wong ceases to be the other joint company secretary and we fail to appoint another qualified joint company secretary to assist Mr. Li during the three years after the **[REDACTED]**. Upon the expiry of the three-year period, we will re-evaluate whether Mr. Li satisfies the qualifications specified in Rules 3.28 and 8.17 of the Listing Rules.

SHAREHOLDINGS IN SQM ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, a new listing applicant shall include in its accountants' report the results and balance sheet of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the listing applicants have been made up in respect of each of the three financial years immediately preceding the issue of the prospectus, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue, or such shorter period as may be acceptable to the Stock Exchange for Main Board applicants.

On May 17, 2018, our Company entered into the SQM Share Purchase Agreement with Nutrien, pursuant to which Nutrien agreed to sell and our Company agreed to purchase 62,556,568 Series A shares of SQM, representing approximately 23.77% of the total issued capital of SQM, at an aggregate consideration of approximately US$4.07 billion. Including our existing approximately 2.1% shareholdings in SQM through the Series B shares we already owned, upon completion of the SQM Transaction, we are expected to hold approximately 25.86% of the shareholdings in SQM and will become the second largest shareholder of SQM. As of April 2, 2018, SQM's largest shareholder and its affiliates held in an aggregate of approximately 30.38% of the economic interest in SQM. The completion of the SQM Transaction is subject to customary closing conditions, including obtaining regulatory approvals and approval by our Shareholders. Please see the section headed "Business—Our Investments in the Global Lithium Value Chain—SQM Transaction" for further details.

We have applied to the Stock Exchange for, [and the Stock Exchange has granted us,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the preparation of financial statements in respect of our acquisition of shares in SQM on the following grounds:

(i) Acquisition of a minority interest in SQM

Upon the completion of the SQM Transaction, we will hold an approximate 25.86% interest in SQM. We are neither able to exercise any control, nor have any decisive influence over SQM and its underlying business. As such, SQM will not be treated as our subsidiary upon the completion of the SQM Transaction, and its financial information will not be consolidated into our financial statements.

(ii) Impracticality and undue burden

We have been in contact with Nutrien only regarding the SQM Transaction. We are not in the position to obtain access to any non-public information of SQM. The selling shareholder, Nutrien, does not control SQM and cannot procure SQM to grant access to its financial information to us. Upon the completion of the SQM Transaction, we will not obtain control of the board of SQM, will have no right to appoint any members of the senior management team of SQM, and will not be able to participate in any of the day-to-day operations of SQM. We do not, and will not, have any ability to direct SQM, a company listed on various overseas stock exchanges, to cooperate in allowing our Company to prepare the relevant audited financials of SQM in accordance with the requirements of the Listing Rules for the purposes of inclusion in this **[REDACTED]**.

(iii) Alternative Disclosure

We have provided in this **[REDACTED]** the following alternative information regarding the SQM Transaction and SQM, with a view to making up for the non-inclusion of SQM's audited financials in accordance with the requirements of the Listing Rules and allowing the potential investors to understand SQM in greater details and the impact of the SQM Transaction on our Group: (a) publicly available information on the major shareholders of SQM; (b) a brief summary of the background of the SQM Transaction, including the reasons for the SQM Transaction and the basis upon which the consideration is determined; (c) a brief description of SQM's principal businesses; (d) an extract of the publicly available financial statements of SQM prepared under IFRSs and audited by PwC for the three years ended December 31, 2017 set out in Appendix II to this **[REDACTED]**, and an extract of the publicly available unaudited financial statements of SQM prepared under IFRSs and reviewed by PwC for the six months ended June 30, 2018 as and when available; (e) a **[REDACTED]** analysis of our Group's financials on an enlarged basis for the year ended and as at December 31, 2017 as set out in Appendix III to this **[REDACTED]**; (f) the benefits which are expected to accrue to us as a result of the SQM Transaction and confirmation that our Directors believe that the terms of the SQM Transaction are fair and reasonable and in the interests of our Shareholders as a whole; (g) confirmation that Nutrien and the ultimate beneficial owners of Nutrien are independent third parties of our Company and our connected persons; and (h) any other relevant information required for a disclosable transaction under Chapter 14 of the Listing Rules to the extent available. See the sections headed "Business—Our Investments in the Global Lithium Value Chain—SQM Transaction," "Financial Information—Indebtedness" and "History and Corporate Structure—Major Acquisitions—(3) SQM" in this **[REDACTED]** and Appendix II to this **[REDACTED]** for details.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the **[REDACTED]**. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed "Connected Transactions" in this **[REDACTED]**.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS and supervisors

Name	Address	Nationality
Executive Directors		
Mr. JIANG Weiping (蔣衛平) (Chairman)	Room 7, 2/F, Unit 3 Block 4, No. 4 North Second Lane Dongfeng Road, Chenghua District Chengdu PRC	Chinese
Ms. WU Wei (吳薇)	Room 113, Unit 1 Block 6, No. 5 Section 2. Jianshe North Road Chenghua District Chengdu PRC	Chinese
Mr. ZOU Jun (鄒軍)	Room 1, 3/F Block 2, No. 8 Jinsha Yizhi Road Qingyang District Chengdu PRC	Chinese
Ms. JIANG Anqi (蔣安琪)	Room 7, 2/F, Unit 3 Block 4, No. 4 North Second Lane Dongfeng Road, Chenghua District Chengdu PRC	Chinese
Independent non-executive Directors		
Mr. DU Kunlun (杜坤倫)	Room 9, 3/F, Unit 1 Block 2, No. 3 Fuqin North Lane Jinniu District Chengdu PRC	Chinese
Mr. PAN Ying (潘鷹)	Room 12, Unit 2 Block 4, No. 9 Tongyou Street Jinniu District Chengdu PRC	Chinese
Mr. WEI Xianghui (魏向輝)	Room 301, Unit 1 Block 7, Yinhu Residence Jinhu Road Luohu District Shenzhen China	Chinese
Mr. LIEW Fui Kiang (劉懷鏡)	20/F 513 Hennessy Road Hong Kong	Chinese (Hong Kong)

Name	Address	Nationality
Supervisors		
Ms. YAN Jin (嚴錦)	Room 25, 7th Floor Unit 1, Block 2 1 Mahewan Jinniu District Chengdu PRC	Chinese
Ms. YANG Qing (楊青)	No. 13, Unit 2, Block 2 31 Xiaoxue Road Wuhou District Chengdu PRC	Chinese
Mr. SHE Shifu (佘仕福)	No. 16, Unit 2, Block 1 9 Wuding Road Jinniu District Chengdu PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" in this **[REDACTED]**.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	Morgan Stanley Asia Limited 46/F, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong
	CLSA Capital Markets Limited 18/F, One Pacific Place 88 Queensway Hong Kong

[REDACTED]

Reporting accountants	KPMG 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law and United States law:* Latham & Watkins 18th Floor, One Exchange Square 8 Connaught Place Central Hong Kong

	As to PRC law: Zhong Lun Law Firm 6/F, East Building, La Defense 1480 North Tianfu Avenue, High-tech Zone Chengdu 610042 China
	As to Australian Law: Clayton Utz Level 27, QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
Legal advisers to the [REDACTED]	*As to Hong Kong law and United States law:* Clifford Chance 27th Floor, Jardine House One Connaught Place Central Hong Kong
	As to PRC law: JunHe LLP 20/F, China Resources Building 8 Jianguomenbei Avenue Beijing 100005 China
	As to Australian Law: Allens QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
Competent Person	Behre Dolbear Australia Pty Limited Level 9, 80 Mount Street North Sydney, NSW 2060 Australia
Industry Consultant	Roskill Consulting Group Ltd. 54 Russell Road London SW19 1QL United Kingdom

[REDACTED]

Compliance Advisor	Somerley Capital Limited 20th Floor, China Building 29 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Registered office	North Taihe Town Shehong County Sichuan Province China
Headquarter	10 Gaopeng East Road Gaoxin District Chengdu China
Principal place of business in Hong Kong	31/F Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company's website	www.tianqilithium.com (*The contents of the website do not form part of this* **[REDACTED]**)
Joint company secretaries	Mr. Li Bo Ms. Wong Sau Ping (ACIS: ACS)
Authorized representatives	Ms. Jiang Anqi Ms. Wong Sau Ping (ACIS: ACS)
Nomination and Governance Committee	Mr. Pan Ying (chairman) Mr. Wei Xianghui Mr. Jiang Weiping
Strategy and Investment Committee	Mr. Du Kunlun (chairman) Mr. Pan Ying Mr. Jiang Weiping Ms. Wu Wei Ms. Jiang Anqi
Remuneration and Appraisal Committee	Mr. Wei Xianghui (chairman) Mr. Du Kunlun Mr. Zou Jun
Audit and Risk Management Committee	Mr. Du Kunlun (chairman) Mr. Pan Ying Ms. Jiang Anqi

[REDACTED]

Principal Banks	China CITIC Bank Corporation Limited (Chengdu Branch) No. 1480 North Section of Tianfu Avenue Wuhou District Chengdu, Sichuan China
	HSBC Bank (China) Company Limited (Chengdu Branch) No.1, 1F & Room 201 Unit 1, Building 1 China Overseas International Center No.177 Jiaozi Avenue Hi-Tech District Chengdu, Sichuan China
	Industrial Bank Co., Ltd (Chengdu Branch) No.936 Shi Ji Cheng Lu Hi-Tech District Chengdu, Sichuan China

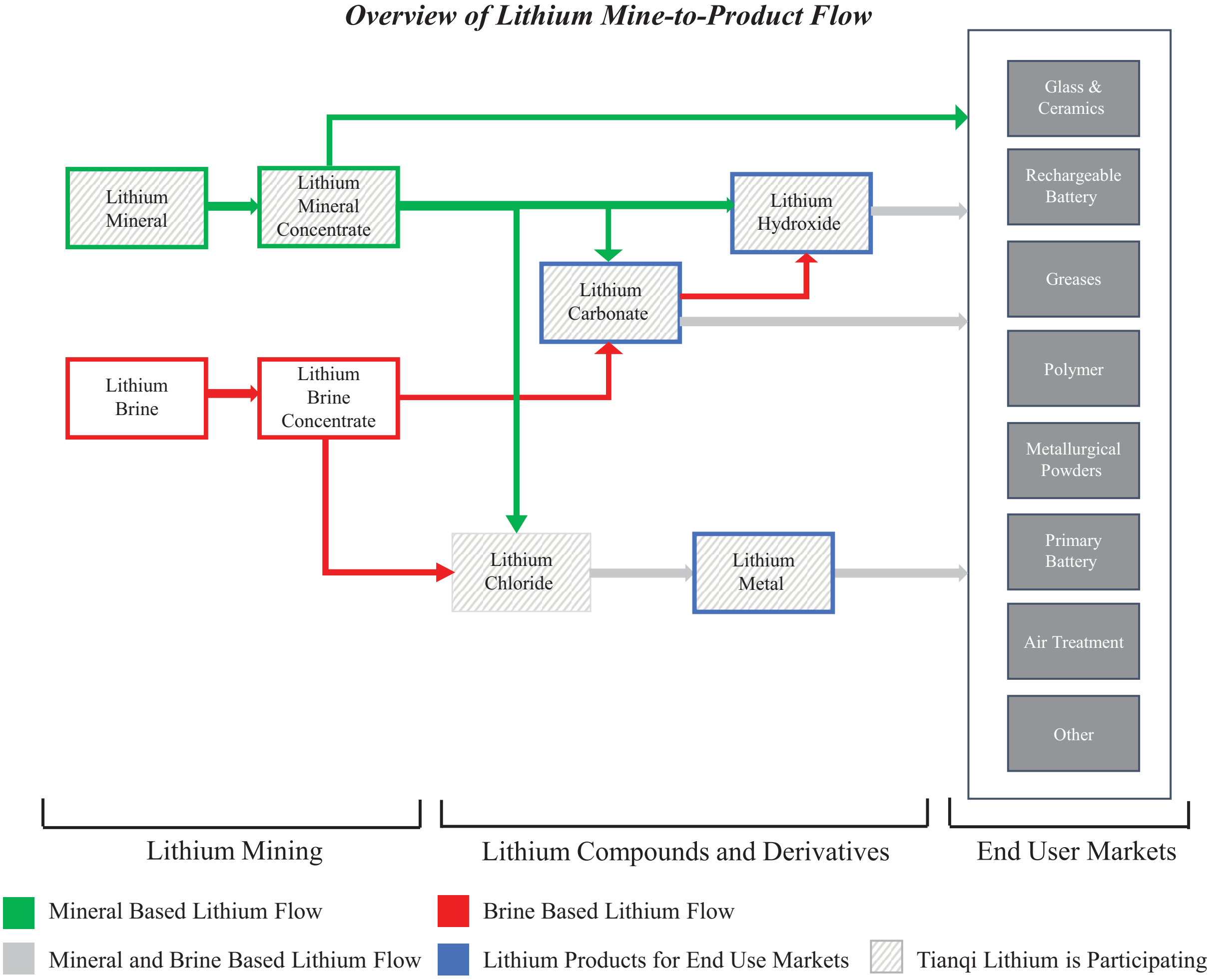
Certain information and statistics set out in this section and elsewhere in this document relating to the industry in which we operate are derived from the Roskill Report prepared by Roskill, an experienced independent consultant with over 40 years of covering the metal markets including 15 editions of a report published on the lithium industry. Roskill was commissioned by us and paid a total of US$140,800 in fees for this service. The information extracted from the Roskill Report should not be considered as a basis for investments in our H Shares or as an opinion of Roskill as to the value of any securities or the advisability of investing in our Company. Roskill prepared the Roskill Report based on its in-house database, data from reputable industry and trade organizations' reports, official national statistics and other reliable international sources.[1] We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting, compilation and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the information in this section. No independent verification has been carried out on such information and statistics by us, the [Joint Sponsors, **[REDACTED], [REDACTED], [REDACTED]*/ or any other parties involved in the*** **[REDACTED]** ***or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Unless and except for otherwise specified, the information and data presented in this Industry Overview is derived from the Roskill Report.***

OVERVIEW OF LITHIUM INDUSTRY

Lithium is the lightest and least dense solid element in the periodic table. In its metallic form, lithium is a soft silvery-gray metal with good heat and electric conductivity. As a result of its reactive properties, lithium does not occur naturally in its pure elemental metallic form, instead occurring within minerals and salts. After being extracted from minerals or brines, lithium can be converted into various compounds and derivatives which are ready for commercial applications, such as lithium carbonate, lithium hydroxide and lithium metal.

1 Roskill's research and forecasting methodology integrates several techniques with measurement-based system and relies on expertise of the analyst team in integrating the critical market elements, including (1) expert-opinion forecasting methodology; (2) integration of market drivers and restraints; (3) integration with the market challenges and trends; and (4) integration of econometric variables. In compiling the Roskill Report, Roskill has adopted the following assumptions: (1) the social, economic and political environment in the forecast period; and (2) related key industry drivers likely to take place in the forecast period. The Roskill Report was mainly prepared by five analysts with extensive relevant experience and supported by Roskill's in-house research team.

Overview of Lithium Mine-to-Product Flow

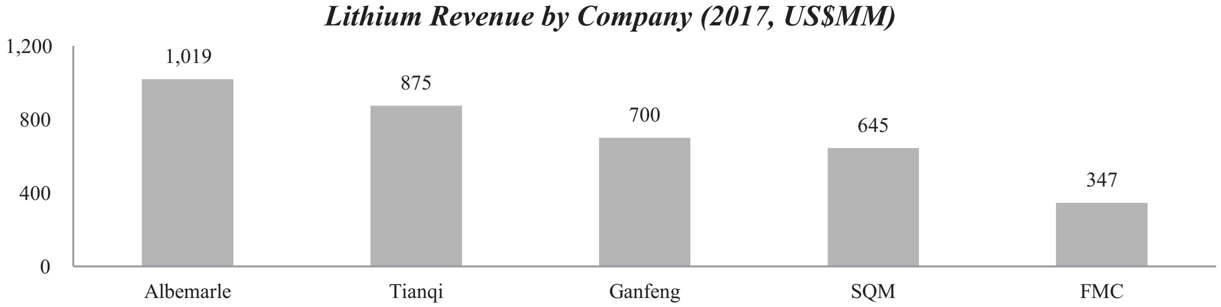


Source: adapted from the Roskill Report

Lithium is used in a wide range of industries, including batteries, ceramics, glass, greases, metallurgical powders, and air treatment. In recent years, growth in lithium consumption has been mainly driven by the rechargeable battery market, used in both portable consumer electronics as well as rechargeable batteries for automotive electrification. The strong growth is mainly due to lithium being the lightest material with the highest electrochemical potential enabling a very high energy and power density. Therefore, lithium has become one of the most ideal materials in high performance batteries.

As measured by sales revenue in 2017, the largest lithium producers are (1) Albemarle Corporation ("**Albemarle**"), (2) Tianqi, (3) Jiangxi Ganfeng Lithium Co., Ltd ("**Ganfeng**"), (4) SQM and (5) FMC Corporation ("FMC").

Lithium Revenue by Company (2017, US$MM)



Source: Roskill Report

LITHIUM RESERVES

Occurrence of Lithium

The two commercial sources of lithium extraction currently are lithium pegmatites and continental lithium brines.

Pegmatites, also referred as "hard rock" occurrences, produce lithium ores including spodumene, petalite, lepidolite and amblygonite (together "**Lithium Minerals**"). Through beneficiation, Lithium Minerals are processed into concentrated products for direct consumption or used as raw materials for on-ward conversion and manufacturing of lithium compounds and derivatives.

Lithium-bearing brines ("**Lithium Brines**") occur in salars, or dried salt lakes. Lithium Brines are pumped to the surface and typically undergo solar evaporation, ion-exchange or other upgrading technique to produce a concentrated lithium brine concentrate of 3.0-6.0% Li content, which can be processed further into lithium compounds.

Lithium Reserves Breakdown by Country

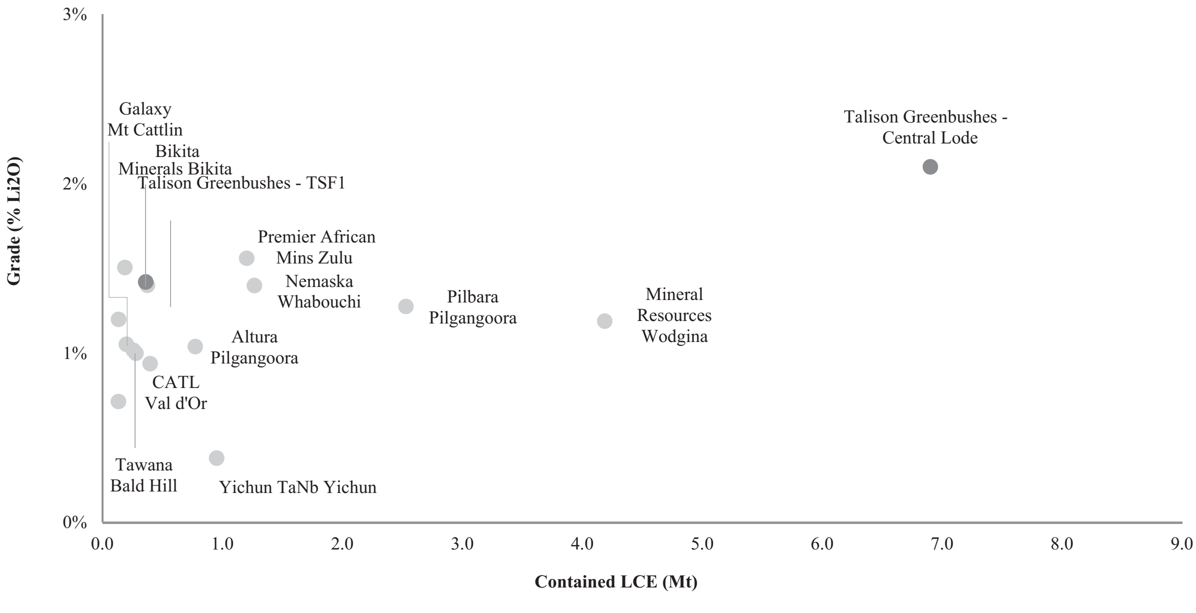
According to the United States Geological Survey, the majority of lithium reserves are located in Chile, China, Australia and Argentina, which accounted for 48%, 21%, 17%, and 13% of the total amount of reserves in the world, respectively.

Lithium Reserves Breakdown by Type

Lithium Minerals

According to the Roskill Report, the Greenbushes Mine, operated by our subsidiary Talison, is the largest hard rock lithium mine in the world as measured by size of resources and reserves and has the highest grade of lithium ore. As of March 31, 2018 the total reserve of the Greenbushes Mine's Central Lode amounted to approximately 6.9 million tons LCE, which had a lithium oxide grade of approximately 2.1%. In comparison, the majority of hard rock mines in operation, near-term producers and advanced projects have mineral reserves that are smaller than 1.0 million tons LCE and have lithium oxides grades of 0.9-1.5%.

Lithium Mineral Reserves (2017)

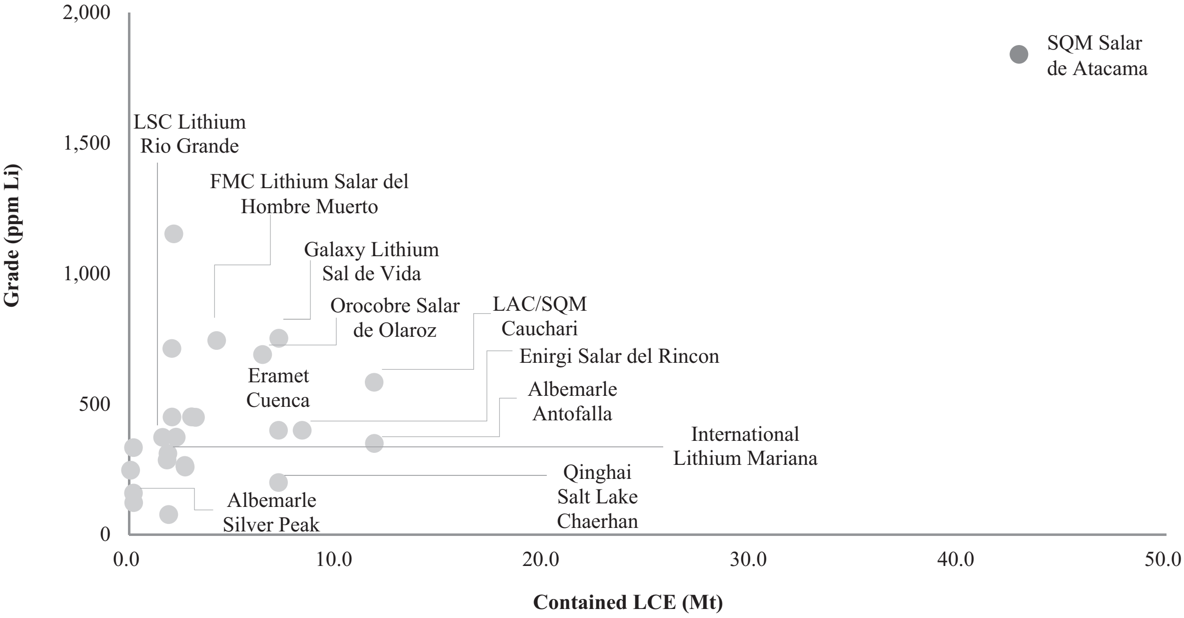


Source: Roskill Report

Lithium Brines

SQM's Salar de Atacama has 42.9 million tons LCE of lithium reserve, which is the world's largest brine reserve. Salar de Atacama's 1,840ppm lithium grade is also the highest among all brine-based operations. In comparison, the majority of brine-based operations, near-term producers and advanced projects have brine resources of 1 million to 7 million tons LCE and grade between 300 and 1,000ppm lithium.

Lithium Brines Resources (2017)



Source: Roskill Report
Note: Few lithium brines players report reserves, except for SQM Salar de Atacama, which in the above chart is shown on a reserves basis

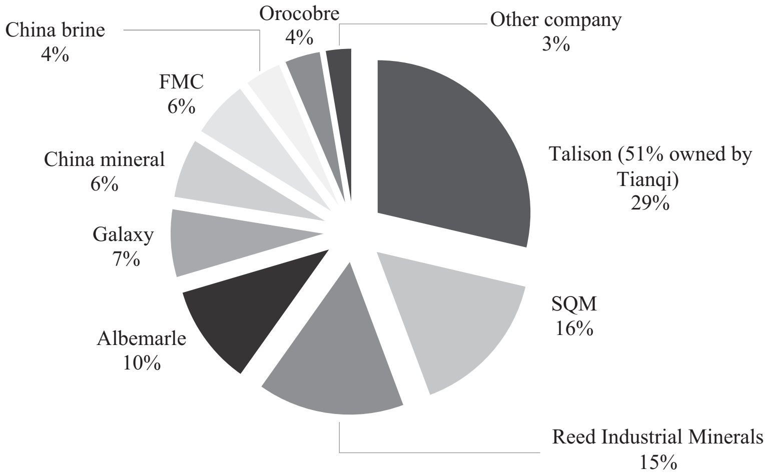
LITHIUM MINE SUPPLY

Lithium mine supply refers to all production from both Lithium Minerals and Lithium Brines.

Lithium Mine Key Operators

The global lithium mine supply is dominated by six producers: (1) Talison in Australia; (2) SQM in Chile; (3) Reed Industrial Minerals (a Mineral Resources, Ganfeng and Neometals joint venture) in Australia; (4) Albemarle in Chile and the USA; (5) Galaxy Resources in Australia; and (6) FMC Lithium in Argentina.

Lithium Mine Supply by Operator (2017, %)

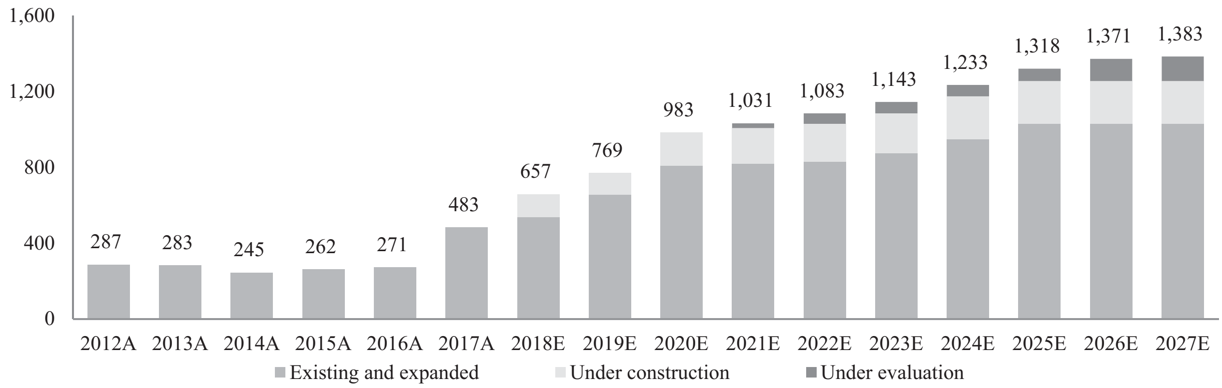


Source: Roskill Report

Historical and Forecast Mine Supply

Based on announced capacity expansions and new project schedules, the global lithium mine annual production capacity is forecast to increase to almost 1.0 million tons LCE by 2020 and be close to 1.4 million tons LCE by 2027, according to the Roskill Report. The largest additions to mine capacity will come from mineral-based production in Australia and brine-based production in Chile.

Historical and Forecast Lithium Mine Capacity (2012-2027, 000t LCE)



Source: Roskill Report

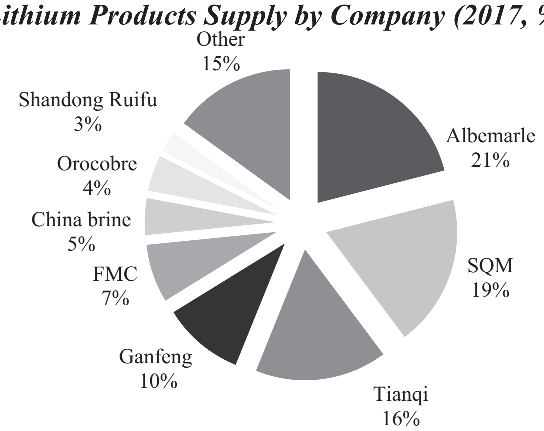
LITHIUM PRODUCTS SUPPLY

Lithium products primarily include lithium compounds (including lithium carbonate, lithium hydroxide and other lithium chemicals), lithium metal, and technical-grade lithium concentrate. The supply of lithium products consists of output from brine-based production, mineral-based production and a small amount of recycling.

Supply of Lithium Products by Companies

The supply of lithium products is undertaken by a limited number of companies. Albemarle, SQM, Tianqi, Ganfeng and FMC are the leading market participants. Tianqi is the largest supplier of lithium compounds and derivatives in China and Asia and the third largest globally.

Lithium Products Supply by Company (2017, %)



Source: Roskill Report

Historical and Forecast Lithium Products Supply

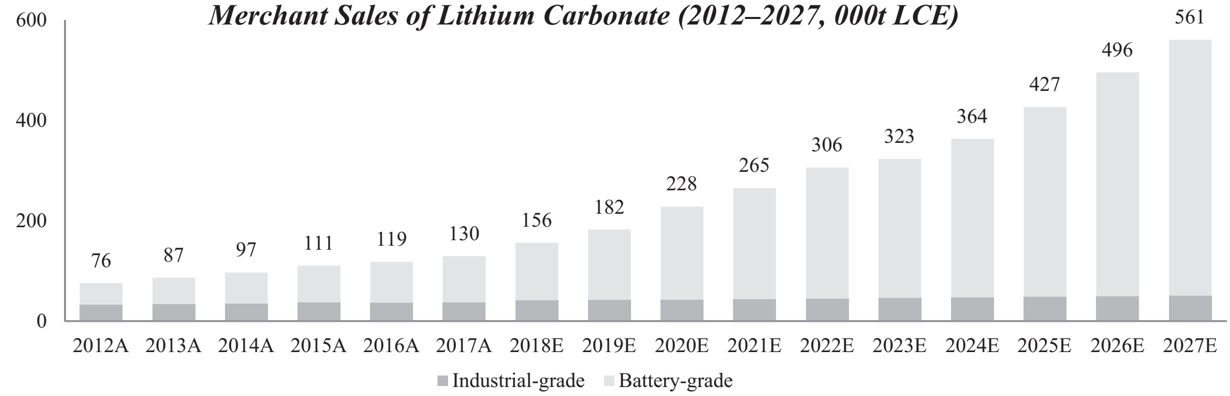
Lithium carbonate

Lithium carbonate (Li_2CO_3) is a fine white powder that can be produced directly from brines and minerals. The main applications of lithium carbonate include rechargeable batteries, ceramics, glass and metallurgy.

According to the Roskill Report, in 2017, the total volume of merchant sales of lithium carbonate is estimated to be 129,500 tons LCE, with battery-grade accounting for approximately 71% of the volume. Sales of battery-grade lithium carbonate surpassed industrial-grade in 2009, and have continued to grow by 16.8% per year, compared to 2.3% per year for industrial grade, since 2012.

The volume of merchant sales of industrial-grade lithium carbonate is forecast to grow 3.1% per year and reach 50,850 tons LCE by 2027. In contrast, the volume of merchant sales of battery-grade lithium carbonate is forecast to grow at 18.7% per year, primarily driven by anticipated increase in demand for lithium-ion batteries.

Merchant Sales of Lithium Carbonate (2012–2027, 000t LCE)



Source: Roskill Report

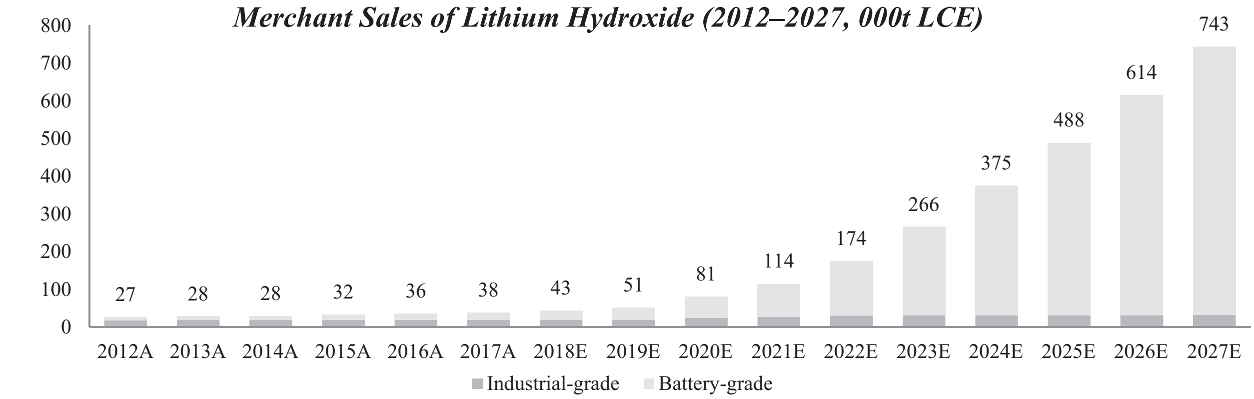
Lithium hydroxide

Lithium hydroxide (LiOH) is a fine white power that may be directly recovered from spodumene concentrate or through conversion of lithium carbonate. Historically, the main application of lithium hydroxide has been in lithium grease. However, an increasing number of producers are planning to, or have begun to, manufacture battery-grade lithium hydroxide to be used in lithium-ion battery cathodes.

According to the Roskill Report, the volume of merchant sales of lithium hydroxide is approximately 38,300 tons LCE in 2017, with battery-grade lithium hydroxide accounting for around

51% of the volume. Merchant sales of battery-grade lithium hydroxide have increased at 17.6% per year from 2012 to 2017, due to the rapid growth in lithium-iron-phosphate and high-nickel mixed metal lithium-ion battery cathode materials.

The volume of merchant sales of industrial-grade lithium hydroxide is forecast to grow at 5.5% per year from 2017 to 31,875 tons LCE by 2027, representing a recovery from a period of undersupply since 2015. In contrast, battery-grade lithium hydroxide's merchant sales volume is forecast to grow at 43.2% per year from 2017 to 711,000t LCE by 2027, driven by increased demand for high-nickel cathodes for lithium-ion batteries used in EVs.



Source: Roskill Report

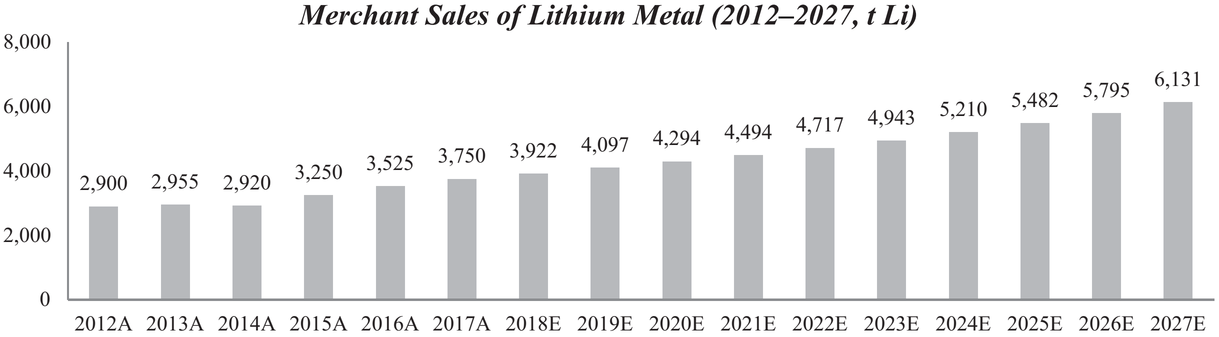
Due to the expected increase in demand for higher performance battery cathode, battery-grade lithium hydroxide is expected to surpass battery-grade lithium carbonate and become the main product consumed in the rechargeable battery market by 2024, if not sooner. The low impurities feature of mineral-based hydroxide, such as hydroxide produced by Tianqi, is particularly advantageous when selling to cathode manufacturers, compared to suppliers using brines to source lithium raw materials.

Lithium metal

Lithium metal can be produced through processing of lithium chloride.

The Roskill Report estimated the merchant sales volume of lithium metal at 3,750 tons (or approximately 20,000 tons LCE) in 2017, of which almost 50% was high-sodium, catalyst-grade lithium metal used for organolithium. A large proportion of this supply is produced from recycled lithium chloride feedstock from the catalyst industry. 25% of the sales volume in 2017 was generated by low-sodium, battery-grade lithium metal used in primary batteries. The remaining 25% of the sales volume was used either directly as catalyst, a small portion of which is used lithium-ion battery anode, or for alloying and other uses.

Lithium metal's merchant sales volume is forecast to grow at 5% per year from 2017 to 2027 and reach 6,131 tons (or approximately 32,600t LCE) by 2027.

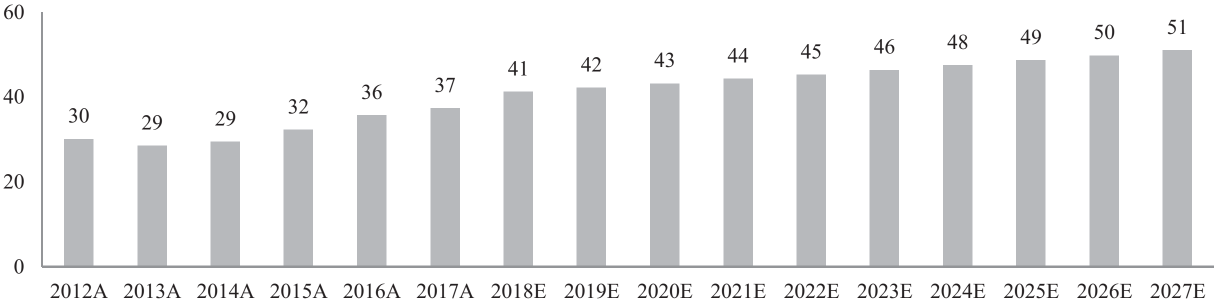


Source: Roskill Report

Technical Grade Lithium Concentrate

Technical-grade lithium concentrates are largely consumed directly in ceramics, glass and metallurgical applications. Talison is the largest producer of technical-grade lithium concentrates. Supply of technical-grade mineral concentrate is forecast to increase by 3.2% per year and reach 51,040 tons LCE by 2027.

Merchant Sales of Technical-grade Lithium Mineral Concentrates (2012–2027, 000t LCE)



COST OF SUPPLY

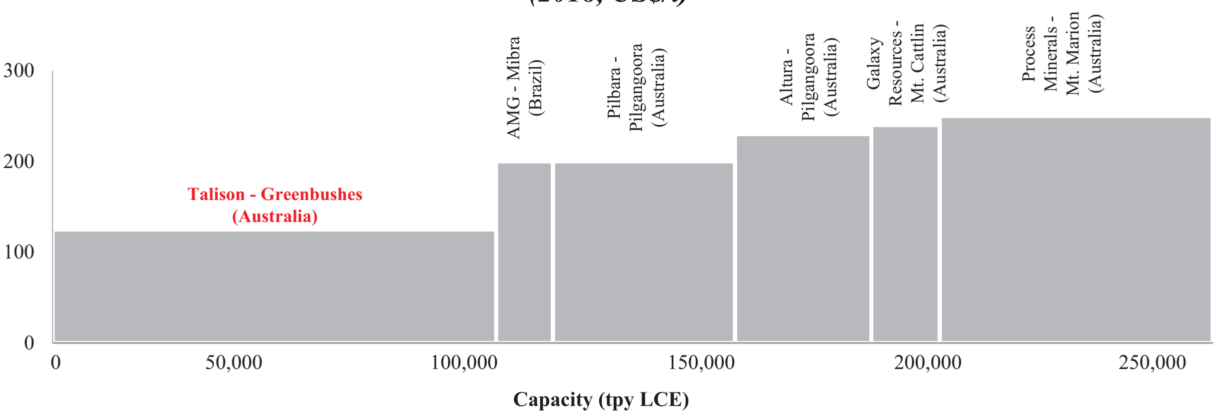
To receive an expanded production quota, Albemarle and SQM have agreed with the Chilean government on a new royalty rate of up to 40% when the product sale price exceeds US$10,000 per ton. As a result, a significant portion of brine-based production capacity will be operated at increased cash costs, drawing close to Talison's level cash cost from 2018 and onwards.

Cost Position

Lithium Mine Supply

Due to its large scale and high grade of lithium ore, the Greenbushes Mine is considered to have the lowest production cost for lithium concentrate among all lithium mining operations.

Operating Costs for Lithium Mineral Concentrate Production (2018, US$/t)

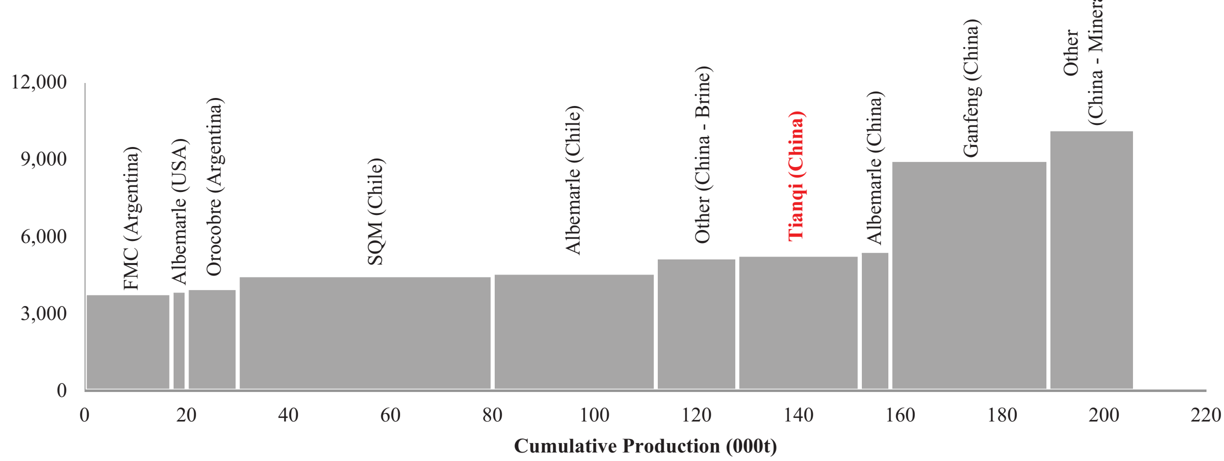


Source: Roskill Report

Lithium Products Supply

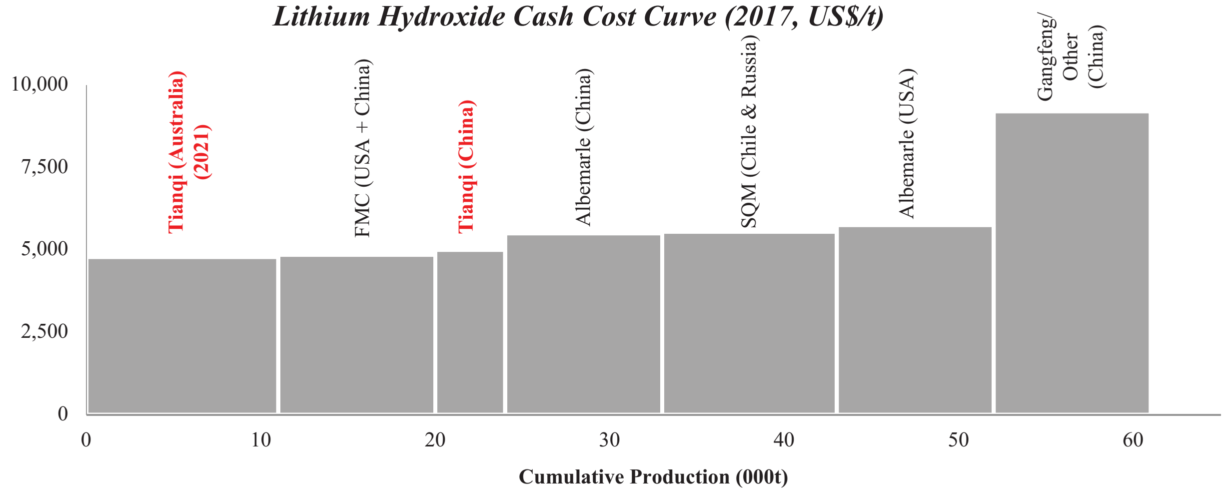
One cost advantage of mineral based production is that hard-rock feedstock can be converted directly into lithium hydroxide. Brine-based production, however, has to convert raw materials into lithium carbonate to produce lithium hydroxide. As a result, mineral-based hydroxide producers, such as Tianqi, have considerably lower processing cost compared with brine-based producers.

Lithium Carbonate Cash Cost Curve (2017, US$/t)



Source: Roskill Report
Notes: SQM and Albemarle costs in 2017 shown above are adjusted for increased royalties in Chile from 2018 and onwards

Lithium Hydroxide Cash Cost Curve (2017, US$/t)



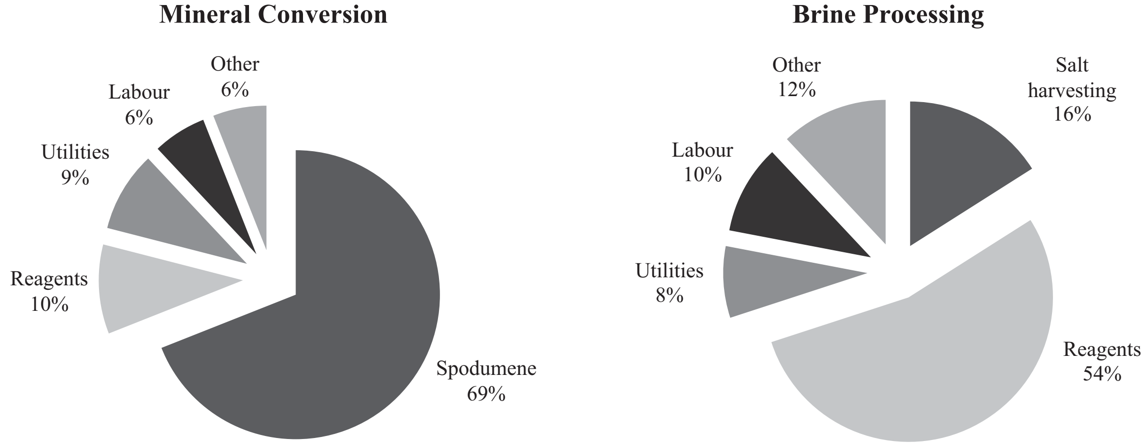
Source: Roskill Report
Note: Tianqi (Australia)'s figure refers to the forecast cash cost of its lithium hydroxide production when it is fully operational in 2021.

Cost Composition

Production costs for refined lithium products vary primarily as a result of the differences between mineral-based production method and brine-based production method in producing lithium carbonate and lithium hydroxide.

In the standard brine-based method to produce lithium carbonate, reagents represent 54% of production cash cost. In the standard acid-roast mineral-based method, reagents account for only 10% of cash costs and lithium concentrates account for 69% of production cash cost. Approximately eight tons of lithium concentrates are required to produce one ton of LCE. For mineral-based producers, a low-cost supply of lithium concentrate achieved through integration of lithium mining and lithium compounds manufacturing is essential to remaining competitive against brine-based producers.

Cash Cost Breakdown for Lithium Production (2017, %)



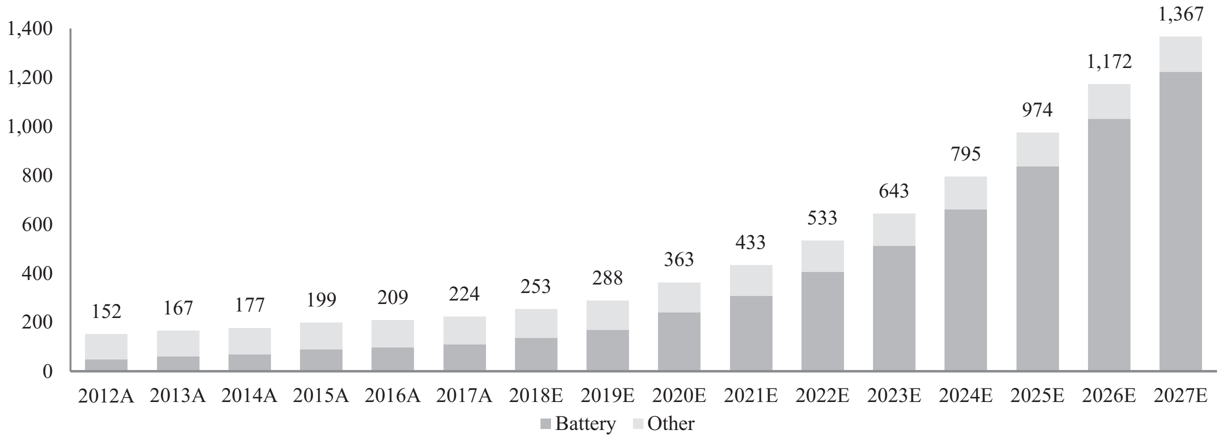
Source: Roskill, Hatch

LITHIUM PRODUCTS DEMAND

Consumption of lithium has shown strong growth since 2000, increasing from just under 152,000 tons LCE in 2012 to 224,000 tons LCE in 2017, representing a increase of 8.1% per year during the period. The growth in consumption in recent years has been primarily driven by the rechargeable battery market. As measured by market share in 2017, the five largest large-cell battery producers are CATL, Panasonic, LG Chem, BYD, and Optimum Nano. As measured by market share in 2017, the ten largest cathode manufacturers globally are Shanshan, Sumitomo, TODA, BASF, STL Technology, Umicore, Nichia Corp, B&M, Reshine and Ecopro. Consumption of lithium by rechargeable batteries accounted 49% of total consumption in 2017. Particularly, consumption of lithium by lithium-ion batteries has increased significantly because of rapid expansion in the portable consumer electronics sector through to 2014 and a growing EV market, which is supported by favorable government mandates and EV manufacturer's roll out plans. Further technological advancement, together with the rise in installed renewable energy (wind and solar) capacity, has caused the use of lithium-ion batteries to be more widely used in grid / off-grid energy storage systems.

Lithium consumption is estimated to reach 1.37 million tons LCE in 2027, representing a six-fold increase or 19.8% growth per year from lithium consumption in 2017. Growth in lithium consumption will, however, be relatively moderate in the near term, with a 18.9% growth per year from 2017 to 2022, before accelerating in the mid-2020s. Consumption of lithium will continue to be driven by the new energy sectors, particularly the EV sector. Lithium consumption by rechargeable batteries is forecast to register a 27.2% growth per year between 2017 and 2027, reaching 1.22 million tons LCE in 2027. China accounted for 43% of global lithium consumption in 2017. There is considerable short and long term growth potential for lithium consumption if the new energy sector accelerates faster than is currently forecast.

Historical and Forecast Consumption of Lithium by First Use (2012-2027, 000t LCE)



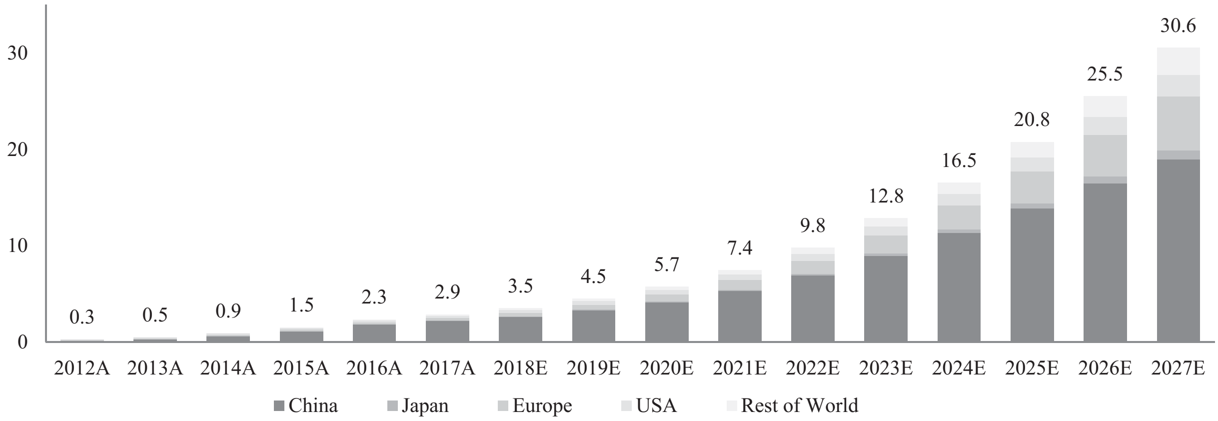
Source: Roskill Report

KEY END MARKETS FOR LITHIUM PRODUCTS

Electric Vehicles

Since 2017, over a dozen countries have announced targets varying from the ban of new sales on diesel vehicles to requirements for full electrification. Many countries also implemented incentives for EV manufacturers and purchasers to boost the penetration rate of EVs. Mainstream EV types with large battery packs primarily include battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), fuel cell electric vehicles (FCEV), low speed electric vehicles (LSEVs). Sales volume of EVs is forecast to increase at 26.8% per year from 2.9 million units in 2017 to 30.6 million units 2027.

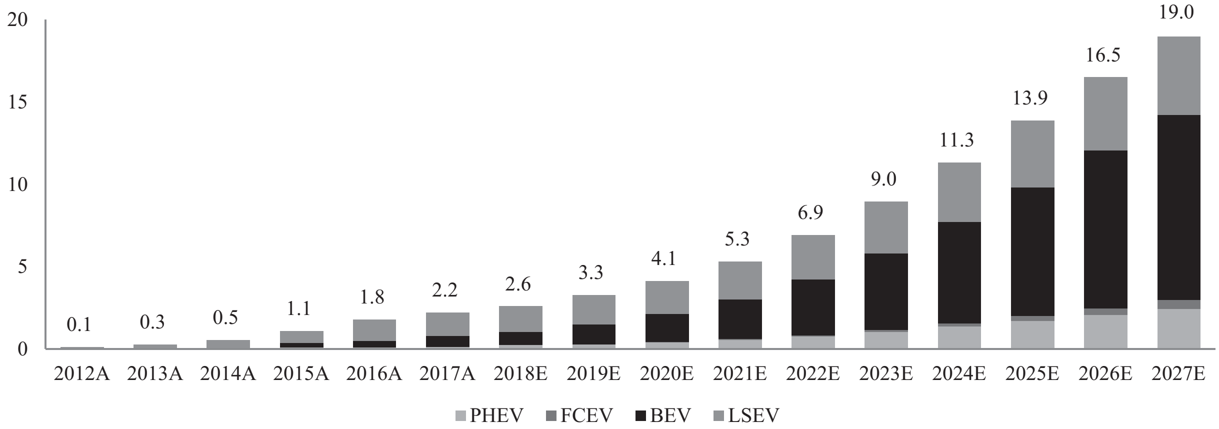
Historical and Forecast Global Electric Vehicle Sales by Region (2012-2027, 000 units)



Source: Roskill Report

The two largest EV markets as measured by sales volume in 2017 are China and Europe, followed by Japan and US. Driven by the needs for environmental protection and industrial upgrades, the Chinese government has rolled out an ambitious plan on vehicle electrification through a series of industrial policies, such as government subsidies and EV credit schemes. As a result, China is forecast to remain the leading market for EVs, and the sales volume of passenger and commercial EVs in China is forecast to grow at 24.1% per year from 2.2 million units in 2017 to 19.0 million units in 2027.

Historical and Forecast China Electric Vehicle Sales by Type (2012-2027, 000 units)

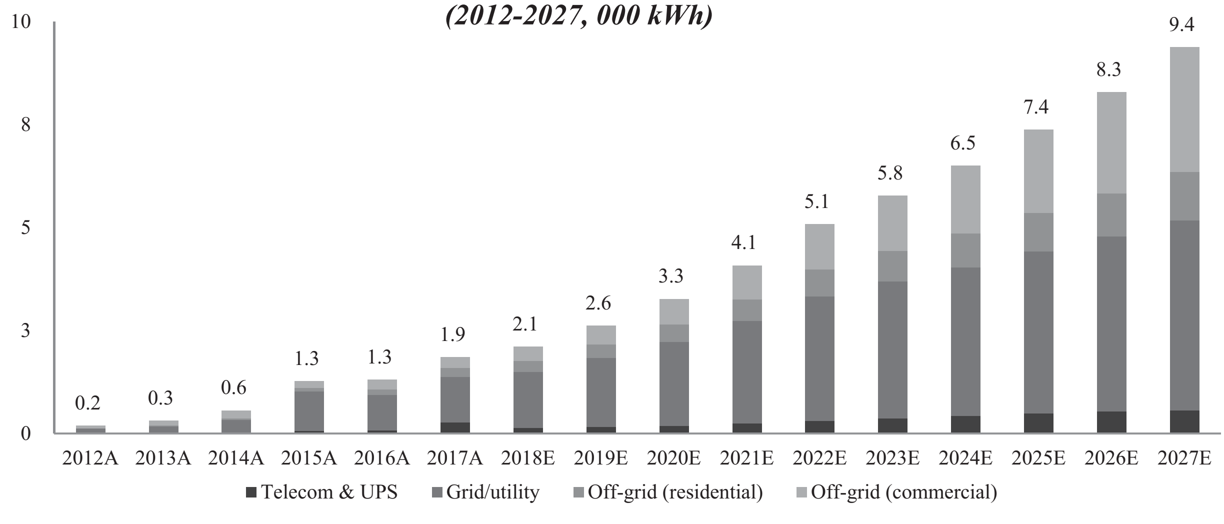


Source: Roskill Report

Energy Storage System

Batteries are also used as Energy Storage Systems ("**ESS**"), which primarily include (1) Uninterruptible Power Systems ("**UPS**") for telecommunication and other industries and (2) power systems for grid operators and off-grid generators to store electricity for both residential and commercial purposes. The later application is becoming more prevalent along with the strong momentum of off-grid residential and commercial demand. ESS smoothen out power fluctuations of "weather-driven" renewable sources such as solar and wind, thus preventing the disruptions to transmission grid. They also ensure stable power supply to industries, such as telecom towers, that are sensitive to electricity outage. The ESS battery market is expected to grow at 13.2% per year from 4.8GWh in 2017 to 16.6GWh in 2027, of which 9.4GWh will be attributed to lithium-ion technology.

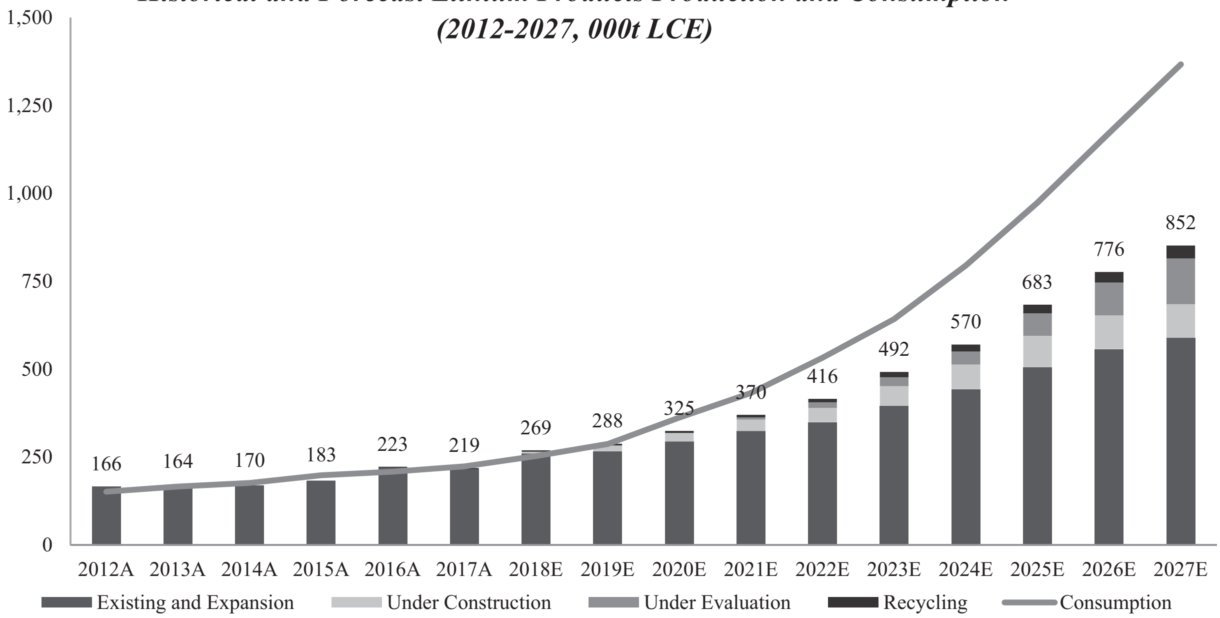
Historical and Forecast Lithium-ion Battery Use in the Energy Storage Market (2012-2027, 000 kWh)



Source: Roskill Report

MARKET BALANCE

Historical and Forecast Lithium Products Production and Consumption (2012-2027, 000t LCE)



Source: Roskill Report

Note: production forecasts are adjusted for risks of financing, construction and commissioning/ramp-up delays.

It is estimated the global output of lithium products will reach just over 0.85 million tons LCE in 2027, representing a 14.5% growth per year from 2017; In the meantime, the demand for lithium products is expected to reach 1.37 million tons LCE, representing a 19.8% growth per year from 2017. From 2020 a market deficit is likely to be seen if no additional refining capacity is added to the current forecast.

In such a rapidly growing market, customer purchases may surpass their actual consumption in order to secure raw materials in anticipation of a future supply shortage. This is especially common in the automotive market where there is a long lead time from raw material sourcing to the vehicle sale. As a result, a significant volume of supply will be required in the mid-2020s in addition to the announced production expansion projects, in order to ultimately meet the longer-term growth in lithium consumption.

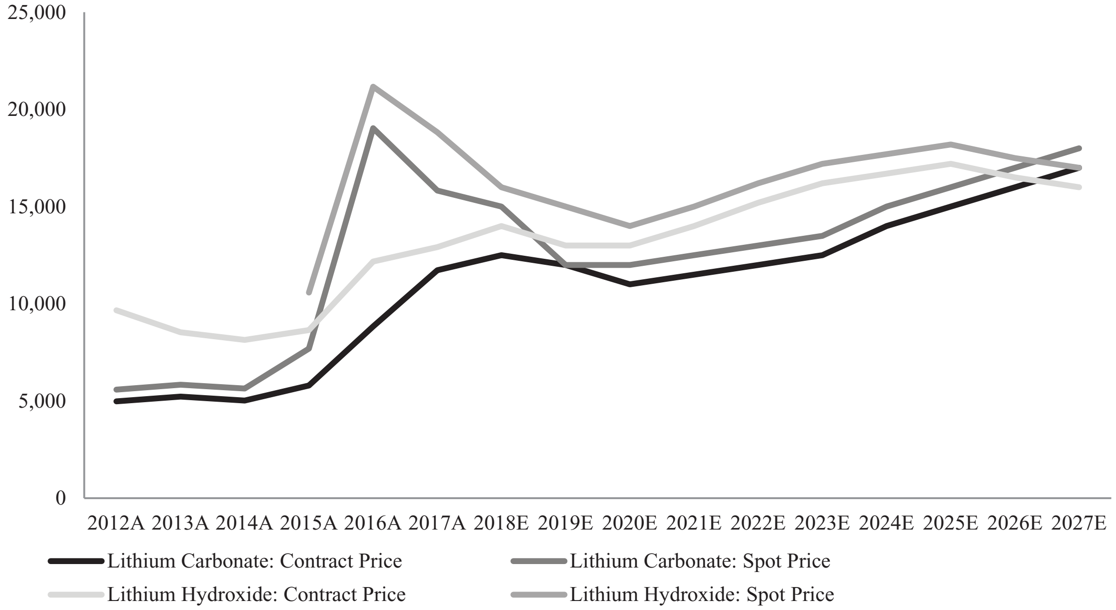
LITHIUM PRICES

Changes in lithium prices have generally followed changes in the underlying cost position of producers, with market balance having a shorter-term impact. Lithium prices can generally be considered elastic to changes in demand when supply has previously failed to keep pace.

Prices of battery-grade lithium carbonate in China have fluctuated over the last decade with annual average prices moving from US$5,700 in 2007 to US$7,700 in 2015 and increased significantly to over US$19,000 per ton in 2016. This was followed by a decline in the first quarter of 2017 after which the prices have fluctuated. Prices of battery-grade lithium carbonate outside China have generally followed the similar trend, but the prices had been increasing more steadily from 2014 and moving significantly higher in 2017 and the first half of 2018.

Prices of battery-grade lithium hydroxide had traded at a premium to prices battery-grade lithium carbonate in the late-2000s and the mid-2010s because of the more limited number of suppliers, but the premium has narrowed as more suppliers entered the market. Prices of other lithium compounds and metal generally track the price of lithium carbonate, but all refined lithium products' prices vary according to the supply and demand dynamics in each product type.

Average Yearly Contract and Spot Prices for Battery-grade Lithium Compounds (2012-2027, US$/t CIF)



Source: Roskill Report
Note: Contract price is the average CIF prices of Japan, Korea, Taiwan and China (since 2015) imports: spot price is the China CIF (excluding VAT) price reported by Asian Metal.

BARRIERS OF ENTRY

Existing and potential new producers of lithium products face a number of challenges: (1) in terms of production technology and know-how, fewer than twenty companies currently produce lithium compounds, and only six of them are capable of producing at a scale of more than 10,000 tons LCE per year; (2) in terms of product development, most lithium products are produced according to customer specification and thus require significant R&D capability to meet the customers' needs. Particularly, battery-grade carbonate and hydroxide require finer particle size and stricter limits on impurities, which call for deeper expertise in manufacturing and quality control; (3) in terms of marketing, sales, logistics and support, lithium is a global business that requires a good logistics network and service capabilities for packing, loading, transporting and customs clearance. Most major producers have a dedicated sales force and can offer continuous logistics support to their customers; (4) in terms of customer accreditation, the process accesses a multitude of factors and can take up to a year and impact new producers' ramp-up ability. Battery-related customers have even more stringent accreditation processes due to their stricter quality requirements; and (5) in terms of feedstock supply, new suppliers, especially mineral converters in China, commonly source feedstock from new mines in Australia. It is not unusual in the mining industry for issues to occur during ramp-up of new mines to impact the designed supply negatively. Inconsistency of feedstock quality may also lead to inconsistency of quality of lithium products making it difficult and time consuming for the producers to go through the downstream customer accreditation process.

This section contains a summary of certain PRC and Western Australian laws and regulations relating to our operations.

PRC GENERAL INDUSTRY REGULATIONS

Legal norms for the production of industrial products in China

1. *Regulations of the People's Republic of China on the Administration of Industrial Product Production License*

The *Regulations of the People's Republic of China on the Administration of Industrial Product Production License* was promulgated by the State Council on July 9, 2005 and implemented on September 1, 2005. China implements a production license system for the production of hazardous chemicals and their packaging materials, containers and other products that affect production safety, public safety, and other enterprises that produce important industrial products required by laws and administrative regulations. The catalog of industrial products subject to the production license system is formulated by the competent department of industrial product production license of the State Council together with the relevant departments of the State Council. Any enterprise without the production license must not produce products listed in the catalog. Any organizations or individuals cannot sell or use the products that they do not have a production license to sell or use.

2. *Decision of the State Council on Adjusting the Management Catalog of Production Licenses for Industrial Products and Simplifying the Approval Process for Trial Implementation*

Decision of the State Council on Adjusting the Management Catalog of Production Licenses for Industrial Products and Simplifying the Approval Process for Trial Implementation was promulgated and implemented by the State Council on June 24, 2017. The management of production licenses for some products is canceled, and replaced by compulsory product certification management; the industrial product production license management authority of some products is decentralized. Products that remain subject to the industrial product production license management after adjustment include hazardous chemicals, hazardous chemical packaging, and containers.

Legal regulations for hazardous chemicals in China

1. *Hazardous Chemicals Safety Management Regulations*

The *Hazardous Chemicals Safety Management Regulations* was promulgated by the State Council on January 26, 2002 and was revised on December 7, 2013. The regulations regulate the production, storage, use, operation and transportation of hazardous chemicals. Hazardous chemicals are highly toxic chemicals and other chemicals that are toxic, corrosive, explosive, flammable, and combustion-supporting, and harmful to humans, facilities, and the environment. The safety production supervision and administration department of the State Council in conjunction with the relevant departments of the State Council determine, promulgate and timely adjust the catalog of hazardous chemicals according to the identification and classification criteria of chemical hazard characteristics.

(1) The safety production supervision and management department is responsible for the comprehensive supervision and management of hazardous chemicals, including identifying, publishing, and revising the catalog of hazardous chemicals, and carrying out safety condition review, approving and issuing safety production safety licenses for hazardous chemicals, safe use licenses for hazardous chemicals and hazardous chemicals

business licenses for building, rebuilding, and expanding the construction projects of production and storage of hazardous chemicals (including the use of long-distance pipelines, similarly hereinafter), and is responsible for the registration of hazardous chemicals.

(2) The public security organ is responsible for the public safety management of hazardous chemicals, approving and issuing license for purchasing highly toxic chemicals, road transport permit for highly toxic chemicals, and responsible for road traffic safety management of hazardous chemicals transport vehicles.

(3) The quality supervision, inspection and quarantine departments are responsible for approving and issuing production licenses for industrial products of hazardous chemicals and their packaging materials and containers (excluding fixed large-scale storage tanks for storing hazardous chemicals, the same below), and implementing supervision for products quality according to the law, as well as the inspection of import and export hazardous chemicals and their packaging.

(4) The competent department of environmental protection is responsible for the supervision and management of the disposal of hazardous chemicals, organizing the environmental hazard identification of hazardous chemicals and the assessment of environmental risk, determining implementing hazardous chemicals of key environmental management, and the environmental management registration of hazardous chemicals and registration of environmental management of new chemical substances; responsible for the investigation of relevant environmental pollution accidents and ecological damages of hazardous chemicals in accordance with the division of responsibilities; emergency environmental monitoring of hazardous chemical accident sites.

(5) The competent department of transportation is responsible for the road transport of hazardous chemicals, the permission of waterway transportation, and the safety management of transportation vehicles, supervising the safety of water transportation of hazardous chemicals, and the recognition of qualifications for the drivers and crew, loading and unloading management personnel, escort personnel, reporting personnel, and on-site inspectors for container packing of road transport enterprises and waterway transport enterprises of hazardous chemicals. The railway regulatory department is responsible for the safety management of rail transport for hazardous chemicals and its transport facilities. The civil aviation competent department is responsible for the safety management of air transport of hazardous chemicals, air transport enterprises and their transport facilities.

(6) The competent department for healthcare is responsible for the toxicity identification of hazardous chemicals, and organizing and coordinating the medical and health relief for injured personnel in hazardous chemical accidents.

(7) The industrial and commercial administration is responsible for approving and issuing business licenses for the enterprises for production, storage, operation and transportation of hazardous chemicals, and investigating and punishing the illegal procurement of hazardous chemicals by the enterprises in accordance with the licenses of the relevant departments.

(8) The postal administration department is responsible for investigating and handling the delivery of hazardous chemicals in accordance with the law.

2. *Administration Measures for the Registration of Hazardous Chemicals*

The *Administration Measures for the Registration of Hazardous Chemicals* was promulgated by the former State Administration of Work Safety (now the Emergency Management Department) on July 1, 2012 and implemented on August 1, 2012. China implements the registration system for hazardous chemicals. The Emergency Management Department is responsible for the supervision and management of hazardous chemicals registration. New production enterprises must go through the registration of hazardous chemicals before completion acceptance. Import enterprises should register hazardous chemicals before the first import. The original and copy of the registration certificate for hazardous chemicals include the certificate number, company name, and registered address, nature of the enterprise, registered species, validity period, issuing authority, and date of issuance. In the nature of enterprise, the production enterprise of hazardous chemical, the import enterprise of hazardous chemical or the production enterprise of hazardous chemical (and import) should be indicated.

3. *Measures for the Implementation of Safety Production Licenses for Hazardous Chemicals Production Enterprises*

Measures for the Implementation of Safety Production Licenses for Hazardous Chemicals Production Enterprises was promulgated by the former State Administration of Work Safety (now the Emergency Management Department) on August 5, 2011 and revised on March 6, 2017. Hazardous chemical production enterprise refers to an enterprise that is established according to the law and has obtained industrial and commercial business licenses or industrial and commercial approval documents for the production of final products or intermediate products listed in the *Catalog of Hazardous Chemicals*. Hazardous chemicals production enterprises should obtain safety production licenses for hazardous chemicals. Enterprises that have not obtained the permit may not engage in the production of hazardous chemicals.

4. *Measures for Safety Supervision and Administration of Dangerous Chemical Construction Projects*

Measures for Safety Supervision and Administration of Dangerous Chemical Construction Projects was promulgated by the former State Administration of Work Safety (now the Emergency Management Department) on January 30, 2012 and revised on May 27, 2015. Projects for new construction, reconstruction and expansion of hazardous chemicals production and storage, as well as chemical construction projects involving hazardous chemicals (including long-distance pipeline construction projects for hazardous chemicals) are subject to safety review, i.e. safety condition review and safety facility design review. Construction projects not compliant with the safety review and completion acceptance of safety facilities must not be constructed or put into production (use).

Laws and regulations of China's mining industry

The Company is required to abide by China's mining laws and regulations in conducting lithium mining operations in the PRC.

1. *Law of the Mineral Resources of the PRC*

Law of the Mineral Resources of the PRC was promulgated by the Standing Committee of the National People's Congress on March 19, 1986 and was revised on August 27, 2009. Mineral resources are owned by the state, and the State Council exercises state ownership of mineral resources.

State ownership of the surface or underground mineral resources will not change depending on the ownership or use rights of the land to which the resources are attached. The state guarantees the rational development and utilization of mineral resources.

To explore and mine mineral resources, the exploration rights and mining rights should be apply separately and obtained in accordance with the law; however, mining enterprises that have applied for mining rights according to law are engaged in the production for themselves within the designated mining area are not included. To mine mineral resources, the national labor safety and health regulations must be abided by, and the necessary conditions to ensure safe production must exist; the relevant environmental protection laws and regulations must be abided by to prevent environmental pollution.

2. Measures for the Administration of Registration of Mineral Resources Exploration Blocks

Measures for the Administration of Registration of Mineral Resources Exploration Blocks was promulgated by the State Council on February 12, 1998 and revised on July 29, 2014. The state implements a unified registration management system for mineral resources exploration. Exploration of mineral resources can only be launched with approval and registration by the competent department of geology and mineral resources with the exploration licenses issued. When the prospecting right owner conducts an exploration during the validity period of the exploration permit and finds a complex type of deposit that meets the state's requirements about the mineral that can be mined while being explored, they may apply for mining and go through the mining registration formalities after approval by the registration management authority.

3. Measures for the Administration of Mineral Resources Mining Registration

Measures for the Administration of Mineral Resources Mining Registration was promulgated by the State Council on February 12, 1998 and revised on July 29, 2014. Mining mineral resources must be examined and registered by the competent department of geology and mineral resources, and a mining right license must be issued. The validity period of the mining license is determined according to the scale of mine construction.

4. Mine Safety Law of the People's Republic of China

Mine Safety Law of the People's Republic of China was promulgated by the Standing Committee of the National People's Congress on November 7, 1992 and was revised on August 27, 2009. Mining enterprises must provide facilities to ensure safe production, establish and improve safety management systems, take effective measures to improve workers' working conditions, strengthen mine safety management, and ensure safe production. The safety facilities of the mine construction project must be designed, constructed, and put into production and used at the same time as the main project. The design documents of the mine construction project must comply with the mine safety regulations and industry technical specifications, and be approved by the competent department of management mining enterprise in accordance with the regulations. Mining must have the conditions to ensure safe production, and safety regulations and industry technical specifications to implement mining different minerals. Mining enterprises must establish and improve the responsibility system for production safety.

5. Enforcement Regulations of the Mine Safety Law of the People's Republic of China

The *Enforcement Regulations of the Mine Safety Law of the People's Republic of China* was promulgated by the former Ministry of Labor of the People's Republic of China (now the Ministry of Human Resources and Social Security) on October 30, 1996 and implemented on the same day. The exploitation of mineral resources refers to the related activities of mineral resources exploration and the construction of mine, production, and closure of pit within the scope of mining areas approved according to law. The regulation specifically stipulates details about the safety assurance of mine construction, the safety assurance of mining, the safety management of mining enterprises, the supervision and management of mine safety, the handling of mine accidents and legal liability.

6. Measures for Implementation of Safety Production License for Non-coal Mine Enterprises

Measures for Implementation of Safety Production License for Non-coal Mine Enterprises was promulgated by the former State Administration of Work Safety (now the Emergency Management Department) on June 8, 2009 and revised on May 26, 2015. Non-coal mining enterprises must obtain safety production licenses in accordance with the provisions of the Law. If the safety production license is not obtained, the enterprises must not engage in production activities.

Chinese laws and regulations on safe production

The main business of the Company involves the production of flammable, explosive, corrosive and toxic hazardous chemicals and lithium mining. We must strictly abide by the Chinese laws and regulations concerning safe production.

1. Safety Production Law of the People's Republic of China

The *Safety Production Law of the People's Republic of China* was promulgated by the Standing Committee of the National People's Congress on June 29, 2002 and was revised on August 31, 2014. The units engaging in production and operation activities must comply with this law and other laws and regulations concerning safe production. The units must enhance management of safe production, establish and improve accountability system and regulatory framework for safe production, improve safe production conditions, urge standardization construction for safe production, and strengthen production safety. The law specifies provisions on safe production guarantee for production and operating units, rights and obligations concerning safe production of employees, supervision and management for safe production, and emergency rescue, investigation and handling as well as legal responsibilities of safe production accidents.

2. Regulation on Safe production Permits

Regulation on Safe production Permits was promulgated by the State Council on January 13, 2004 and was revised on July 29, 2014. China implements a safe production permission system for mining enterprises, construction enterprises, and manufacturers of hazardous chemicals, fireworks, and civil explosives. Enterprises without the safety production license must not engage in production activities.

Chinese laws and regulations concerning environmental protection

The Company may generate pollutants during the process of production and, therefore, must strictly comply with Chinese laws and regulations concerning environmental protection.

1. Environmental protection Law of the People's Republic of China

Environmental protection Law of the People's Republic of China was promulgated by the standing committee of the National People's Congress on December 26, 1989 and was revised on April 24, 2014. In case of preparing any development and utilization plan and constructing any project with impacts on the environment, the environmental impact assessment must be carried out in accordance with laws and regulations. Any development and utilization plans failing to carry out environmental impact assessment in accordance with laws and regulations must not be implemented; for any construction project failing to carry out environmental impact assessment in accordance with laws and regulations, the construction must not be commenced. Any facility for preventing and control of pollution in a construction project must be designed, constructed and put into operation parallel to the progress of the principal part of the project. The facilities for preventing and control of pollution must comply with requirements of approved environmental impact assessment files and must not be dismantled without permission or left idle. Production, storage, transport, selling, use and disposal of chemicals and articles containing radioactive substances must comply with relevant national regulations and prevent pollution of environment.

China implements a pollutant discharging permission management system in accordance with laws and regulations. Enterprises, institutions and other production and operating units implementing pollutant discharging permission management must discharge pollutants in accordance with the pollutant discharging permit. Discharging of pollutants is not allowed without obtaining the pollutant discharging permit.

For exploitation and utilization of natural resources, it is required to ensure reasonable development, protect biodiversity, ensure ecological safety and formulate and implement management plans of ecological protection and restoration in accordance with laws and regulations.

2. Regulations on the Administration of Construction Project Environmental Protection

The *Regulations on the Administration of Construction Project Environmental Protection* was promulgated by the State Council on November 29, 1998 and revised on July 16, 2017. Construction of any project generating pollutants must comply with national standards and local standards concerning pollutant discharging; in areas implementing control of the total discharging amount of key pollutants must also comply with the requirements on control of the total discharging amount of key pollutants. Industrial construction projects must introduce clean production processes to decrease energy and material consumption and pollutants, utilize natural resources reasonably and prevent environmental pollution and ecological damage. For alternation and extension projects and technological transformation projects, measures must be taken to control pollution and ecological damage.

China implements an environmental impact assessment system for construction projects. For any construction project required to prepare environmental impact reports and environmental impact statements, the construction unit must submit the environmental impact reports and environmental impact statements to the environmental protection administration department with approval authority before the commencement of construction; Where the environment impact assessment files of a construction project are not reviewed by the approving department legally or failing to obtain approval after such review, the construction unit must not commence the construction. For any construction project required to fill in the environmental impact registration form in accordance with laws and regulations, the construction unit must submit the environmental impact registration form to the county-level environmental protection administration department at the location of the construction project for archiving in accordance with the regulations of the environmental protection administration department of the State Council.

Environmental protection facilities required to be constructed must be designed, constructed and put into operation parallel to the progress of the principal part of the project. Construction projects for which the environmental impact reports and environmental impact statements are prepared must only be put into production or put into use after the environmental protection facilities are accepted; where such facilities are not accepted or deemed as disqualified in the acceptance, such projects are not allowed to be put into production or use.

3. Law of the People's Republic of China on Environmental Impact Assessment

Law of the People's Republic of China on Environmental Impact Assessment was promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and was revised on July 2, 2016.

China implements classified management on environmental impact assessment of construction projects in accordance with the impact degree on environment of the construction projects. The construction units must organize the preparation of environmental impact reports and environmental impact statements or fill in the environmental impact registration form (the "**environmental impact assessment files**") in accordance with the following regulations: (1) where it is possible to cause any major environmental impact, an environmental impact report must be prepared to assess comprehensively the generated environmental impact; (2) where it is possible to cause any minor environmental impact, an environmental impact statement must be prepared to carry out analysis or special assessment on the generated environmental impact; (3) Where the generated environmental impact is slight and environmental impact assessment is not required, the environmental impact registration form must be filled in. A classified management catalog for environmental impact assessment of construction projects is stipulated and released by the environmental protection administration department of the State Council.

The environmental impact reports and statements of the construction projects must be submitted by the construction unit to environmental protection departments with approval authority for approval in accordance with the regulations of the State Council. China implements archive management on environmental impact registration form.

4. The Interim Method for Completion Acceptance of Environmental Protection for Construction Projects

The Interim Method for Completion Acceptance of Environmental Protection for Construction Projects was promulgated and implemented by the former Ministry of Environmental Protection (current Ministry of Ecology and Environment) on November 20, 2017. This method specifies the procedures and standards for construction units to carry out environmental protection acceptance after the construction of such projects is completed.

5. Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste

Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste was promulgated by the Standing Committee of the National People's

Congress on October 30, 1995 and was revised on November 7, 2016. Construction of projects generating solid waste and construction of projects for storing, utilizing and disposing solid waste must carry out environmental impact assessment and comply with relevant national regulations on environmental protection management of construction projects. Environmental prevention and control facilities required to be constructed as specified in environmental impact assessment files of construction projects must be designed, constructed, and put into use parallel to the progress of the principal part of the project. For environmental prevention and control facilities for pollution by solid waste, the construction project is only allowed to be put into production or put into use after it is accepted by the environmental protection administration department originally approving the environmental impact assessment files. The acceptance of the facilities preventing and control of environmental pollution by solid waste must be carried out at the same time when the acceptance of the principal part of the project is conducted.

China implements a declaration and registration system for industrial solid waste. Any unit generating industrial solid waste must, in accordance with the regulations of the environmental protection administration department of the State Council, provide materials concerning the type, generated amount, flow direction, storage and disposal of industrial solid waste to the environmental protection administration department of people's government of county level and above at the location of the unit.

Mining enterprises must introduce scientific mining methods and mineral processing technologies to reduce the production and storage amount of mining solid waste including tailings, waste rocks and mullock. After the use of the facilities storing industrial waste solid including tailings, waste rocks and mullock is terminated, the mining enterprise must block the site in accordance with relevant national environmental protection regulations, so as to prevent environmental pollution and ecological damage.

The environmental protection administration department of the State Council will, together with relevant departments of the State Council, formulate the national catalog of hazardous waste, specify unified identification standards, identification methods and identification marks for hazardous waste. Containers and packaging of hazardous waste and facilities and sites for collecting, storing, transporting and disposing hazardous waste must bear identification marks of hazardous waste. Any unit generating hazardous waste must formulate hazardous waste management plan in accordance with national regulations and report materials concerning the types, generated amount, flow direction, storage and disposal of hazardous waste to the environmental protection administration department of local people's government of county level and above at the location of the unit.

6. Law of the People's Republic of China on Prevention and Control of Water Pollution

Law of the People's Republic of China on Prevention and Control of Water Pollution was promulgated by the Standing Committee of the National People's Congress on May 11, 1984 and was revised on June 27, 2017. New construction, alternation and extension projects and other water-based facilities which directly or indirectly discharge pollutants to waters must implement environmental impact assessment in accordance with laws and regulations. The facilities preventing and control of water pollution must be designed, constructed and put into use parallel to the progress of the principal part of the project. The facilities preventing and control of water pollution must comply with the requirements of the approved or archived environmental impact assessment files.

Enterprises, institutions and other production and operation units directly or indirectly discharging industrial waste water and medical sewage to waters and enterprises, institutions and other production and operation units required to obtain pollutant discharging permit before discharging waste water and sewage in accordance with regulations must obtain the pollutant discharging permit. The pollutant discharging permit specifies requirements on the types, concentration, total amount and discharging direction of the water pollutants to be discharged. Enterprises, institutions and other production and operation units implementing pollutant discharging permission management must, in accordance with relevant national regulations and monitoring rules, monitor the discharged water pollutants, keep original monitoring records and be responsible for the authenticity and accuracy of the monitoring data.

Chemical manufacturers and operating and management units of industrial clusters, mining areas, tailing warehouses, hazardous waste disposal sites and landfill must take measures to prevent leakage, construct groundwater quality monitoring wells and carry out monitoring to prevent groundwater pollution. Activities concerning construction of underground projects and underground exploration and mining must take protective measures to prevent contamination of groundwater.

7. Law of the People's Republic of China on Atmospheric Pollution

Law of the People's Republic of China on Atmospheric Pollution was promulgated by the Standing Committee of the National People's Congress on September 5, 1987 and was revised on August 29, 2015. For projects impacting atmospheric environment, enterprises, institutions and other production and operation units must carry out environmental impact assessment and publicize environmental impact assessment files in accordance with laws and regulations; where pollutants are discharged to the atmosphere, the discharging units must comply with the discharging standard for atmospheric pollutants as well as the requirements on control of the total discharging amount of key atmospheric pollutants.

Enterprises and institutions discharging industrial waste gasses or toxic and hazardous atmospheric pollutants specified in this catalog, coal and heat source production and operation units for centralized heating facilities and other units implementing pollutant discharge permission management in accordance with laws and regulations must obtain the pollution discharging permit.

Steel, building material, non-ferrous metal, petroleum and chemical engineering enterprises discharging dust, sulfide and nitrogen oxides in the process of production must introduce clean production processes and construct supporting devices for de-dusting, desulfurization and de-nitration, or adopt technological transformation and other measures to control the discharging of atmospheric pollutants. Petroleum, chemical and other enterprises producing and using organic solvents must take measures to carry out daily maintenance and repair on pipeline and equipment, reduce material leakage and collect and dispose leaking materials in a timely manner.

8. Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution

Law of the People's Republic of China on the Prevention and Control of Ambient Noise Pollution was promulgated on October 29, 1996 by the standing committee of the National People's Congress and was implemented on March 1, 1997. New construction, alternation and extension projects must comply with regulations on environmental protection management of construction projects. Where a construction project may lead to ambient noise pollution, the construction unit must a submit environment impact report, specify preventive measures for noise pollution and report to the environmental protection administration department in accordance with the approval procedures. Preventive measures for ambient noise pollution in support of the construction project must be designed, constructed and put into operation parallel to the progress of the principal part of the project. Before a construction project is put into production or put into use, the facilities preventing or control of ambient noise pollution must be accepted by the environmental protection department originally approving the environmental impact report; where the requirements of the national regulations are not fulfilled, the construction project is not allowed to be put into production or use.

WESTERN AUSTRALIAN MINING LAWS AND REGULATIONS

GENERAL MINING LAW IN WESTERN AUSTRALIA

Ownership of minerals

Each of the States and Territories in Australia have its own legislation which regulates the exploration for and production of minerals. In Western Australia, the Mining Act 1978 (WA) (the "**Mining Act**") and Mining Regulations 1981 (WA) (the "**Mining Regulations**") regulate the assessment, development and utilization of mineral resources in Western Australia.

The Mining Act and the Mining Regulations are administered by the Minister for Mines and Petroleum ("**Minister**") with the assistance of the Department of Mines, Industry Regulation and Safety ("**Department**").

Western Australia (along with other States and Territories) has adopted a legislative policy of public ownership of minerals. Pursuant to the Mining Act, the Crown owns all minerals on or below the surface of the land, except in certain limited circumstances (relating to limited categories of land and minerals). As the owner of the minerals, the Crown is entitled to grant mining tenements which confer rights on a tenement holder to explore for and mine minerals (not private land owners).

Generally, the only privately held minerals remaining in Australia are those in grants made prior to the introduction of mineral reservation statutes. Deeds of grant for any land which does not include any mineral reservation is rare.

Usually, ownership of minerals does not pass from the Crown to the miner until the minerals have been extracted from the land.

Types and duration of mining titles

This section provides a description of the rights and term of the mining tenements as set out in the Mining Act. For details on the conditions typically imposed on mining tenements see section entitled "Main obligations and conditions under mining titles."

Prospecting licenses

Prospecting licenses entitle the holder to prospect for minerals (except iron ore unless expressly authorized by the Minister) within the area of the prospecting license and to undertake various ancillary activities that may be necessary or expedient in connection with prospecting for minerals.

Prospecting licenses granted or applied for before February 10, 2006 remain in force for a period of 4 years from the date of grant and cannot be renewed. Prospecting licenses applied for and granted on or after February 10, 2006 remain in force for a period of 4 years from the date of grant and may be renewed for 4 years (and further 4 year periods if the license has "retention status"—obtainable where an identified mineral resource exists that is impracticable to mine at the time—see "Retention licenses" below).

Exploration licenses

An exploration license is the principal title issued for exploration in Western Australia and permits exploration over a much larger area of land for a longer period than a prospecting license. An exploration license authorizes the tenement holder, subject to the Mining Act, the Mining Regulations and the conditions of the exploration license to enter land and undertake the operations and works necessary for the purpose of digging pits, trenches and holes and sinking bores and tunneling in the course of mineral exploration. A tenement holder may excavate, extract or remove up to 1,000 tons of earth, soil, rock, stone fluid or mineral bearing substance without Ministerial consent.

An exploration license is granted for an initial term of 5 years however, a tenement holder may apply to extend the term by making an application to the Minister prior to the expiry of the initial term.

If the Minister is satisfied that a prescribed ground for extension of the exploration license exists, the Minister may grant a renewal of the exploration license for a term of 5 years and any subsequent renewal terms of 2 years.

Retention licenses

Retention licenses allow a tenement holder to continue exploration by entry onto the land and by carrying out works including digging pits, trenches and holes, excavating, extracting and removing up to 1000 tons of mineral bearing substances and taking water.

Under the Mining Act a retention license is granted for an initial term of up to 5 years with options to renew for additional terms of up to 5 years. A retention license may be granted when, for economic or other reasons (for example future reserves for an existing operation), it is not possible or would not be commercial to commence mining immediately. The Minister may at any time by notice require the holder of a retention license to show cause why a mining lease should not now be applied for.

Mining leases

Subject to the provisions of the Mining Act, the holder of a mining lease is entitled to work and mine the land, take and remove any minerals (except iron ore) and do all things necessary to effectively carry out mining operations in, on or under the land. This is the appropriate tenement for the commercial extraction of minerals. However, a grant of a mining lease does not in itself confer authority to produce minerals. Further approvals are generally required before production may commence, including approvals in respect of the mining proposal, potential environmental impact and Aboriginal heritage.

The holder of a mining lease owns all minerals lawfully mined from the land in accordance with the mining lease.

Mining leases are granted for a period of 21 years and the tenement holder has an option to renew the term for a further 21 years. Subsequently, the Minister has a discretion to extend the term for further periods subject to the tenement holder's compliance with the terms and conditions of the mining lease.

Miscellaneous licenses

A miscellaneous license may be granted pursuant to the Mining Act over any land where the use of that land is directly connected with mining and is for a prescribed purpose under the Mining Regulations (for example a road, railway, pipeline, power line or bridge). A miscellaneous license may be applied for over land that is the subject of an existing tenement, irrespective of whether that existing tenement is held by the applicant for the miscellaneous license. The holder of a miscellaneous license does therefore not have exclusive title to the land over which the miscellaneous license is granted.

A miscellaneous license has a term of 21 years, which may be renewed by the Minister upon application by the holder.

General purpose leases

The holder of a general purpose lease is entitled to exclusive occupancy of the land the subject of the lease for the purposes specified in the lease, which may include erecting and operating machinery in connection with mining operations, depositing or treating tailings and/or use for any other specified purpose directly connected with mining operations.

A general purpose lease will remain in force for either the term of the mining lease in respect of which it was granted, or 21 years from the date of grant, and may be renewed by the Minister in certain circumstances for one or more periods of 21 years each.

Applications and Priority principles

Applications for tenements

Whether a tenement application for a mining lease, exploration license or general lease is successful is dependent upon a recommendation made by the mining registrar or warden to the Minister and the Minister's decision whether to grant or refuse the application.

Whether a tenement application for a prospecting license or a miscellaneous license is successful is dependent upon the mining registrar or warden's decision whether to grant or refuse the application.

If a tenement is granted under the Mining Act then it will be issued on terms and conditions reasonable to the Minister or warden as applicable.

An application for a tenement cannot generally be transferred because, while it is still pending, the application does not amount to any property or title in the mining tenement.

Priority of applications

If more than one application is received for a tenement (except a miscellaneous license—see section below entitled "Overlapping titles") in respect of the same land or any part of it, the applicant who first "complied with the initial requirement" in relation to its application has the right in priority over every other applicant to have the mining tenement for which it has applied granted in respect of that land.

Priority of dealings

Dealings in a mining tenement such as applications, grants, transfers and mortgages may be registered and endorsed on the Mining Register maintained by the Department and any person may search the Mining Register.

Priority between dealings is according to the time of their registration.

However, the category of instruments that may be registered is limited. As to priority between a registered and an unregistered interest, it is necessary to refer to general legal principles which can be summarized as:

(a) the registered legal interest, in the absence of postponing conduct on the part of the registered holder, has priority over any subsequent unregistered interest; and

(b) as against a prior equitable interest, the Mining Act operates to protect the holder of a registered interest from the effect of notice of the prior equitable interest.

In relation to the priority between unregistered interests, the caveat system may affect which interest has priority and it is prudent to caveat an unregistered interest in order to ensure the preservation of the "first in time" principle.

A person claiming an interest in a tenement which is not yet registered (e.g. a transfer of an interest in a tenement that has not yet been lodged for registration) or is not registrable may lodge a caveat which gives notice of the caveator's interest in the tenement and forbids the registration of certain dealings which are inconsistent with the interest claimed.

Caveats

The caveat system under the Mining Act provides protection for the holder of an interest in a mining tenement which is unregistered (e.g. a transfer or mortgage that is not yet lodged) or unregistrable (e.g. a purchase or a farm-in agreement or equitable interest). This is because a dealing (transfer or mortgage) or certain surrender instruments, cannot be registered while a caveat remains in force, without the consent of a warden.

Therefore, a caveat provides the caveator the ability to delay the registration of a dealing or surrender and the opportunity to show cause to the warden why that dealing or surrender should not be registered.

There are three types of caveats provided for under the Mining Act as follows:

Subject to claim caveats

A subject to claim caveat can only be lodged in respect of an interest in a mining tenement and forbids the registration of a dealing (transfer or mortgage), unless the dealing expressly states that it is subject to the caveat interest.

A subject to claim caveat forbids the registration of a surrender.

Absolute caveats

An absolute caveat can only be lodged in respect of an interest in a mining tenement and forbids the registration of a dealing (transfer or mortgage) or a surrender.

Consent caveats

A consent caveat can be lodged where the holder of a mining tenement has entered into an agreement with a person relating to the sale of the holder's interest in the mining tenement or "any other matter connected with the holder's interest in the mining tenement."

A consent caveat forbids the registration of a dealing (transfer or mortgage) or surrender.

Main obligations and conditions under mining titles

Conditions are imposed on the grant of most tenements pursuant to the Mining Act. These include conditions relating to the environment, payment of annual rent, required minimum expenditure and a standard schedule of general exclusions and conditions established pursuant to the Mining Act. In addition, more particular conditions are imposed on the various types of tenements. If the tenement conditions are not complied with, the tenement may be liable to forfeiture or the tenement holder may be penalized.

The holder of a prospecting license, an exploration license or a mining license must comply with the prescribed minimum expenditure requirements under the Mining Act unless the holder has been granted certificate of exemption by the Minister. A tenement holder must expend, or cause to be expended, certain prescribed minimum expenditure in mining on, or in connection with mining on, the tenement during each year of the term of the tenement.

Upon granting a mining tenement, the Minister may impose conditions for the prevention of injury to land or for rehabilitation of the area the subject of the tenement.

Pursuant to the Mining Act, the Minister may also require an applicant, or a tenement holder to lodge a security (by bond or other method approved by the Minister) in the prescribed amount and form that will cover any liability likely to be incurred in the course of carrying out exploration and any obligations in relation to rehabilitation of land disturbed by exploration.

Transfer or assignment of mining titles

Tenements in Western Australia are all assignable or transferable subject to:

(a) lodgement of the prescribed forms for the assignment of the tenements (including any required accompaniments);

(b) payment of the prescribed fee; and

(c) in the case of all tenements other than exploration licenses (unless the transfer is being lodged during the first year of its term) and prospecting licenses, Ministerial consent.

The Department will not register a transfer of a tenement unless transfer duty has been paid in accordance with Duties Act 2008 (WA). Generally speaking, a transfer of a Western Australian mining tenement will attract transfer duty on a sliding rate (that typically ends up being approximately 5% of the greater of the market value of the mining tenement or the consideration paid for it).

Types of minerals that a mining title grants

Minerals

A tenement allows a holder to prospect for any minerals (except iron ore unless specifically authorized by the Minister). The Mining Act defines the term "minerals" generally as naturally occurring substances obtained or obtainable from any land by mining operations carried out on or under the surface of the land. However, certain substances are expressly excluded from this definition, including soil, limestone, rock, gravel, shale, sand (other than mineral sand, silica and garnet sand) and clay.

Causes by which you can lose your mining title

Forfeiture of tenements

Where a tenement holder contravenes or fails to comply with the prescribed provisions of the Mining Act or any conditions imposed under the license or lease (including expenditure requirements), the tenement may liable to forfeiture in which case the holder may lose the tenement or be subject to a fine.

Voluntary surrender of tenements

The Mining Act provides that the holder of a mining tenement may surrender the whole or a part of a tenement by lodging the prescribed form. Any surrender may be conditional upon an application for a new mining tenement in respect the whole or part of the area of the surrendered tenement being granted to the original holder, however it is not possible for an applicant to surrender a tenement conditional upon the grant of a new tenement to a new applicant.

Royalties and other taxes

Statutory royalties

The Mining Act provides the Governor of Western Australia with the power to prescribe the rate, the manner of payment and by whom the royalty is payable in respect of royalties. Royalties are payable in relation to minerals (including material containing the mineral) subject to a mining tenement or application for a mining tenement granted under the Mining Act.

Penalty provisions including forfeiture of tenements and penalty rates may be imposed on a tenement holder who fails to pay a royalty.

The ad valorem or value-based rates of royalty which applies under the Mining Regulations vary between different classes of minerals and are based on the following principles:

(a) Bulk material (subject to limited treatment) – 7.5 per cent of the royalty value.

(b) Concentrate material – (subject to substantial enrichment through a concentration plant) 5.0 per cent of the royalty value.

(c) Metal – 2.5 per cent of the royalty value.

The royalty value takes into account processing costs incurred after the mine-head point, price fluctuations, the grade of material and the change in the value as mined ore is processed and value is added. Under the Mining Regulations the Minister may determine the value of the mineral for the purpose of calculating royalties if the Minister believes the royalty value does not reflect market value, the allowable deductions are excessive or the sale was not a genuine commercial transaction.

Contractual royalties

Mineral royalties may also be payable to third parties or Aboriginal communities pursuant to contractual agreements between the project proponent and the relevant party. It is not uncommon for a tenement holder to sell a tenement in exchange for a cash purchase price and a promise to pay a royalty. The royalty rates in this instance are agreed by the parties on a case by case basis.

Rent

All tenements will require the payment of rent to the Department (on an annual basis).

Mining Rehabilitation Fund

Under the Mining Rehabilitation Fund Act 2012 (WA) ("**Rehabilitation Fund Act**"), all tenement holders in Western Australia (with the exception of tenements covered by certain State Agreements), are required to report disturbance data and contribute annually to the Mining Rehabilitation Fund.

The Mining Rehabilitation Fund has been in effect from July 1, 2013 and has been compulsory since July 1, 2014.

Based on the data provided by the tenement holder, an estimate of the potential rehabilitation costs in respect of each tenement is calculated by the Department (referred to as the Rehabilitation Liability Estimate). Tenement holders must pay an annual levy to the Mining Rehabilitation Fund. The levy is calculated on a per tenement basis and is assessed as 1% of the Rehabilitation Liability Estimate for each tenement.

All funds in the Mining Rehabilitation Fund are available to the Western Australian Government as a source of funding for the rehabilitation of abandoned mine sites and other land affected by mining operations.

Relationship between mining title holder and other surface owners

Private land

A mining tenement may be applied for in respect of any private land and in that respect private land is open for mining. However, this is substantially curtailed by the Mining Act in that the written consent of the owner and occupier of private land must be given before a mining tenement can be granted in respect of certain private land interests, including land under cultivation, land the subject of a cemetery or burial ground, land the subject of a dam or bore and land on which a substantial improvement has been erected. Usually any consent given will be included in a compensation agreement entered into with the landholder.

A person may not enter or remain upon the surface of any private land (which includes freehold or Crown leases) for any mining purpose or for the purpose of marking out that land unless the person is the owner or is authorized by a permit to do so . A person may apply for a permit to enter land for a period of 30 days. Failure to obtain a permit to enter is sufficient grounds to reject an application for a mining lease.

The Mining Act provides that the owner and occupier of any land where mining takes place are entitled according to their respective interests to compensation for loss and damage suffered or likely to be suffered by them resulting or arising from the mining. The compensation may be negotiated directly between the owner or occupier of the land and the applicant, and where the owner cannot be located or is dead, the Minister will act in a capacity of trustee for that person or the person's heirs.

Crown land and pastoral leases

The Mining Act definition of "Crown land" includes pastoral leaseholds. Generally, pursuant to the Mining Act, Crown land which is not already subject to a mining tenement is considered open for mining (subject to certain exemptions and limitations), and a mining tenement may be issued in relation to such land, entitling the holder to the rights granted thereby.

The exercise of such rights is, however, limited by the Mining Act, which provides that the holding of a mining tenement does not entitle the holder to prospect or fossick on, explore or mine on or otherwise interfere with on any Crown land that is:

(a) for the time being under crop (or within 100 meters of that crop);

(b) used as or situated within 100 meters of a yard, stockyard, garden, cultivated field, orchard, vineyard, plantation, airstrip or airfield;

(c) situated within 100 meters of any land that is in actual occupation and on which a house or other substantial building is erected;

(d) the site of or situated within 100 meters of any cemetery or burial ground; or

(e) land the subject of a pastoral lease which is the site of, or is situated within 400 meters of any water works, race, dam, well or bore not being an excavation previously made and used for mining purposes by a person other than the pastoral lessee,

without the written consent of the occupier (unless the warden by order otherwise directs). The "occupier" includes the pastoral lessee.

The mining tenement holder may (subject to giving notice to the occupier and abiding by the restrictions on activities imposed by the Mining Act) pass over Crown land of the type set out in (a) to (e) above in order to gain access to other land for the purpose of prospecting, exploring mining, marking out or fossicking. Such limitations include a requirement to pay compensation for the same, which may be agreed between the parties or by the Warden's Court.

As with private land, the Mining Act provides that the owner and occupier of any land where mining takes place are entitled according to their respective interests to compensation for loss and damage suffered or likely to be suffered by them resulting or arising from the mining. However, except to the extent agreed upon by the parties concerned or authorized by the Warden's Court, under the Mining Act compensation is not payable to a lessee for deprivation of the possession of the surface or any part of the surface of the land; for damage to the surface of the land; where the lessee is deprived of the possession of the surface of any land; for severance of the land from any other land of the lessee; or for surface rights of way and easements. Where consent cannot be agreed, the warden may determine the amount for compensation (either with or without formal proceedings, based on the parties' wishes).

Commonwealth land

The Mining Act also includes a definition of "Commonwealth land" being land over which the Commonwealth holds a freehold or leasehold interest or land that is otherwise vested in the Commonwealth. Accordingly, Commonwealth land within Western Australia is subject to the Mining Act.

Commonwealth land is treated in a similar way to Crown land. As a result, mining on Commonwealth land will be allowed with the consent of the State Minister for Mines and Petroleum, and the agreement of the Commonwealth Minister for Sustainability, Environment, Water, Population and Communities.

Overlapping titles

In Western Australia, land already the subject of a tenement may not be the subject of an application for another tenement. That is, overlapping tenements may not exist under the Mining Act.

However, this principle does not apply to miscellaneous licenses. A miscellaneous license may be applied for over land that is the subject of an existing tenement, irrespective of whether that existing tenement is held by the applicant for the miscellaneous license.

Similarly, another tenement may be granted over land that is the subject of an existing miscellaneous license.

An underlying tenement holder may object to the granting of an application for a miscellaneous license by lodging a notice of objection within the prescribed time and prescribed manner. Where a notice of objection is lodged, it is not uncommon for the relevant parties to enter into a private access agreement following which the notice of objection will be withdrawn and the miscellaneous license granted.

However, where a notice of objection is not withdrawn, the warden shall hear and determine the application for the miscellaneous license. This may cause delay in the grant of a miscellaneous license.

ENVIRONMENTAL LAW IN AUSTRALIA

Federal environmental law

The *Environment Protection and Biodiversity Conservation Act 1999* (the "**EPBC Act**") is the Commonwealth Government's central piece of environmental legislation. It provides a legal framework to protect and manage nationally and internationally important flora, fauna, ecological communities and heritage places—defined in the EPBC Act as matters of 'national environmental significance'. Should an 'action', defined as a project, development, undertaking, activity or series of activities, have the potential to have a significant impact on a matter of national environmental significance, the proponent of the action must refer the action to the Commonwealth Minister for the Environment for a determination of whether the action can be taken, and if so, what conditions may be applied.

Taking an action without referring it to the Minister may lead to a fine of up to $10.5 million.

Once referred to the Minister, the Department of Environment and Energy will assess the action, and provide a report to the Minister. Alternatively, if, as is the case with Western Australia, a bilateral assessment agreement is in place between the Commonwealth and the State, the initial assessment may be conducted by the appropriate state agency, in the case of Western Australia, the Environmental Protection Authority.

In addition, the Act provides power for the Commonwealth to institute recovery plans for threatened flora and fauna, and ecological communities.

Western Australia environmental law

The environmental impact of mining in Western Australia is principally managed at the State level through the Environmental Protection Act 1986 (WA) ("**EP Act**") (which is supported by the Environmental Protection Regulations 1987 (WA) ("**EP Regulations**")) and the Contaminated Sites Act 2003 (WA).

Western Australia State environmental assessment

The EP Act regulates the environmental impact assessment procedure applying to the evaluation of proposals, including mining proposals. Under Part IV of the EP Act, any person or government agency may refer a proposal to the Environmental Protection Authority ("**EPA**") for a decision as to whether a proposal should be subject to environmental impact assessment. In doing so, the EPA considers whether a proposal or a future proposal is one that is likely to have a significant effect on the environment.

Once the EPA decides that a proposal should be assessed, it determines whether the proposal will be assessed on proponent information, or whether public consultation will be required. At the conclusion of the environmental impact assessment process, the EPA will publish a report to the Minister recommending whether the proposal should be implemented and, if so, on what conditions. Following the EPA report and any appeals, the Minster, in consultation with other relevant authorities, either refuses the proposal or issues a ministerial statement of approval with conditions. The EPA may also provide advice about the implementation of proposals which are not significant enough for formal evaluation, but warrant some degree of review.

Proposals need not be referred to the EPA, however, if the EPA considers that a proposal is likely to have a significant effect on the environment, it can require a proponent to refer the proposal for environmental impact assessment. In addition, the Minister may refer a proposal to the EPA where there is public concern.

If a mining proposal is of insufficient scale to have a significant effect on the environment, it may still require licensing under the EP Act. Licenses are issued by the CEO following negotiation between the proponent and the Department of Water and Environmental Regulation, and may involve public review.

Once referred, the proposal cannot commence until the Minister makes a decision on whether the action can be taken.

Environmental conditions in the mining tenement

Mining tenements issued under the Act are subject to a standard condition that a company must submit and have approved management plans for environmental protection before it is allowed to actually mine. In addition to identifying potential environmental impacts, the management plans must outline the proponent's commitments to manage, monitor and mitigate potential environmental impacts associated with the mining and rehabilitation plans following mining. Management plans are approved by the Department.

Clearing and vegetation

Generally speaking, the clearing of native vegetation in WA requires a permit under the Environmental Protection (Clearing of Native Vegetation) Regulations 2004 (WA) ("**Clearing Regulations**"). An exception to this is where there is a Ministerial Statement in force.

If mining activities will require land clearing, proponents may be required to apply for either an area permit or a purpose permit. Area permits authorize the clearing of vegetation in a particular area and may only be applied for by the owner of the land. Purpose permits authorize clearing of different areas of land from time to time for a specific purpose, and must be applied for by the person undertaking the clearing. Note that under delegated authority, clearing permits for mining activities may be issued by the Department rather than by the Department of Water and Environmental Regulation ("**DWER**").

Clearing that is the result of exploration activities carried out under an authority granted pursuant to the Mining Act, and designated as 'low impact' under the Clearing Regulations, may be exempt from obtaining a clearing permit. For example, activities involving no ground disturbance and little or no environmental damage, and driving vehicles or other mechanized equipment through vegetation.

Contaminated Sites

In addition to preparing and providing a rehabilitation plan, and of course as noted above, providing appropriate funds, a proponent is subject to the contaminated sites regime in the Contaminated Sites Act 2003. The regime places responsibility for contamination first upon the person causing the contamination, then upon a person wishing to change the land use so as to require clean-up, then upon the landowner, and finally with the State government.

Other requirements

In addition to the above, a mine site is also subject to regulations dealing with such issues as noise, taking threatened or endangered flora or fauna, unauthorized discharges, controlled waste, and depending on the location of the mine, specific environmental protection policies. Various mine facilities, such as accommodation villages, may also be subject to State planning legislation and require development approval.

NATIVE TITLE AND ABORIGINAL HERITAGE IN AUSTRALIA

Native title issues

Native title refers to the traditional rights and interests of indigenous people to their land and waters, as recognized at common law. The nature and extent of native title rights and interests of particular indigenous groups depends entirely on their traditional laws and customs. Native title rights and interests will only be recognized at law where it can be demonstrated that they have continued to be observed, and that a continuing connection exists between indigenous groups and their traditional lands.

Extinguishment of native title and compensation

Native title can be extinguished in a number of ways. These include the valid grant of certain titles by the Crown prior to December 23, 1996 (careful analysis needs to be undertaken in relation to certain acts that occur in the period between January 1, 1994 and December 23, 1996) including freehold and certain exclusive possession leases listed in Schedule 1 to the *Native Title Act 1993* (Cth) ("**NTA**"). Native title can also be extinguished by the construction of public works by the Crown such as roads, railways and buildings. However, the grant of a mining tenement over land does not have the effect of extinguishing native title, as the non-extinguishment principle applies. This means that any native title rights and interests that may exist over or in relation to the land to which the mining tenement relates will effectively be suspended, to the extent to which they are inconsistent with the rights and interests granted under the relevant mining tenement.

Compensation can be payable for the extinguishment of native title right and interests. However, despite recent Federal Court decisions, there is still a lack of clarity in relation to the amount of compensation that may be payable for full or partial extinguishment of native title rights and interests. In Western Australia, the mining legislation provides that should any compensation be payable to native title holders, the applicant for or the holder of the mining tenements giving rise to the compensation must pay the compensation.

The Native Title Act

The NTA confers onto indigenous persons who hold native title rights and interests, or who have made a native title claim that has passed a registration test, the right to be consulted on, and in some cases to participate in, the decisions about activities proposed to be undertaken on the land over or in relation to which they either hold, or claim to hold, native title rights and interests. Consequently, indigenous Australians have been able to negotiate benefits for their communities, including in relation to employment opportunities, heritage protection and/or monetary compensation.

If native title still exists in relation to the land underlying exploration sites, then the conversion of those sites to a mining lease will require compliance with the future act procedures under the NTA, discussed further below.

Future Acts

A future act is a proposed act, such as the grant of an exploration license or a mining lease or the conversion of an exploration license into a mining lease, on land that may affect native title rights, by extinguishing it or by creating interests that are inconsistent with the continued existence or exercise of native title rights. The NTA requires certain requirements to be complied with before rights or interests, such as exploration or mining tenements, , are granted. If the relevant future act requirements of the NTA are not observed, then the grant of the relevant tenement may be invalid to the extent that native title is affected.

In relation to the grant of mining tenements, the most common requirements that need to be observed under the NTA are:

(a) the "right to negotiate" process, which involves the giving of notice of the application for the tenement, publication of a notice in relation to the application and a minimum period of negotiation with relevant registered native title parties (whether registered native title claimants or holders of native title rights and interests) with the aim of securing their consent to the grant of the tenement. If agreement can be reached then this may take the form of an agreement under section 31(1)(b) of the NTA, or an Indigenous Land Use Agreement (discussed below). If agreement cannot be reached, then the National Native

Title Tribunal can make a determination as to whether the relevant tenement should be granted, and if so whether any conditions should be imposed; or

(b) entering into an Indigenous Land Use Agreement with relevant native title parties.

Commercial matters (including compensation payments and other benefits) are generally dealt with in an agreement between the tenement holder and the native title parties.

There are also a number of other circumstances in which the grant of an exploration or mining tenement may be authorized without needing to comply with the future act requirements of the NTA. These include (amongst others) where the grant of the relevant tenements is done in accordance with an offer, commitment, arrangement or undertaking that was in place before July 1, 1993, or in accordance with a right created under statute before a specified time.

Aboriginal Heritage in Western Australia

The Aboriginal Heritage Act 1972 (WA) ("**Aboriginal Heritage Act**") protects sites and areas of significance to Aboriginal persons.

Compliance with the Aboriginal Heritage Act is a standard condition imposed generally on mining tenements in Western Australia. It is an offense under the Aboriginal Heritage Act for a person to damage or in any way alter an Aboriginal site or any object on or under an Aboriginal site (which, amongst other things, includes any sacred, ritual or ceremonial site of importance and special significance to people of Aboriginal descent).

A register of Aboriginal sites is kept under the Aboriginal Heritage Act and administered by the Department of Indigenous Affairs. However, sites and objects of significance to Aboriginal persons are protected by the Aboriginal Heritage Act whether or not those sites are registered under the Aboriginal Heritage Act, and there is no requirement for sites to be registered.

WATER LAW IN AUSTRALIA

The Rights in Water and Irrigation Act 1914 (WA) ("**RIWI Act**") provides a licensing regime for the taking of certain underground and surface water sources which is administered by DWER to ensure that the water resources of Western Australia are utilized in a sustainable manner. A license grants the licensee the right to take water from a watercourse, wetland or underground water resource to a certain volume for a specified purpose. The license is subject to conditions imposed by the Department. An appropriate type of license is required for the particular water resource to be utilized: either a surface water license or a groundwater license.

OUR HISTORY

Our history traces back to 1992, when our first lithium carbonate plant was constructed in Shehong, China. On October 16, 1995, our Company, under the name of our predecessor Shehong Lithium, was established as a state-owned enterprise in Sichuan by Sichuan Pearl Electricity Co., Ltd. (四川明珠電力股份有限公司), Sichuan Silk Company Shehong Branch Company (四川省蠶絲公司射洪縣公司), Shehong Natural Gas Chemical Plant (射洪縣天然氣化工廠) and Sichuan Jinchuan Minerals Company (四川省金川縣礦產公司). Our business then focused on the production and sales of battery-grade lithium carbonate, industrial-grade lithium carbonate and the lithium products, together with other chemical products.

Starting in 2003, our Company developed further under the leadership of Mr. Jiang Weiping. Mr. Jiang Weiping set up Tianqi Group Company, one of our Controlling Shareholders, on December 6, 2003 with a registered capital of RMB50 million. The businesses of Tianqi Group Company include sales of dangerous chemicals with permits, mineral products, stone materials, mechanical equipment and fittings, hardware products, construction materials and decorative materials. Upon the establishment of Tianqi Group Company, Mr. Jiang Weiping entered into negotiations with the Shehong County government to acquire our Company at a net consideration of RMB11,449,100.

On December 25, 2007, we converted into a joint stock company under the name of Sichuan Tianqi Lithium Industries, Inc. with a registered capital of RMB72 million. The shareholding structure of our Company remained the same after the conversion, with Tianqi Group Company and Ms. Zhang Jing holding 86.4% and 13.6% of equity interest respectively.

On August 31, 2010, we celebrated a milestone by listing on the Shenzhen Stock Exchange (stock code: 002466), issuing 24,500,000 A Shares at RMB30 per share to the public through an initial public offering.

To secure a stable source of long term supply and improve the quality of the lithium chemicals being produced from spodumene, we pursued upstream integration and acquired the Greenbushes Mine in 2014. The Greenbushes Mine is the biggest supplier of lithium concentrate in the world. Its output accounts for about 52% of the world's lithium ore output, about 29% of the global lithium resource supply, and supplies about 47% of China's lithium concentrate. The acquisition guaranteed our supply of lithium, and vertically integrated our business along the industrial chain. Our businesses now range from mining, manufacturing and sales of lithium concentrates to manufacturing and sales of lithium compounds and derivatives.

In April 2015, we acquired our Zhangjiagang Plant in Jiangsu, China, which was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Roskill Report.

In September 2016, we started investing in a lithium hydroxide manufacturing plant in Kwinana, Australia. The plant is designed to produce high quality lithium hydroxide to serve our customers in Europe, Japan, Korea and other countries.

In May 2018, we entered into the SQM Share Purchase Agreement with Nutrien, pursuant to which we agreed to purchase and Nutrien agreed to sell 62,556,368 series and common shares in SQM at a consideration of approximately US$4.07 billion. Please refer to the section headed "History and Corporate Structure—Major Acquisitions—(3) SQM" and "Business—Our Investments in the Global Lithium Value Chain—The SQM Transaction" in this **[REDACTED]** for details.

MILESTONES

Key corporate historical events and milestones of the Group are set forth below:

1992	We commenced construction of our first lithium carbonate plant in Shehong.
1995	Shehong Lithium, the predecessor of our Company, was founded as a state-owned enterprise.
2004	Mr. Jiang Weiping acquired Shehong Lithium through Tianqi Group Company.
2007	On December 25, 2007, our Group was restructured. The predecessor of our Company was converted into our Company, a joint stock company named Sichuan Tianqi Lithium Industries Inc. We had an initial registered capital of RMB72 million.
2008	We obtained exploration license for spodumene deposits in Yajiang Cuola Mine.
2010	We were listed on the Shenzhen Stock Exchange (stock code: 002466).
2011	We acquired a minority interest in Shanghai Aerospace Power Technology Co., Ltd., a new energy company in China that primarily operates in the development and manufacture of advanced lithium-based batteries for a range of applications including EVs and locomotives.
	We were recognized by the Ministry of Science and Technology of PRC as a "National Hi-tech Industrialization Base for Magnesium & Lithium Material."
2012	We obtained mining license for spodumene deposits in Yajiang Cuola Mine.
2014	We acquired a 51% equity interest in Windfield, the parent entity which owns the Greenbushes Mine—the world's largest lithium mineral producer in terms of LCE deposits according to Roskill. We also completed a private placement to raise RMB3.0 billion to fund the transaction.
	We purchased a 20% equity interest of Shigatse Zhabuye from Tibet Autonomous Region Mineral Development Co., Ltd to participate in development of lithium brine-based resources at Zhabuye Salt Lake, Tibet.
2015	We acquired the Zhangjiagang Plant in Jiangsu, China, the only fully-automated battery-grade lithium carbonate plant in China.
2016	We commenced investing in a lithium hydroxide processing plant in Kwinana, Western Australia.
2017	We increased our production capacity of lithium metal via acquisition of the operating assets of the Tongliang Plant.
	We commenced construction of an additional chemical grade concentrate plant adjacent to the existing chemical grade concentrate plant at the Greenbushes Mine in Australia.
2018	We entered into the SQM Share Purchase Agreement for the purchase of additional 23.77% interest in SQM, which is expected to increase our total interest in SQM to 25.86%.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had 30 subsidiaries and 1 joint venture in China, Hong Kong, Australia, United Kingdom, Chile and Canada. Our subsidiaries and joint venture entity provide a comprehensive geographic coverage of the world's lithium bases, which enables us to produce a diversified portfolio of high quality lithium products at low cost, distinguishing us from our worldwide competitors. The following are our major subsidiaries that made material contributions to our financial results during the Track Record Period.

(1) Chengdu Tianqi

Chengdu Tianqi is a wholly-owned subsidiary of our Company. It was established as a limited liability company on August 22, 2014 in the PRC with a registered capital of RMB1 billion. Its principal businesses include sale of mineral and chemical products, and import and export of products and technologies. It commenced operations in 2014.

(2) Tianqi Lithium (Jiangsu)

Tianqi Lithium (Jiangsu) was established in the PRC on February 10, 2010 with a registered capital of RMB80 million. We acquired the entire equity interest in Tianqi Lithium (Jiangsu) in 2015. It owns and operates the Zhangjiagang Plant, our battery-grade lithium carbonate manufacturing plant in Jiangsu, China, and its principal business is the production of lithium carbonate.

(3) Shehong Tianqi

Shehong Tianqi, our wholly-owned subsidiary, was established as a limited liability company in the PRC on March 23, 2016 with a registered capital of RMB600 million. It owns and operates the Shehong Plant, which we acquired in 2004 and transferred to Shehong Tianqi in 2016. The principal business of Shehong Tianqi is manufacturing of lithium carbonate, lithium hydroxide and lithium metal from a production facility in Shehong County, Sichuan Province.

(4) Chongqing Tianqi

Chongqing Tianqi was incorporated as a limited liability company in the PRC on February 13, 2017 with a registered capital of RMB178,598,385. We own a 86.38% equity interest in Chongqing Tianqi, with the remaining 13.62% owned by Chongqing Kunyu Lithium Co., Ltd., an Independent Third Party. The principal businesses of Chongqing Tianqi is the operation of the Tongliang Plant located in Chongqing which manufactures and sells lithium metal products, and undertakes research and development of metal material smelting process.

(5) Windfield

Windfield was incorporated as a limited liability company in Australia on September 21, 2012 and owns 100% interests in Talison and the Greenbushes Mine. We own 51% of the issued shares of Windfield, with the remaining 49% owned by RT Lithium, an Independent Third Party except being a substantial shareholder of Windfield. The principal business of this subsidiary is the production of lithium concentrate through the operations of the Greenbushes Mine.

MAJOR ACQUISITIONS

(1) Mining, Production and Sales of Lithium Concentrate

On May 28, 2014, we completed the acquisition of a 51% equity interest of Windfield from Tianqi Group Company with the consideration of RMB3.04 billion, which was determined with reference to the acquisition cost of Talison, being the only significant asset of Windfield, acquisition cost of which was determined after arm's length negotiation in a competitive bid situation. The total consideration was settled by March 31, 2014. We raised capital of RMB3.0 billion through a non-public offering of 111,760,000 A shares for the purpose of, among others, funding the acquisition of Windfield.

(2) Manufacturing and Sales of Lithium Compounds and Derivatives

On January 16, 2015, we entered into a share purchase agreement through Tianqi HK with Galaxy Resources Limited and Galaxy Lithium Australia Limited and acquired a 100% equity interest of Tianqi Lithium International (previously known as Galaxy Lithium International Limited) at a consideration of US$71.7 million in cash, which was determined with reference to the fair value and liabilities of Tianqi Lithium International, of which US$12.7 million was paid in May 2014 and US$59.0 million was paid in April 2015. Galaxy Resources Limited and Galaxy Lithium Australia Limited were Independent Third Parties. On February 13, 2015, the Sichuan Department of Commerce issued the Corporate Overseas Investment Certificate for the acquisition. The acquisition was properly and legally completed on April 24, 2015. After the acquisition, our production capacity and market share increased, facilitating the processing of quality lithium compounds.

(3) SQM

As of the Latest Practicable Date, we have entered into the SQM Share Purchase Agreement with Nutrien to acquire 62,556,568 Series A shares of SQM, which represents an approximately 23.77% economic interest in SQM from Nutrien, an Independent Third Party, for consideration of US$65 per share in cash. The total consideration is for the acquisition is approximately US$4.07 billion, which was determined with reference to the market value of SQM and will be paid upon the closing of the SQM Transaction. Including our existing approximately 2.10% economic interest in SQM through Series B shares already owned, we expect to hold approximately 25.86% of the economic interest in SQM upon completion the SQM Transaction and become the second largest shareholder of SQM. As of April 2, 2018, SQM's largest shareholder and its affiliates, which are controlled by Mr. Julio Ponce Lerou, a Chilean businessman, held in an aggregate of an approximately 30.38% of the economic interest in SQM.

SQM is a global specialty chemicals company based in Santiago, Chile and was founded in 1968. Listed on the Santiago Stock Exchange, the Santiago Electronic Stock Exchange, the Valparaíso Stock Exchange and the New York Stock Exchange, SQM has a strong global presence in a wide variety of industries and applications through its five business lines: specialty plant nutrition, iodine and derivatives, lithium and derivatives, industrial chemicals and potassium. At its plants in Northern Chile, SQM processes salt brines, which are located in the Salar de Atacama, containing lithium and potassium concentrations as well as Caliche Ore, which are located in the Atacama desert, containing the world's largest commercially exploited source of natural nitrates as well as co-located iodine. The Series A shares and the Series B shares are traded on the Santiago Stock Exchange, the Valparaíso Stock Exchange and the Santiago Electronic Stock Exchange. The Series B shares were also traded on the New York Stock Exchange in the form of ADSs at a ratio of 1:1.

SQM has two classes of shares traded on the Santiago Stock Exchange, namely 142,819,552 Series A shares and 120,376,972 Series B shares, of which approximately 45% of Series B shares are traded on the New York Stock Exchange in the form of American deposit receipts. Series A and Series B shares have the same economic rights (i.e., both receive equal dividends) and voting rights, except in relation to the election of the board of SQM, whereby Series A shareholders elect seven of the eight board members through a cumulative voting mechanism while Series B shareholders elect the remaining one board member.

According to the public disclosure of SQM, SQM had total assets of approximately US$4,296 million as of December 31, 2017, and revenue and profit of approximately US$2,157 million and US$428 million respectively for the year ended December 31, 2017. As of the Latest Practicable Date, the market capitalization of SQM was approximately US$12.3 billion. Please see Appendix II to this **[REDACTED]** for an extract of the financial statements of SQM for the three years ended December 31, 2017.

The offer was given to Nutrien, a shareholder of SQM holding 64,056,568 Series A shares and 20,166,319 Series B shares, and an Independent Third Party. A binding sale and purchase agreement was entered into on May 17, 2018, with an expected completion date to take place shortly after the **[REDACTED]** and prior to December 13, 2018 in any event. For more information on the risk of non-completion of the Proposed Acquisition, please refer to the section headed "Risk Factors—Risks Relating to the SQM Transaction" in this **[REDACTED]**.

Our Directors are of the view that the terms of the SQM Transaction are fair and reasonable and in the interests of our Shareholders as a whole. Our Directors also confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, Nutrien Ltd. and the ultimate beneficial owners of Nutrien Ltd. are Independent Third Parties of our Company and our connected persons.

REASONS FOR THE [REDACTED]

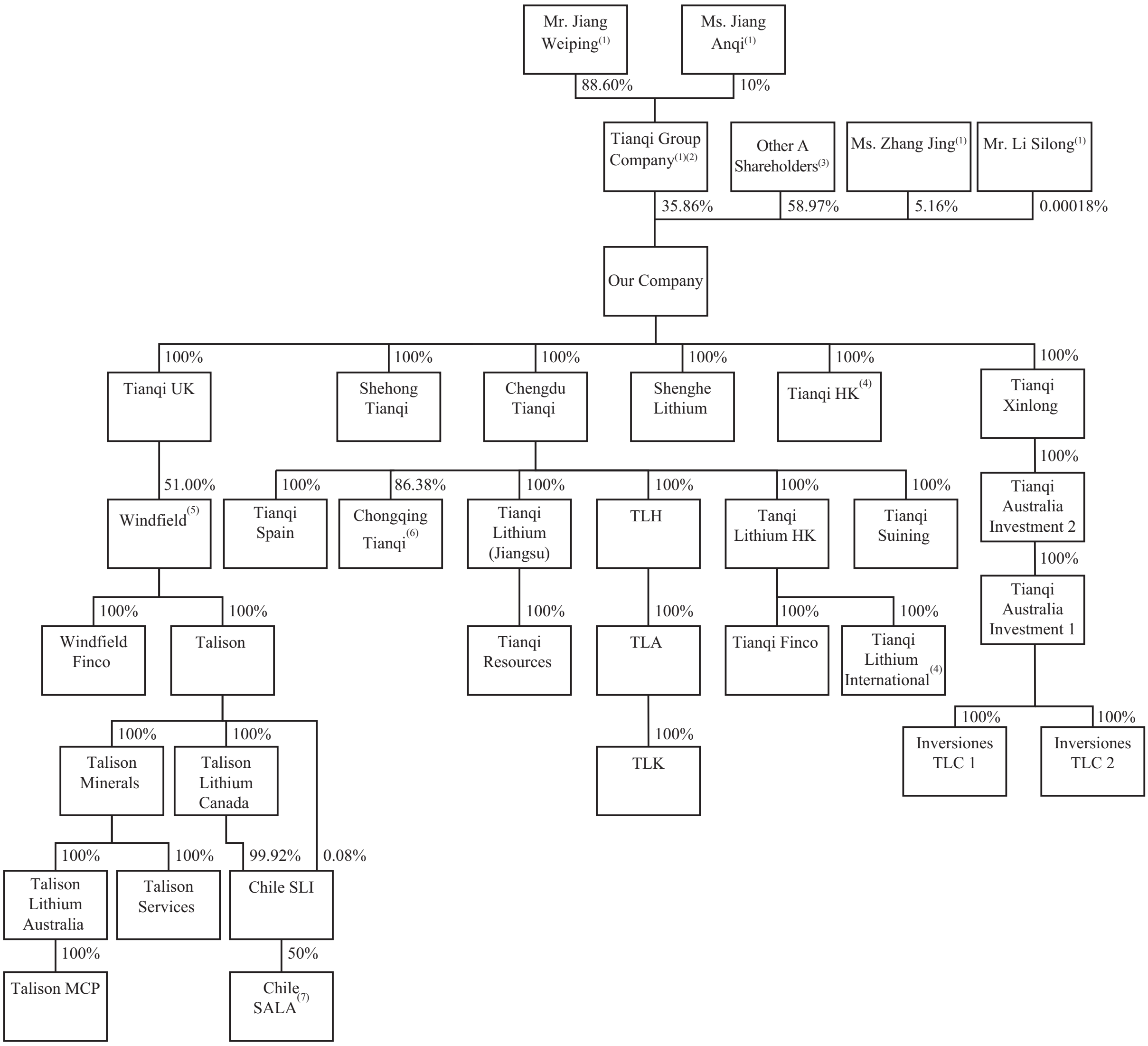
As of the Latest Practicable date, all our A Shares are traded on the Shenzhen Stock Exchange. We have been in compliance with the applicable rules of the Shenzhen Stock Exchange since our A Share listing.

We seek to **[REDACTED]** our H Shares on the Stock Exchange, primarily to raise capital to partially repay the debt incurred in completing the SQM Transaction and to further enhance our corporate governance and competitiveness.

OUR GROUP STRUCTURE

Shareholding Structure Prior to the [REDACTED]

The following chart sets out our group structure as of the Latest Practicable Date and prior to the **[REDACTED]**:



Notes:

(1) Ms. Zhang Jing is the spouse of Mr. Jiang Weiping. Ms. Jiang Anqi is the daughter of Mr. Jiang Weiping and Ms. Zhang Jing. Mr. Li Silong is the spouse of Ms. Jiang Anqi. All of Mr. Jiang Weiping, Ms. Zhang Jing, Ms. Jiang Anqi, Mr. Li Silong and Tianqi Group Company are considered as a group of Controlling Shareholders of the Company.

(2) The remaining 1.4% of the equity interest in Tianqi Group Company is held by Ms. Yang Qing, a Supervisor of the Company, who is independent from Mr. Jiang Wei Ping, Ms. Zhang Jing, Ms. Jiang Anqi and Mr. Li Silong.

(3) Include approximately 0.13%, 0.13% and 0.00061% share interest in the Company held by our Directors, Ms. Wu Wei and Mr. Zou Jun, and our Supervisor, Mr. She Shifu, respectively.

(4) Deregistration process has been initiated for the company.

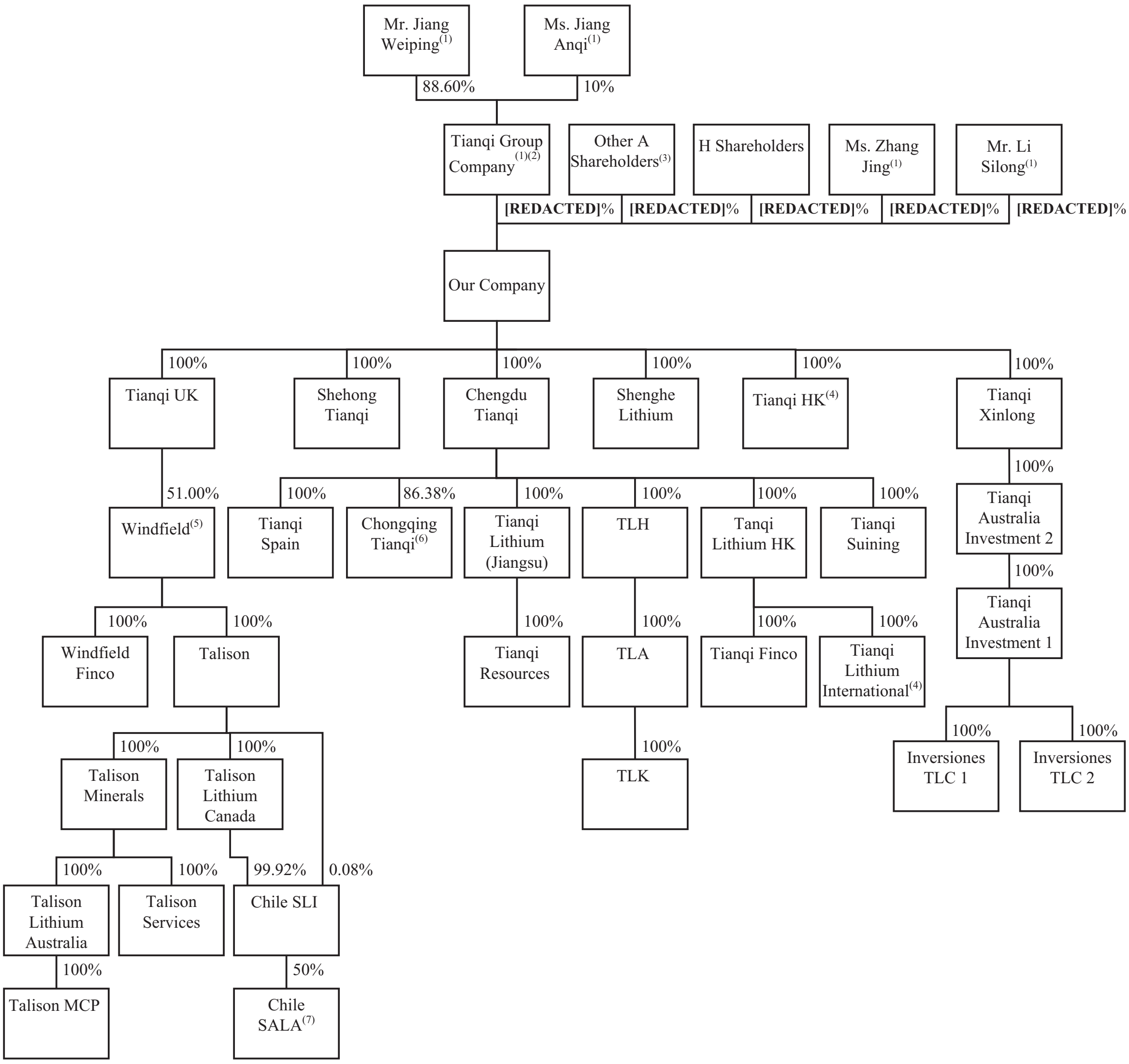
(5) The remaining 49% of the equity interest in Windfield is held by RT Lithium, an Independent Third Party except being a substantial shareholder of Windfield.

(6) The remaining 13.62% of the equity interest in Chongqing Tianqi is held by Chongqing Kunyu Lithium Co., Ltd. (重慶昆瑜鋰業有限公司), an Independent Third Party except being a substantial shareholder of Chongqing Tianqi.

(7) The remaining 50% of the equity interest in Chile SALA is held by San Antonio Sociedad Contractual Minera, an Independent Third Party.

Shareholding Structure Immediately Following the Completion of the [REDACTED]

The following chart sets out our group structure immediately after the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised):



Notes:

(1) Ms. Zhang Jing is the spouse of Mr. Jiang Weiping. Ms. Jiang Anqi is the daughter of Mr. Jiang Weiping and Ms. Zhang Jing. Mr. Li Silong is the spouse of Ms. Jiang Anqi. All of Mr. Jiang Weiping, Ms. Zhang Jing, Ms. Jiang Anqi, Mr. Li Silong and Tianqi Group Company are considered as a group of Controlling Shareholders of the Company.

(2) The remaining 1.4% of the equity interest in Tianqi Group Company is held by Yang Qing, a Supervisor of the Company, who is independent from Mr. Jiang Wei Ping, Ms. Zhang Jing, Ms. Jiang Anqi and Mr. Li Silong.

(3) Include approximately **[REDACTED]**%, **[REDACTED]**% and **[REDACTED]**% of the share interest in the Company held by our Directors, Ms. Wu Wei and Mr. Zou Jun, and our Supervisor, Mr. She Shifu, respectively.

(4) Deregistration process has been initiated for the company.

(5) The remaining 49% of the equity interest in Windfield is held by RT Lithium, an Independent Third Party except being a substantial shareholder of Windfield.

(6) The remaining 13.62% of the equity interest in Chongqing Tianqi is held by Chongqing Kunyu Lithium Co., Ltd. (重慶昆瑜鋰業有限公司), an Independent Third Party except being a substantial shareholder of Chongqing Tianqi.

(7) The remaining 50% of the equity interest in Chile SALA is held by San Antonio Sociedad Contractual Minera, an Independent Third Party.

OVERVIEW

We are a leading new energy materials company in China and globally with lithium at our core. We are well-positioned to capitalize on the new energy revolution, particularly in the EV and energy storage sectors and in China. We are the world's second largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017, according to the Roskill Report. We are one of the few fully vertically integrated lithium producers in the world, and the only major lithium compounds and derivatives producer in China that has achieved self-sufficiency through a large, single and consistent supply of lithium concentrate, according to the Roskill Report. We operate in critical stages of the lithium value chain, including (1) mining of lithium ore, (2) beneficiation of ore into lithium concentrate and (3) manufacturing of lithium compounds and derivatives. Through the high-quality and low-cost lithium concentrate from the Greenbushes Mine, we have achieved self-sufficiency in lithium raw materials for efficient manufacture of high-quality lithium compounds and derivatives.

We are the world's third largest and Asia's and China's largest lithium compounds producer as measured by output in 2017, according to the Roskill Report. We believe we are well-positioned to capitalize on the strong growth prospects in lithium consumption by our end markets, primarily including the EV and energy storage system markets. The global annual consumption of lithium is expected to increase at 19.8% per year from 2017 to 2027, according to the Roskill Report. In particular, consumption of lithium by EV's rechargeable batteries is estimated to grow at 36.9% per year from 2017 to 2027, according to the Roskill Report. In addition, energy storage systems will also be one of the fastest growing end markets of the lithium industry in the next decade, according to the Roskill Report. By leveraging our self-sufficiency in high-quality lithium raw material, diversified product portfolio and advanced production capabilities, we are able to keep in step with the latest market developments and technological breakthroughs in the lithium-based new energy sectors.

Through our subsidiary Talison, we hold lithium mining rights at the Greenbushes Mine, the largest hard rock lithium mine as measured by size of resources and reserves and mining output in 2017, according to the Roskill Report. It also has the highest grade of ore and lowest production costs for chemical-grade lithium concentrate in the world in 2017, according to the Roskill Report. Through the Greenbushes Mine, we produce sufficient lithium concentrate to cover all lithium raw materials required for our manufacture of lithium compounds and derivatives. The Greenbushes Mine also produces technical-grade lithium concentrates. In this category our subsidiary Talison is the largest supplier in the world by both production capacity and the volume of merchant sales to end users during the six years from 2012 to 2017, according to the Roskill Report.

We mainly manufacture four categories of lithium compounds and derivatives, namely lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. Our products are applied in a wide range of end markets, primarily including EVs, energy storage systems, aircraft, ceramics and glass. We are a global market leader in a number of product segments. For example, according to the Roskill Report, we are the world's second and third largest supplier of industrial-grade and battery-grade lithium carbonate, respectively, and the world's fifth largest supplier in both industrial-grade and battery-grade lithium hydroxide, respectively, as measured by the volume of merchant sales to end users.

Our three manufacturing plants in Shehong, Zhangjiagang and Tongliang, China together are capable of manufacturing the full spectrum of our lithium compounds and derivatives with a combined production capacity of 34,800 tons in 2017. Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Roskill Report. To further expand our production capacity, we will construct a lithium carbonate manufacturing plant in Anju District of Suining, Sichuan Province of the PRC and a battery-grade lithium hydroxide manufacturing plant in Kwinana, Australia with an annual production capacity of 20,000 tons and 48,000 tons, respectively when fully constructed and operational. We continuously seek to upgrade our technologies and techniques to further improve our cost and operational efficiency.

Throughout over 20 years of experience in the lithium industry, we have established a stable customer base in China and globally and become a critical supplier for many leading battery material manufactures. Owing to our sustainable access to high-quality lithium concentrates and advanced manufacturing capabilities, we are capable of developing and manufacturing lithium compounds with high quality and consistency to meet the stringent quality standards required by major global battery materials manufacturers. Our notable customers include three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as seven of the ten largest cathode manufacturers in the world as measured by market share in 2017, according to the Roskill Report. Due to our dedicated efforts and investments in research and development, as of the Latest Practicable Date, we have accumulated a total of 129 authorized patents, including a number of industry-leading technical and product innovations. We participated in setting the product standards and specifications for the manufacture of various types of lithium compounds in China, including battery-grade and industrial-grade lithium carbonate and battery-grade and industrial-grade lithium hydroxide.

Our leading position and successful operations are demonstrated by our strong financial performance. Our revenue increased from RMB1,864.3 million for the year ended December 31, 2015 to RMB3,902.3 million for the year ended December 31, 2016 and further to RMB5,468.8 million for the year ended December 31, 2017, representing a CAGR of 71.3% from 2015 to 2017. Our revenue increased from RMB1,064.9 million for the three months ended March 31, 2017 to RMB1,668.9 million for the same period in 2018, representing a growth of 56.7%. Our net profit increased from RMB427.9 million for the year ended December 31, 2015 to RMB1,742.9 million for the year ended December 31, 2016 and further to RMB3,399.1 million for the year ended December 31, 2017, representing a CAGR of 181.8% from 2015 to 2017. Our net profit decreased by 29.4% from RMB661.8 million for the three months ended March 31, 2017 to RMB467.3 million for the same period in 2018, primarily due to a net fair value loss from our investment in SQM shares in the three months ended March 31, 2018 as a result of the fluctuation of its share price. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our gross profit margin was 47.0%, 71.3%, 70.2%, 68.8% and 73.9%, respectively.

COMPETITIVE STRENGTHS

We believe that the following strengths will contribute to our growth and differentiate us from our competitors:

We are a leading new energy materials company in China and globally, with lithium at our core

We are the world's second largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017, according to the Roskill Report. Through our subsidiary, Talison, we hold lithium mining rights at the Greenbushes Mine, the largest hard rock lithium mine in the world as measured by size of resources and reserves. The Greenbushes Mine is the largest lithium mining operation in the world as measured by output in 2017, which accounted for approximately 29% of the global lithium mining output in 2017, according to the Roskill Report. With the highest grade of ore and the lowest production costs for chemical-grade lithium concentrate production, the Greenbushes Mine also has the largest production volume of chemical-grade lithium concentrate in 2017, according to the Roskill Report.

We are the world's third largest and Asia's and China's largest lithium compounds producer as measured by output in 2017, according to the Roskill Report. Our lithium compounds and derivatives products primarily include lithium carbonate, lithium hydroxide and lithium metal. According to the Roskill Report, we are the world's second and third largest supplier of industrial-grade and battery-grade lithium carbonate, respectively, and the world's fifth largest supplier of both industrial-grade and battery-grade lithium hydroxide, as measured by the volume of merchant sales for downstream use. In addition, we are world's fourth largest supplier of lithium chloride and lithium metal, as measured by the volume of merchant sales for downstream use in 2017, according to the Roskill Report.

Our existing manufacturing plants in Shehong, Zhangjiagang and Tongliang had a combined effective annual production capacity of 34,800 tons in 2017. Our Zhangjiagang Plant is the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Roskill Report. We also are in the process of constructing a battery-grade lithium hydroxide production plant in Kwinana, Australia, which is expected to commence commissioning by the end of 2018. The Kwinana Plant will have an annual production capacity of 48,000 tons once fully constructed and operational. We will also construct a lithium carbonate manufacturing plant in Anju District of Suining, Sichuan Province of the PRC with an annual production capacity of 20,000 tons.

We entered into the SQM Share Purchase Agreement to acquire approximately 23.77% of the total issued capital of SQM, a Chile-based leading lithium producer. We expect to hold approximately 25.86% of its total issued capital upon the completion of the SQM Transaction and become its second largest shareholder. SQM is the world's largest producer of lithium compounds as measured by output in 2017, according to the Roskill Report. We believe that the SQM Transaction will further strengthen our industry position with exposure to the world-class brine resources of SQM and generate stable and attractive long-term financial returns. As of the Latest Practicable Date, the SQM Transaction has not been completed. Its completion is subject to the satisfaction or waiver of the closing conditions set forth in the SQM Share Purchase Agreement, including obtaining certain relevant regulatory approvals.

Optimally positioned to capitalize on the new energy revolution, especially in EV and energy storage sectors, and particularly in China, through our ability to supply a range of products to a diverse end-customer base employing different technologies

We expect to capitalize on the tremendous growth prospects in our end markets driven by the combination of a number of market tailwinds, including increase in demand, policy support and end-users' manufacturing plans. The global annual consumption of lithium is expected to increase from 224,000 tons LCE in 2017 to 1.37 million tons LCE in 2027, representing an increase of 19.8% per year from 2017 to 2027 according to the Roskill Report. Such growth will be primarily driven by automotive rechargeable batteries, the lithium consumption of which is estimated to grow at 36.9% per year from 2017 to 2027. Correspondingly, the lithium-ion battery is expected be the fastest growing rechargeable battery technology due to increasingly strong penetration rates in the EV market and a fall in manufacturing costs, according to the Roskill Report. Sales volume of EV is forecast to increase at 26.8% per year from 2017 to 2027, reaching 30.6 million units in 2027. As a result, battery-grade lithium hydroxide and battery-grade lithium carbonate are expected to be the fastest and the second fastest growing product types in terms of annual consumption, respectively, according to the Roskill Report. Several other end markets are also expected to grow. For example, according to the Roskill Report, the market for lithium-ion battery used by energy storage systems is estimated to grow at 17.6% per year from 2017 to 2027.

Many car makers are rapidly embracing the electrification of their product lines to meet emissions targets and compete in the EV market, according to the Roskill Report. In addition, demand for lithium is further boosted by favorable government policies. Over a dozen countries, including China, South Korea and Germany, have implemented policies from the ban of new sales of diesel vehicles, to requirements for full electrification, according to the Roskill Report. Many countries have also provided various incentives to stimulate EV purchases and subsidies to support EV makers, according to the Roskill Report.

China is the world's largest consumer of lithium, accounting for 43% of global consumption in 2017, according to the Roskill Report. We generated approximately 92.0% of our revenue in 2017 from sales of products delivered to China. Throughout our operating history in China for more than 20 years, we have established stable relationships with many top-tier battery material manufacturers, some of whom are key OEMs for certain of the leading EV makers in the world.

Our broad product portfolio includes lithium compounds and derivatives applicable to a wide variety of EV and battery OEMs, as well as commercialized or early stage lithium-based energy storage systems. We therefore are well-positioned to capitalize on the growth opportunities in such end markets. Our stable supply of high-quality lithium concentrate from the Greenbushes Mine and our advanced processing and production capabilities allow us to manufacture lithium compounds and derivatives with high lithium concentration and low impurities to meet the stringent demands of major battery materials manufacturers. Our lithium compounds products are considered benchmark products in the Chinese market, according to the Roskill Report. We are the third and fifth largest supplier of battery-grade lithium carbonate and lithium hydroxide in the world as measured by merchant sales to end users, respectively, according to the Roskill Report. Due to the expected increase in demand for higher performance battery cathode, battery-grade lithium hydroxide is expected to surpass battery-grade lithium carbonate to become the main product consumed in the rechargeable battery market by 2024, if not sooner, according to the Roskill Report. The low impurities of our mineral-based lithium hydroxide is particularly advantageous when selling to cathode manufacturers, compared to brine-based suppliers. Furthermore, our Kwinana Plant, which will have an annual production capacity of 48,000 tons for battery-grade lithium hydroxide once fully constructed and operational, will significantly reinforce our capability to capitalize on the particularly promising growth potential in lithium hydroxide.

Strategic exposure to two of the largest, lowest cost and highest grade lithium mining operations in the world

Through Talison's lithium mining rights, we have access to the Greenbushes Mine, the largest hard rock lithium mine as measured by size of resources and reserves in the world, according to the Roskill Report. The Greenbushes Mine had a lithium concentrate output of 87,900 tons LCE in 2017, which is the largest in the world according to the Roskill Report. Talison's output of 76,700 tons LCE of chemical-grade lithium concentrate in 2017 made it the largest supplier of chemical-grade lithium concentrate in the world, according to the Roskill Report. Talison has been operating the Greenbushes Mine for over 20 years and gained significant experience in the production of lithium concentrate. The grade of the Greenbushes Mine's ore is the highest in the world, almost double the grade of the next largest lithium producer, according to the Roskill Report. Such high lithia content, together with the ore's low iron and mica content, enables the processing of high-grade, high-purity concentrate for onward manufacturing into high-quality lithium compounds and derivatives. As a result of its high-grade lithium mineralization and large scale operation, the Greenbushes Mine has the lowest production costs for chemical-grade lithium concentrate production, according to the Roskill Report. We have achieved self-sufficiency in lithium concentrate through our offtake agreement with Talison. Talison is also the largest producer of technical-grade lithium concentrate by both production capacity and volume of merchant sales to end-users during the six years from 2012 to 2017, according to the Roskill Report. The LoM of the Greenbushes Mine has approximately 17 years remaining, considering the expansion works currently undertaken, planned and considered. This gives us a sustainable competitive advantage from such large scale and stable supply of high-quality, low-cost lithium raw materials to support not only our own existing and future manufacturing plants, but also our customers' business development throughout the industry lifecycle.

With the potential completion of the SQM Transaction, we expect to gain strategic exposure to Salar de Atacama, the world's largest brine-based lithium resources and reserves, according to the Roskill Report. SQM is the largest lithium compounds producer in the world as measured by output in 2017 and enjoyed the lowest costs of production for lithium carbonate and lithium hydroxide in the world in 2017, according to the Roskill Report. Our investment in SQM, together with our access to the Greenbushes Mine, will provide us with strategic exposure to the lowest cost large-scale sources of lithium in the world. Furthermore, we also hold the mining rights at the Yajiang Cuola Mine, which we believe will provide solid upstream support for meeting anticipated increases in market demand for our lithium products in the future. Located at what is believed to be the largest hard rock lithium mineralization district in China and Asia, the Yajiang Cuola Mine has 630,000 tons LCE of lithium resource as of March 31, 2018, according to the BDA Report. We also expect our strategic shareholdings in Shigatse Zhabuye and the Salares 7 Project in Chile to provide attractive options for our further expansion in the medium to long term.

100% lithium concentrate self-sufficiency, and sizable capability to produce a variety of end-products with consistency and quality, gives us a cost advantage that leads to operational efficiencies, security and flexibility and higher profitability

We are one of the few fully vertically integrated lithium producers in the world, and the only major lithium compounds and derivatives producer in China that has achieved self-sufficiency through a large, single and consistent supply of lithium concentrate, according to the Roskill Report. Our operation covers critical stages and aspects of the value chain throughout the lithium industry, from mining of lithium ore, to beneficiation of lithium ore into lithium concentrate and manufacture of lithium compounds and derivatives. We benefit significantly from the synergies between our business lines, which gives us a cost advantage that improves our operational efficiency, stability, and flexibility and increases our profitability.

Our stable supply of low-cost and high-quality lithium raw materials from the Greenbushes Mine in turn allows us to be the lowest-cost converter of lithium concentrate, according to the Roskill Report. Our self-sufficiency in lithium raw materials provides us with a low cost and reliable upstream support for not only our existing plants, but also our expansion projects to boost our production capacity. Our ability to supply a diversified portfolio of lithium compounds and derivatives allows us to efficiently adapt to changing market demands.

The global footprint of our production network significantly increases the stability and security of the supply of our products. In China, our manufacturing plants in Shehong, Zhangjiagang and Tongliang together are capable of producing the full spectrum of our lithium compound and derivative products. Our Kwinana Plant in Western Australia is expected to significantly increase our capacity to produce high-quality battery grade lithium hydroxide. With such a diverse geographic coverage of production, we are well positioned to support various customers from all over the world. Our diverse geographic coverage also ensures that we can supply to our customers in a stable, efficient and cost-effective manner and helps safeguard our and our customers' supply chain against various external risks.

In addition, our highly advanced production technologies also greatly improve our operational efficiency and lower our production costs. For example, we have implemented fully automated production lines and intelligent production machinery for the manufacture and quality control of our lithium hydroxide products at the Shehong Plant. This has significantly improved our ability to meet the stringent requirements set by mainstream battery material manufacturers in an efficient and cost effective manner.

Capitalizing on our fully vertically integrated business model, we are able to achieve a significant cost advantage and high profitability. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our gross profit margin was 47.0%, 71.3%, 70.2%, 68.8% and 73.9%, respectively.

Established leader in the global lithium industry that has built a top tier customer base over many years and a critical supplier in the supply chain of many key battery and EV OEMs around the world with customer-oriented R&D and high environmental, health and safety standards

Throughout our over 20 years of history in the lithium industry, we have developed long-term relationships with many preeminent lithium end users globally and in China, through our dedicated and committed sales forces as well as unparalleled sales coverage efforts. We have a stable customer base primarily consisting of global top-tier battery material manufacturers, multinational electronics companies and glass producers. Our notable customers include three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as seven of the ten largest cathode manufacturers in the world as measured by market share in 2017, according to the Roskill Report. Our customers often require strong research and development capabilities and quality production to support their top-tier end-use applications. Over the years, we have developed strong relationships with many industry-leading customers, owing to our capability to develop and manufacture lithium compounds with high quality and consistency to meet their stringent product quality standards. We have maintained stable relationships with a majority of our five largest customers during the Track Record Period. We have integrated ourselves into many of our customers' own research and development efforts, including efforts to develop batteries with long life, high energy density and high reliability and safety. We have become a critical supplier for many of our customers. The importance of our products within the supply chain of our customers and our products' track record of high quality and consistency have enabled us to develop and maintain long-term customer relationships.

To better serve our clients, we are committed to continuously strengthening our research and development capabilities. As of the Latest Practicable Date, we had assembled a dedicated team of employees in our research and development department, which is led by a core team of experienced experts from a variety of scientific fields essential to the research and development of lithium products. Through our research and development efforts, we have obtained a total of 129 authorized patents as of the Latest Practicable Date. Many of these patents represent industry-leading technical breakthroughs and product innovation. For example, we have developed an award-winning innovative method for the manufacture of battery-grade lithium carbonate, which has significantly improved production efficiency and consistency and provided high-quality materials for the manufacture of more reliable and safer lithium batteries.

We are also committed to maintaining high standards for our environment, health and safety practices, which in turn helps facilitate the supplier accreditation processes conducted by our customers. We have a proven track record of compliant and sustainable operations in China and Australia. For example, during the Track Record Period, we had achieved significant progress in environmental protection and are certified to ISO14001: 2004 Environmental Management Systems. We also offer regular trainings on health, safety and accident prevention to our employees and contractors.

We have a long and proven track record of highly efficient and successful operation in lithium mining and manufacturing, with expertise enabling us to achieve high product consistency and quality required by the accreditation process for customers in the battery industry supply chain

The mining of lithium raw materials and the manufacturing of lithium compounds and derivatives are both demanding and sophisticated industrial operations which, according to Roskill Report, pose a number of high barriers to entry. With respect to lithium mining, our subsidiary Talison is a well-established leader with significant experience in the mining of lithium ores and production of lithium concentrate over its 20 years of successful operation of the largest hard rock lithium mine in the world. With respect to the manufacture of lithium compounds and derivatives, barriers to entry include difficulties in obtaining production technology and know-how, developing customized products, providing resources for marketing, sales and logistics support, obtaining approval from customers as a new supplier and ensuring security of feedstock supply. These barriers could pose challenges to new market entrants in achieving large-scale commercialized production of lithium products on a consistent basis, especially for battery-grade products as they often require strict accreditation processes. As an established industry-leading lithium compounds producer, we have a long and proven history of supplying high-quality battery-grade lithium compounds at a large scale. Our lithium compound products are a benchmark in the PRC market, and we produce larger volumes of lithium compounds at superior quality compared to most of our domestic competitors, according to the Roskill Report. The fact that we participated in setting the product standards and specification for the manufacture of various types of lithium compounds in China is a testament to the high quality and consistency of our products. As a result, we are able to consistently pass the demanding accreditation processes conducted by many leading battery material manufacturers.

Due to our extensive experience and industry-leading expertise in the manufacture of lithium compounds and derivatives, we are confident in our ability to efficiently roll out new plants and maintain high standards of operational performance at the same time. Throughout our history we have demonstrated a strong commitment to and capability of effectively implementing debottlenecking, ramping up capacity utilization and conducting technological upgrades for our compounds and derivatives manufacturing plants. For example, we have conducted multiple technological upgrades to our Zhangjiagang Plant, which resulted in further improvements in production efficiency and a decrease in energy consumption. We are also continuously enhancing the automation technologies at our Shehong Plant to improve production quality and lower production costs.

Highly experienced and committed international management team with visionary leadership and proven execution capabilities, overseen by high standard corporate governance

Our proven track record of successful operations and our leading market position bear testament to our management team's leadership and execution prowess. Led by our visionary Chairman, Mr. Jiang Weiping, we have a deep bench of highly qualified management team with extensive experience in the industry. Primarily responsible for the overall strategic planning and business development of the Company, and making major strategy decisions, Mr. Jiang has over 15 years of experience in the lithium industry. Ms. Wu Wei, the president of the Company, has over nine years of experience in the lithium industry. Mr. Zou Jun, the finance director of the Company, has 15 years of experience in finance and accounting. Mr. Ge Wei, our senior vice president, has over 17 years of experience in the energy industry. Mr. Li Bo, a vice president and secretary to the Board, has 23 years of experience in the lithium industry. For more information, see "Directors, Supervisors, Senior Management and Employees."

Our development history is the epitome of the strategic vision of Mr. Jiang, the execution capabilities of our management team, and our commitment to delivering on our promises to our customers and developing the lithium industry. Below is a list of strategically significant events during the course of our business development:

- The successful acquisition of a 51% equity interest in Windfield, the parent of Talison, in 2014, was a well-timed visionary and strategic move to fully secure upstream supply of lithium concentrate.
- The acquisition and subsequent debottlenecking and operational improvement of Zhangjiagang Plant in 2015 was another well-timed endeavor to capture the lithium industry's growth and a clear demonstration in our operational expertise in lithium processing.
- The acquisition of the operating assets of the Tongliang Plant and subsequent technical upgrades created a strategic hub for the manufacturing of lithium metal to prepare us as a key materials supplier for solid-state battery manufacturers as well as other major end market applications.
- Our strategic investments in Shanghai Aerospace Power Technology Co., Ltd. (上海航天電源技術有限責任公司), SolidEnergy Systems Corp. and Beijing WeLion New Energy Technology Co., Ltd. (北京衛藍新能源科技有限公司) create strategic exposure to emerging battery technologies and prepare us to better capitalize on future trends in the battery applications of lithium.
- Our strategic investment in SQM is expected to enhance our leading position in the global lithium industry through exposure to world-class brine resources.

We were rated A in corporate governance by Shenzhen Stock Exchange in 2017 based on the annual assessment of our disclosure practices. Our high-quality disclosures not only reflect our full compliance with the regulatory requirements, but also demonstrate our commitment to transparency, integrity, accountability and fairness in maintaining effective corporate governance of our Company.

DEVELOPMENT STRATEGIES

Our strategic goal is to strengthen our leading position in the global new energy materials industry. We intend to achieve this goal by implementing the following strategies:

Expand our mining operations to support our future business expansions

As a fundamental component of our fully vertically integrated business model, our upstream operations are key to supporting our overall business growth and meeting anticipated market demands. We plan to ramp up our lithium concentrate production capacity through the addition of a series of large-scale and low-risk plants at the Greenbushes Mine.

Our subsidiary Talison is currently constructing a second chemical-grade lithium concentrate plant adjacent to the existing plant ("**CGP2**"). CGP2 is expected to commence production in mid-2019 and be capable of increasing the Greenbushes Mine's annual output of chemical-grade lithium concentrate by approximately 650,000 tons, according to the BDA Report. On July 24, 2018, our Board approved the construction of a third chemical-grade lithium concentrate plant ("**CGP3**") and related infrastructure. The two additional plants will be capable of increasing the annual output of the Greenbushes Mine to approximately 1.95 million tons.

According to the Roskill Report, the Greenbushes Mine will continue to have the lowest costs for chemical-grade lithium concentrate production, following the current expansions. We have a dedicated and experienced local management team at Talison to ensure the smooth execution of the expansion plan. We believe such expansion will reinforce our leadership position in the global lithium mining industry.

Further enhance our manufacturing capacity for lithium compounds and derivatives and enrich product offerings

We intend to fully capitalize on our growth momentum and anticipated increase in market demand for lithium products by effective implementation of our expansion plans to increase our lithium compounds production capacity. For example, in order to expand our capacity as a supplier for global top-tier battery materials producers, we are currently constructing a fully automated production plant in Kwinana, Australia for the manufacture of battery-grade lithium hydroxide with an annual production capacity of 48,000 tons when fully constructed and operational. Following the construction of the Kwinana Plant, we expect to strengthen our ability to take advantage of the strong growth potential in battery-grade lithium hydroxide. To expand the production capacity of battery-grade lithium carbonate, we will construct a manufacturing plant in Anju District of Suining, Sichuan Province of the PRC with an annual capacity of 20,000 tons. Due to its geographic proximity to our Shehong Plant, we believe we will be able to minimize the execution risks and improve cost efficiency through leveraging the operational synergies between the two plants. We also plan to expand our lithium metal production capacity at our Tongliang Plant in Chongqing to capitalize on the future development in solid-state lithium batteries as well as other downstream applications of lithium metal. In addition, we plan to continuously upgrade and improve our production technologies at the Shehong Plant and Zhangjiagang Plant to increase production capacity and efficiency.

We believe we have a first mover advantage in establishing new manufacturing plants in China and Australia. With this advantage, we plan to leverage our long-standing customer relationships and track record of high product quality to effectively lower operational costs and execution risks in connection with our capacity expansion plans. Based on further market demands of lithium products, we will consider and pursue additional investments in capacity expansion.

Cement solid and long-standing customer relationships and strengthen ties with the latest development in our end-use markets

We strive to become an indispensable link of our customers' supply chains and an integral component of our end markets. We plan to continuously expand our customer base and deepen customer relationships globally by further enhancing our sales efforts and customer-oriented research and development capabilities. We intend to strengthen our ties with global downstream end users through strategic collaboration in product development and technological innovation.

We will keep in step with latest industry trends and technological developments in the downstream sectors. We will therefore be able to grasp new market movements in order to continuously optimize our product portfolio and innovate new products to suit our customers' needs. We may selectively broaden our offerings in certain product categories that are in strong demand or strategically develop innovative products to attract a broader range of prospective customers.

Continue to expand our global business presence and develop our global customer base

We will continue to expand our global business presence, through strategic acquisitions and direct investments, to enhance our presence in the international lithium industry.

Through our successful acquisition and operation of the Greenbushes Mine in Australia, we have achieved self-sufficiency in feedstock supply for our current lithium compounds operations with high-quality and low-cost lithium raw materials. Following its planned expansions, the Greenbushes Mine will provide further support to our expansions of manufacturing capacity for lithium compounds and derivatives. Through the construction of our Kwinana Plant in Australia, we will create a leading battery-grade lithium hydroxide manufacturing hub with close proximity to key raw materials supply and better access to global end-market customers. Our strategic acquisition of an equity stake in SQM, once completed, will provide us with strategic exposure to world-class brine resources in Chile. Through such initiatives, we have gained significant experience in operating in overseas markets, which provides a strong basis to pursue our strategy to continue to build our global presence.

We are in the process of further developing our global customer base by leveraging our growing international activities. We will continue to enhance our international sales and marketing capability through hiring and training sales personnel. We will further expand our geographic coverage, especially in Northeast Asia and Europe, to strengthen our ties with top-tier end customers in lithium-based new energy sectors such as EV and energy storage system. We plan to enter into medium- to long-term supply contracts with industry leading international customers which have stringent requirements on product quality and consistency with strict accreditation processes. We believe the abovementioned efforts will further strengthen our ability to capture the potential growth in the EV and energy storage sectors both in China and globally.

Reinforce research and development capabilities and selectively pursue strategic investments

We are committed to devoting significant resources to our research and development efforts to refine our production technologies and product offerings. We strive to further advance our research and development to optimize product quality, improve operational efficiency and lower production costs.

Our future research and development priorities include continuing to optimize our lithium compounds and derivatives products based on our customers' feedback and developments in the end markets; strengthening our research and development on lithium recycling to keep in step with latest industry trends; furthering our understanding of advanced lithium-based battery materials expected to be applied in next generation battery technologies; and participating in the research and development of potential future battery technologies in order to develop innovative products to suit our customers' needs. To this end, we plan to continuously expand our talent pool and leverage our long-standing relationship with customers and in-depth understanding of the downstream supply chain.

We plan to continue to make strategic investments to support leading participants of the downstream new energy sectors. For example, our investments in Shanghai Aerospace Power Technology Co., Ltd., SolidEnergy Systems Corp. and Beijing WeLion New Energy Technology Co., Ltd. create strategic exposure to emerging battery technologies and prepare us to better capitalize on future developments in new battery applications of lithium. We believe such strategic investments will not only help us adapt to the evolving industry trend and customer demand, but also create more growth opportunities for our business development. For more information, see "—Our Operations" and "—Our Investments in the Global Lithium Value Chain—Investments in Downstream New Energy Companies."

OUR OPERATIONS

We are the world's second largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017. We are the world's third largest and Asia's and China's largest lithium compounds producer as measured by output in 2017, according to the Roskill Report. We have over 20 years of experience in the lithium industry, and our fully vertically integrated model allows us to operate in both the upstream and downstream stages of the lithium industry, ranging from the mining and producing of lithium concentrate to the manufacturing of lithium compounds. Through our subsidiary, Talison, we hold the lithium mining rights at the Greenbushes Mine, the world's largest hard rock mine as measured by size of resources and reserves and mining output in 2017, according to the Roskill Report. The Greenbushes Mine also has the highest grade of ore and lowest production costs for chemical-grade lithium concentrate, according to the Roskill Report.

We operate in two business segments, namely (i) manufacturing and sales of lithium compounds and derivatives; and (ii) mining, production and sales of lithium concentrate. The following table sets forth a breakdown of our total revenue by business segments, each expressed in an absolute amount and as a percentage of our total revenue, for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Manufacturing and sales of lithium compounds and derivatives	991.3	53.2	2,824.8	72.4	3,696.3	67.6	682.8	64.1	1,074.4	64.4
Mining, production and sales of lithium concentrate[(1)]	873.0	46.8	1,077.5	27.6	1,772.5	32.4	382.1	35.9	594.5	35.6
Total revenue	**1,864.3**	**100.0**	**3,902.3**	**100.0**	**5,468.8**	**100.0**	**1,064.9**	**100.0**	**1,668.9**	**100.0**

Note:

(1) Primarily represents revenue from sales of our lithium concentrates to a connected person of our Company. See "Connected Transactions" for further details.

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments, for the periods indicated:

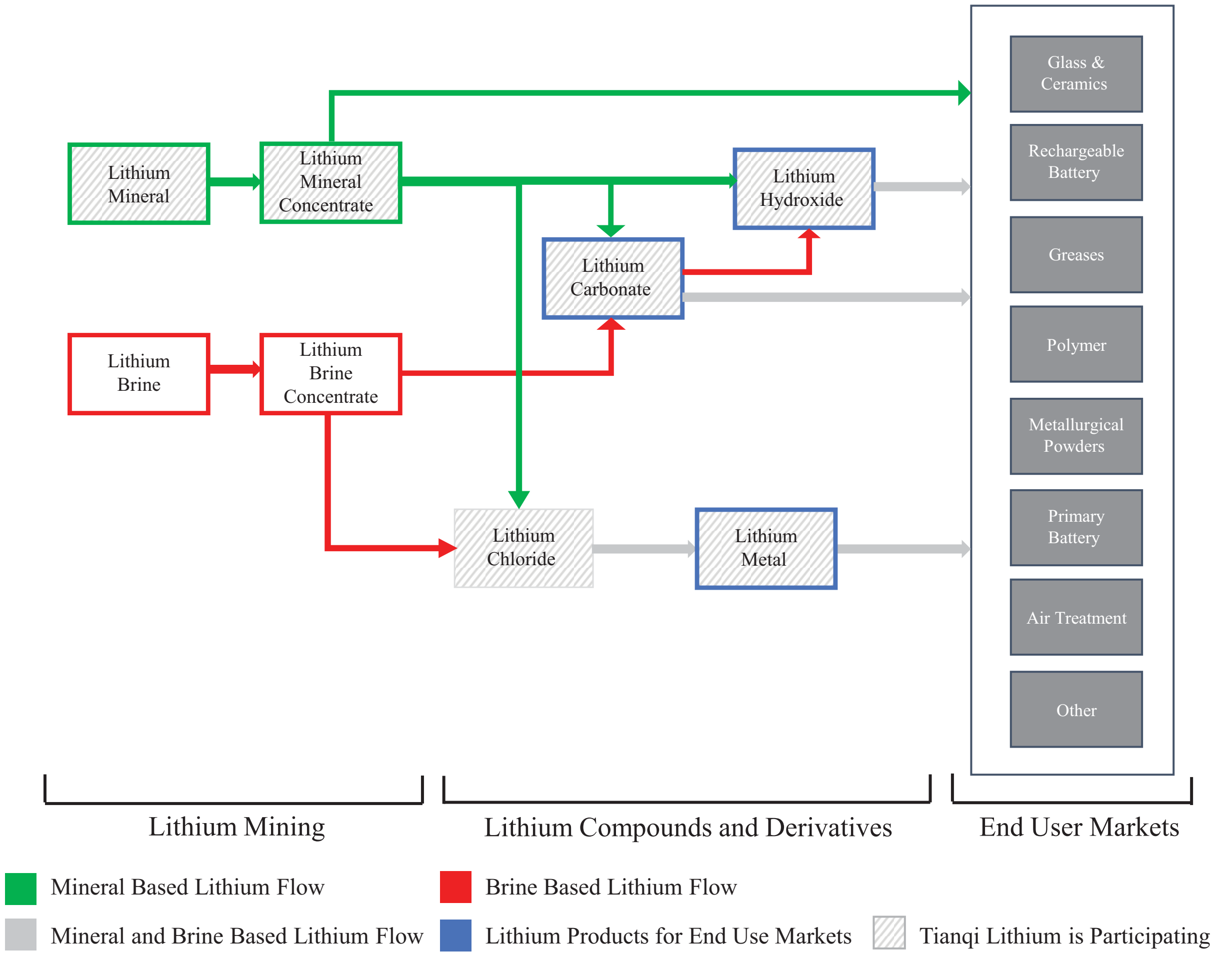
	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in millions, except for percentage)						(unaudited)			
Manufacturing and sales of lithium compounds and derivatives	374.4	37.8	2,103.3	74.5	2,562.1	69.3	458.7	67.2	768.1	71.5
Mining, production and sales of lithium concentrate[(1)]	501.0	57.4	680.2	63.1	1,278.2	72.1	273.9	71.7	464.8	78.2
Total	**875.4**	**47.0**	**2,783.5**	**71.3**	**3,840.3**	**70.2**	**732.6**	**68.8**	**1,232.9**	**73.9**

Note:

(1) Primarily represents profit from sales of our lithium concentrates to a connected person of our Company. See "Connected Transactions" for further details.

OUR FULLY VERTICALLY INTEGRATED BUSINESS MODEL

We believe our fully vertically integrated business model is key to our success in providing high-quality lithium products and meeting our customer's stringent demands. Our vertical integration incorporates critical stages of the lithium value chain, including (1) mining of lithium ore, (2) beneficiation of ore into lithium concentrate, and (3) manufacturing of lithium compounds and derivatives. The diagram below illustrates our integrated business model and the interconnections between our production processes.



MINING, PRODUCTION AND SALES OF LITHIUM CONCENTRATE

Through our subsidiary Windfield, we hold a 51% equity interest in Talison, which owns and holds the lithium mining rights at the Greenbushes Mine. The Greenbushes Mine is the largest hard rock lithium mine in the world as measured by size of resources and reserves, according to the Roskill Report. We also own the mining rights at the Yajiang Cuola Mine in Sichuan, PRC. Currently, only the Greenbushes Mine is in operation, processing lithium ore into lithium concentrate.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, revenue generated from our mining, production and sales of lithium concentrate amounted to RMB873.0 million, RMB1,077.5 million, RMB1,772.5 million, RMB382.1 million and RMB594.5 million, respectively, representing 46.8%, 27.6%, 32.4%, 35.9% and 35.6% of our total revenue for the same periods, respectively. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, gross profit generated from mining, production and sales of lithium concentrate amounted to RMB501.0 million, RMB680.2 million, RMB1,278.2 million, RMB273.9 million and RMB464.8 million, respectively, representing gross profit margins of 57.4%, 63.1%, 72.1%, 71.7% and 78.2%, respectively.

Our Lithium Assets

We currently own two lithium assets, namely the Greenbushes Mine in Australia and the Yajiang Cuola Mine in China. The following table sets forth our ownership percentages in the two mines and their respective acquisition date, location, lithium reserve or resource amount and grade or concentration as of March 31, 2018, according to the BDA Report.

Assets	Ownership[4]	Acquisition time	Location	Type	Resources					Reserves			
					Measured (Mt LCE)[8]	Indicated (Mt LCE)[8]	Inferred (Mt LCE)[8]	Total (Mt LCE)[8]	Grade (lithium oxide)	Proved (Mt LCE)[9]	Probable (Mt LCE)[9]	Total (Mt LCE)[9]	Grade (lithium oxide)
Greenbushes Mine	51%[1]	May 2014	Greenbushes, Australia	Spodumene									
—Central Lode					0.01	8.46	0.29	8.78	2.0%[5]	0.01	6.9	6.9	2.1%[6]
—TSF1					—	0.49	0.09	0.58	1.28%[5]	—	0.36	0.36	1.42%[6]
Yajiang Cuola Mine	100%[2]	April 2012	Cuola, Yajiang, PRC	Spodumene	—	0.46	0.17	0.63	1.3%[7]	—[3]	—[3]	—[3]	—[3]

Notes:

(1) As of the Latest Practicable Date, we held a 51% equity interest in Windfield, which owns 100% of equity interest in Talison. Talison owns 100% equity interest in and holds the lithium mining titles at the Greenbushes Mine.

(2) We owned 100% equity interest in Yajiang Cuola Mine through our wholly owned subsidiary, Shenghe Lithium, in the Yajiang Cuola mine as of the Latest Practicable Date.

(3) As of March 31, 2018, the lithium reserves are considered not defined for the Yajiang Cuola Mine under the JORC standards, according to the BDA Report.

(4) On a fully diluted basis.

(5) Lithium oxide grade for measured resources, indicated resources and inferred resources in the Central Lode were 3.0%, 2.0% and 1.3%, respectively, as of March 31, 2018. Lithium oxide grade for the indicated resources in the enriched zone and inferred resources in depleted zone of TSF1 were 1.46% and 0.78%, respectively, as of March 31, 2018

(6) Lithium oxide grade for proven ore reserves and probable ore reserves in the Central Lode were 3.0% and 2.1%, respectively, as of March 31, 2018. Lithium oxide grade for probable reserves in the TSF1 was 1.42%, as of March 31, 2018.

(7) Lithium oxide grade for indicated resource and inferred resource of Yajiang Cuola Mine were 1.31% and 1.26%, respectively, as of March 31, 2018.

(8) Resources in the Central Lode area of the Greenbushes Mine were based on a cut-off grade of 0.5% lithium oxide. Resources in TSF1 of the Greenbushes Mine were based on a cut-off grade of 0.7% lithium oxide. Resources in the Yajiang Cuola Mine were based on a cut-off grade of 0.5% lithium oxide. The cut-off grades on which our resources are based is in accordance with industry standard commonly used by experts for the same type of mine as our Greenbushes Mine and Yajiang Cuola Mine.

(9) Reserves in the Central Lode of the Greenbushes Mine were based on a block cut-off grade of 0.7% lithium oxide. Reserves in TSF1 of the Greenbushes Mine were based on a cut-off grade of 0.7% lithium oxide. The cut-off grades on which our reserves are based are in accordance with industry standards commonly used by experts for the same type of mine as the Greenbushes Mine.

In addition, as of the Latest Practicable Date, we held minority equity interests in certain lithium assets in China and Chile. For more information, see "—Our Investments in the Global Lithium Value Chain."

Lithium Asset in Operation—Greenbushes Mine

The Greenbushes Mine is located in Greenbushes, approximately 250km south of Perth and 90km southeast of the port of Bunbury, Western Australia, a major bulk-handling port in the southwest of Western Australia. It has been producing lithium concentrate since 1983. In 2014, we acquired a 51% equity interest in Windfield, the parent entity of Talison, which owns and operates the Greenbushes Mine. The following map shows the location of our Greenbushes Mine:

Source: BDA Report

Resource and Reserve

The Greenbushes Mine is the largest hard rock lithium mine in the world as measured by size of reserves and resources, according to the Roskill Report. The majority of lithium resource and reserve of the Greenbushes Mine are located at the Central Lode, and the rest of them are located at the TSF1. The Central Lode contains approximately 8.8 million tons LCE lithium resources and 6.9 million tons LCE lithium reserves as of March 31, 2018, according to the BDA Report. According to the BDA Report, as of March 31, 2018, the lithium oxide grades of the resources and reserves of the Central Lode were 2.0% and 2.1%, respectively. Located in a central part of the Greenbushes Mine, the TSF1 has approximately 0.58 million tons LCE indicated and inferred lithium resources and 0.36 million tons LCE probable lithium reserves as of March 31, 2018, according to the BDA Report.

According to the BDA Report, as of March 31, 2018, the remaining LoM of the Greenbushes Mine is estimated to be approximately 17 years, taking into consideration the expansion projects currently undertaken, planned and considered. For more information on the expansion works, see "—Lithium Asset in Operation—Greenbushes Mine—Expansion Plan."

We conducted exploration drillings at the Central Lode, which identified that all significant lithium resources are confined to the Central Lode's lithium orebody within the main pegmatite zone, with deposit remaining partly open at depth and along strike to the south. We also undertook drillings to explore the lithium resources contained in the TSF1 area. We incurred expenditures in connection with our exploration activities of nil, RMB89,492, RMB597,028, RMB88,504 and RMB4.7 million in the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively.

Production

The high-quality ore at the Greenbushes Mine allows for efficient and low-cost production of lithium concentrate. The Greenbushes Mine is considered to have the lowest production costs for chemical-grade lithium concentrate production, according to the Roskill Report. As of March 31, 2018, the Greenbushes Mine had the largest production capacity for lithium concentrate in the world, according to the Roskill Report. The Greenbushes Mine has two plants for the processing of lithium ore into lithium concentrate, which are located adjacent to the open pit mining operation. The two plants, namely the Technical-Grade Plant ("**TGP**") and the Chemical-Grade Plant ("**CGP1**"), produce lithium concentrates containing a range of grades with varying iron impurity levels. Low iron technical-grade concentrates are produced at the TGP, and chemical-grade concentrate which contains higher levels of iron is produced at CGP1. The current annual output of CGP1 is around 550,000 tons of chemical-grade lithium concentrate with minimum lithium oxide grade of 6%, according to the BDA Report. The TGP currently has an annual output of approximately 150,000 tons of concentrate, according to the BDA Report.

The main production facilities at Greenbushes Mine consist of processing plants, crushing plants, a water treatment plant, power and water supply facilities, a laboratory, an administrative office, occupational health and safety training offices, dedicated mines rescue area, stores, storage sheds, workshops and engineering offices. Talison holds a number of mining and ancillary licenses at the Greenbushes Mine. For details about the mining permits at the Greenbushes Mine, see "—Our Mining Permits."

Expansion Plan

Talison plans to increase production capacity in line with an anticipated increase in demand for lithium products, through a series of simple, modular, and low-cost expansions based on existing proven technology, according to the BDA Report. A second chemical-grade lithium concentrate plant ("**CGP2**") is currently under construction adjacent to the existing CGP1. CGP2 is expected to commence production in mid-2019. CGP2 will be capable of increasing the Greenbushes Mine's annual output of chemical-grade lithium concentrate by approximately 650,000 tons when fully constructed and operational, according to the BDA Report. On July 24, 2018, our board approved the construction of a third chemical-grade lithium concentrate plant ("**CGP3**") and related infrastructure. CGP3's construction is scheduled to commence in 2019 and its commissioning is expected to take place in 2020. CGP3 will be capable of increasing the Greenbushes Mine's annual output of chemical-grade lithium concentrate by approximately 600,000 tons when fully constructed and operational. CGP2 and CGP3 together will be capable of increasing the total annual output of the Greenbushes Mine to 1.95 million tons, when they are fully constructed and operational. We are also considering additional expansion projects.

Capital Expenditure

Capital expenditure of our Greenbushes Mine primarily covers our activities including plants, tailings storage facility and port facility expansions, mine development and R&D, exploration, and construction of water treatment plant. Total capital expenditure of our Greenbushes Mine for the three months ended March 31, 2018 was approximately A$77.2 million and estimated total capital expenditure for the Greenbushes Mine for 2018 is approximately A$343 million. Capital expenditures of approximately A$320 million and A$516 million are expected to be incurred in relation to the construction of CGP2 and CGP3 and related infrastructure, respectively.

Operating Costs

Operating costs of our Greenbushes Mine include mining cost, processing cost, general and administrative cost, cost of royalty and product transportation and marketing cost. Mining cost mainly includes cost of mine contractor, consumables, workforce employment, fuel, electricity and water, as well as repair and maintenance. Processing cost mainly includes cost of repair and maintenance, consumables, workforce employment and fuel, electricity and water. General administrative cost includes cost of on-site and off-site management, and environmental cost.

Our operating cash costs are the lowest among all lithium mines in the world, according to the Roskill Report. This is mainly due to (i) the high quality of ore produced from the Greenbushes Mine, (ii) the geological advantages of our lithium mines, (iii) our developed infrastructure, and (iv) our mature technologies and processes and robust production capabilities. For details of our operating cash costs, please refer to "Appendix IV—Competent Person's Report." The following table sets forth the operating cash costs of the Greenbushes Mine for the periods indicated, according to the BDA Report:

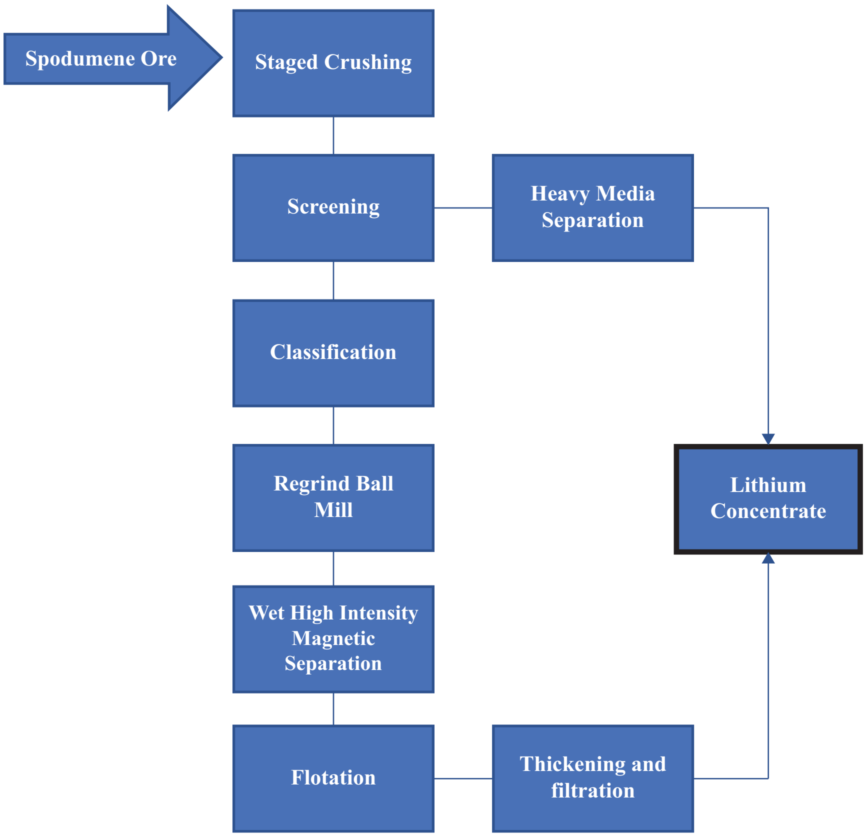
	For the year ended December 31,		
Cost Item	**2015**	**2016**	**2017**
	A$ in million		
Mining cost	29.0	31.0	38.8
Processing cost	34.7	43.3	49.8
General and administrative cost	7.08	7.4	8.3
Product transportation and marketing cost	24.7	26.8	32.6
Royalty	11.7	14.8	20.9
Total	**107.3**	**123.2**	**150.4**

Lithium Concentrate Products

The Greenbushes Mine produces two types of lithium concentrates, namely technical grade and chemical-grade concentrates. These two products primarily differ in lithia and iron content and particle size. Technical-grade lithium concentrates contain lithium oxide content of 5.0% to 7.2% and chemical-grade lithium concentrate has lithium oxide content of 6%. End users of technical-grade lithium concentrates are primarily companies engaged in the glass and ceramics and porcelain industries and end users of chemical-grade lithium concentrate are primarily lithium compound producers and manufacturing plants. Talison is the largest producer of technical-grade lithium concentrate by both production capacity and volume of merchant sales to end users from 2012 to 2017, according to the Roskill Report. For the years ended December 31, 2015, 2016 and 2017, Talison produced approximately 438,000, 494,000 and 646,000 tons of lithium concentrates respectively, according to the BDA Report.

Extraction and Beneficiation Process

We process lithium ore into lithium concentrate at the Greenbushes Mine through the following steps: (1) mined ore undergoes size reduction in a multi-stage crushing circuit, (2) crushed ore is sized by screens and coarse fractions are concentrated by heavy media separation to separate lithium minerals from lower density minerals and produce a coarse lithium concentrate, (3) classification takes place to separate the remaining ore stream into several size fractions using screens and hydraulic sizing, (4) regrind ball milling is used to improve the liberation of the lithium minerals, (5) wet high intensity magnetic separation is applied to remove potentially contaminating minerals, (6) flotation to produce a fine lithium concentrate, and (7) thickening and filtration are conducted to produce the finished lithium concentrate in chemical or technical grade. The diagram below illustrates the typical extraction and beneficiation process at the Greenbushes Mine.



Production Planning

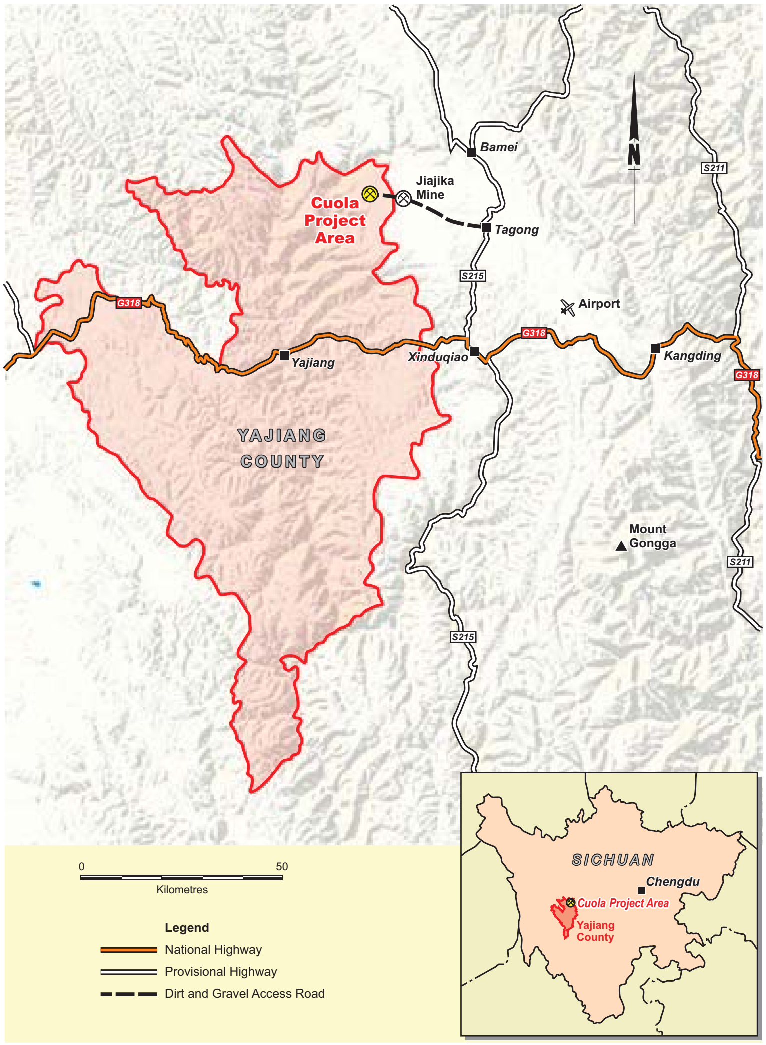
Production plans are prepared on a periodic basis based on anticipated market trends and discussions with customers of lithium concentrate. Regular production schedules are prepared based on these plans and existing inventory levels.

Delivery and Transportation

The Greenbushes Mine is well established in close proximity to a major highway and port in Western Australia's South West region. The finished lithium concentrate products are transported via road from the Greenbushes Mine to a designated port for overseas freight shipping. Title and risks generally transfer to customers when the products are loaded onto the delivering vessel. Lithium concentrate products are commonly further transported in bulk to the PRC where they may be consumed in bulk by lithium compound plants, or re-packaged into smaller quantities for direct delivery to customers. Our technical-grade lithium concentrates are also transported to other countries directly from Australia in either bulk or packaged form. Our Directors have confirmed that the Company had not experienced any material shortage of transportation capacity during the Track Record Period and up to the Latest Practicable Date.

Lithium Asset Held for Future Development—Yajiang Cuola Mine

The Yajiang Cuola Mine is located in the administration area of Xinwei Village, Murong Township, Yajiang County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province, China. The map below shows the location of the Yajiang Cuola Mine:



Source: BDA Report

The Yajiang Cuola Mine is part of the larger Jiajika lithium mineralization district, which is believed to be the largest hard rock lithium mineralization district in China and Asia, according to the BDA Report. We hold 100% equity interest in the Yajiang Cuola Mine through our wholly-owned subsidiary, Shenghe Lithium, and have obtained the exploration and mining licenses for the spodumene deposits in the Yajiang Cuola Mine in April 2012. Our mining license is valid until 2032 and is renewable subject to certain conditions. The Yajiang Cuola Mine has 630,000 tons LCE of lithium resources as of March 31, 2018, according to the BDA Report. Currently, we hold the Yajiang Cuola Mine as a reserve lithium asset and continuously monitor its status for future development. For more information, see "Risk Factors—Risks Relating to Our Business—The development of our Yajiang Cuola Mine is currently on hold due to an alleged environmental incident with respect to a neighboring mine and we cannot assure you that the development of our Yajiang Cuola Mine will resume in the near future."

MANUFACTURE AND SALES OF LITHIUM COMPOUNDS AND DERIVATIVES

Our Lithium Compounds and Derivatives Products

We are the largest integrated lithium compounds supplier in Asia and the third largest in the world as measured by production volume in 2017, according to the Roskill Report. For the year ended December 31, 2017, our production capacity of lithium compounds and derivatives was 34,800 tons. Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world as of the Latest Practicable Date, according to the Roskill Report. We manufacture a variety of lithium compounds and derivatives from lithium concentrate, primarily including lithium carbonate, lithium hydroxide and lithium metal. For the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018, revenue generated from manufacture and sales of lithium compounds and derivatives amounted to RMB991.3 million, RMB2,824.8 million, RMB3,696.3 million, RMB682.8 million and RMB1,074.4 million, respectively, representing 53.2%, 72.4%, 67.6%. 64.1% and 64.4% of our total revenue for the same periods, respectively. For the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018, gross profit generated from manufacture and sale of lithium compounds and derivatives amounted to RMB374.4 million, RMB2,103.3 million, RMB2,562.1 million, RMB458.7 million and RMB768.1 million, respectively, representing profit margins of 37.8%, 74.5%, 69.3%, 67.2% and 71.5% for the same periods, respectively.

The following table sets forth a breakdown of the annual output of our main lithium compounds and derivatives products, for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
	Annual Output (in tons)	Annual Output (in tons)	Annual Output (in tons)	Annual Output (in tons)
Lithium carbonate	13,424	21,423	25,593	7,217
Lithium hydroxide	2,015	3,132	3,811	1,084
Lithium chloride	1,089	2,307	2,775	721
Lithium metal	62	69	79	22

The following table sets forth a breakdown of our sales revenue of lithium compounds and derivatives by product type, each expressed as an absolute amount and as a percentage of our total revenue for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Sales revenue	%	Sales revenue	%	Sales revenue	%	Sales revenue	%	Sales revenue	%
	(RMB in millions, except for percentage)									
							(unaudited)			
Lithium carbonate	804.4	81.3	2,218.8	78.5	2,856.8	77.3	552.4	80.9	850.1	79.1
Lithium hydroxide	82.7	8.3	375.5	13.3	410.9	11.1	50.8	7.4	98.2	9.1
Lithium chloride(1)	54.8	5.5	92.3	3.3	164.9	4.5	41.8	6.1	17.3	1.6
Lithium metal	30.2	3.0	98.1	3.5	226.8	6.1	31.8	4.7	95.3	8.9
Others(2)	19.2	1.9	40.1	1.4	36.9	1.0	6.0	0.9	13.5	1.3
Total lithium compounds and derivatives	**991.3**	**100.0**	**2,824.8**	**100.0**	**3,696.3**	**100.0**	**682.8**	**100.0**	**1,074.4**	**100.0**

Notes:

(1) Majority of the lithium chloride we produced is consumed internally for manufacture of lithium metal.

(2) Others primarily include sodium sulfate, sodium hypochlorite and mineral ash and slag.

Our lithium compounds, including (i) battery-grade and industrial grade lithium carbonate, (ii) battery-grade and industrial grade lithium hydroxide and (iii) lithium chloride, can be used for a number of purposes such as (i) lithium battery cathode and electrolytes materials which are used in mobile electronic devices, EVs and energy storage equipment, (ii) raw materials for special glass and ceramic, (iii) chemical materials for grease and (iv) tranquilizer. Our lithium metal products, which are in the forms of ingots, foil and rods in a range of sizes and thickness, are used in areas including in the manufacturing of lithium battery cathode materials, as catalysts in the manufacture of pharmaceutical intermediaries and in the manufacture of alloys and other light-weight materials used in aircraft.

Our lithium compounds products are considered a benchmark in the Chinese market with high performance features such as fine particle sizes to promote chemical bonding and low impurities to mitigate the potential battery cell failure. Furthermore, we are capable of producing lithium compounds in large volumes with high consistency in quality.

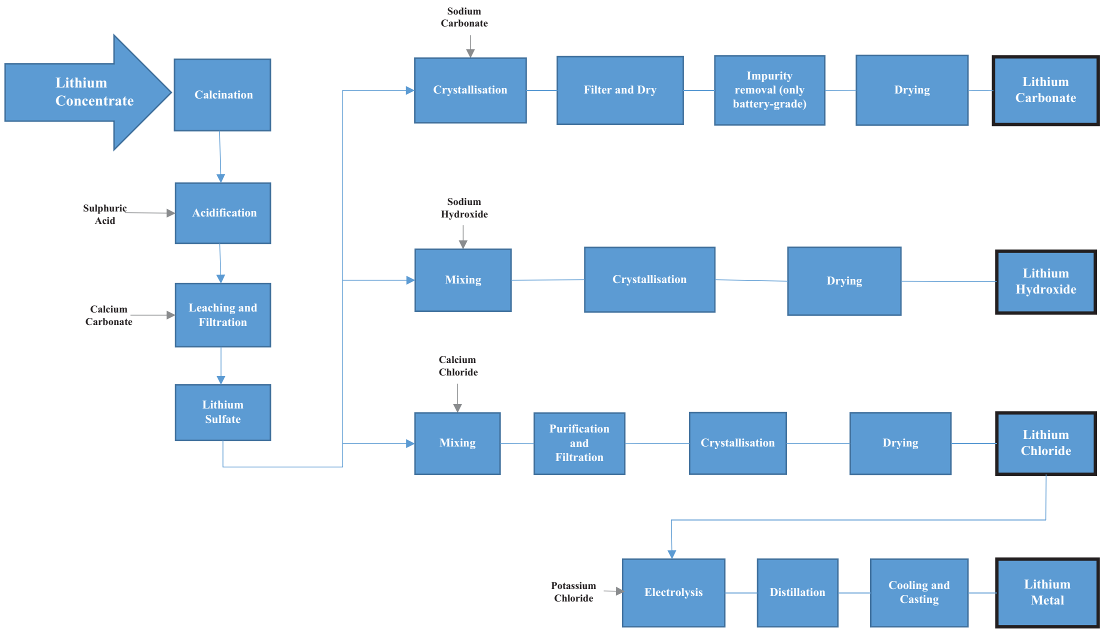
Our consistent and high-quality source of feedstock supply is key to achieving our high-quality, large-scale and consistent manufacture of lithium compounds. We source all of our chemical-grade lithium concentrate as feedstock from our captive Greenbushes Mine, the world's largest and highest grade lithium deposit with low impurity levels. The Greenbushes Mine's lithium concentrate is a long-established and benchmark product in the lithium industry, according to the Roskill Report. We are the only major lithium compounds and derivatives producer in China that has a large, single and consistent source of supply of lithium concentrate. The consistency and high quality of our feedstock input naturally leads to the consistency and high quality of production output, even for large scale operations.

Our mineral-based and mature processing technique also plays an important role in our product quality and consistency. Mineral-based production has higher consistency of output as compared to brine-based production, as the physical and chemical properties of mineral feedstock are more stable as compared to those of brine feedstock as the latter may be impacted by weather conditions during evaporation process. Our mature processing techniques have been developed and improved through our two decades of operations and research and development efforts, which ensures optimal reliability of our operations.

Cathode and electrolytes materials manufacturers have stringent requirements for lithium products in terms of quality, consistency and volumes, as failures in lithium raw materials may lead to costly recall of end products and damages to brand reputations. As a result, customers audit their suppliers on a multitude of levels through strict and long accreditation processes. Leveraging our aforementioned competitive advantages, we have become a long-term accredited supplier for major lithium cathode and electrolytes materials producers in China and globally and are uniquely positioned to meet the significant incremental demand from EVs and energy storage systems in China and globally. Invited by the China Nonferrous Metals Industry Association, we participated in setting the national standards and specifications for various lithium compounds products in China, including battery-grade and industrial-grade lithium carbonate, battery-grade and industrial-grade lithium hydroxide and various other products.

Manufacture of Lithium Compounds and Derivatives

We process lithium concentrate into lithium carbonate, lithium hydroxide, lithium chloride and lithium metal through the following steps. First, we carry out calcination, acidification and leaching and filtration of lithium concentrate, which create lithium sulfate. Next, sodium carbonate, sodium hydroxide, and calcium chloride are added for producing lithium carbonate, lithium hydroxide and lithium chloride, respectively. Lastly, lithium metal is produced using lithium chloride through processes including electrolysis and distillation. The following chart illustrates our lithium compounds and metal manufacturing process:



Production Planning

We typically prepare production plans on a periodic basis based on anticipated market trends and discussions with our customers. Pursuant to these plans and existing inventory levels, we procure raw materials and prepare monthly production schedules.

Existing Manufacturing Plants

As of the Latest Practicable Date, we operate a total of three manufacturing plants in China. The table below sets forth the location, product categories and year of commencement of operation for these manufacturing plants:

Plant Name	Location	Primary Products Manufactured	Year of Commencement of Operation
Shehong Plant	Shehong, Sichuan, PRC	Lithium carbonate, Lithium hydroxide, Lithium chloride, Lithium metal	1995
Zhangjiagang Plant	Zhangjiagang, Jiangsu, PRC	Lithium carbonate	2015(1)
Tongliang Plant	Tongliang, Chongqing, PRC	Lithium metal	2017(2)

Notes:

(1) We acquired the Zhangjiagang Plant in 2015.

(2) We acquired the operating assets of the Tongliang Plant in 2017.

Located in Sichuan, PRC, our Shehong Plant is the second largest lithium compounds manufacturing plant in Asia in terms of production capacity and output in 2017, according to the Roskill Report. It processes lithium concentrate supplied by the Greenbushes Mine to produce a variety of high quality lithium products, including lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. As of the Latest Practicable date, we have upgraded a number of production technologies and techniques at Shehong Plant, including the automation modification of production line, improvement of production techniques of lithium carbonate and lithium chloride, as well as improvements in environmental protection facilities, in order to increase our production capacity and production efficiency.

Our Zhangjiagang Plant was the only fully-automated battery-grade lithium carbonate manufacturing plant in operation in the world, as of the Latest Practicable Date, according to the Roskill Report. As of the Latest Practicable Date, we have upgraded a number of production technologies and techniques at Zhangjiagang Plant, including the optimization of utilization of raw materials as well as improvement of environment protection facilities, in order to increase our production capacity and production efficiency.

Our Tongliang Plant focuses on the production of lithium metal products. As of the Latest Practicable Date, we are conducting comprehensive upgrades of our Tongliang Plant, including but not limited to establishing the world's first lithium metal automatic production line designed to produce high-quality lithium metal products, and improving environmental protection facilities and production techniques. The upgrades are expected to be completed by the end of 2019.

Production Capacity and Utilization Rate

We have maintained consistently high utilization rates during the Track Record Period. The following table sets forth a summary of our annual production capacity and utilization rates for our production plants for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,	
	2015		2016		2017		2018	
	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)
Shehong Plant	17,200	68%	17,200	96%	17,200	106%	4,300	111%
Zhangjiagang Plant(3)	8,500	56%	17,000	61%	17,000	83%	4,250	100%
Tongliang Plant(4)	N/A	N/A	N/A	N/A	150	56%	150	67%

Notes:

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

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

(3) Zhangjiagang Plant commenced production in July 2015; therefore, the effective production capacity of Zhangjiagang Plant for the year ended December 31, 2015 is calculated by the average of each month's designed production capacity multiplied by six months, which represents the number of months in actual production.

(4) Tongliang Plant commenced production in the end of September 2017; therefore, the effective production capacity of Tongliang Plant for the year ended December 31, 2017 is calculated by the average of each month's designed production capacity multiplied by three months, which represents the number of months in actual production.

Production Expansion Plan

In order to meet the fast-growing demand for lithium compounds and derivatives, we plan to expand our production capacity by constructing additional manufacturing plants in Australia and the PRC. We believe that our expansion projects will help us further strengthen our production capacity, maintain our global market share and realize our market potential.

In 2016, we announced the construction of Kwinana Plant for manufacturing battery-grade lithium hydroxide in Kwinana, Western Australia. The first stage of the Kwinana Plant, the commissioning of which is expected to commence by the end of 2018, will have an annual capacity of 24,000 tons for battery-grade lithium hydroxide. In 2017, we announced a second phase of the Kwinana Plant, which will have the same capacity as the first stage, and the Kwinana Plant will have a total capacity of 48,000 tons for battery-grade lithium hydroxide annually once fully constructed and operational. Capital expenditures are being funded from internal sources. A$398 million and A$328 million capital expenditures are expected to be incurred for the construction of the first and the second stages of the Kwinana Plant, respectively. The Kwinana Plant will be operated by our wholly-owned subsidiary TLK.

The Company and the municipal government of Suining entered into a strategic cooperation framework agreement in 2017 (as amended) for the establishment of Anju Plant for producing lithium carbonate in two phases. The Anju Plant is located in Anju District of Suining, Sichuan Province. Phase I of the Anju Plant is planned to be a lithium carbonate product line with approximately 20,000 tons annual production capacity. The capital expenditure for Phase I is estimated to be no more than RMB1.5 billion, which would be funded by the Company. Pursuant to the framework agreement, the relevant government agencies would work with us in planning the construction and obtaining the relevant approvals and permits required for the plant. The time of construction of Anju Plant is estimated to be 18 months.

In addition, we are in the process of undertaking further debottlenecking of our Zhangjiagang Plant and Shehong Plant. As a result, the Zhangjiagang Plant's production capacity will reach 20,000 tons in 2019, and the Shehong Plant's production capacity will reach approximately 22,800 tons in 2018 and 25,400 tons in 2019.

Our expansion projects were planned on the basis of, among other considerations, strengthening relationships with customers, estimated market supply and demand for relevant products, utilization of existing manufacturing plants, estimated cost of development, availability and cost of lithium concentrate and availability and cost of capital resources. Expansions involve numerous risks and there is no guarantee that any of the expansion projects will be successful. We may also undertake additional expansion projects as we continue to grow worldwide. For more information on risks relating to our expansion projects, see "Risk Factors—Risk Factors Relating to Our Business—We may not be successful in expanding our operations to meet our demands or managing our growth effectively."

Machinery and Equipment

Our major machinery and equipment for the production of lithium concentrate primarily include ball mills, heavy medium separators, classifiers, flotation machines and dryers for our processing plants at the Greenbushes Mine. We engage contractors for certain mining activities, who provide and use machinery and equipment such as drilling and blasting equipment, crushers, excavator and trucks as required by their work. Our major machinery and equipment for manufacture of lithium compounds and derivatives include calcining kiln, acidification kiln, cooling kiln, ball grinding mill, centrifugal machine, squeezing machine, crystallizer, electrolytic tank, finery, vacuum distilling furnace and MVR system. We own all the major machinery and equipment at our lithium compounds and derivatives manufacturing plants. We are constantly repairing and upgrading our machinery and equipment to improve our operational efficiency. Depreciation is calculated to write-off the cost of equipment and machinery over the estimated useful lives based on various methods, including reducing balance over 10 years for machinery and equipment exposed to acid and alkali; higher of units of production method or straight line method over 20 years for mining-specific machinery and equipment; and straight line method over 10 years for other equipment and machinery. See "Appendix I—Accountant's Report—Notes to the Historical Financial Information."

Maintenance

We conduct inspections and maintenance at our manufacturing plants on a periodic basis, while overhauls are generally carried out on the whole manufacturing plant at a particular location from time to time. We have on average around two to four weeks of overhaul and maintenance each year at our three manufacturing plants in China. At our Greenbushes Mine, we require our contractors to keep all their machinery and equipment in good and proper repair and conduct regular safety checks during the term of their services. For our processing plants' machinery and equipment that we own, we also conduct maintenance and overhaul on a regular basis.

We have developed and implemented internal procedures at our plants periodically according to the characteristics and requirements of the particular equipment and machinery in order to ensure their proper function. During the Track Record Period, we did not experience any material or prolonged suspension of operations due to machinery, equipment or other facility failures.

Delivery and Transportation

With respect to our lithium compounds and metal products, we generally deliver finished products directly to our customers' warehouses or their designated locations by truck transportation operated by third-party logistic companies. We cover the delivery costs and the third-party logistic companies assume the related risks during the course of delivery, against which they would purchase transportation insurance policies. In case of export products, we would deliver them to the relevant port of export and have them shipped by sea freight to complete the delivery according to the relevant shipping agreement.

SALES AND MARKETING

We market and sell lithium concentrate and lithium compounds and derivatives in both domestic and overseas markets. We have a dedicated sales and marketing department that is responsible for marketing and sales of our products. Throughout over 20 years of experience in the lithium industry, we have established a stable customer base in China and globally and become a critical supplier for our customers. We also provide value-added services such as optimized delivery arrangements in order to strengthen our relationship with customers. Our brand and products are widely recognized by our customers. Our key market is the PRC, which accounted for 84.4%, 90.3%, 92.0% and 88.0% of our revenue in 2015, 2016, 2017 and the three months ended March 31, 2018, respectively.

As of the Latest Practicable Date, our sales and marketing department has 28 personnel, which focus on business development, customer service and industry coverage. We have four separate teams dedicated to providing (1) sales and marketing coverage in China, (2) sales and marketing coverage in overseas markets primarily including Europe, North America and East Asia, (3) sales services, logistics coordination and administrative support, and (4) product management and development. We analyze the dynamics of existing customers and trends in key markets to discover sales opportunities. Our sales team regularly communicate our current offerings and development plans to our existing and potential customers. They also gather feedback from customers on our products and assist us in understanding and responding to demands for our products.

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our selling and distribution expenses were RMB30.5 million, RMB35.9 million, RMB38.3 million, RMB6.9 million and RMB8.3 million, respectively, accounting for 1.6%, 0.9%, 0.7%, 0.6% and 0.5%, respectively, of our total revenue during the same periods.

Pricing Strategy

We price our products based on a number of factors, including customer relationship, raw material costs and production costs, prevailing market prices, specifications of products, length of contract, and other contract terms such as delivery and payment. The prices of our products are also affected by the global and domestic economic environment and the demand for lithium concentrate and lithium compounds as well as market competition in the lithium industry.

For more information on sales of lithium concentrate from the Greenbushes Mine, see "Connected Transaction—Non-Exempted Continuing Connected Transactions Subject To Reporting And Announcement Requirements."

Customers

We sell our technical-grade lithium concentrates primarily to companies engaged in the glass and ceramics and porcelain industries, and our chemical-grade lithium concentrate primarily to lithium manufacturing plants. Our key customers for lithium compounds include battery material producers, as well as glass production companies, manufacturers of pharmaceutical intermediaries and manufacturers of alloys for use in aircrafts. Our battery-grade lithium compound products, which are largely purchased by battery material manufacturers, accounted for 34.9%, 46.5%, 44.1%, 39.4% and 46.9% of our total revenue in 2015, 2016 and 2017, and the three months ended March 31, 2017 and 2018, respectively. We expect that our sales will continue to be driven by the demand in the end markets we serve.

As of March 31, 2018, our products were sold primarily in China but also in approximately 17 other countries including Korea, Japan, India, France, Canada and United States. Our customers require high-quality and consistent production, reliable delivery and supportive after-sale services. Over the years, we have built strong relationships with our customers by consistently meeting these needs and growing our production capacity and improving our technologies to support their growth.

We have a stable customer base consisting of top-tier battery material manufacturers, multinational electronics companies and global glass producers. Our notable customers include three of the five largest manufacturers of large-cell lithium-ion batteries in the world, as well as seven of the ten largest cathode manufacturers in the world as measured by market share in 2017, according to the Roskill Report.

We primarily sell our products directly to customers in China and overseas. We currently rely on short-term contracts with the majority of our customers. Each short-term contract sets out the agreed terms, including the pricing, product specifications which may incorporate the relevant industry standards, quantity, payment terms, packaging, date and means of delivery. We usually require wire transfer payment in advance of delivery. A typical short term purchase contract gives our customer several days after the delivery to submit complaints with regard to the quality of our products in written form. In the case of such customer complaint, if the product in question is determined, by a third party inspection organization or by us, to be non-compliant with the stipulated criteria, compensation will be agreed with the customer.

We also enter into annual or semi-annual contracts with certain overseas customers which contain terms and conditions, including price, product specification, quantity, payment terms, date and means of delivery. We are also in the process of negotiating long-term purchase agreements with certain overseas customers although there is no certainty that these will be successfully completed.

In 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our revenue generated from our largest customer amounted to RMB353.3 million, RMB653.9 million, RMB1,083.3 million, RMB238.3 million and RMB349.2 million, respectively, representing for 19.0%, 16.8%, 19.8%, 22.4% and 20.9% of our total revenue, respectively. In 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our revenue generated from our five largest customers amounted to

RMB729.7 million, RMB1,319.9 million, RMB2,118.3 million, RMB407.0 million and RMB683.9 million, respectively, representing 39.1%, 33.8%, 38.7%, 38.2% and 41.0% of our total revenue, respectively.

In 2015, 2016, 2017 and the three months ended March 31, 2018, our largest customer was a lithium compound producer with its headquarters in the U.S. that purchased technical-grade concentrates and chemical-grade concentrates from us. During the same period, the rest of our five largest customers were battery material manufacturers based in China who purchased lithium compounds and derivatives from us. We have maintained stable relationships with a majority of our five largest customers during the Track Record Period. We have granted a credit period of up to 90 days only for overseas customers and a limited number of domestic customers.

None of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest customers during the Track Record Period and as of the Latest Practicable Date. During the Track Record Period and as of the Latest Practicable Date, we did not have material disputes with our customers.

OUR INVESTMENTS IN THE GLOBAL LITHIUM VALUE CHAIN

The SQM Transaction

On May 17, 2018, we entered into the SQM Share Purchase Agreement, whereby we have agreed to purchase 62,556,568 Series A shares of SQM held by Nutrien at a consideration of approximately US$4.07 billion, representing approximately 23.77% of the total issued capital of SQM. Including the existing approximately 2.10% economic interest in SQM through the Series B shares already owned, we expect to hold approximately 25.86% of the economic interest in SQM upon completion of the SQM Transaction and become the second largest shareholder of SQM. As of April 2, 2018, SQM's largest shareholder and its affiliates held in an aggregate of approximately 30.38% of the economic interest in SQM. In addition to our cash on hand, we expect to incur additional debt of approximately US$3.5 billion to finance the consideration for the SQM Transaction. Under the SQM Share Purchase Agreement, the completion of the SQM Transaction is subject to the satisfaction or waiver of a number of customary closing conditions, including obtaining certain regulatory approvals and approvals by our shareholders.

SQM is based in Santiago, Chile. It was founded in 1968 and is currently listed on the Santiago Stock Exchange, the Santiago Electronic Stock Exchange, the Valparaíso Stock Exchange and the New York Stock Exchange. According to SQM's public disclosure, SQM's main product lines include (1) specialty plant nutrition, including sodium nitrate, potassium nitrate and sodium potassium nitrate; (2) iodine and derivatives; (3) lithium and derivatives; (4) potassium products, including potassium chloride and potassium sulfate; and (5) industrial chemicals. According to SQM's public disclosure, the lithium and derivatives product line accounted for approximately 30% of its revenue in 2017. According to the Roskill Report, SQM was the largest producer of refined lithium chemical products in 2017, with production totaling 44,500 tons LCE. According to the Roskill Report, the Salar de Atacama is the largest brine-based lithium reserve in the world, which contains 42.9 million tons LCE. In addition, according to the Roskill Report, SQM's Chilean operation has the lowest lithium carbonate production cash cost in 2017 in the world. According to the public disclosure of SQM, for the years ended December 31, 2015, 2016 and 2017, SQM had total assets of approximately US$4,644 million, US$4,218 million and US$4,291 million, respectively, revenue of approximately US$2,157 million, US$1,939 million and US$1,728 million respectively, and gross profit of approximately US$762 million, US$611 million and US$543 million respectively.

The final valuation of the equity interest in SQM that we intend to purchase was primarily based on our estimation of its market value and our negotiation processes. For risks associated with the valuation, see "Risk Factors—Risks Relating to the SQM Transaction—We may not realize the expected benefits of the SQM Transaction."

We believe that the SQM Transaction will further strengthen our industry position with exposure to the world-class brine resources of SQM, and generate sustainable, stable and attractive long-term financial returns. For more information on the risks related to the SQM Transaction, please refer to the section headed "Risk Factors—Risks Relating to the SQM Transaction" in this **[REDACTED]**. We plan to apply approximately 90% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** from the **[REDACTED]** to partially repay the debt to be incurred for the SQM Transaction. See "Future Plans and Use of **[REDACTED]**—Use of **[REDACTED]**."

Investments in Downstream New Energy Companies

Shanghai Aerospace Power Technology

As of the Latest Practicable Date, we held a 18.63% equity interest in Shanghai Aerospace Power Technology Co., Ltd. ("**SAPT**"). As a subsidiary of China Aerospace Science and Technology Corporation and Shanghai Aerospace Industry (Group) Co., Ltd., SAPT is a new energy company in China that primarily operates in the development and manufacture of advanced lithium-based batteries for a range of applications including EVs and electric locomotives. Through our investment, we supported SAPT in a major production upgrade project for its manufacture and integration of lithium-ion batteries. We also intend to further cooperate with SAPT in developing and commercializing state-of-the-art battery technologies and strengthen our ties with their downstream strategies through our support in resource, technology and investment.

SolidEnergy Systems

As of the Latest Practicable Date, we held a 11.72% equity interest in SolidEnergy Systems Corp. ("**SES**"). Founded in 2012 and headquartered in Massachusetts, U.S., SES specializes in the development and manufacture of solid-state batteries with ultra-high energy density using ultra-thin lithium-metal foil, as well as electrolyte and anode materials. We believe our investment in SES will provide us strategic exposure and market insight into next-generation battery technologies and help us develop our lithium metal business.

WeLion

As of the Latest Practicable Date, we held a 5.0% equity interest in Beijing WeLion New Energy Technology Co., Ltd. ("**WeLion**"). Founded in 2016 and headquartered in Beijing, China, WeLion focuses on the development and manufacture of hybrid solid/liquid electrolyte batteries and all-solid lithium batteries. Through this investment, we expect to strengthen our ties with the latest developments in solid-state battery technologies.

Investments in Upstream Lithium Assets

Zhabuye Salt Lake

The Zhabuye Salt Lake is located in Tibet Autonomous Region, China. We hold a 20% equity interest in Shigatse Zhabuye, which owns the exploration rights of the Zhabuye Salt Lake. The Zhabuye Salt Lake has 1.8 million tons LCE of lithium resources, according to the Roskill Report.

Salares 7 Project

The Salares 7 Project is located in Region III, Chile. The Salares 7 Project is a lithium and potassium brine exploration project which consists of seven salars (brine lakes and surrounding concessions). Chile SALA is the owner of exploration rights of the Salares 7 Project, in which we held a 50% equity interest through Windfield and Talison as of the Latest Practicable Date. As of the Latest Practicable Date, we were not planning to undertake any development or exploration activities at the Salares 7 Project.

OUR MINING PERMITS

As of the Latest Practicable Date, we held a total of 17 valid mining and related ancillary permits and licenses in China and Australia, collectively covering a total area of 10,273.3 hectares.

Under the relevant PRC mineral laws and regulations, all mineral resources in China are owned by the state. Mining companies, including ourselves, 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 a certain time period. Mining enterprises that have, in accordance with law, applied for and obtained the right of mining and are conducting exploration within the designated mining area for the purpose of their own production are not required to separately make an application and registration for the right of exploration. We held one valid mining permit in China with respect to our Yajiang Cuola Mine as of the Latest Practicable Date, which covers an area of approximately 206.9 hectares and 1.2 million tons of permitted annual production. Our mining rights under the permit primarily include rights to mine mineral resources through opencast and underground mining and obtain the mineral products mined within the boundary delineated in the mining permit which is obtained according to law, subject to restrictions primarily including the effective protection, the rational mining and the comprehensive use of the mineral resources and the requirements of the state laws and regulations for labor safety, soil and water conservation, land reclamation and environmental protection. Types of minerals covered by the mining permit are lithium, beryllium, niobium and tantalum. Generally granted with a term of up to 20 years, the mining permit is valid until 2032 and renewable for another 20 years subject to certain conditions. These conditions primarily include qualification certificates for mining rights, evaluation reports on the environmental influences of the mineral resources exploitation, and timely completion of prescribed procedures. In addition, there may be other materials required by the state departments of mineral resources for renewal. For more information related to the regulatory environment related to mineral resources in China, see "Regulatory Environment—PRC General Industry Regulations—Laws and regulations of China's mining industry—1. Law of the Mineral Resources of the PRC."

Under the relevant Australian laws and regulations, each state and territory generally owns and regulates the mineral resources within its boundaries and ownership of minerals does not pass to the miner until the minerals have been extracted from the land. Under the Mining Act 1978 (WA) and

Mining Regulations 1981(WA) in Western Australia, mining companies, including our subsidiary Talison, are required to obtain the applicable mining leases and ancillary licenses and leases prior to undertaking the relevant mining activities. As of the Latest Practicable Date, for the Greenbushes Mine, Talison held and had 100% interest in a total of 13 valid mining leases, two general purpose leases, and one miscellaneous license granted under the Mining Act 1978 (WA) (the "**Greenbushes Mining Titles**"). The expiry dates for these leases and license are set out in the table below. The Greenbushes Mining Titles cover a total area of approximately 10,066.3 hectares. Subject to the Mining Act 1978 (WA), the mining leases generally allow us to take and remove any minerals (except iron ore) and do all things necessary to effectively carry out mining operations in, on or under the land. As the holder of the mining leases we own all the minerals lawfully mined from the land in accordance with the leases. The mining leases also entitle us to fossick, prospect and explore for lithium minerals within the permitted areas. These mining leases do not in themselves confer authority to produce minerals, and we need further approvals before production may commence, including approvals in respect of the mining proposals, potential environmental impacts and protection of aboriginal people's property rights. The two general purpose leases grant us exclusive occupancy of the land area in which we operate for the purposes of concentrating lithium ore and depositing of lithium ore tailings, subject to certain conditions. The miscellaneous license we hold is for water supply and is also subject to certain conditions. The mining leases are generally granted with a term of 21 years with an option to renew for another 21 years subject to certain conditions. Subsequently, the Western Australian Minister for Mines and Petroleum has a discretion to extend the term for further periods subject to our compliance the conditions in the leases. These conditions include compliance relating to the environment, payment of annual rent, required minimum expenditure and a standard schedule of general exclusions and conditions established pursuant to the Mining Act 1978 (WA). The Greenbushes Mining Titles are subject to certain mining mortgages and caveats in relation to a corporate loan taken by our Australian subsidiaries. For more information related to the risks associated with these mortgages and caveats, see "Risk Factors—Risks Relating to Our Business—We are subject to certain restrictive covenants and risks associated with our debt financing terms which may limit or otherwise adversely affect our businesses, financial condition, results of operations and prospects." For more information related to the regulatory environment related to mineral resources in Australia, see "Regulatory Environment—Western Australian Mining Laws and Regulations—General Mining Law in Western Australia."

As of the Latest Practicable Date, we had obtained the requisite approvals, licenses and permits for our current mining operations in all material aspects. None of our mining permits are currently being renewed or need to be renewed in the near future. For our operations at the Greenbushes Mine, there are a number of ancillary permits, authorization and approvals primarily related to environmental and planning compliance that are required to be renewed before December 31, 2019. We do not anticipate any material impediment with their renewals. For more information on the risks related to our mining rights, see "Risk Factors—Risks Relating to Our Business—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."

The following table sets forth details of our mining, exploration and other related ancillary permits as of the Latest Practicable Date:

Mines	Permit Type	Permit Holder (interest)	Area (hectare)	Permitted annual production volume (million tons)	Permit Number	Issuance Date	Expiry Date	Status
Greenbushes Mine	Mining Lease	Talison (100%)	969	—	M01/02	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	1000	—	M01/03	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/04	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/05	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	985	—	M01/06	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	998	—	M01/07	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/08	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	997	—	M01/09	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	1000	—	M01/10	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	999	—	M01/11	December 28, 1984	December 27, 2026	Live
	Mining Lease	Talison (100%)	19	—	M01/16	June 6, 1986	June 5, 2028	Live
	Mining Lease	Talison (100%)	3	—	M01/18	September 28, 1994	September 27, 2036	Live
	Mining Lease	Talison (100%)	70.4	—	M70/765	June 20, 1994	June 19, 2036	Live
	Miscellaneous License	Talison (100%)	9	—	L01/01	March 19, 1986	December 27, 2026	Live
	General Purpose Lease	Talison (100%)	10	—	G01/01	November 17, 1986	June 5, 2028	Live
	General Purpose Lease	Talison (100%)	10	—	G01/02	November 17, 1986	June 5, 2028	Live
Yajiang Cuola Mine	Certificate of Mining	Shenghe Lithium (100%)	206.9	1.2	C5100002012045210124005	April 6, 2012	April 6, 2032	Valid

SUPPLIERS AND CONTRACTORS

We use suppliers and contractors to procure a wide range of goods and services including utilities, energy, raw materials, mining operation services, construction services and other facilitating goods and services. For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our total amount of purchases from our suppliers and contractors amounted to RMB821.6 million, RMB1,256.6 million, RMB3,102.4 million and RMB1,319.0 million, respectively.

Suppliers of Raw Materials, Utilities and Energy

For the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, purchases from our five largest suppliers of raw materials, utilities and energy amounted to RMB119.7 million, RMB160.6 million, RMB221.5 million and RMB69.6 million, respectively, representing 14.6%, 12.8%, 7.1% and 5.3% of the total amount of purchases from our suppliers and contractors.

Our well-established relationships with our suppliers of raw materials, utilities and energy enable us to better manage the quality, quantity and price of our products. We maintained stable relationships with all of our top five suppliers during the Track Record Period.

During the Track Record Period and as of the Latest Practicable Date, we did not encounter any material disruption to our business as a result of shortage or delay in the supply of raw materials, utilities or energy. Most of the raw materials, utilities and energy that we procure are readily available from multiple suppliers and can be sourced at reasonable prices.

During the Track Record Period and as of the Latest Practicable Date, none of our Directors or their respective associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest suppliers of raw materials, utilities and energy.

Raw Materials

The primary lithium raw material for our lithium compounds and derivatives production is lithium concentrate. We have achieved self-sufficiency in lithium concentrate for our lithium compounds and derivatives manufacturing operations through the Greenbushes Mine.

We rely on suppliers for various chemical materials used for our manufacturing operations, primarily including sulfuric acid, hydrochloric acid, sodium hydroxide, sodium carbonate, calcium hydroxide, calcium chloride and calcium carbonate, in manufacturing our lithium compounds and derivatives products.

Our chemical materials are generally purchased on a short-term order basis from reputable domestic suppliers. Our quality control, procurement, production planning and warehousing departments periodically determine the amount and specification of chemicals to purchase based on our production needs. To maximize supply efficiency, we typically survey and evaluate chemicals suppliers who are in a radius of a few kilometers to ensure convenient logistics and timely transportation. After placing our purchase orders and upon receiving the chemicals, we conduct rigorous sampling, verification and testing to make sure the products are in line with our long-established acceptance standards before we decide to accept the delivery. We also require all our suppliers to ensure the products comply with the relevant environmental, health, safety and intellectual property laws and regulations. Every supplier selected must go through a trial period before officially being engaged. We evaluate our existing suppliers of raw materials at least once a year and grade their performance.

During the Track Record Period, prices of our raw materials experienced fluctuations. We do not engage in hedging by using derivative instruments to hedge the risk exposures in connection with our raw materials. We take into account such fluctuation in raw material costs when pricing our products. Besides raw lithium materials, most of our raw materials are commodities that can be readily purchased on public markets at transparent market prices. We did not experience any shortage of or any quality issues with our raw materials during the Track Record Period that materially affected our operations.

We closely monitor the quality of all raw materials provided by our suppliers to ensure that they comply with our stringent requirements. Our quality control system covers the placing of purchase orders, pre-delivery inspections and laboratory tests. We further utilize our ERP system to manage the supply of raw materials effectively and efficiently. We evaluate our suppliers periodically based on a range of factors, including the quality of raw materials delivered and punctuality of delivery. In addition, we have undertaken other quality control measures for raw materials. See "Business—Quality Control" for more details. During the Track Record Period, we did not have any material dispute with our suppliers.

Utilities and Energy

At the Greenbushes Mine, water for mineral processing is from rainfall and stored in several process dams located on site, with majority of the water used being recovered and recycled. The Greenbushes Mine currently purchases its power from a local electricity supplier, and power is reticulated and metered within the site. The Greenbushes Mine currently sources diesel from a reputable supplier. For our manufacturing plants in China, we source electricity from local distributors under the State Grid. Our manufacturing plants also require natural gas and coal, which are sourced from reputable local suppliers. Our manufacturing plants in China require a very small amount of water supply. The relevant fees charged to us by our utilities and energy suppliers are generally in line with market rates charged to other users. Below are certain major long-term contracts we relied on during the Track Record Period for our utilities and energy supply:

- Talison entered into a supply agreement with a supplier for a three-year supply of diesel starting from May 2017, which is renewable for another year by mutual consent. Under such agreement, the fuel price is determined according to a pricing schedule. Payment is generally made on a monthly basis for orders placed and accepted in the given month.
- Talison entered into an electricity supply agreement for a three-year supply of electricity starting from December 2015. The price is calculated under a pricing schedule stipulated therein and payment is made for the relevant supply period.
- Tianqi Lithium (Shehong) entered into a coal sales agreement with a supplier for a one year period from May 2018 to April 2019. The price of coal under the agreement is fixed but adjustable according to the prevailing market rate on a monthly basis.
- Tianqi Lithium (Jiangsu) entered into a natural gas supply agreement with a natural gas supplier in China for a period of two years starting from January 1, 2015, renewable by mutual consent. The supplier shall provide continuous supply of natural gas in compliance with national standards. The natural gas was charged at a fixed price and the payment was generally made on a monthly basis.
- Tianqi Lithium (Shehong) entered into a high-voltage electricity supply agreement with an electricity supplier for a period of three years starting from April 2016, which is renewable by mutual consent. The electricity supplier has received a prepayment and payment for our consumption will be deducted from such prepayment on a monthly basis.

Mining Contractors

We use mining contractors for our operations at the Greenbushes Mine, in line with industry practice. During the Track Record Period, we engaged two mining contractors for open-pit mining activities and drilling and blasting activities, respectively. In the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, our total purchases from these two contractors amounted to RMB113.2 million, RMB124.0 million, RMB175.8 million and RMB59.4 million, respectively. As of March 31, 2018, our business relationships with these two contractors were four and eight years, respectively.

These outsourcing arrangements help to lower our operational costs and reduce our capital expenditures for equipment and machinery. We believe that the services provided by our mining contractors are not unique in the market and it will not be difficult for us to find substitute contractors to provide similar services on similar terms. We adhere to our rigorous procedures to properly manage risks associated with mining contractors and ensure all necessary information is gathered before their engagement. We gather a broad range of information including health, safety, environment, community relations, training and previous contracting experience with us to assess contractors' competence and ensure they meet the relevant regulatory requirements to conduct their activities. We generally do not rely on contractors for our manufacturing plants in China.

Our contractual arrangements with these two mining contractors during the Track Record Period are summarized below:

- Talison entered into a contract with a contractor for the drilling and blast services at the Greenbushes Mine. The original term of three years starting June 2014 was extended to June 2019. Service fees are calculated based on the rates for different categories of services provided and are generally paid on a monthly basis. Relevant termination events primarily include liquidation of either party and substantial breach of contract.
- Talison entered into a contract with a contractor for the open-pit mining activities at the Greenbushes Mine and provision and operation of related infrastructure and equipment. The original term of three years starting July 2014 was extended to June 2019. Service fees are calculated based on the rates for different categories of services and are generally paid on a monthly basis. Relevant termination events primarily include liquidation of either party and substantial breach of contract.

Our Directors have confirmed that our mining contractors at the Greenbushes Mine are Independent Third Parties. We had not experienced any material dispute with our mining contractors or any suspension or delay of operations as a result of improper conduct on the part of our mining contractors during the Track Record Period. We believe that the services that we outsourced to our mining contractors are generally common in the market, and it would not be difficult for us to find alternative contractors to provide similar services on terms similar with our existing contracting arrangements.

Construction Contractors

We also engage construction contractors to provide engineering, procurement and construction services for our expansion projects. Our largest construction contractor ("**Construction Contractor A**") during the Track Record Period represented a significant portion of the total amount of purchases we made from our suppliers and contractors. Talison entered into a contract with the Construction Contractor A for the provision of engineering, design, procurement, construction and commissioning of a chemical-grade concentrate plant. The term of the contract is two years starting from the second quarter of 2017. In addition, TLK entered into a contract with the Construction Contractor A for the design, construction and commissioning of the Kwinana Plant. The term of the contract is two years starting from the fourth quarter of 2016. Service fees under these contracts are calculated based on the rates for different categories of services provided and are generally paid on a monthly basis.

INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, work-in-progress, finished goods and low-value consumption goods. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 23.4%, 12.0%, 6.1% and 5.8% of our total current assets as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

QUALITY CONTROL

As of the Latest Practicable Date, we had a quality control team of 84 employees. We are committed to implementing high-standard quality control over our business operations. During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control systems which had a material impact on us. We implement an internal quality control system to perform various inspections over the course of the entire manufacturing and delivery processes. We are required to comply with specific guidelines based on international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. During the Track Record Period, we had been in full compliance with our customers' stringent quality control requirements.

We take a holistic approach to quality control and implement stringent standards in all aspects of our operation, ranging from procurement, production, warehousing and inventory storage to delivery, to ensure our full compliance with the stringent benchmarks and specifications of our customers and ourselves. We have strong quality control programs in place at our manufacturing facilities. We are certified to the GB/T19001-2008 Quality Management System. Our quality control team is responsible for establishing the quality control systems and inspection guidelines for our production, while the respective departments of our operating team are responsible for implementing the quality control standards and procedures. To ensure the effectiveness of our overall quality control system, our quality control team also carries out regular system audits on manufacturing procedures, conducts performance reviews and statistical analysis and provides training on inspection techniques and awareness of quality control.

Procurement

We typically procure raw materials from suppliers who have passed our quality and reliability assessment. We evaluate our suppliers periodically based on a range of factors, including quality of raw materials delivered and punctuality of delivery. We conduct random sample tests on incoming raw materials upon delivery to ensure a high-quality, low-cost and rapid supply chain. We test the raw materials in our internal laboratory and return raw materials that fail to pass our inspection.

Production

We strictly follow our customers' quality requirements and specifications and all relevant industry standards for the production of our products, including national standards and our internal quality standards. At the designated checkpoints on our production lines, our quality control team conducts periodic tests and inspections of semi-finished products in accordance with our internal quality control processes. These tests are intended to ensure that our products meet both our quality standards and compliance requirements and those of our customers' at each stage of the production process. In terms of production safety, we have employed a three-tiered safety inspection policy, where our respective production manager inspects the production workshop at least once a day, our respective facility manager inspects at least once a week and our environmental, health and safety department inspects once a day to ensure high levels of production safety. Our quality control team prepares quality analysis reports on a daily basis that are submitted to our senior management and the relevant production team to monitor and improve our production processes.

We have received various certifications from government authorities or recognized organizations. For example, our production facilities are certified to ISO 9001-2015 quality management system, ISO 14001-2015 environmental management system and OHSAS 18001-2007 occupational health and safety management system, which is evidence that our quality control system is on par with international practices. We have also been granted the Safety Production Permit by Administration of Work Safety (安全生產監督管理局). We have also participated in setting certain national and industrial standards with regard to product specifications and product analysis standards, such as the industrial standard for battery-grade lithium orthophosphate monometallic (YS/T 967-2014) and the national standard for lithium (GB/T 4369-2015).

Warehousing

Our finished products are first packaged and stored at our warehouses before being transported and delivered. Finished products are stored in designated zones within our warehouses according to type and production date. Additionally, we take safety measures to minimize fire hazards, water damage and other risks to our products.

Delivery

We conduct sampling inspections for every batch of finished products prior to its delivery. Our quality control team collaborates with the relevant production team to ensure that our packaging is well designed and adequate to safeguard the integrity of our finished products during their transportation. Our packaging therefore tends to vary depending on the volume and sensitivity of each product.

RESEARCH AND DEVELOPMENT

Research and Development Team

As of March 31, 2018, we had assembled a team of 46 employees in our research and development department in China and Australia dedicated to product development and technology advancement. Our core team comprises a select and well-balanced group of experts with advanced degrees and extensive experience in materials engineering, inorganic chemistry, chemical engineering, metallurgy and other scientific fields essential to the research and development of lithium products. We encourage open and constructive competition internally and pursue merit-based appointment of leaders for our research and development projects. Our research and development teams are located in Chengdu, Shehong, Zhangjiagang, Tongliang and Western Australia.

In the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, our research and development expenses amounted to approximately RMB5.4 million, RMB6.4 million, RMB24.0 million, RMB3.0 million and RMB3.5 million, respectively.

We place great importance on the creation, application, management and protection of our intellectual property rights. Through research and development, we have obtained various intellectual property rights that are material to our business. As of the Latest Practicable Date, we had a total of 129 authorized patents. See "Business—Intellectual Property" for details. We retain rights to self-developed patents and other intellectual properties.

Our R&D Efforts

To improve our product quality and cost efficiency, we have made many breakthroughs in the traditional production processes and techniques We have developed a series of innovative production techniques and installed advanced equipment to optimize the manufacturing process. For example, we have developed an innovative method for the manufacture of battery-grade lithium carbonate (硫酸鋰溶液生產低鎂電池級碳酸鋰的方法), which won a gold award in the Awards for Chinese Outstanding Patented Invention & Industrial Design jointly held by the State Intellectual Property Office and World Intellectual Property Organization. As an important breakthrough in lithium extraction, such technique significantly improved the efficiency and consistency in the preparation of lithium carbonate and provided high quality materials for the production of more reliable and safer lithium batteries. In addition, we have employed industry-leading techniques in the manufacture of battery-grade lithium hydroxide, which greatly reduced the length and energy consumption of the preparation processes and improved the quality of the processed materials. We have also made significant investments in technical innovation and automation of manufacturing machinery for our lithium metal production, which helped us meet the stringent demands of many high-end customers.

Our R&D efforts have produced a number of technical achievements and have a proven track record of generating a large amount of intellectual property and industry know-how we use in our production processes. For our technological breakthroughs and innovative products, we have been awarded with multiple accreditations and recognitions from various organizations and entities in our industry.

We commenced the construction of our Tianqi Global Research Center in Tianfu New District, Chengdu, PRC in February 2016, to facilitate our R&D capabilities. Our Tianqi Global Research Center has been recognized as a national-level intellectual property enterprise and a provincial technology center. Through our R&D center, we undertake post-doctoral scientific research approved by the Ministry of Human Resources and Social Security of the PRC and the National Administrative Committee of Post-Doctoral Researchers as well as research on the lithium and new energy industry. Approved by Sichuan Provincial Government, we established the Sichuan Provincial Key Laboratory for Lithium Resource and Lithium Material (鋰資源與鋰材料四川省重點實驗室) in 2017, through which we gathered a group of renowned experts globally to participate in and guide our research and development efforts.

In addition, we are committed to building R&D collaborations with research institutions, which we believe provides us with insights into industry trends and emerging new technologies and therefore enables us to focus our current and future research and development efforts more effectively. During the Track Record Period, we collaborated with nine renowned universities and research institutes on eight projects. In particular, we engage in joint R&D collaboration with a world-class research institute on lithium metal research. Furthermore, we have established a strategic partnership with Shanghai Aerospace Power Technology Co., Ltd. to invest in the research and development and production of lithium-ion batteries and integrated systems.

INFORMATION TECHNOLOGY SYSTEMS

Our information technology department is key to achieving our operational and strategical goals and strengthening our competitive position. Our advanced information technology systems are integrated into all aspects of our operations, including sales management, procurement and supply chain management, production planning and monitoring, financial and technical reporting and human resources management. Such systems therefore significantly improve our operational efficiency and support our strategic growth.

The ERP system is critical to our operations. We utilize the ERP system to retrieve and analyze our operational data to aid faster decision-making and boost productivity. The ERP system provides outstanding industrial solutions covering various aspects of our operations, including production and sales, financial accounting, enterprise performance management, production equipment management, quality management, procurement and inventory management and human capital management.

We plan to implement certain initiatives to further improve our information technology systems and to continue to support our business growth. For example, we are in the process of implementing and testing an office automation ("**OA**") system to comprehensively digitalize our business management, internal coordination and information sharing and storage. Following the planned commencement of application in September 2018, we expect the OA system to greatly improve our management efficiency and operational performance. We believe that such initiatives will strengthen our overall operational capabilities, increase efficiency and facilitate knowledge accumulation, sharing and utilization across the business innovations.

RISK MANAGEMENT

We have in place a comprehensive internal control and risk management system to address the strategic, operational, financial, legal, investment and market risks identified in relation to our operations. This system comprises various measures and policies, including budget management, procurement management, expenditure management, sales and collection management, inventory management, fixed assets management, research and development management, safety and environmental protection management, investment management, financial leverage management, connected party transaction controls, anti-fraud and whistle-blowing procedures, information disclosure controls, human resources management, IT management and financial and operational controls and monitoring procedures.

To monitor the implementation of our risk management policies and corporate governance measures after the **[REDACTED]**, we have adopted or will continue to adopt, amongst others, the following risk management measures:

- establish the strategy and investment committee to make recommendations on to evaluate and make recommendations on (i) long-term development strategies and plans; (ii) major financing proposals where Board approval is required by our Articles of Association; (iii) major capital expenditures or investments where Board approval is required by our

Articles of Association; and (iv) other key matters that may affect the development of our Company. The strategy and investment committee consists of five Directors, being Mr. Du Kunlun, Mr. Pan Ying, Mr. Jiang Weiping, Ms. Wu Wei and Ms. Jiang Anqi. For the qualification and experience of these members, please refer to "Directors, Supervisors, Senior Management and Employees;"

- establish the audit and risk committee to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit and risk management committee currently consists of three Directors, being Mr. Du Kunlun, Mr. Pan Ying and Ms. Jiang Anqi and will be adjusted before the **[REDACTED]** to ensure compliance with Listing Rules. For the qualification and experience of these members, please refer to "Directors, Supervisors, Senior Management and Employees;"
- establish the Internal Audit Department that is independent from our management and reports directly to the Board of Directors to ensure the legality, compliance, truthfulness and integrity of our operations;
- establish anti-fraud policies to identify, prevent and punish unethical and illegal conducts, as well as whistle-blowing procedures to encourage our employees to bring those conducts to the attention of our senior management and board of directors and ensure the protection of whistle-blowers;
- adopt various policies to ensure our compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- engage external professional agencies, such as law firms, accounting firms and financial advisers to provide professional advice and consultations with respect to our risk management; and
- arrange for our Directors and senior management to attend training seminars on the Listing Rules' requirements and the responsibilities of a director of a Hong Kong listed company.

Our Board is responsible for overseeing our overall risk management. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective. For more information on our risk management measures, see "Directors, Supervisors, Senior Management and Employees—Committees under The Board of Directors—Audit and Risk Management Committee."

COMPETITION

We compete with a number of domestic and international companies focused on the mining of lithium resources and production and sale of lithium compounds and derivatives, particularly those with extensive marketing and sales networks and large reserves of lithium. The supply of lithium products is undertaken by a number of companies, among which Albermarle, SQM, our Company, Ganfeng and FMC are the leading market participants, according to the Roskill Report. We are the world's largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017, according to the Roskill Report. The majority of large-scale lithium producers are integrated, either through partial or full ownership of operations from the extraction of raw materials through to production of lithium compounds. For more information, see "Industry Overview."

A number of entry barriers to the global lithium industry need to be considered. According to the Roskill Report, key barriers to entry for companies in the lithium mining industry include (i) evaluation of risks, (ii) financing of projects, (iii) construction and commissioning of mineral projects, (iv) operational risks, and (v) counter-party risks. According to the Roskill Report, key barriers to entry for companies in the lithium compound production industry include (i) production technology and know-how, (ii) product development, (iii) marketing, sales, logistics and support, (iv) accreditation by customers, and (v) security of feedstock supply.

We believe the most important competitive factors are quality of products, research and development capabilities, delivery schedule and customer service. We expect to face competition from both existing and new competitors as we grow our business into new business lines, geographic markets and product categories. We believe that we are well positioned to compete against our industry peers with our high quality lithium resources, strong research and development capabilities, global sales and distribution network and vertically integrated business model. For more information, see "—Competitive Strengths."

PROPERTIES

The Company's registered office is located in Northern Taihe County in Shehong, PRC and its contact office is located at No.10 East Gaopeng Road, Hi-Tech Zone, Chengdu, PRC. We occupy certain properties in China and Australia in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our manufacturing facilities, warehouses, offices and dormitories.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of March 31, 2018, none of our properties had a carrying amount of 15% or more of our consolidated total assets.

Owned Land and Buildings

As of the Latest Practicable Date, we owned buildings in 68 locations in China with an aggregate area of 84,175.8 square meters used as mining and manufacturing facilities, offices and dormitories to support our business operations. The following table sets forth a summary of certain information regarding our owned buildings in China.

Use of Property	Approximate Gross Floor Area (sq.m.)
Manufacturing, Warehousing, Operation and Office	66,401.8
Others	17,774.0
Total	84,175.8

As of the Latest Practicable Date, we had not obtained the required ownership related certificate from the local government authorities for two owned properties in China, with an aggregate gross floor area ("**GFA**") of 8,226.3 sq.m., which accounted for 8.9% of the GFA of our total owned buildings in China. These properties are located on land that we own and mainly used as our manufacturing facilities. We are in the process of applying for the relevant ownership certificates. Our PRC Legal Advisor does not anticipate any material legal impediment in such application process and confirmed that currently there has been no dispute with respect to their ownership. Please see "Risk Factors—Risks Relating to Our Business—We are in the process of applying for ownership certificates for some of our properties."

As of the Latest Practicable Date, in addition to the properties aforementioned, we owned 11 parcels of land with a total site area of 488,804.6 square meters in Chengdu, Chongqing, and Zhangjiagang, China for our manufacturing plants. We have freehold interest in 20 parcels of land in Australia with a total site area of 2,083,480.2 square meters in Greenbushes, Australia primarily for our mining and lithium concentrate production operations.

As of the Latest Practicable Date, save as disclosed above, our PRC Advisor and Australian Legal Advisor have confirmed that we had obtained all relevant property titles certificates and other relevant land use rights certificates for our material manufacturing facilities in China and Australia, respectively.

Leased Land and Buildings

As of the Latest Practicable Date, we leased properties in China include three leased buildings, which have an aggregate area of approximately 4,499.5 square meters and are used as offices and dormitories to support our business operations. These buildings are located in Chengdu and Chongqing, China.

The following table sets forth a summary of certain information regarding our leased buildings in China as of the Latest Practicable Date.

Use of Property	Approximate Gross Floor Area (sq.m.)
Manufacturing, Warehousing, Operation and Office	2,369.9
Others	2,129.6
Total	4,499.5

Our leased properties in Australia primarily include four parcels of land with an aggregate area of 222,549 square meters and are used by TLK for our manufacturing plant and by TLA for port access to support our business operations. We also have a leased property in Perth, Australia with an approximate floor area of 451 sq.m., which is used as a corporate office.

Our PRC Legal Advisor and Australian Legal Advisor confirmed, respectively, that as of the Latest Practicable Date, the relevant lease agreements are legal and valid and the lessors have obtained relevant ownership certificates for such properties and have the right to lease the properties to us. As of the Latest Practicable Date, the leasing agreement for our three leased properties in China have not completed lease registration. Our PRC Legal Advisor confirmed that the non-registration of lease agreements will not affect the validity of the lease agreements and is unlikely to materially and adversely affect our operations. As of the Latest Practicable Date, the leasing agreements for three leased properties in Australia have not been registered. Our Australian Legal Advisor has confirmed that the non-registration of these lease agreements will not affect the validity of the lease agreements and is unlikely to materially and adversely affect our operations.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. As of the Latest Practicable Date, we had 129 authorized patents, including 44 invention patents in the PRC and three invention patents overseas, 26 design patents and 56 utility model patents. We operate our business under "Tianqi Lithium" and certain other brand names and logos. As of March 31, 2018, we had 24 and three registered trademarks in China and overseas, respectively, which are material to our business. We are in the process of applying for seven trademarks in China and overseas. We also had two pending applications to register two patents in Australia. We have also obtained the certification of National Standard for Enterprise Intellectual Property Management (GB/T 29490-2013).

In addition, some of our research and development personnel have entered into confidentiality and non-competition agreements with us. These agreements help our intellectual property protection and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us.

For details of our intellectual property portfolio, see "Appendix VIII—Statutory and General Information—4. Further Information about Our Business—B. Our intellectual property rights."

As of the Latest Practicable Date, our Directors confirmed that they were not aware of any material violation or infringement of any intellectual property rights owned by us or by any third parties or any threatened material proceedings or claims relating to intellectual property rights against us. Moreover, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors—Risks Relating to Our Business—The failure to maintain or protect our intellectual property rights, trade secrets, and proprietary technology and processes could have an adverse effect on our business, financial condition and results of operations."

INSURANCE

We maintain insurance coverage in amounts that we believe are consistent with our risks of loss and our industry's customary practices. In China, pursuant to the relevant PRC laws and regulations, we maintain property insurance, employer liability insurance, environmental liability insurance, public liability insurance, safety production liability insurance and machinery breakdown insurance for our business operation, as well as endowment insurance, medical insurance, unemployment insurance, directors' and officers' liability insurance, work injury insurance and maternity insurance for our employees and personal injury insurance for all our employees. In Australia, pursuant to the relevant Australia laws and regulations, we maintain property insurance, mobile plant and motor vehicle insurance, workers' compensation insurance, public and products liability insurance, marine transit insurance, crime insurance, construction liability insurance and charterers insurance for our operations, as well as corporate travel insurance, workers compensation insurance, personal accident journey insurance and directors' and officers' liability insurance for our employees.

As of the Latest Practicable Date, we had not received any material insurance claims against us. Consistent with what we believe to be customary practice in our industry, we generally do not maintain any business interruption insurance. Our insurance policies are typically reviewed on an annual basis. We believe that the existing insurance coverage of our business is adequate and is standard for our industry. However, the insurance policies maintained by us may not be sufficient to cover claims in respect of personal injury or property or environmental damage arising from accidents on our properties or relating to our operations, or to cover business interruption risks. Such coverage is not mandatory according to the laws and regulations of the PRC. See "Risk Factors—Risks Relating to Our Business—We may not be adequately insured against losses and liabilities arising from various operational risks and hazards that we are subject to" for further information.

EMPLOYEES

We place great importance on attracting and retaining qualified employees. We are committed to investing in our employees' training and development. As of March 31, 2018, we had 1,453 full-time employees, 1,204 of which were working with our operations in China and 249 with our operations in Australia. A breakdown of our employees by function as of March 31, 2018 is set forth below.

Function	Number of Employees	Percentage of Total (%)
Management	40	2.74
Research & Development	46	3.15
Sales and Marketing	28	1.92
Procurement and Supply Chain	39	2.67
Production	865	59.17
Quality Control	84	5.75
Others[(1)]	360	24.62
Total	**1,462**	**100**

Note:

(1) Includes finance, IT, human resources, administrative and other personnel.

We emphasize the training of our employees in order to enhance their technical and product knowledge and their personal development, job satisfaction, recognition, work environment, work safety and career advancement. As of the Latest Practicable Date, our Directors, Supervisors and senior management held approximately 90% of the restricted shares granted under our share incentive plans. We believe our share incentive plans will help align our Directors, Supervisors and senior management's interests with the Group's goals.

There are labor unions for our employees in a number of jurisdictions where we operate including the PRC. During the Track Record Period and up to the Latest Practicable Date, we had no material dispute with any labor union.

We focus on improving our employees' welfare and maintaining a constant dialog with our employees. We had not experienced any major dispute with our employees during the Track Record period, and we believe that we maintain a good working relationship with our employees.

ENVIRONMENTAL, OCCUPATIONAL, HEALTH AND SAFETY

We are subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by relevant governmental authorities in the jurisdictions in which we operate. For more information, see "Regulatory Environment." We have implemented stringent waste treatment procedures at our manufacturing facilities. Waste produced by us is treated in compliance with applicable environmental standards. Furthermore, we have special procedures and designated staff in place to treat and dispose of any hazardous waste. Our environmental expenditure amounted to approximately RMB13.7 million, RMB26.4 million, RMB38.8 million and RMB10.2 million for the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2018, respectively. During the Track Record Period, we had achieved significant progress in environmental protection and are certified to ISO14001: 2004 Environmental Management Systems. We require all of our members to comply with applicable environmental regulations. As at the Latest Practicable Date, we are not aware of any environmental proceedings or investigations to which we are or might become a party to that could have a material adverse effect on our business, financial condition and results of operations.

Our mining operations at the Greenbushes Mine cover certain state forest and privately owned land and we are required to rehabilitate the relevant area. We made provisions for estimated rehabilitation and mine closure costs, which represent the discounted value of the present obligation to restore, dismantle and rehabilitate mine properties and development. As of March 31, 2018, our provision for rehabilitation amounted to RMB121.1 million. In addition, pursuant to the Mining Rehabilitation Fund Act 2012, Talison is required to contribute an annual levy of approximately A$281,400 to the mining rehabilitation fund (the "**MRF**") relating to the mining operations at the Greenbushes Mine, according to the BDA Report. The MRF is a pooled fund that is to be used to rehabilitate abandoned mine sites in the State of Western Australia.

Operations at the Greenbushes Mine are managed by a comprehensive environmental management system with stringent environmental operating conditions certified under ISO 14001:2015 environmental management standards. We are also proactively managing water quality including by constructing a water treatment plant. We also maintain a close and cooperative relationship with the local community. This includes the provision of financial and other support to community groups and participation in local community activities which includes community programs and projects, tourism, environmental activities, schools and educational programs. These proactive community relations programs help provide additional economic and social benefits for the communities and regions surrounding our lithium operations at the Greenbushes Mine.

Occupational health and safety is one of our most important corporate and social responsibility. Our business operations involve significant risks and hazards that could result in personal injury, damage or destruction of property, business interruption and possible legal liabilities. Health and safety of all our employees, contractors and the public is our top priority.

We offer regular trainings on health, safety and accident prevention to our employees and contractors. We have established and implemented comprehensive safety regulations and periodically evaluate the sufficiency of our regulations. We have safety guidelines in place to ensure that our employees use and maintain equipment properly. We also conduct evaluation regularly on potential health and safety issues for our new products and production procedures. We have established safety committees at each of our production sites, which monitor the weekly, monthly and ad hoc safety inspections. We have dedicated a team of personnel led by our environmental, health and safety officers to handle environmental, occupational, health and safety compliance-related matters. We also implemented a comprehensive emergency plan to safeguard our employees, the environment and our business operation in response to the occurrence of environmental, occupational, health and safety incidents.

We require our staff members who engage in the mining, construction and dangerous chemicals production and processing operations in the PRC to obtain and maintain work safety permits issued by the relevant PRC local government authorities. In the PRC, the work safety permit review is performed by the relevant government authorities once every three years. We have not experienced any termination or suspension of our work safety permits by the relevant PRC government departments. With regard to our overseas operations, we are committed to strict compliance with the applicable local laws on occupational health and safety. As of the Latest Practicable Date, we had complied with the applicable laws and regulations on occupational health and work safety in all material respects. We have in place a system for recording and handling accidents to be carried out by the relevant production team and administrative personnel in accordance with our relevant internal policies. We are certified to GB/T 28001-2011 Occupation Health and Safety Management System to be in line with international practices. During the Track Record Period, we did not record any material accidents. As of the Latest Practicable Date, no material claim had been brought against us as a result of an accident.

To ensure the safety of our employees and prevent further recurrence of such incidents, we are committed to further strengthening our operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries prevention, electricity safety, and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation. We also require our contractors to strictly comply with our internal management system for environmental, occupational, health and safety related matters, including but not limited to environmental, health and safety personnel staffing, protection equipment for workers, safety procedure, standard equipment operation procedure, transportation arrangement and emergency plan.

Our Directors confirm that we comply with the applicable health and safety laws and regulations in all material respects, and that, during the Track Record Period and up to the Latest Practicable Date, we were not in breach of such laws and regulations. We have not encountered any safety-related accidents that had any material impact on our operations during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITION

We have received numerous awards and recognitions in respect of our business operation, products, as well as our research and development capabilities, including but not limited to:

Award-winning Project	Award Type	Awarding Institution/ Authority	Award Date
Group's innovation capability	Annual Innovative Enterprise Award	Most Responsible Corporate of China CSR (中國企業社會責任年會)	2017
Group's overall competitiveness	Sichuan Province Outstanding Private Enterprises	People's Government of Sichuan Province	2016
Group's overall competitiveness	National High-tech Enterprise Award	Science and Technology Department of Sichuan Province	2014

Award-winning Project	Award Type	Awarding Institution/ Authority	Award Date
Group's overall competitiveness	Second Prize of Import & Export Trade of Suining City	Suining Chamber of Import & Export Trade	2014
Group's overall competitiveness and product quality	National Outstanding Quality Management Unit	China Association for Quality; All-China Federation of Trade Unions; All-China Women's Federation; China Association for Science and Technology	2014
Dust Free Grade Lithium Hydroxide Monohydrate and its Production Method (無塵級單水氫氧化鋰及其製備方法)	China Outstanding Intellectual Property	State Intellectual Property Office of the PRC	2014
Li Kun Da Lithium Carbonate (鋰坤達牌碳酸鋰)	Sichuan Famous Brand	People's Government of Sichuan Province	2014
Li Kun Da Lithium Carbonate (鋰坤達牌碳酸鋰)	China Well-Known Trademark	Trademark Office of the State Administration for Industry & Commerce of the PRC	2013
Method for Producing Low Magnesium Battery-Grade Lithium Carbonate with Lithium Sulfate Solution (硫酸鋰溶液生產低鎂電池級碳酸鋰的方法)	Chinese Patent Invention Golden Award	State Intellectual Property Office of the PRC and World Intellectual Property Organization	2013
Group's overall competitiveness	National Hi-tech Industrialization Base for Magnesium & Lithium Material	Ministry Of Science and Technology Of the People's Republic Of China	2011
Battery-Grade Lithium Chloride Anhydrous (電池級無水氯化鋰)	National Outstanding Product	Ministry Of Science and Technology Of the People's Republic Of China	2011

CERTIFICATES, LICENSES, PERMITS AND APPROVALS

We are required to obtain various certificates, licenses, permits and approvals for our operations including, among other things, those required for mining and exploration, waste discharge, safety production, sale of hazardous chemicals and production of chemical products. For details about our mining permits, see "—Our Mining Permits."

During the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant applicable laws and regulations in all material respects and had obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our material businesses in the jurisdictions in which we operate, save as disclosed in "—Legal and Regulatory Compliance—Non-compliance" below. All of these licenses, approvals and permits remained in full effect, and no circumstances existed that would render the revocation or cancelation of the our licenses, approvals and permits or would render legal impediments to our business operations. Our PRC Legal Advisor and Australian Legal Advisor have advised us that, to the best of their knowledge, there is no legal impediment to renewing any material licenses, approvals or permits for our business and operations in the PRC and Australia, so long as we comply with the relevant legal requirements and provided that we take necessary steps and submit the relevant applications in accordance with the requirements prescribed by the applicable laws and regulations.

LEGAL AND REGULATORY COMPLIANCE

As of the Latest Practicable Date, there was no litigation, arbitration or administrative proceedings pending or threatened against the Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

Legal Proceeding

In the Greenbushes area, our subsidiary, Talison, has the mining rights to lithium and GAM has the mining rights to all other minerals as stipulated in the GAM Agreement. On July 25, 2017, GAM commenced a legal proceeding against Talison in the Supreme Court of Western Australia, asserting that Talison was in breach of the GAM Agreement by not issuing a notice of its intention to commence works relating to the construction and operation of CGP2 and the expansion of the mining operations at the Greenbushes Mine. We believe that such litigation will not impact Talison's operation at the Greenbushes Mine or affect the construction of CGP2. As of the Latest Practicable Date, the proceeding between Talison and GAM is still pending in the Supreme Court of Western Australia, and the trial is scheduled to begin in fourth quarter of 2018.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, certain of our business practices may not be in full compliance with relevant regulatory requirements. In September 2016, we were notified by the Environmental Protection Bureau of Zhangjiagang Municipality that the open court stacking of raw materials at our Zhangjiagang Plant was not in compliance with relevant PRC laws. As a result, we were imposed a fine of RMB40,000 and ordered to rectify such non-compliance. We have paid such fine and rectified such non-compliance by re-stacking all of our raw materials in accordance with relevant requirements. Our PRC Legal Advisor advised us that we have fully paid the relevant fine and rectified our relevant business practices and, as of the Latest Practicable Date, our operations were in compliance with relevant PRC laws in all material respects.

Based on the foregoing, our Directors are of the view that the non-compliance incident as described above did not have a material adverse effect on our business, financial condition and results of operations.

To prevent recurrence of similar non-compliance, we have adopted and implemented the following corporate governance measures to enhance our internal control systems and to ensure compliance with various applicable rules and regulations:

- conducting continuous researches and studies of the latest development of relevant laws, regulations and policies to ensure timely compliance;
- conducting comprehensive self-inspections on our Company and subsidiaries; and
- providing training and guidance to employees at our Company and subsidiaries to enhance their compliance awareness and enhance the implementation of our internal policies.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned as to 35.86% by Tianqi Group Company, which in turn was owned as to 88.6% by Mr. Jiang Weiping and as to 10% by Ms. Jiang Anqi. Ms. Zhang Jing, the spouse of Mr. Jiang Weiping, and Mr. Li Silong, the spouse of Ms. Jiang Anqi also directly held 5.16% and 0.00018% of the total issued share capital of our Company, respectively. As such, Tianqi Group Company, Mr. Jiang Weiping, Ms. Zhang Jing, Ms. Jiang Anqi and Mr. Li Silong will be deemed to have control over 41.02% of the total issued share capital of our Company as of the Latest Practicable Date.

Immediately following completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), our Company will be owned as to **[REDACTED]**% by Tianqi Group Company, which in turn is owned as to 88.6% by Mr. Jiang Weiping and as to 10% by Ms. Jiang Anqi. Ms. Zhang Jing, the spouse of Mr. Jiang Weiping, and Mr. Li Silong, the spouse of Ms. Jiang Anqi will also directly hold **[REDACTED]**% and **[REDACTED]**% of the total issued share capital of our Company, respectively. As such, Tianqi Group Company, Mr. Jiang Weiping, Ms. Zhang Jing, Ms. Jiang Anqi and Mr. Li Silong will be deemed to have control over **[REDACTED]**% of the total issued share capital of our Company immediately following completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), and therefore, each a Controlling Shareholder under the Listing Rules.

OTHER BUSINESSES OPERATED BY OUR CONTROLLING SHAREHOLDERS

The businesses of Tianqi Group Company, our Controlling Shareholders, and its subsidiaries include sales of dangerous chemicals with permits, mineral products, stone materials, mechanical equipment and fittings, hardware products, construction materials and decorative materials. Apart from the interest in our Company, Tianqi Group Company also has interest in the following companies:

Name of Company	Place of incorporation	Principal businesses	Interest of the Controlling Shareholder	Delineation between such businesses and our Group's businesses
Tianqi Silicon	China	Sales of mineral products	Tianqi Group Company holds 100% of the equity interest of Tianqi Silicon	See "—Tianqi Silicon" below.
Runfeng Minerals	China	Exploration and processing of vein quartz and lithium	Tianqi Group Company holds 50.81% of the equity interest in Runfeng Minerals	See "—Runfeng Minerals" below.

Tianqi Silicon

Tianqi Silicon was incorporated in China in 2008 and is wholly-owned by Tianqi Group Company. Tianqi Silicon currently owns the spodumene and silicon exploration rights in a mine located in Sichuan, China. The mine is still under the general exploration stage and has not commenced any mining activities.

In connection with the placement of A Shares in 2017, Tianqi Group Company has undertaken to sell its interest in Tianqi Silicon to our Group or otherwise eliminate the competition between Tianqi Group Company and our Group upon certain conditions being met. For further details, please see "—Non-competition Undertakings—Undertakings in connection with the placement of A Shares in 2017 by Tianqi Group Company" below.

Runfeng Minerals

Runfeng Minerals was incorporated in China in 2003 and is owned as to 50.81% by Tianqi Group Company. The remaining equity interests in Runfeng Minerals are held as to 30% by Jiang Weimin, the brother of Mr. Jiang Weiping, 1.84% by Ms. Jiang Anqi, 1.84% by Mr. Yang Qing, and the remaining 15.51% by Independent Third Parties. Runfeng Minerals currently owns the vein quartz and spodumene mining rights in a mine located in Sichuan, China. Runfeng Mining has not conducted, and currently has no plan to conduct, any mining activities.

In connection with the placement of A Shares in 2017, Tianqi Group Company has undertaken to sell its interest in Runfeng Minerals to our Group or otherwise eliminate the competition between Tianqi Group Company and our Group upon certain conditions being met. For further details, please see "—Non-competition Undertakings—Undertakings in connection with the placement of A Shares in 2017 by Tianqi Group Company" below.

Other Interests

As at the Latest Practicable Date, Tianqi Group Company also holds 5.07% of the total issued share capital of Nemaska Lithium Inc ("**Canada NMX**") and 3.23% of the total issued share capital of Tibet Mining Development Co., Ltd. (西藏礦業發展股份有限公司) ("**Tibet Mining**"). Canada NMX is listed on the Toronto Stock Exchange (stock symbol: NMX), the OTC Markets Group (stock symbol: NMKEF) and the Frankfurt Stock Exchange (stock symbol: N0T), while Tibet Mining is listed on Shenzhen Stock Exchange (stock code: 000762).

In connection with the placement of A Shares in 2013, Tianqi Group Company has undertaken to sell its interest in Canada NMX to our Group upon certain conditions are met. For further details, please see "—Non-competition Undertakings—Undertakings in connection with the placement of A Shares in 2013 by Tianqi Group Company" below.

As Tianqi Group Company is only a minority shareholder of, and has no control over, Canada NMX and Tibet Mining, our Directors believe there is no substantive competition between our Group and our Controlling Shareholders arising out of Tianqi Group Company's interests in Canada NMX and Tibet Mining.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed above, each of our Controlling Shareholder and Directors confirms that he, she or it does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Undertakings in connection with the A Shares listing by Mr. Jiang Weiping, Ms. Zhang Jing and Tianqi Group Company

In connection with the listing of A Shares of our Company on the Shenzhen Stock Exchange, on August 31, 2010, each of Mr. Jiang Weiping and Ms. Zhang Jing undertook to our Company, among others, during the period that he/she remains as an actual controller of our Company, not to engage in, whether directly or indirectly (including but not limited to by way of investment, acquisition, joint venture, merger or agency, whether in the PRC or outside the PRC), any business identical or similar to our Group's business.

On the same day, Tianqi Group Company undertook to our Company, among others:

(a) not to directly or indirectly, whether in the PRC or outside PRC, participate in any business or activity that will or may compete with our Group's business, and not to produce any product which is identical or similar to, or may substitute, any of our Group's products;

(b) if our Company considers any business of Tianqi Group Company or its subsidiaries competes with Group's business, Tianqi Group Company shall sell the relevant asset or business to our Group at a fair and reasonable price; and

(c) if any business opportunity that will directly or indirectly compete with our Group's business becomes available to Tianqi Group Company, Tianqi Group Company shall immediately notify our Company and use its best endeavors to procure such business opportunity to become available to our Company with fair and reasonable terms, and our Company shall have priority over Tianqi Group Company to take up such business opportunity.

Undertakings in connection with the placement of A Shares in 2013 by Tianqi Group Company

In connection with the placement of A Shares in 2013, on June 7, 2013, Tianqi Group Company undertook to our Company, among others:

(a) not to establish, whether by way of wholly-owned business, joint venture, equity investment in another company or corporation or any other interest, any operating entity that has business scope identical or similar to that of our Company;

(b) not to, directly or indirectly, engage in business that will or may directly or indirectly compete with our Group's business;

(c) not to, and procure its subsidiaries (other than our Group) not to, engage in any business that is identical or similar to the business of Talison or our Company, and not to supply to or purchase from Talison or our Company the relevant products or services; and

(d) upon Canada NMX's mining project attaining the requisite conditions for large-scale mining or its commercial value being determined following exploration and assessment, Tianqi Group Company shall offer to sell its interest in Canada NMX to our Group at a fair and reasonable price.

Undertakings in connection with the placement of A Shares in 2017 by Tianqi Group Company

In connection with the placement of A Shares in 2017, on April 21, 2017, Tianqi Group Company undertook to our Company, among others:

(a) upon Tianqi Silicon obtaining mining right for the mine it owns and provided that it is determined that the mine has commercial mining value, Tianqi Group Company shall notify our Company in writing in a timely manner, and our Group may then request Tianqi Group Company to sell the equity interest in Tianqi Silicon it holds to our Group at a fair and reasonable price, or to otherwise eliminate the competition between Tianqi Group Company and our Group in accordance with the relevant regulations; and

(b) upon the mine owned by Runfeng Minerals having commercial mining value, Tianqi Group Company shall notify our Company in writing in a timely manner, and our Group may then request Tianqi Group Company to sell the equity interest in Runfeng Minerals it holds to our Group at a fair and reasonable price, or to otherwise eliminate the competition between Tianqi Group Company and our Group in accordance with the relevant regulations.

Undertakings in connection with the H Shares Listing by Jiang Anqi and Li Silong

In connection with the **[REDACTED]** of H Shares of our Company on the Stock Exchange, on August 10, 2018, each of Ms. Jiang Anqi and Mr. Li Silong (the "**Covenantors**," each a "**Covenantor**") undertook to our Company that during the period that the Covenantor remains as a Director and/or a Controlling Shareholder of our Company, not to, in regions where our Group operates, engage in, whether directly or indirectly (including but not limited to by way of investment, acquisition, joint venture, merger or agency), any business identical or similar to our Group's business, provided that, such undertakings do not apply to:

(i) interests in any listed company or interests in any company the Covenantor becomes interested in due to debt restructuring, if the aggregate interests in such company held by the Covenantor and corporation controlled by that Covenantor do not exceed 10% of the total interests of such company;

(ii) new business opportunities in relation to which the Covenantor has notified our Company in writing and that our Company has decided not to pursue.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are able to conduct our business independently from our Controlling Shareholders after the **[REDACTED]**.

Management Independence

Our business is managed and conducted by our Board and senior management. After the **[REDACTED]**, our Board will consist of eight Directors, comprising four executive Directors and four independent non-executive Directors. For more information, please refer to "Directors, Supervisors, Senior Management and Employees."

Our Directors consider that the Board and senior management of our Company are capable of functioning independently from our Controlling Shareholders for the following reasons:

(1) each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(2) although Mr. Jiang Weiping, one of our Controlling Shareholders, acts as the chairman and an executive Director of our Company, and Ms. Jiang Anqi, the daughter of Mr. Jiang Weiping and vice general manager of Tianqi Group Company, acts as an executive Director of our Company, the decision-making power of our Company for major events is not vested solely on them. All other six Directors of the Board and other members of the senior management are entitled to exercise the decision-making power of our Company according to laws, regulations and the Articles of Association, and are responsible for the daily operations in various aspects of our Company. The operating mechanism of the Board and the senior management has ensured the balance of rights and powers. Most members of the Board and the management of our Company have worked in our Group for many years and have substantial working experience in the industry in which our Group is engaged. They are familiar with our Group's business and will therefore be able to make business decisions that are in the best interests of our Group;

(3) there will be four independent non-executive Directors in the eight-member Board who are able to independently monitor the formulation and implementation of major decisions of our Company based on their education background and related working experience;

(4) according to relevant PRC laws and regulations and the Articles of Association, in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director is required to abstain from voting on related transactions; and

(5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "—Corporate Governance Measures" below for further information.

Operational Independence

Our Directors believe that we can continue operating independently from our Controlling Shareholders after the **[REDACTED]** for the following reasons:

(1) we have the necessary qualifications for carrying out our business;

(2) we own the intellectual property rights of the key technologies used in the production of our products and trademarks we used. We have independent R&D and production capabilities, and do not rely on the R&D or production capacities of our Controlling Shareholders;

(3) we have independent channels to contact customers and suppliers, and have our own management team to carry out business; and

(4) we will not rely on the sales and supplies channels of our Controlling Shareholders or their close associates (other than our Group).

During the Track Record Period, we conducted certain transactions with our Controlling Shareholders, and such transactions are expected to continue upon the **[REDACTED]** and will constitute connected transactions of our Company. Please see the section headed "Connected Transactions" in this **[REDACTED]** for further details. However, these transactions do not involve significant amount and are not related to our Group's principal business. Based on the reasons above, our Directors believe that the abovementioned connected transactions do not affect our operational independence.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to be able to operate independently.

Financial Independence

We have an independent accounting and internal control system. We also have an independent financial department responsible for performing accounting and financial functions, and we make financial decisions based on our own business needs. We can obtain financing from third parties when necessary without relying on our Controlling Shareholders or their close associates.

Based on the reasons above, our Directors believe that we are capable of remaining financially independent from our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

We have adopted the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(1) According to the Articles of Association, unless otherwise specified, where a matter resolved at a Board meeting involves a contract or arrangement or any other proposal in which certain Director or his/her close associate has a material interest, such Director shall absent himself from the meeting and abstain from voting. In deciding whether a quorum of Directors has attended the meeting, such Director shall not be counted.

(2) According to the Articles of Association, where a Director, Supervisor or senior management of our Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company (other than the employment contract of the Director, Supervisor or senior management with our Company), he/she shall declare the nature and extent of his/her interests to the Board as soon as possible, whether or not the matter is otherwise subject to the approval of the Board under normal condition. Unless the interested Director, Supervisor or senior management discloses his/her interests in accordance with the aforesaid requirement and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor or senior management is not counted as part of the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor or senior management is materially interested is voidable at the instance of our Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested Director, Supervisor or senior management.

(3) Our Company has formulated the administrative measures governing related-party/connected transactions. Upon **[REDACTED]**, if our Group and our Controlling Shareholders or

any of their associates intend to engage in a connected transaction, our Company will comply with the relevant requirements relating to connected transactions under the Listing Rules.

(4) We are committed to keeping a balanced composition of executive and independent non-executive Directors on the Board. We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. We also believe that our independent non-executive Directors are able to provide an impartial opinion to safeguard the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors, Supervisors, Senior Management and Employees—Board of Directors—Independent Non-executive Directors."

(5) We have also established the Audit and Risk Management Committee, remuneration committee and nomination committee under the Board with written terms of reference as required by the Listing Rules.

(6) The independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders. The Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, and any other necessary information as required by the independent non-executive Directors for the Annual Review. We will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required. Where our independent non-executive Directors reasonably request the advice of independent professionals, such as financial advisers, to help them make the judgment, the appointment of such independent professionals will be made at the expense of our Company.

(7) We have appointed Somerley Capital Limited as our compliance adviser, to provide advice and guidance to us in respect of compliance with the applicable laws and regulations and the Listing Rules, including various requirements relating to corporate governance.

After the **[REDACTED]**, the transactions between our Group and the Group's connected persons (as defined in the Listing Rules) will constitute connected transactions of our Group under Chapter 14A of the Listing Rules. Our Group expects these transactions will continue following the **[REDACTED]**, thereby constituting continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

Upon the **[REDACTED]**:

- Tianqi Group Company will hold more than 10% of our issued share capital and hence remain as our substantial shareholder; and
- RT Lithium will hold more than 10% of the issued share capital of Windfield, a subsidiary of our Company, and hence remain as a substantial shareholder of Windfield.

Accordingly, the following transactions with Tianqi Group Company, RT Lithium or their respective associates, which will continue after the **[REDACTED]**, will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Trademark License Agreement

Principal terms

On August 1, 2018, our Company, Tianqi Group Company and TQMMM entered into a trademark license agreement (the "**Trademark License Agreement**"), pursuant to which, Tianqi Group Company and TQMMM agreed to grant a license to our Group to use in the PRC the trademarks registered under their names as set out in the section headed "4. Further Information About our Business – B. Our intellectual property rights—Trademarks" in Appendix VIII to this **[REDACTED]** for nil consideration. The term of the Trademark License Agreement is from August 1, 2018 to July 31, 2021.

Historical transaction amounts

For the years ended December 31, 2015, 2016 and 2017, no consideration was paid by our Group to Tianqi Group Company or TQMMM for any use of trademark owned by Tianqi Group Company or TQMMM.

Listing Rules Implications

Tianqi Group Company is a Controlling Shareholder of our Company. Accordingly, Tianqi Group Company is our connected person pursuant to Rule 14A.07(1) of the Listing Rules. TQMMM is a subsidiary of Tianqi Group Company and thus also our connected person pursuant to Rule 14A.07(4) of the Listing Rules. Therefore, the transactions under the Trademark License Agreement will constitute continuing connected transaction of our Group upon the Listing.

Since the trademark license is granted for nil consideration, in ordinary course of business and on normal commercial term of better under the Trademark License Agreement and we are not required to pay any fee to Tianqi Group Company or TQMMM in connection with the Trademark License

Agreement, the applicable percentage ratios (other than the profits ratio) (as defined under the Listing Rules) for the transactions contemplated under the Leasing Framework Agreement are expected to be less than 0.1% on an annual basis, the transactions contemplated under the Leasing Framework Agreement are exempt from the reporting, annual review, announcement and the independent shareholders' approval requirements pursuant to Rule 14A.76(1)(a) of the Listing Rules.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING AND ANNOUNCEMENT REQUIREMENTS

(1) Talison Off-take Agreements and Distribution Agreements

Background

In 2014, we, through Tianqi UK, partnered with RT Lithium, an Independent Third Party other than its shareholdings in Windfield, to co-invest in Windfield, a non-wholly owned subsidiary of our Group in which Tianqi UK and RT Lithium hold 51% and 49% of its issued shares, respectively. Windfield's primary asset is the Greenbushes Mine operated by certain subsidiaries of Windfield, including Talison Lithium Australia.

As part of the co-investment arrangements, under which the shareholders of Windfield agreed that each shareholder would be entitled to take up to an initial 50% of the annual production of the Greenbushes Mine, on May 28, 2014, Talison Lithium Australia entered into an off-take agreement and a distribution agreement with each of Rockwood Lithium GmbH ("**Rockwood Lithium**"), the controlling shareholder of RT Lithium, and Tianqi Group HK, a subsidiary of Tianqi Group Company and a connected person of the Company, to set out the terms and conditions under which concentrates to be produced from the Greenbushes Mine would be distributed to the shareholders of Windfield. The off-take agreement and the distribution agreement between Talison Lithium Australia and Rockwood Lithium (the "**Rockwood Off-take Agreement**" and "**Rockwood Distribution Agreement**" respectively, and collectively, the "**Rockwood Agreements**") and between Talison Lithium Australia and Tianqi Group HK (the "**Tianqi Lithium Off-take Agreement**" and "**Tianqi Lithium Distribution Agreement**" respectively, and collectively, the "**Tianqi Lithium Agreements**") are on materially identical terms. Tianqi Group HK assigned its rights, benefits and obligations under the Tianqi Lithium Agreements to our Company in October 2014.

During the Track Record Period, Talison Lithium Australia has sold concentrates to Rockwood Lithium and our Company on materially identical terms including price.

Term of the Rockwood Agreements

Consistent with common co-investment practice, the Rockwood Agreements will end on the later of (i) 20 years after May 28, 2014, and (ii) the end of the term of the shareholders agreement in respect of Windfield entered into by, among others, our Company, Tianqi UK, RT Lithium and Windfield. It is expected that the term of Rockwood Agreements will cover the mine life of the Greenbushes Mine.

Products and offtake allocation

The Rockwood Off-take Agreement governs the distribution of concentrate used to convert to lithium carbonate, lithium hydroxide or other lithium chemicals, while the Rockwood Distribution

Agreement governs the distribution of other products produced from the mining operations at Greenbushes Mine. So long as Rockwood Lithium or its related body corporate holds shares in Windfield, Rockwood Lithium is entitled to take up to an initial 50% of the annual production from the mining operations at Greenbushes Mine.

Historical transaction amounts

The historical transaction amounts under the Rockwood Agreements for the years ended December 31, 2015, 2016 and 2017, were RMB353.3 million, RMB653.9 million and RMB1,083.3 million, respectively.

Pricing policy

The Rockwood Off-take Agreement

According to the terms of the Rockwood Off-take Agreement (and the Tianqi Off-take Agreement), Talison Lithium Australia, our Company and Rockwood Lithium shall negotiate in good faith annually to agree the price of concentrate payable under the Rockwood Off-take Agreement and the Tianqi Off-take Agreement, which shall be (i) if there are sales to any person other than Rockwood Lithium and our Company (or their respective related body corporate) during that relevant year, the prevailing market price payable by such third party buyer(s); or (ii) if there are no sales to third party(ies) during that relevant year, the last third party price as adjusted to reflect the changes in the global lithium carbonate price from time to time. As mentioned above, Talison Lithium Australia sells its products to us and to Rockwood Lithium on materially identical terms, including price.

During the Track Record Period, we have taken into consideration both the prices of third party sales as well as the global lithium carbonate prices to determine the prices payable under the Rockwood Off-take Agreement and the Tianqi Off-take Agreement. Since January 1, 2016 and up to the Latest Practicable Date, there have not been any sales of lithium concentrate to third parties by Talison Lithium Australia, as both Rockwood Lithium and us have taken up the whole of the primary entitled volume of the output of lithium concentrate from the Greenbushes Mine. Therefore during this period the prices were determined with reference to the last third party price as adjusted to reflect the changes in the global lithium carbonate price from time to time.

In determining the global lithium carbonate price, reference is made to the import prices of the various lithium products, including lithium carbonate and lithium hydroxide, by the major consuming countries, including Europe, South Korea, the United States, Japan and China. Our Directors anticipate that a similar approach will continue to be taken and similar factors will continue to be considered in the future to determine the prices under the Rockwood Off-take Agreement and Tianqi Off-take Agreement.

The Rockwood Distribution Agreement

According to the terms of the Rockwood Distribution Agreement (and the Tianqi Distribution Agreement), the price of products payable under both agreements is updated annually and is calculated based on the prevailing market price for that product, which will be determined with reference to the import prices of the various lithium products, and also taking into consideration factors including the estimated costs to be incurred in connection with the production of the type of product in the relevant contract year as set out in the approved annual budget (which include, amongst others, packaging costs), the average price received by Talison Lithium Australia from third parties for the type of product, the expected sales volumes, and the grade and specifications of the relevant product. As mentioned above, Talison Lithium Australia sells its products to us and to Rockwood Lithium on materially identical terms, including price. Our Directors anticipate that a similar approach will continue to be taken and similar factors will continue to be considered in the future to determine the prices under the Rockwood Distribution Agreement and the Tianqi Distribution Agreement.

Annual caps and basis of caps

We intend to continue the transaction contemplated under the Rockwood Agreements after the **[REDACTED]**. The annual cap of the transaction volume under the Rockwood Agreements for each of the three years ending December 31, 2018, 2019 and 2020 are 340,000 tons, 550,000 tons and 680,000 tons, respectively.

The above annual cap is determined with reference to (i) the expected annual production volume of the Greenbushes Mine for each of 2018, 2019 and 2020, which is set with reference to forecast production for the corresponding year included in the Competent Person's Report as set out in Appendix IV to this **[REDACTED]**; and (ii) the assumption that Rockwood Lithium will elect to take up the whole of its primary entitlement of up to 50% of the annual production volume of the Greenbushes Mines.

Implication under the Listing Rules

Rockwood Lithium is the controlling shareholder of RT Lithium, and is an associate of RT Lithium. As RT Lithium is a substantial shareholder of Windfield, and is a connected person of our Company at subsidiary level, Rockwood Lithium is a connected person of our Company at the subsidiary level. As such, the transactions contemplated under the Rockwood Agreements will constitute continuing connected transaction of our Group upon the **[REDACTED]**.

Pursuant to Rule 14A.101 of the Listing Rules, as the transactions are on normal commercial terms or better and have been approved by the Board, the transactions contemplated under the Rockwood Agreements are subject to the reporting, announcement and annual reviews requirements, but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for waivers

As the Rockwood Agreements were entered into prior to the **[REDACTED]** and are disclosed in this **[REDACTED]**, and our potential investors will participate in the **[REDACTED]** on the basis of such disclosure, our Directors consider that compliance with the announcement requirement in respect thereof immediately after the **[REDACTED]** would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the Rockwood Agreements.

Under Rule 14A.52 of the Listing Rules, the period of the agreement for a continuing connected transaction must be for a fixed period and not exceed three years except in special circumstances where the nature of the transaction requires the agreement to be of a longer period. We have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver from strict compliance with the requirement under Rule 14A.52 of the Listing Rules in respect of the Rockwood Agreements.

In addition, under Rule 14A.53(1) of the Listing Rules, an annual cap expressed in monetary terms must be set for continuing connected transactions. We have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver to us from strict compliance with Rule 14A.53(1) in respect of the annual caps of the transactions under the Rockwood Agreements to be expressed as the volume of concentrates to be sold under the Rockwood Agreements on the condition that our Company undertakes to separately disclose in our future interim and annual financial statements the actual transaction volume under the Rockwood Agreements.

Our Directors are of the view that an annual cap with a fixed monetary amount for the transactions under each of the Rockwood Arrangements would impose an arbitrary ceiling on the sales of concentrates to Rockwood Lithium. The terms of the co-investment with RT Lithium, an independent third party other than its shareholdings in Windfield, were entered into after arm's length negotiations and central to this arrangement is the agreement to share the production concentrates produced from the Greenbushes Mine evenly. The annual production volume of the Greenbushes Mine is relatively stable and predictable, compared to the annual monetary transactional amount. Given the fluctuations in the global lithium market price, which forms the basis of determining the sales price of concentrates under the Rockwood Agreements, setting a fixed monetary cap would defeat the principal objective of the joint venture, and result in our breach of our contractual obligations to Rockwood Lithium, exposing us to potential claims. Any increased lithium carbonate price may result in increased monetary transaction amount, which in turn could lead to the annual cap being exceeded, thus setting such an annual cap in monetary terms would be inappropriate as it would not be within our Group's control as to whether the annual cap is exceeded. Our Directors are also of the view that setting an annual cap with a fixed monetary amount would cause unnecessary disruption to our Group's operations, and would not be in the best interest of our Group and would not be commercially practicable if we are required to seek our Board's approval regularly to increase the monetary annual cap to align the cap with fluctuations in the lithium market price, considering that the convening of Board meetings shall require compliance with, among others, our internal corporate governance policy, our Articles of Association and the compliance requirements arising from our status as a listed company on both the Shenzhen Stock Exchange and the Stock Exchange. Our Directors consider an alternative non-monetary cap based on the transaction volume to be appropriate in the circumstances because it will be difficult for our Company to reasonably estimate the monetary annual cap for the transactions under the Rockwood Agreements. Our Directors are, therefore, of the view that that it is not in the interest of our Company and our Shareholders to impose an annual cap in monetary terms for the Rockwood Arrangements as prescribed by Rule 14A.53(1) of the Listing Rules.

(2) Leasing Framework Agreement

Principal terms

Tianqi Group Company and its subsidiaries have leased certain properties and provided certain related ancillary services to us during the Track Record Period. On August 9, 2018, our Company and Tianqi Group Company entered into a property leasing and ancillary services framework agreement (the "**Leasing Framework Agreement**"), pursuant to which, Tianqi Group Company agreed to lease certain properties and provide certain related ancillary services (including but not limited to property management and catering services) to our Group.

The term of the Leasing Framework Agreement commenced on January 1, 2018 retrospectively and will end on December 31, 2020. Our Company and Tianqi Group Company (or their respective subsidiaries) will enter into individual leases and/or services agreements with respect to individual properties where required. We may negotiate the actual rental area according to our actual business needs with Tianqi Group Company from time to time provided that the rental area should not exceed 110% of the rental area during the preceding year. The rental fees and pricing of ancillary services under the Leasing Framework Agreement are based on the prevailing market price as determined by an independent third party jointly appointed by Tianqi Group Company and us.

Historical transaction amounts

For the years ended December 31, 2015, 2016 and 2017, the aggregate amount of the total rental and services fee paid by our Group for the use of the office premises owned by Tianqi Group Company (or its subsidiaries) and for the provision of ancillary services by Tianqi Group Company (or its subsidiaries) was RMB0.6 million, RMB1.5 million and RMB2.9 million, respectively.

Annual caps and basis of caps

We intend to continue the transaction contemplated under the Leasing Framework Agreement after the Listing. The annual cap of the transaction volume under the Leasing Framework Agreement for each of the three years ending December 31, 2018, 2019 and 2020 are RMB5.00 million, RMB5.91 million and RMB7.10 million, respectively.

The above annual cap is determined with reference to (i) the existing rental and usage of ancillary services, (ii) the expected increase of prevailing market price, (iii) the expected rental area and usage of ancillary services, (iv) the planned expansion of the Group and thus the increase of number of employees.

Listing Rules Implications

Tianqi Group Company is a substantial shareholder of our Company. Accordingly, Tianqi Group Company is our connected person pursuant to Rule 14A.07(1) of the Listing Rules. Therefore, the transactions under the Leasing Framework Agreement will constitute continuing connected transactions of our Group upon the **[REDACTED]**.

As one or more of the applicable percentage ratios (other than the profits ratio) (as defined under the Listing Rules) for the transactions contemplated under the Leasing Framework Agreement are expect to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Leasing Framework Agreement are subject to the reporting, announcement and annual reviews requirements, but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for waiver

As the Leasing Framework Agreement was entered into prior to the **[REDACTED]** and are disclosed in this **[REDACTED]**, and our potential investors will participate in the **[REDACTED]** on the basis of such disclosure, our Directors consider that compliance with the announcement requirement in respect thereof immediately after the **[REDACTED]** would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted], a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the Leasing Framework Agreement.

Confirmation from our Directors

Our Directors, including our independent non-executive Directors are of the view that the Rockwood Agreements and the Leasing Framework Agreement have been entered into on normal commercial terms or better, in the ordinary and usual course of our Group's business, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the Rockwood Agreements are fair and reasonable and in the interests of our Shareholders as a whole.

Our Directors, including our independent non-executive Directors, are also of the view that each of the Rockwood Agreements requires a period corresponding to the cooperation term of both our Group and RT Lithium and exceeding three
years as stipulated in Rule 14A.52 of the Listing Rules, due to the following reasons:

(i) the Rockwood Agreements were agreed in connection with, and as a condition of Rockwood's acquisition of the interest in Windfield in 2014, reflecting the basis upon which the respective shareholder's investments into Windfield were made, and it will be difficult for us to renegotiate and amend the terms of the Rockwood Agreements;

(ii) the ability to sell and distribute lithium concentrates produced from the Greenbushes Mine is core to our Group's business. Considering the nature of our Group's business and our co-investment relationship with RT Lithium, any disruption to this relationship or the need to renegotiate terms every three years would have a detrimental effect on the business continuity and successful operation of our Group; and

(iii) it is a common practice in the mining industry that such offtake and distribution arrangements agreements in co-investment arrangements are fixed with a long term more than three years, and in this case expected to cover the mine life of the Greenbushes Mine.

Hence, our Directors, including our independent non-executive Directors, are of the view that it is normal business practice for agreements such as the Rockwood Agreements to be of relatively long duration corresponding to the mine life of the Greenbushes Mine.

Confirmation from the Joint Sponsors

Based on the documents, information and historical figures provided by the Company and the Joint Sponsors' due diligence conducted and discussions with the Company, the Joint Sponsors are of the view that the Rockwood Agreements and the Leasing Framework Agreement have been entered into on normal commercial terms or better, in the ordinary and usual course of our Group's business, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the Rockwood Agreements and the Leasing Framework Agreement are fair and reasonable and in the interests of our Shareholders as a whole.

The Joint Sponsors are also of the view that each of the Rockwood Agreements requires a period corresponding to the cooperation term of both our Group and RT Lithium and exceeding three years as stipulated in Rule 14A.52 of the Listing Rules, due to the following reasons:

(i) the Rockwood Agreements were agreed in connection with, and as a condition of Rockwood's acquisition of the interest in Windfield in 2014, reflecting the basis upon which the respective shareholder's investments into Windfield were made, and it will be difficult for us to renegotiate and amend the terms of the Rockwood Agreements;

(ii) the ability to sell and distribute lithium concentrates produced from the Greenbushes Mine is core to our Group's business. Considering the nature of our Group's business and our co-investment relationship with RT Lithium, any disruption to this relationship or the need to renegotiate terms every three years would have a detrimental effect on the business continuity and successful operation of our Group; and

(iii) it is a common practice in the mining industry that such offtake and distribution arrangements agreements in co-investment arrangements are fixed with a long term more than three years, and in this case expected to cover the mine life of the Greenbushes Mine.

The Joint Sponsors are, therefore, of the view that it is normal business practice for agreements such as the Rockwood Agreements to be of relatively long duration corresponding to the mine life of the Greenbushes Mine.

BOARD OF DIRECTORS

The Board consists of eight Directors, including four executive Directors and four independent non-executive Directors. The Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years pursuant to the relevant PRC laws and regulations. The following table sets forth certain information regarding the Directors.

Name	Age	Time of joining the Group	Date of appointment as a Director	Existing position in the Company	Responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. JIANG Weiping (蔣衛平)	63	October 2004	October 2004	Executive Director, chairman	Responsible for the overall strategic planning and business development of the Company, and making major strategy decisions	Father of Ms. JIANG Anqi
Ms. WU Wei (吳薇)	44	October 2011	October 2011	Executive Director, president	Responsible for the overall and daily management of the Company	None
Mr. ZOU Jun (鄒軍)	45	December 2007	December 2007	Executive Director, finance director	Responsible for the financing, accounting and taxation affairs of the Company	None
Ms. JIANG Anqi (蔣安琪)	31	February 2017	February 2017	Executive Director	Responsible for assisting the Company in formulating the strategic and investment plans of the Company, and assisting the chairman in making major strategy decisions	Daughter of Mr. JIANG Weiping
Mr. DU Kunlun (杜坤倫)	49	February 2017	February 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Company	None

Name	Age	Time of joining the Group	Date of appointment as a Director	Existing position in the Company	Responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. PAN Ying (潘鷹)	45	February 2017	February 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Company	None
Mr. WEI Xianghui (魏向輝)	45	February 2017	February 2017	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Company	None
Mr. LIEW Fui Kiang (劉懷鏡)	52	[●] 2018	[●] 2018	Independent non-executive Director	Responsible for supervising and providing independent advice on the operation and management of the Company	None

BOARD OF SUPERVISORS

The PRC Company Law requires a joint stock company to establish a board of supervisors that is primarily responsible for supervising the performance of the board and senior management and the financial operations, internal control and risk management. The Board of Supervisors consists of three Supervisors including one employee representative Supervisor. The Supervisors are elected for a term of three years and may be subject to re-election. The following table sets forth certain information about the Supervisors.

Name	Age	Time of joining the Group	Date of appointment as a Supervisor	Existing position in the Company	Responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. YAN Jin (嚴錦)	43	February 2017	February 2017	Chairman of the Board of Supervisors	Responsible for overall work of the Board of Supervisors and supervising the performance of duties by the Directors and the senior management	None

Name	Age	Time of joining the Group	Date of appointment as a Supervisor	Existing position in the Company	Responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. YANG Qing (楊青)	53	October 2004	October 2004	Supervisor	Responsible for supervising the performance of duties by the Directors and the senior management	None
Mr. SHE Shifu (佘仕福)	65	July 2008	August 2014	Employee representative Supervisor, head of the audit department	In charge of the audit department, responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Company on behalf of the employees	None

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management of the Company.

Name	Age	Time of joining the Group	Date of appointment as a senior management	Existing position in the Company	Responsibilities	Relationship with other Directors, Supervisors and senior management
Ms. WU Wei (吳薇)	44	October 2011	December 2012	Executive Director, president	Responsible for the overall and daily management of the Company	None
Mr. ZOU Jun (鄒軍)	45	December 2007	December 2007	Executive Director, finance director	Responsible for the financing, accounting and taxation affairs of the Company	None

Name	Age	Time of joining the Group	Date of appointment as a senior management	Existing position in the Company	Responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. GE Wei (葛偉)	46	October 2011	February 2014	Vice president	Responsible for assisting the president in strategy making, supervision, execution and corporate operational management	None
Mr. LI Bo (李波)	44	July 1995	December 2007	Vice president, secretary to the Board	Responsible for assisting the Board of Directors in company governance; formulation, supervision and implementation of securities affair strategy; and party public relations work of the company	None
Mr. GUO Wei (郭維)	47	September 2004	May 2009	Vice president	Responsible for operation and management of procurement and supply chain of the Company	None
Mr. YAN Dong (閻冬)	44	June 2013	December 2015	Vice president	Responsible for planning and coordinating the sales and marketing activities of the Company	None

Except as disclosed below in this section, none of the Directors, Supervisors and members of senior management is related to other Directors, Supervisors and members of senior management.

BOARD OF DIRECTORS

Executive Directors

Mr. JIANG Weiping (蔣衛平) is an executive Director and the chairman of the Board, primarily responsible for the overall strategic planning and business development of the Company, and making major strategy decisions. Mr. Jiang is a controlling shareholder of our Company.

Mr. Jiang has over 15 years of experience in the lithium industry. He set up Tianqi Group Company in December 2003, and has acted as the chairman of Tianqi Group Company since its incorporation. Mr. Jiang acquired Shehong Lithium, the predecessor of our Company, through Tianqi Group Company in October 2004, and has been a Director and the chairman of the Board since then. He served as the general manager of our Company from August 2011 to December 2012. Mr. Jiang has been an economic development consultant of Suining Municipal People's Government since March 2017. Mr. Jiang is also a representative at the 13th National People's Congress.

Mr. Jiang received a bachelor's degree in engineering from Chengdu College of Agricultural Machinery (成都農機學院工學學士), China, in June 1982. Mr. Jiang was also accredited as an engineer by the Ministry of Machinery and Electronics Industry of the PRC.

Ms. WU Wei (吳薇) is an executive Director and the president of the Company, primarily responsible for the overall and daily management of the Company.

Ms. Wu has over 9 years of experience in the lithium industry. She joined the Company as a director in October 2011 and has been the president of the Company since December 2012. She also holds positions in various companies within our Group, including the chairman of Windfield since March 2013, an executive director and general manager of Chengdu Tianqi since December 2015 and August 2014 respectively, a director of Tianqi UK since March 2014, a director of Tianqi Lithium HK since March 2015, a director of Tianqi Lithium International since April 2015, a director of Tianqi Lithium (Jiangsu) since April 2015, the chairman of TLK since April 2016, an executive director of Tianqi Xinlong since May 2017, the chairman of TLH since November 2017 and the chairman of TLA since November 2017. Ms. Wu has also been a director of Aerospace Power since July 2011. Ms. Wu previously served as deputy general manager of Tianqi Group Company from May 2009 to December 2012. Prior to joining the Group, Ms. Wu served as a content and product manager of Nokia from October 2006 to April 2009, and the director of the consultation service department of Beijing Blackboard Information Technology Co., Ltd. (北京畢博信息技術有限公司) from April 2004 to September 2006.

Ms. Wu received a master's degree in foreign linguistics and applied linguistics from University of Electronic Science and Technology of China (電子科技大學) in Sichuan Province, China, in June 2000.

Mr. ZOU Jun (鄒軍) is an executive Director and the finance director of the Company, primarily responsible for the financing, accounting and taxation affairs of the Company.

Mr. Zou has over 15 years of experience in finance and accounting. He joined the Company as a director and the chief accountant of the Company in December 2007. Mr. Zou also holds positions in various companies within our Group, including a supervisor of Chengdu Tianqi since August 2014, a director of Tianqi HK since January 2013, a director of Tianqi Lithium HK since March 2015, a director of Tianqi Lithium International since April 2015, a director of Tianqi Lithium (Jiangsu) since April 2015, a supervisor of Shenghe Lithium since January 2014, a director of Shigatse Zhabuye since July 2016, a supervisor of Tianqi Xinlong since May 2017, a supervisor of Chongqing Tianqi since February 2017 and a director of Tianqi Finco since June 2017. Prior to joining the Group, Mr. Zou served as auditing assistant, project manager, department manager and senior manager of Chongqing Tianjian Auditing Firm (重慶天健會計師事務所) from September 1998 to July 2007.

Mr. Zou received a master's degree in accounting from East China Jiaotong University (華東交通大學), China in June 1998. Mr. Zou was accredited as a certified public account by The Chinese Institute of Certified Public Accountants in November 2000.

Ms. JIANG Anqi (蔣安琪) is an executive Director of the Company, primarily responsible for assisting the Company in formulating the strategic and investment plans, and assisting the chairman in making major strategy decisions.

Ms. Jiang has over 3 years of experience in the lithium industry. She has been an executive Director since February 2017. She holds various positions in Tianqi Group Company and its subsidiaries, including a director and vice general manager of Tianqi Group Company since July 2018 and February 2016 respectively, an executive director of Chengdu Youcai Science & Technology Co., Limited (成都優材科技有限公司) since April 2015, a director of Runfeng Minerals since March 2016, a director of Jiangsu ProteLight Pharmaceutical & Biotechnology Co., Ltd. （江蘇普萊醫藥生物技術有限公司) since December 2015, and a director of Tianqi Group HK since May 2015 and the chairman of Chengdu Dengte Dental Technologies Development Co., Limited (成都登特牙科技術開發有限公司) since October 2017.

Ms. Jiang received a bachelor's degree in arts from Concordia University, Canada in May 2012. Ms. Jiang is currently pursuing an executive master of business administration at Southwestern University of Finance and Economics (西南財經大學), China.

Independent Non-executive Directors

Mr. DU Kunlun (杜坤倫) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Company.

Mr. Du has been an independent non-executive Director of the Company since February 2017. Mr. Du is currently an associate researcher of Finance and Trade Economy Research Institute of the Social Science Academy of Sichuan Province (四川省社會科學院金融與財貿經濟研究所) and a director of Tianfu (Sichuan) United Equity Exchange Corp., Ltd. (天府(四川)聯合股權交易中心股份有限公司). Mr. Du previously served as Deputy Director and a researcher of Sichuan Securities Regulatory Commission of China Securities Regulatory Commission (中國證券監督管理委員會四川監管局) from October 2000 to November 2012, during which he was a member of the 12th and 13th Issuance and Approval Committee of China Securities Regulatory Commission (中國證券監督委員會第十二屆及第十三屆發行審核委員會). Mr. Du was also a director of Tianfu (Sichuan) United Equity Exchange Corp., Ltd. Please see the following table for the other directorships held by Mr. Du. Mr. Du also holds the following directorship during the past three years:

Name of company	Nature	Principal business activities	Positions	Duration
Tongwei Co., Ltd. (通威股份有限公司) (SSE stock code: 600438)	Listed company	Production and sales of aquatic feed	Independent director	January 2016—present

Name of company	Nature	Principal business activities	Positions	Duration
Luzhou Laojiao Co., Ltd. (瀘州老窖股份有限公司) (SZSE stock code: 000568)	Listed company	Production, sales, import and export of Luzhou Laojiao	Independent director	June 2015—present
Aecc Aero Science And Technology Co.,Ltd. (中國航發航空科技股份有限公司) (formerly known as Sichuan Chengfa Aero Science & Technology Co., Ltd. (四川成發航空科技股份有限公司)) (SSE stock code: 600391)	Listed company	Research, manufacturing, processing, maintenance and sales of aero engines and components	Independent director	April 2015—July 2018
Sichuan Ju Le Food Co., Ltd. (四川菊樂食品股份有限公司)	Company limited by shares	Production of daily necessities and beverages; prepackaged food; wholesale and retail of bulk food and daily necessities	Independent director	September 2017—Present

Mr. Du was awarded Third Prize of the 16th Social Science Outstanding Achievements of Sichuan Province by Sichuan Provincial People's Government (四川省人民政府) in December 2014 and Third Prize of the Sichuan Province Science Technology Improvement Award by Sichuan Provincial People's Government in May 2018.

Mr. Du received a bachelor's degree in economics from Chongqing Business University, China in July 1991 and a doctorate degree in economics from Sichuan University, China in December 2007. Mr. Du was accredited as a PRC certified public accountant by The Chinese Institute of Certified Public Accountant (中國註冊會計師協會) in December 1994 and a senior accountant by Chengdu Title Reform Work Leading Group Office in November 1999.

Mr. PAN Ying (潘鷹) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Company.

Mr. Pan has been an independent non-executive Director of the Company since February 2017, a staff and currently an associate professor of School of Law of Southwestern University of Finance and Economics (西南財經大學法學院) since March 2005, an attorney at Tahota Law Firm (泰和泰律師事務所) and an executive director and general manager of Chengdu Shouwei Enterprise Management & Consultation Co., Ltd. (成都守威企業管理諮詢有限責任公司). Mr. Pan also served as staff member at the Chengdu Intermediate People's Court (成都市中級人民法院).

Mr. Pan received a bachelor's degree in law from Southwest Minzu University (西南民族大學), China in June 1995 and a master's degree in law from Hitotsubashi University, Japan in April 2000. Mr. Pan was admitted as a lawyer by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in March 2004.

Mr. WEI Xianghui (魏向輝) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Company.

Mr. Wei has been an independent non-executive Director of the Company since February 2017 and the general manager of Bosstar Management Consulting (Beijing) Co. Ltd (博思達管理諮詢(北京)有限公司) since July 2012. Mr. Wei previously served as a vice general manager of Commercial Management Syestem Of Wanda Group (萬達集團商業管理系統), a senior partner of Zuoyou Consulting Company (北京佐佑人力資源顧問公司） and the chief operations officer of Sedant Foundation Holding Co. Ltd. (盛德基業控股有限公司).

Mr. Wei received a bachelor's degree in clinical medicine from Shandong Medical University, China in July 1995, a degree in master of business administration from The Hong Kong University of Science and Technology in May 2004 and is currently pursuing a doctorate in management from Business School of Nankai University (南開大學), China.

Mr. LIEW Fui Kiang (劉懷鏡) is an independent non-executive Director, primarily responsible for supervising and providing independent advice on the operation and management of the Company.

Mr. Liew has been an independent non-executive Director since [●] 2018. He has also served as the chairman and an executive director of PacRay International Holdings Limited (太睿國際控股有限公司), a company listed on the Stock Exchange (stock code: 1010), since August 2017, and an independent non-executive director of Zhongchang International Holdings Group Limited (中昌國際控股集團有限公司), a company listed on the Stock Exchange (stock code: 859) since January 2018. Mr. Liew also served as an independent non-executive director of Baoshan Iron & Steel Company Limited (寶山鋼鐵股份有限公司), a Fortune Global 500 company listed on the Shanghai Stock Exchange (stock code: SHA:600019), from August 2000 to May 2006.

Mr. Liew received a bachelor's degree in laws (Tetley & Lupton Scholar) from the University of Leeds in July 1989 and a master's degree in business administration (investment and finance) from the University of Hull in July 1996. Mr. Liew was accredited as a fellow of the Hong Kong Institute of Directors in 2011. He is a solicitor of England & Wales and Hong Kong.

BOARD OF SUPERVISORS

Ms. YAN Jin (嚴錦) is the chairman of the Board of Supervisors, responsible for overall work of the Board of Supervisors and supervising the performance of duties by the Directors and the senior management.

Ms. Yan joined the Company as the chairman of the Board of Supervisors in February 2017. She was an attorney of Sichuan Xingrong Law Firm (四川興蓉律師事務所) from November 2014 to October 2016, and has been promoted to a partner since October 2016. Ms. Yan served as an attorney at Zhongchuan Dazhong Law Firm Chongqing Branch (中川大眾律師事務所重慶分所) from July 1997 to April 2000, an attorney at Chongqing Qingyuan Law Firm (重慶青原律師事務所) from April 2000 to July 2014. She joined Chengdu Tanyutou Investment Co., Ltd. (成都譚魚頭投資股份有限公司) from October 2000 to December 2013, and served as a director and the secretary to the board of that company from September 2008 to December 2013.

Ms. Yan received a bachelor's degree in law from Southwest Minzu University (西南民族大學), China in July 1995. Ms. Yan was admitted as a lawyer by Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in August 1996.

Ms. YANG Qing (楊青) is a Supervisor, responsible for supervising the performance of duties by the Directors and the senior management.

Ms. Yang has been a Supervisor since October 2004. She joined Tianqi Group Company as its director in November 2003 and has been its general manager since August 2011. Ms. Yang has been a supervisor of TQMMM since August 2006, a supervisor of Chengdu Jianzhong Lithium Battery Co., Ltd (成都建中鋰電池有限公司) since February 2014 and a supervisor of Runfeng Minerals since March 2016. She previously served as the chairman of the Board of Supervisors of the Company from April 2010 to February 2017.

Ms. Yang graduated from the junior college class for law school of Sichuan Party School of Communist Party (四川省黨校), China in July 2001. She completed a postgraduate course in financial management from Southwestern University of Finance and Economics (西南財經大學), China in March 2007.

Mr. SHE Shifu (佘仕福) is an employee representative Supervisor, in charge of the audit department, responsible for supervising the performance of duties by the Directors and the senior management, financial activities, internal control and risk management of the Company on behalf of the employees.

Mr. She joined the Group in July 2008, was a non-employee representative Supervisor from August 2014 to February 2017, and has been an employee representative Supervisor since February 2017 and the manager of the auditing department of the Company since July 2008. Mr. She has been a supervisor of Tianqi Group Company since November 2011, a supervisor of Shanghai Aerospace Power Technology Co., Ltd. (上海航天電源技術有限責任公司) since July 2011 and a supervisor of Shehong Tianqi since March 2016. Mr. She previously served as the auditing manager of Tianqi Group Company from July 2009 to July 2010. Mr. She also served as an assistant to president of Sichuan Changfu Group Co., Ltd. (四川長富集團有限責任公司) from May 2004 to August 2005.

Mr. She graduated from Chengdu Industrial Vocational Technical College (原成都市財政貿易學校) in July 1977. Mr. She was accredited as an economist by People's Construction Bank of China in August 1990.

SENIOR MANAGEMENT

For biographical details of **Ms. WU Wei (吳薇)** and **Mr. ZOU Jun (鄒軍)**, please see "—Board of Directors—Executive Directors" in this section.

Mr. GE Wei (葛偉) is the senior vice president of the Company, primarily responsible for assisting the president in strategy making, supervision, execution and corporate operational management.

Mr. Ge has over 17 years of experience in the energy industry and has been the vice president of the Company since February 2014, a chairman of Tianqi Lithium (Jiangsu) since April 2015, a director of Shehong Tianqi since March 2016 and the executive director of Chongqing Tianqi since

February 2017. He joined the Company in October 2011 and took various positions in the Company, including chief operations officer of the Company from February 2014 to February 2017 and director of the Company from October 2011 to February 2017. Mr. Ge also served as the department manager and vice general manager of TQMMM from January 2008 to February 2014. Prior to joining the Group, Mr. Ge previously worked in Sichuan Petroleum Management Bureau Oil and Gas Field Construction Engineering Corporation Daxing Industrial Company (四川石油管理局油氣田建設工程總公司大興實業公司).

Mr. Ge received a bachelor's degree in biology from Northeast Normal University (東北師範大學), China, in July 1993. Mr. Ge was accredited as an economist by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in November 1999.

Mr. Li Bo (李波) is a vice president and secretary to the Board of the Company, primarily responsible for assisting the Board of Directors in company governance; formulation, supervision and implementation of securities affair strategy; and party public relations work of the company.

Mr. Li has over 23 years of experience in the lithium industry. He joined the Company in July 1995 and has been vice president and secretary to the Board of the Company since December 2007, currently the Party secretary of the Company, the general manager of Shenghe Lithium since January 2015, a director of Shigatse Zhabuye since July 2016 and a director of Baiyin Zhabuye Lithium Industry Co., Ltd. (白銀扎布耶鋰業有限公司) since May 2017.

Mr. Li was awarded the golden bull board secretary of 2015 and 2016 by China Securities Daily (中國證券報), the outstanding board secretary of 2016 by the organizing committee of China Capital Annual Conference 2016, the best board secretary by Securities Times (證券時報) in April 2018 and the golden horse board secretary of listed company by the Securities Daily (證券日報) in January 2018.

Mr. Li graduated in economic management from Sichuan Party School of Communist Party (四川省黨校), China, in June 2003. Mr. Li is currently pursuing an executive master degree in business administration at Southwestern University of Finance and Economics (西南財經大學), China. Mr. Li was accredited as an engineer by Suining Engineering Technology Intermediate Review Committee in August 2004.

Mr. GUO Wei (郭維) is a vice president of the Company, primarily responsible for operation and management of procurement and supply chain of the company.

Mr. Guo has over 14 years of experience in the lithium industry. Mr. Guo has been a vice president of the Company since May 2009. He joined the Group in September 2004 and served as the assistant to general manager of the Company from November 2006 to May 2009, and the head of supply department of the Company from September 2004 to November 2006.

Mr. Guo graduated in business administration from Sichuan University (四川大學) in July 1996. Mr. Guo was accredited as an engineer by Suining Title Reform Work Leading Group Office in August 2006.

Mr. YAN Dong (閻冬) is a vice president of the Company, primarily responsible for planning and coordinating the sales and marketing activities of the Company.

Mr. Yan has over 18 years of experience in the manufacturing industry. Mr. Yan has been a vice president of the Company since December 2015 and a vice general manager of Chengdu Tianqi since January 2015. He joined the Company in June 2013 and took various positions in the Group, including the head of the sales branch company of the Company from June 2013 to December 2014 and the sales general manager of Chengdu Tianqi from December 2014 to December 2015. Mr. Yan has also served as the vice general manager of TQMMM from September 2000 to February 2008 and the general manager of Tianqi Mining from April 2006 to March 2008 and the general manager of Sichuan Tianqi Industries Co., Ltd. (四川天齊實業有限責任公司) from March 2008 to June 2013.

Mr. Yan received a bachelor's degree in textile machinery from Suzhou Institute of Silk Textile Technology (蘇州絲綢工學院) in July 1995 and a master's degree in business administration from Southwestern University of Finance and Economics (西南財經大學), China, in December 2003.

Except as disclosed in this **[REDACTED]**, each of the Directors, Supervisors and members of the senior management (i) did not hold other positions in the Group as of the Latest Practicable Date; did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors' and Supervisors' interests in the Shares within the meaning of Part XV of the SFO, please see "Appendix VIII—Statutory and General Information."

None of the Directors are interested in any business, apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business under Rule 8.10(2) of the Listing Rules.

Except as disclosed herein, to the best of the knowledge, information and belief of the Directors and Supervisors, having made all reasonable inquiries, there were no additional matters with respect to the appointment of the Directors or Supervisors that need to be brought to the attention of the Shareholders and there were no additional information relating to the Directors or Supervisors that are required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Li Bo (李波) is a joint company secretary of the Company. For biographical details of Mr. Li, please see "—Senior Management" in this section.

Ms. WONG Sau Ping (黃秀萍) is a joint company secretary of the Company. Ms. Wong is a senior manager of the Listing Services Department of TMF Hong Kong Limited and is responsible for providing company secretarial and compliance services to listed companies who are clients of TMF Hong Kong Limited. She has over 15 years of experience in the company secretarial field. Ms. Wong was employed by one of the big four international audit firms to provide services for large and well-known companies listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Ms. Wong holds a bachelor's degree in Business Administration and a master's degree in Professional Accounting and Information Systems. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

COMMITTEES UNDER THE BOARD OF DIRECTORS

The Company currently has four special committees under the Board, which are the strategy and investment committee, the audit and risk management committee, the nomination and governance committee, and the remuneration and appraisal committee. These committees operate in accordance with their respective terms of reference established by the Board.

Strategy and Investment Committee

Our Company has established a strategy and investment committee with written terms of reference. The strategy and investment committee consists of five Directors, being Mr. DU Kunlun, Mr. PAN Ying, Mr. JIANG Weiping, Ms. WU Wei and Ms. JIANG Anqi. The chairperson of the strategy and investment committee is Mr. DU Kunlun. The primary duties of the strategy and investment committee are to evaluate and make recommendations on (i) long-term development strategies and plans; (ii) major financing proposals where Board approval is required by our Articles of Association; (iii) major capital expenditures or investments where Board approval is required by our Articles of Association; and (iv) other key matters that may affect the development of our Company.

Audit and Risk Management Committee

The Company has established an audit and risk management committee with written terms of reference in compliance with the requirements under the Listing Rules. The audit and risk management committee consists of three Directors, being Mr. DU Kunlun, Mr. PAN Ying and Ms. Jiang Anqi The chairperson of the audit and risk management committee is Mr. DU Kunlun. The primary duties of the audit and risk management committee are to review and supervise our financial reporting process and internal control system of our Group, risk management and internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

Nomination and Governance Committee

The Company has established a nomination and governance committee with written terms of reference in compliance with the requirements under the Listing Rules. The nomination and governance committee consists of three Directors, being Mr. PAN Ying, Mr. WEI Xianghui and Mr. JIANG Weiping. The chairperson of the nomination and governance committee is Mr. PAN Ying. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

Remuneration and Appraisal Committee

The Company has established a remuneration and appraisal committee with written terms of reference in compliance with the requirements under the Listing Rules. The remuneration and appraisal committee consists of three Directors, being Mr. WEI Xianghui, Mr. DU Kunlun and Mr. ZOU Jun. The chairperson of the remuneration and appraisal committee is Mr. WEI Xianghui. The primary duties of the remuneration and appraisal committee are to establish, review and provide advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The compensation and remuneration of the Directors, Supervisors and members of the senior management of the Company are determined by the Shareholders' general meetings and the Board, in the form of salaries and bonuses. The Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for the Directors, Supervisors and members of the senior management of the Company, the Shareholders' meetings and the Board take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in the Group and performance. As required by the relevant PRC laws and regulations, the Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of the Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

The Company offers executive Directors, employee representative Supervisors and senior management members, who are also employees, compensation in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities.

The aggregate amounts of remuneration before tax granted to the Directors, the Supervisors and the senior management in 2015, 2016 and 2017 were approximately RMB12.3 million, RMB24.9 million, and RMB18.2 million, respectively.

The aggregate amounts of remuneration before tax granted to the five highest paid individuals in 2015, 2016 and 2017 were approximately RMB9.8 million, RMB20.2 million, and RMB13.8 million, respectively.

It is estimated that remuneration equivalent to approximately RMB2.918 million, RMB4.779 million and RMB8.2332 million will be paid to the Directors, Supervisors and senior management (excluding those who are also Directors or Supervisors) by the Company for the year ending December 31, 2018 based on the arrangements in force as of the date of this **[REDACTED]**.

No remuneration was paid by the Company to the Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining the Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any remuneration during the same periods.

INCENTIVE PLAN FOR SENIOR MANAGEMENT AND KEY EMPLOYEES

The Company adopted a restricted share incentive plan on August 28, 2015 (the "**2015 Plan**"), for the purpose of promoting the success and enhance the value of the Company, by linking the personal interests of the members of the Board, senior management and key employees to those of the shareholders of the Company and, by providing an incentive for outstanding performance, to generate superior returns for the shareholders of the Company. Under the 2015 Plan, 3,010,000 restricted ordinary shares (including 2,709,000 issued and 301,000 reserved) will be issued and granted to 72 employees. Each of Ms. WU Wei, Mr. ZOU Jun, Mr. GE Wei, Mr. LI Bo, Mr. GUO Wei and Mr. YAN Dong from our senior management was granted 400,000 Shares, 360,000 Shares, 350,000 Shares, 140,000 Shares, 120,000 Shares and 120,000 Shares, respectively, under the 2015 Plan.

For details of the 2015 Plan, please refer to "Appendix VIII—Statutory and General Information—1. Further Information about our Company—D. Incentive plan for senior management and key employees."

COMPLIANCE ADVISOR

The Company has appointed Somerley Capital Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise the Company in the following circumstances.

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where the Company proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner that is different from that detailed in this **[REDACTED]** or where the Company's business activities, developments or results deviate from any forecasts, estimates or other information in this **[REDACTED]**; and
- where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the H Shares, the possible development of a false market in the H Shares or any other matters.

The terms of the appointment of the compliance advisor will commence on the **[REDACTED]** and end on the date when the Company distributes the annual report of its financial results for the first full financial year commencing after the **[REDACTED]**.

This section presents certain information regarding our share capital prior to and following the completion of the **[REDACTED]**.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, our registered and issued share capital was RMB 1,142,052,851 comprising 1,142,052,851 A Shares at the nominal value of RMB1.00 each, all of which are listed on the Shenzhen Stock Exchange.

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	1,142,052,851	100

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	**[REDACTED]**	**[REDACTED]**
H Shares in **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**100**

Immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** is exercised in full, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital
		(%)
A Shares in issue	**[REDACTED]**	**[REDACTED]**
H Shares in **[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**100**

OUR SHARES

We have two classes of Shares: (i) domestic Shares, namely A Shares (PRC listed Shares issued and subscribed for in RMB within the PRC); and (ii) overseas listed Shares, namely H Shares (overseas listed foreign invested Shares listed in Hong Kong). A Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC and the qualified PRC investors under the Shenzhen-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. On the other hand, A Shares can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors approved by the CSRC or the Hong Kong and overseas investors under the Shenzhen-Hong Kong Stock Connect and must be subscribed for and traded in Renminbi. A Shares and H Shares are regarded as different classes of shares under our Articles of Association. The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix VII—Summary of the Articles of Association." However, the procedures for approval by separate classes of Shareholders shall not apply (i) where we issue, upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of our existing issued A Shares and H Shares; (ii) where our plan to issue A Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval of the relevant regulatory authorities of the PRC, including the CSRC; and (iii) where the transfer of A Shares for listing and trading on the Stock Exchange as H Shares has been approved by the authorized securities approval authorities of the State Council, including the CSRC.

The differences between the two classes of shares and provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VII—Summary of the Articles of Association."

Except for the differences above, A Shares and H Shares will however rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date in this **[REDACTED]**. All dividends in respect of the H Shares are to be calculated in RMB and paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in RMB. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of A Shares, dividends in the form of Shares will be distributed in the form of additional A Shares.

Shenzhen-Hong Kong Stock Connect

Pursuant to the announcement jointly made by the SFC and the CSRC regarding the in principle approval for the development of the pilot program for the establishment of mutual stock market access between Mainland China and Hong Kong dated November 25, 2016, the Stock Exchange and the Shenzhen Stock Exchange have launched the Shenzhen-Hong Kong Stock Connect on December 5, 2016, which establishes mutual order routing connectivity and related technical infrastructure to enable investors of their respective market to trade designated equity securities listed in the other's market. Under Shenzhen-Hong Kong Stock Connect, SZSE Securities that are eligible for trading by Hong Kong and overseas investors include all the constituent stocks of the SZSE Component Index and the SZSE Small/Mid Cap Innovation Index which have a market capitalization of not less than RMB6 billion, and all the SZSE-listed A shares which have corresponding H shares listed on SEHK, except (a) SZSE-listed shares which are not traded in RMB; and (b) SZSE-listed shares which are under risk alert or under delisting arrangement. At the initial stage of Shenzhen-Hong Kong Stock Connect, investors eligible to trade shares that are listed on the ChiNext Board of SZSE under Northbound trading will be limited to institutional professional investors. Subject to resolution of related regulatory issues, other investors may subsequently be allowed to trade such shares. Among the different types of SEHK-listed securities, only equities listed on the Main Board are included in Shenzhen-Hong Kong Stock Connect. Other products such as stocks listed on GEM, Nasdaq Pilot

Program stocks, ETFs, Real Estate Investment Trusts (REITs), structured products, bonds, and other securities are not included. Under Shenzhen-Hong Kong Stock Connect, mainland investors are also able to trade selective SEHK Securities through SZSE members. These include the constituent stocks of the Hang Seng Composite SmallCap Index ("**HSSI**") which have a market capitalization of not less than HK$5 billion, and all the H shares of SEHK-listed companies which have A shares listed on SZSE (subject to certain exceptions).

TRANSFER OF OUR A SHARES FOR [REDACTED] AND [REDACTED] ON THE STOCK EXCHANGE AS H SHARES

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the **[REDACTED]**.

If any holder of our A Shares wishes to transfer its A Shares to overseas investors for listing and trading on the Stock Exchange, it must obtain the approval of the relevant PRC regulatory authorities, including the CSRC for the transfer and conversion of the A Shares and the approval of the Stock Exchange for the listing and trading of the converted H shares, as well as follow the procedures set forth below:

(a) The holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities approval authorities of the State Council for the transfer of all or part of its A Shares into H Shares.

(b) We may apply for the listing of all or any portion of our A Shares on the Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Stock Exchange before the converted H Shares can be listed and traded on the Stock Exchange.

(c) The holder of A Shares must request that we remove its A Shares from the A Share register, attaching the relevant documents of title together with the request.

(d) Subject to obtaining the approval of the Board and the Stock Exchange, we would then issue a notice to the **[REDACTED]** with instructions that, with effect from a specified date, our **[REDACTED]** is to issue the relevant holder with H Share certificates for such specified number of H Shares.

(e) The specified number of A Shares to be converted to H Shares are then re-registered on the **[REDACTED]** maintained in Hong Kong on the conditions that:

  (i) our **[REDACTED]** lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the **[REDACTED]** and the due dispatch of H Share certificate; and

  (ii) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

(f) Upon completion of the transfer and conversion, the shareholding of the relevant holder of A Shares in our A Share register will be reduced by such number of A Shares transferred and the number of H Shares in our **[REDACTED]** will correspondingly be increased by the same number of H Shares.

(g) We will comply with the Listing Rules to inform our Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

Approvals from holders of A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. As at the Latest Practicable Date, the Directors were not aware of any intention of any holder of A Shares to convert all or part of its A Shares into H Shares.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

We have obtained approval from our holders of A Shares to **[REDACTED]** H Shares and seek the **[REDACTED]** of H Shares on the Stock Exchange. Such approval was obtained at the general meetings of our Company held on April 24, 2018 upon, among other things, the following major terms:

(1) Size of the [REDACTED]

The proposed number of H Shares to be **[REDACTED]** initially shall not exceed **[REDACTED]**% of the total issued number of shares as enlarged by the H Shares to be **[REDACTED]** pursuant to the **[REDACTED]**. The number of H Shares to be **[REDACTED]** pursuant to the exercise of the **[REDACTED]** shall not exceed **[REDACTED]**% of the total number of H Shares to be **[REDACTED]** initially pursuant to the **[REDACTED]**.

(2) Method of [REDACTED]

The method of **[REDACTED]** shall be by way of a **[REDACTED]** for **[REDACTED]** in Hong Kong and an **[REDACTED]** to institutional and professional **[REDACTED]**.

(3) Target investors

The H Shares shall be **[REDACTED]** to professional organizations, institutions individual investors and the public.

(4) [REDACTED] basis

The **[REDACTED]** of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

18 months from April 24, 2018.

Substantial Shareholders as at the Latest Practicable Date

As of the Latest Practicable Date, our registered and issued share capital was RMB1,142,052,851, divided into 1,142,052,851 A Shares with a nominal value of RMB1.00 each. The following persons directly or indirectly control, or are entitled to exercise or control the exercise of, 5% or more of our share capital:

Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held	Approximate % of shareholding
Mr. Jiang Weiping (1)(2)	Interest of controlled corporations	A Shares	409,543,290 (Long position)	35.86%
	Interest of spouse	A Shares	58,984,512 (Long position)	5.16%
Tianqi Group Company (1)	Beneficial owner	A Shares	409,543,290 (Long position)	35.86%
Ms. Zhang Jing (2) . .	Beneficial owner	A Shares	58,984,512 (Long position)	5.16%
	Interest of spouse	A Shares	409,543,290 (Long position)	35.86%

Notes:

(1) Tianqi Group Company, which is owned as to 88.6% by Mr. Jiang Weiping and 10% by Ms. Jiang Anqi, holds 409,543,290 A Shares. By virtue of the SFO, Mr. Jiang Weiping is deemed interested in all of the Shares held by Tianqi Group Company. As at August 16, 2018, Tianqi Group Company had pledged 78,575,200 A Shares in total to seven financial institutions in the PRC, including Bank of Communications Co., Ltd. Chengdu High-tech Industrial Development Zone Branch (交通銀行股份有限公司成都高新區支行) , Industrial Securities Co., Ltd. (興業證券股份有限公司), China Zheshang Bank Co., Ltd. Chengdu Branch (浙商銀行股份有限公司成都分行), China CITIC Bank Corporation Limited Chengdu Branch (中信銀行股份有限公司成都分行), Sinolink Securities Co., Ltd. (國金證券股份有限公司), Huatai Securities (Shanghai) Asset Management Company Ltd. (華泰證券(上海)資產管理有限公司) and Industrial Bank Co., Ltd. Chengdu Branch (興業銀行股份有限公司成都分行).

(2) Mr. Jiang Weiping and his spouse, Ms. Zhang Jing, are deemed interested in the interests in Shares held by each other under the SFO.

Substantial Shareholders Upon [REDACTED]

Immediately following completion of the **[REDACTED]**:

- assuming the **[REDACTED]** is not exercised, our share capital will comprise **[REDACTED]** A Shares and **[REDACTED]** H Shares, representing **[REDACTED]**% and **[REDACTED]**% of the total share capital of our Company, respectively; and
- assuming the **[REDACTED]** is fully exercised, our share capital will comprise **[REDACTED]** A Shares and **[REDACTED]** H Shares, representing **[REDACTED]**% and **[REDACTED]**% of the total share capital of our Company, respectively.

So far as our Directors are aware, immediately following the completion of the **[REDACTED]**, the following persons will have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group:

Interests in our Company

			Immediately following the completion of the [REDACTED] (assuming no exercise of the [REDACTED])			Immediately following the completion of the [REDACTED] (assuming full exercise of the [REDACTED])		
Shareholder	**Number of shares held after the [REDACTED]**	**Nature of interest**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Company(2)**	**Approximate % of the relevant class of Shares in our Company(1)**	**Number of Shares directly or indirectly held**	**Approximate % of interest in our Company(3)**	**Approximate % of the relevant class of Shares in our Company(1)**
Mr. Jiang Weiping(4)(5)	Interest of controlled corporations	A Shares	[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]%
	Interest of spouse	A Shares	[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]%
Tianqi Group Company(4)	Beneficial owner	A Shares	[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Zhang Jing(5) . . .	Beneficial owner	A Shares	[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]%
	Interest of spouse	A Shares	[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]	[REDACTED]%	[REDACTED]%

Notes:

(1) The calculation is based on the percentage of shareholding in A Shares (as applicable) of the Company after the **[REDACTED]**.

(2) The calculation is based on the total number of **[REDACTED]** Shares in **[REDACTED]** after the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(3) The calculation is based on the total number of **[REDACTED]** Shares in **[REDACTED]** after the **[REDACTED]** (assuming the **[REDACTED]** is fully exercised).

(4) Tianqi Group Company, which is owned as to 88.6% by Mr. Jiang Weiping and 10% by Ms. Jiang Anqi, holds **[REDACTED]** A Shares. By virtue of the SFO, Mr. Jiang Weiping is deemed interested in all of the Shares held by Tianqi Group Company. As at August 16, 2018, Tianqi Group Company had pledged 78,575,200 A Shares in total to seven financial institutions in the PRC, including Bank of Communications Co., Ltd. Chengdu High-tech Industrial Development Zone Branch (交通銀行股份有限公司成都高新區支行) , Industrial Securities Co., Ltd. (興業證券股份有限公司), China Zheshang Bank Co., Ltd. Chengdu Branch (浙商銀行股份有限公司成都分行), China CITIC Bank Corporation Limited Chengdu Branch (中信銀行股份有限公司成都分行), Sinolink Securities Co., Ltd. (國金證券股份有限公司), Huatai Securities (Shanghai) Asset Management Company Ltd. (華泰證券(上海)資產管理有限公司) and Industrial Bank Co., Ltd. Chengdu Branch (興業銀行股份有限公司成都分行).

(5) Mr. Jiang Weiping and his spouse, Ms. Zhang Jing, are deemed interested in the interests in Shares held by each other under the SFO.

Interests in shares of other member of our Group (other than our Company)

Name of member of our Group	**Person holding 10% or more interest**	**Approximate % of interest in the member of our Group**
Chongqing Tianqi	Chongqing Kunyu Lithium Co., Ltd. (重慶昆瑜鋰業有限公司)	13.62%
Windfield	RT Lithium	49%

Save as disclosed above, our Directors are not aware of any person who will, immediately following the **[REDACTED]**, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, as well as the accompanying notes included in the Accountants' Report set out in Appendix I to this **[REDACTED]**. *The Accountants' Report has been prepared in accordance with IFRSs. Potential investors should read the Accountants' Report set out in Appendix I to this* **[REDACTED]** *in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."*

OVERVIEW

We are a leading new energy materials company in China and globally, with lithium at our core. We are well-positioned to capitalize on the new energy revolution, particularly in the EV and energy storage sectors and in China. We are the world's second largest and Asia's and China's largest lithium producer as measured by sales revenue in 2017, according to the Roskill Report. We are one of the few fully vertically integrated lithium producers in the world, according to the Roskill Report. We operate in critical stages of the lithium value chain, including (1) mining of lithium ore, (2) beneficiation of ore into lithium concentrate and (3) manufacturing of lithium compounds and derivatives. Through the high-quality and low-cost lithium concentrate from the Greenbushes Mine, we have achieved self-sufficiency in lithium raw materials for efficient manufacture of high-quality lithium compounds and derivatives.

We are the world's third largest and Asia's and China's largest lithium compounds producer as measured by output in 2017, according to the Roskill Report. We mainly manufacture four categories of lithium compounds and derivatives, namely lithium carbonate, lithium hydroxide, lithium chloride and lithium metal. Our products are applied in a wide range of end markets, primarily including EVs, energy storage systems, aircraft, ceramics and glass.

Our business experienced significant revenue and profit growth during the Track Record Period. Our revenue increased from RMB1,864.3 million for the year ended December 31, 2015 to RMB3,902.3 million for the year ended December 31, 2016 and further to RMB5,468.8 million for the year ended December 31, 2017, representing a CAGR of 71.3% from 2015 to 2017. Our revenue increased from RMB1,064.9 million for the three months ended March 31, 2017 to RMB1,668.9 million for the same period in 2018, representing a growth of 56.7%. Our net profit increased from RMB427.9 million for the year ended December 31, 2015 to RMB1,742.9 million for the year ended December 31, 2016 and further to RMB3,399.1 million for the year ended December 31, 2017, representing a CAGR of 181.8% from 2015 to 2017. Our net profit decreased by 29.4% from RMB661.8 million for the three months ended March 31, 2017 to RMB467.3 million for the same period in 2018, primarily due to a RMB435.1 million net unrealized fair value loss from equity investments at fair value through profit or loss ("**FVTPL**") for the three months ended March 31, 2018, compared to a RMB211.8 million net unrealized fair value gain from equity investments at FVTPL for the same period in 2017, as a result of the fair value changes in our minority investment in SQM, which were attributable to the fluctuation in SQM's share price during such periods.

Our adjusted EBITDA, being our profit before tax adjusted for certain items including the above-mentioned net unrealized fair value gain or loss from equity investments at FVTPL, amounted to RMB805.5 million, RMB2,763.4 million and RMB3,837.1 million for the years ended December 31, 2015, 2016 and 2017, respectively, representing a CAGR of 118.3% from 2015 to 2017. Our adjusted EBITDA increased by 67.0% from RMB729.4 million for the three months ended March 31, 2017 to RMB1,217.8 million for the same period in 2018. See "—Adjusted EBITDA" for further details about the definition and calculation of our adjusted EBITDA.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and historical financial condition and results of operations have been affected by a number of important factors which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

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

Lithium Prices and Demand in End Markets

We are exposed to movements in the market prices of lithium products. Our revenue is derived from the sales of lithium compounds and derivatives and lithium concentrate. We generally sell our products based on our pricing strategy, which takes into account the prevailing market price as well as various other factors applicable to individual customers such as specifications of products, raw material costs, production costs, length of contracts, relationship with the customers and other contract terms such as delivery and payment. The market price of lithium products is largely subject to market forces, in particular, the supply and demand for lithium products. During the Track Record Period, market price for lithium products experienced a steady increase, primarily as a result of the continuously increasing demand. According to the Roskill Report, the average spot price for battery-grade lithium carbonate in China increased from US$7,695 per ton in 2015 to US$15,826 per ton in 2017, representing an increase of 43.4% per year for the period, and further increased to US$17,299 per ton in the first half of 2018; the average spot price for industrial-grade lithium carbonate in China increased from US$6,950 per ton in 2015 to US$19,336 per ton in 2017, representing an increase of 66.8% per year for the period, and slightly decreased to US$18,373 per ton in the first half of 2018. During the Track Record Period, our revenue growth was, to a significant extent, driven by the increased selling price of our products, which was generally in line with the trend in prevailing lithium market prices.

The demand for our products is also affected by the demand in the end markets we serve, which primarily include lithium-based batteries, aircraft, ceramics and glass. In recent years, our sales growth has been driven by the strong demand in the end markets, in particular, the lithium-based batteries market, primarily due to the significant growth in demand for EV batteries and energy storage batteries. Our battery-grade lithium compounds accounted for 34.9%, 46.5%, 44.1%, 39.4% and 46.9% of our total revenue in 2015, 2016 and 2017, and the three months ended March 31, 2017 and 2018, respectively. We expect that our sales will continue to be driven by the demand in the end markets we serve.

Capacity Expansion through Organic Growth and Strategic Acquisitions

The growth in our revenue is affected by our ability to expand our production capacity. We have been making acquisitions in lithium compounds manufacturing facilities to expand our lithium production capacity. For example, we acquired a battery-grade lithium carbonate manufacturing plant in Zhangjiagang in 2015 and the assets of a lithium metal manufacturing plant in Tongliang in 2017. As of the Latest Practicable Date, we operated three manufacturing plants in Shehong, Zhangjiagang and Tongliang in China. Our effective production capacity of lithium compounds and derivatives at these manufacturing facilities increased from 25,700 tons in 2015 to 34,800 tons in 2017. We have also been strategically making acquisitions in lithium resources around the world to ensure stable lithium supply in the future. For example, in 2014, we acquired a 51% equity interest in Windfield, which owns the Greenbushes Mine, the largest hard rock lithium mine in the world as measured by the size of resource and reserve and mining output in 2017, according to the Roskill Report.

We plan to continue to expand our manufacturing facilities to capture growth opportunities in the growing lithium products industry and continue to expand our market share. Our key expansion plans include expanding our production capacities at our existing manufacturing plants, as well as constructing additional manufacturing plants. As of the Latest Practicable Date, we were constructing a battery-grade lithium hydroxide manufacturing plant in Kwinana, Western Australia. The Kwinana Plant consists of two phases, and is expected to have a total annual production capacity of 48,000 tons once fully constructed and operational. We are also planning to construct a lithium carbonate manufacturing plant in Anju District of Suining, Sichuan Province of the PRC with an annual production capacity of 20,000 tons. In addition, we plan to expand our lithium metal production capacity at our Anju Plant to capitalize on the future development in solid-state lithium batteries as well as other downstream applications of lithium metal.

We may also from time to time pursue strategic acquisition opportunities with the aim of expanding our production capacity and strengthening our market positions in industries where we operate. Despite their accretive benefits, acquisitions may also result in increases in costs and expenses, including increased financing, operation and transition costs, without an immediate increase in revenue and/or profit. Acquisitions of entities with different margin compositions than our margins will also have an effect on our overall margins. In addition, the performance of acquired entities and businesses may be worse than expected, which may have an adverse effect on our results of operations. We will carefully evaluate suitable and complementary acquisition opportunities that can provide long-term value to our shareholders.

Operational Improvement and Production Cost Control

Our ability to maintain and improve our production efficiency and control production costs affects our profitability and results of operations. We have taken several initiatives in recent years to improve our production efficiency, including upgrading equipment and machinery and optimizing the production processes and techniques. Our ability to improve manufacturing processes grants us the flexibility to optimize the use of our production lines. We are able to coordinate production across our manufacturing facilities and/or alter production schedules in response to the changes in demand. In addition, we are able to rapidly ramp up production and commence large-scale production of technically complex products in short timeframes, which enables us to optimize our allocation of assets and identify the critical resources to quickly ramp up large-scale production. During the Track Record Period, we managed to steadily increase the utilization rates at our manufacturing facilities. The following table sets forth a summary of our effective production capacity and utilization rates for our manufacturing plants for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,	
	2015		2016		2017		2018	
	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)	Effective Production Capacity(1)	Utilization Rate(2)
Shehong Plant	17,200	68%	17,200	96%	17,200	106%	4,300	111%
Zhangjiagang Plant(3)	8,500	56%	17,000	61%	17,000	83%	4,250	100%
Tongliang Plant(4)	N/A	N/A	N/A	N/A	150	56%	150	67%

Notes:

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

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

(3) Zhangjiagang Plant commenced production in July 2015; therefore, the effective production capacity of Zhangjiagang Plant for the year ended December 31, 2015 is calculated by the average of each month's designed production capacity multiplied by six months, which represents the number of months in actual production.

(4) Tongliang Plant commenced production in the end of September 2017; therefore, the effective production capacity of Tongliang Plant for the year ended December 31, 2017 is calculated by the average of each month's designed production capacity multiplied by three months, which represents the number of months in actual production.

We intend to increase productivity further through deploying enhanced and automated machinery and equipment at our existing manufacturing facilities and streamlining the production process by leveraging data analysis with support of our ERP system to identify the production bottlenecks and improvement opportunities. We believe that as our sales volume grows, our production costs as a percentage of revenue will tend to decrease due to economies of scale.

SQM Investment

In November 2016, we purchased Series B shares issued by SQM in the form of American Depository Shares listed on the New York Stock Exchange, which represented 2.10% of equity interest of SQM. During the Track Record Period, we accounted for our 2.10% equity holdings in SQM as equity investments at FVTPL, and the fair value gains or losses resulting from the changes in the share price of SQM were recorded in our results of operations. We recorded net unrealized fair value gains from equity investment in SQM of RMB1,043.7 million and RMB211.8 million in the year ended December 31, 2017 and the three months ended March 31, 2017, respectively. In the year ended December 31, 2016 and the three months ended March 31, 2018, we recorded net unrealized fair value losses from equity investment in SQM of RMB323.6 million and RMB435.1 million, respectively.

On May 17, 2018, we entered into a share purchase agreement, whereby we have agreed to purchase 62,556,568 Series A shares of SQM held by Nutrien at a consideration of approximately US$4.07 billion, representing approximately 23.77% of the total issued capital of SQM. With the existing approximately 2.10% economic interest in SQM, we expect to hold an aggregate of 25.86% of the economic interest in SQM upon completion of the SQM Transaction, and to become the second largest shareholder of SQM. In addition to our cash on hand, we expect to incur additional debt of approximately US$3.5 billion to finance the consideration for the SQM Transaction. The completion date of the SQM Transaction is expected to take place in or around the fourth quarter of 2018, subject to relevant regulatory approvals. Following the completion of the SQM Transaction, we will account for our equity investments in SQM as investments in an associate under equity method under the IFRSs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies is set forth in Note 2 to the Accountants' Report in Appendix I to this **[REDACTED]**. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue is recognized when the control over a product or service is transferred to a customer, on the following bases:

- from the sales of lithium compounds and derivatives, when the goods are delivered to and have been accepted at customers' premises for domestic sales or a designated port of loading for export sales, provided that for contracts that permit the customer to return an item, revenue is adjusted to exclude expected returns, which are estimated based on the historical data for specific types of lithium products;
- from the sales of lithium concentrate, when the goods are dispatched from our warehouse for domestic sales or are delivered to and have been accepted at a designated port of loading for export sales, provided that for contracts that permit the customer to return an item, revenue is adjusted to exclude expected returns, which are estimated based on the historical data for specific types of lithium products;
- interest income, on an accrual basis using the effective interest method;
- dividend income from unlisted investments, when the shareholders' right to receive payment is established;
- dividend income from listed investments, when the share price of the investment goes ex-dividend; and
- government grants, when there is reasonable assurance that they will be received and we will comply with the conditions attaching to them.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment, other than the freehold land of Windfield located in Australia, are stated at cost less accumulated depreciation and any impairment losses. Windfield's freehold land in Australia is stated at historical cost and has not depreciated. The cost of an item of property, plant and equipment comprises its purchase price, any directly attributable costs of bringing it to its present working condition and location for its intended use, the costs of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the item and restoring the site on which the item is located, and changes in the measurement of existing liabilities recognized for these costs resulting from changes in the timing of outflow of resources required to settle the obligation or from changes in the discount rate.

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

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

Reserves and Resources

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

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

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

Mining Rights

Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights are amortized over the estimated useful lives of the mines in accordance with the proven and probable reserves of the mines using the units of production method.

Capitalized Stripping Costs

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

Development stripping costs are capitalized as a stripping activity asset and form part of the cost of constructing the mine, when it is probable that future economic benefits associated with the asset will flow to us and the costs can be measured reliably.

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

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

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

Rehabilitation and Mine Closure Provisions

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

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

Impairment of Goodwill

We determine whether goodwill is impaired at the end of each reporting period. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Credit Losses and Impairment of Assets

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

RESULTS OF OPERATIONS

The following table sets forth a summary, for the periods indicated, of our consolidated results of operations. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)			(unaudited)	
Revenue	**1,864.3**	**3,902.3**	**5,468.8**	**1,064.9**	**1,668.9**
Cost of sales	(988.9)	(1,118.8)	(1,628.5)	(332.3)	(436.0)
Gross profit	**875.4**	**2,783.5**	**3,840.3**	**732.6**	**1,232.9**
Other income	39.9	103.3	1,239.2	259.4	42.0
Selling and distribution expenses	(30.5)	(35.9)	(38.3)	(6.9)	(8.3)
Administrative expenses	(178.8)	(241.7)	(314.8)	(51.7)	(68.8)
Other expenses	(74.6)	(430.7)	(119.8)	(12.3)	(513.0)
Profit from operations	**631.4**	**2,178.5**	**4,606.6**	**921.1**	**684.8**
Finance costs	(119.5)	(86.9)	(127.0)	(28.2)	(50.6)
Share of profits less losses of associates	3.2	8.1	20.4	(2.6)	(5.2)
Profit before taxation	**515.1**	**2,099.7**	**4,500.0**	**890.3**	**629.0**
Income tax	(87.2)	(356.8)	(1,100.9)	(228.5)	(161.7)
Profit for the year/period	**427.9**	**1,742.9**	**3,399.1**	**661.8**	**467.3**

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived our revenue from our manufacturing and sales of lithium compounds and derivatives business as well as mining, production and sales of lithium concentrate business. Our revenue increased significantly by 109.3% from RMB1,864.3 million for the year ended December 31, 2015 to RMB3,902.3 million for the year ended December 31, 2016 and further increased by 40.1% to RMB5,468.8 million for the year ended December 31, 2017. Our revenue increased by 56.7% from RMB1,064.9 million for the three months ended March 31, 2017 to RMB1,668.9 million for the same period in 2018.

Revenue by Business Segment

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

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Manufacturing and sales of lithium compounds and derivatives	991.3	53.2	2,824.8	72.4	3,696.3	67.6	682.8	64.1	1,074.4	64.4
Mining, production and sales of lithium concentrate[(1)]	873.0	46.8	1,077.5	27.6	1,772.5	32.4	382.1	35.9	594.5	35.6
Total revenue	**1,864.3**	**100.0**	**3,902.3**	**100.0**	**5,468.8**	**100.0**	**1,064.9**	**100.0**	**1,668.9**	**100.0**

Note:

(1) Primarily represents revenue from sales of our lithium concentrates to a connected person of our Company. See "Connected Transactions" for further details.

The growth of our total revenue during the Track Record Period was primarily driven by a significant increase in our revenue from our manufacturing and sales of lithium compounds and derivatives business. Revenue from our manufacturing and sales of lithium compounds and derivatives business increased by 185.0% from RMB991.3 million for the year ended December 31, 2015 to RMB2,824.8 million for the year ended December 31, 2016, and further increased by 30.9% to RMB3,696.3 million for the year ended December 31, 2017. Revenue from our manufacturing and sales of lithium compounds and derivatives business increased by 57.4% from RMB682.8 million for the three months ended March 31, 2017 to RMB1,074.4 million for the same period in 2018. Revenue from our mining, production and sales of lithium concentrate business increased by 23.4% from RMB873.0 million for the year ended December 31, 2015 to RMB1,077.5 million for the year ended December 31, 2016, and further by 64.5% to RMB1,772.5 million for the year ended December 31, 2017. Revenue from our mining, production and sales of lithium concentrate business increased by 55.6% from RMB382.1 million for the three months ended March 31, 2017 to RMB594.5 million for the same period in 2018. Such increases were primarily driven by (i) an increase in the selling prices of our products largely in line with increased prevailing market prices and (ii) an increase in sales volume attributable to strong market demand and expansion of production capacity.

Revenue from our manufacturing and sales of lithium compounds and derivatives business as a percentage of our total revenue increased from 53.2% in 2015 to 72.4% in 2016, primarily due to an increase in the selling prices of our lithium compounds and derivatives in 2016 in line with increased prevailing market price. Revenue from our manufacturing and sales of lithium compounds and derivatives business as a percentage of our total revenue decreased slightly to 67.6% in 2017, due to the growth in revenue of both business segments, and remained steady at 64.1% and 64.4% in the three months ended March 31, 2017 and 2018, respectively, for the same reason.

Revenue by Geographic Location

The following table sets out a breakdown of our revenue by geographic region, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
China	1,573.7	84.4	3,523.6	90.3	5,029.9	92.0	994.6	93.4	1,469.1	88.0
Overseas	290.6	15.6	378.7	9.7	438.9	8.0	70.3	6.6	199.8	12.0
Total revenue	**1,864.3**	**100.0**	**3,902.3**	**100.0**	**5,468.8**	**100.0**	**1,064.9**	**100.0**	**1,668.9**	**100.0**

Revenue from China and overseas represents our revenue from the sales of products delivered to China and overseas, respectively. China is our key market and has had the largest revenue contribution during the Track Record Period. Revenue from China contributed 84.4%, 90.3%, 92.0%, 93.4% and 88.0% of our total revenue for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, respectively.

Cost of Sales

Our cost of sales increased by 13.1% from RMB988.9 million for the year ended December 31, 2015 to RMB1,118.8 million for the year ended December 31, 2016, and further increased by 45.6% to RMB1,628.5 million for the year ended December 31, 2017. Our cost of sales increased by 31.2% from RMB332.3 million for the three months ended March 31, 2017 to RMB436.0 million for the same period in 2018. The growth of our cost of sales during the Track Record Period was in line with the growth in our sales volume.

Cost of Sales by Business Segment

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

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Manufacturing and sales of lithium compounds and derivatives	616.9	62.4	721.5	64.5	1,134.2	69.6	224.1	67.4	306.3	70.3
Mining, production and sales of lithium concentrate	372.0	37.6	397.3	35.5	494.3	30.4	108.2	32.6	129.7	29.7
Total cost of sales	**988.9**	**100.0**	**1,118.8**	**100.0**	**1,628.5**	**100.0**	**332.3**	**100.0**	**436.0**	**100.0**

Cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business as a percentage of our cost of sales remained relatively stable during the Track Record Period, even though revenue from manufacturing and sales of lithium compounds and derivatives business as a percentage of our total revenue increased significantly, because such revenue growth was primarily driven by increased selling prices of our lithium compounds and derivatives in line with prevailing market prices.

Cost of Sales by Nature

Manufacturing and Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business consists of (i) production cost, which includes cost of lithium concentrate, other raw materials, utilities, depreciation, overhead and labor and (ii) inventory movement, which represents the movement in inventory balances (excluding balances of lithium concentrate) and cost of finished goods we purchased from third parties.

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

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Lithium concentrate	140.3	29.8	227.7	30.0	360.9	35.2	81.9	37.6	100.5	33.9
Other raw materials	82.2	17.4	110.3	14.5	194.4	19.0	38.0	17.5	68.4	23.0
Utilities	93.2	19.8	152.0	20.0	184.2	18.0	35.1	16.1	50.9	17.1
Depreciation	77.1	16.3	118.1	15.5	117.0	11.4	30.9	14.2	32.4	10.9
Overhead	36.3	7.7	84.4	11.1	97.4	9.5	19.1	8.8	23.6	7.9
Labor	42.6	9.0	67.4	8.9	70.6	6.9	12.6	5.8	21.3	7.2
Total production cost attributable to manufacturing and sales of lithium compounds and derivatives	**471.7**	**100.0**	**759.9**	**100.0**	**1,024.5**	**100.0**	**217.6**	**100.0**	**297.1**	**100.0**
Inventory movement	145.2		(38.4)		109.7		6.5		9.2	
Total cost of sales attributable to manufacturing and sales of lithium compounds and derivatives	**616.9**		**721.5**		**1,134.2**		**224.1**		**306.3**	

Lithium Concentrate Cost

Lithium concentrate cost is the largest component of our cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business. All of the lithium concentrate used for our manufacturing and sales of lithium compounds and derivatives business during the Track Record Period was provided by our mining, production and sales of lithium concentrate business, and thus the lithium concentrate cost was netted off in our consolidated financial statements due to intersegment elimination. Lithium concentrate cost accounted for 29.8%, 30.0%, 35.2%, 37.6% and 33.9%, respectively, of our production cost attributable to our manufacturing and sales of lithium compounds and derivatives business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Other Raw Materials Cost

Other raw materials cost represents the cost of raw materials, other than lithium concentrate, that are used for our manufacturing and sales of lithium compounds and derivatives business. Other raw materials primarily include various chemical products, such as sulfuric acid, hydrochloric acid, sodium hydroxide, sodium carbonate, calcium hydroxide, calcium chloride, and calcium carbonate.

Other raw materials cost accounted for 17.4%, 14.5%, 19.0%, 17.5% and 23.0%, respectively, of our production cost attributable to our manufacturing and sales of lithium compounds and derivatives business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Utilities Cost

Utilities cost represents the cost of energy and power costs for our manufacturing and sales of lithium compounds and derivatives business. Utilities cost accounted for 19.8%, 20.0%, 18.0%, 16.1% and 17.1%, respectively, of our production cost attributable to our manufacturing and sales of lithium compounds and derivatives business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Depreciation Cost

Depreciation cost represents depreciation of property, plant and equipment associated with our manufacturing and sales of lithium compounds and derivatives business. Depreciation cost accounted for 16.3%, 15.5%, 11.4%, 14.2% and 10.9%, respectively, of our production cost attributable to our manufacturing and sales of lithium compounds and derivatives business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Overhead Cost

Overhead cost represents various other production costs associated with our manufacturing and sales of lithium compounds and derivatives business, including costs of packaging, repair and maintenance, consumables, safety-related and other miscellaneous costs. Overhead cost accounted for 7.7%, 11.1%, 9.5%, 8.8% and 7.9%, respectively, of our production cost attributable to our manufacturing and sales of lithium compounds and derivatives business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Labor Cost

Labor cost represents salaries and other staff-related costs of our manufacturing and sales of lithium compounds and derivatives business. Labor cost accounted for 9.0%, 8.9%, 6.9%, 5.8% and 7.2%, respectively, of our production cost attributable to our manufacturing and sales of lithium compounds and derivatives business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Mining, Production and Sales of Lithium Concentrate

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

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

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Processing	164.0	35.4	204.7	40.3	254.5	36.9	67.3	38.3	63.7	33.3
Mining	82.2	17.8	84.0	16.5	145.0	20.9	38.8	22.1	42.5	22.2
Royalties	57.8	12.5	72.3	14.2	105.7	15.3	23.9	13.6	33.9	17.7
Depreciation and amortization	64.4	13.9	65.8	13.0	86.8	12.5	23.4	13.3	23.0	12.0
Transportation	62.7	13.5	47.1	9.3	61.1	8.8	13.5	7.7	18.2	9.5
Mine administration	31.8	6.9	33.8	6.7	39.1	5.6	8.7	5.0	10.1	5.3
Total production cost attributable to mining, production and sales of lithium concentrate	**462.9**	**100.0**	**507.7**	**100.0**	**692.2**	**100.0**	**175.6**	**100.0**	**191.4**	**100.0**
Shipping cost	57.9		79.2		123.2		24.5		23.3	
Inventory movement	(8.5)		38.1		39.8		(10.0)		15.5	
Less: Lithium concentrate used for our manufacturing and sales of lithium compounds and derivatives business	(140.3)		(227.7)		(360.9)		(81.9)		(100.5)	
Total cost of sales attributable to mining, production and sales of lithium concentrate	**372.0**		**397.3**		**494.3**		**108.2**		**129.7**	

Processing Cost

Processing cost is the largest component of our cost of sales attributable to our mining, production and sales of lithium concentrate business and primarily consists of cost of repair and maintenance, consumables, workforce employment and fuel, electricity and water associated with our processing activities. Processing cost accounted for 35.4%, 40.3%, 36.9%, 38.3% and 33.3%, respectively, of our production cost attributable to our mining, production and sales of lithium concentrate business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Mining Cost

Mining cost represents cost of mining contractors, consumables, workforce employment, fuel, electricity and water, as well as repair and maintenance associated with our mining activities. Mining cost accounted for 17.8%, 16.5%, 20.9%, 22.1% and 22.2%, respectively, of our production cost attributable to our mining, production and sales of lithium concentrate business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Royalties Cost

Royalties cost represents the cost of royalties paid to the Australian government for our mining operations at the Greenbushes Mine. Royalties cost accounted for 12.5%, 14.2%, 15.3%, 13.6% and 17.7%, respectively, of our production cost of sales attributable to our mining, production and sales of lithium concentrate business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Depreciation and Amortization Cost

Depreciation and amortization cost represents depreciation of property, plant and equipment and amortization of intangible assets associated with our mining, production and sales of lithium concentrate business. Depreciation and amortization cost accounted for 13.9%, 13.0%, 12.5%, 13.3% and 12.0%, respectively, of our production cost attributable to our mining, production and sales of lithium concentrate business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Transportation Cost

Transportation cost represents the cost of land transportation of lithium concentrate from Greenbushes Mine to the port. Transportation cost accounted for 13.5%, 9.3%, 8.8%, 7.7% and 9.5%, respectively, of our production cost attributable to our mining, production and sales of lithium concentrate business for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018.

Cost of Sales by Geographic Location

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

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
China	862.2	87.2	987.4	88.3	1,478.1	90.8	307.3	92.5	348.2	79.9
Overseas	126.6	12.8	131.4	11.7	150.4	9.2	25.0	7.5	87.8	20.1
Total cost of sales	**988.9**	**100.0**	**1,118.8**	**100.0**	**1,628.5**	**100.0**	**332.3**	**100.0**	**436.0**	**100.0**

Cost of sales attributable to China and overseas represents our cost of sales attributable to sales of products delivered to China and overseas, respectively. Cost of sales attributable to China contributed 87.2%, 88.3%, 90.8%, 92.5% and 79.9% of our total cost of sales for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, respectively. The fluctuation of our cost of sales attributable to China as a percentage of our total cost of sales was generally in line with that of our revenue.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our gross profit amounted to RMB875.4 million, RMB2,783.5 million, RMB3,840.3 million, RMB732.6 million and RMB1,232.9 million, respectively. Our gross profit margin was 47.0%, 71.3%, 70.2%, 68.8% and 73.9%, respectively, during the same periods.

Gross Profit and Gross Profit Margin by Business Segment

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

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in millions, except for percentage)						(unaudited)			
Manufacturing and sales of lithium compounds and derivatives	374.4	37.8	2,103.3	74.5	2,562.1	69.3	458.7	67.2	768.1	71.5
Mining, production and sales of lithium concentrate	501.0	57.4	680.2	63.1	1,278.2	72.1	273.9	71.7	464.8	78.2
Total	**875.4**	**47.0**	**2,783.5**	**71.3**	**3,840.3**	**70.2**	**732.6**	**68.8**	**1,232.9**	**73.9**

Gross profit margin for our manufacturing and sales of lithium compounds and derivatives business significantly increased from 37.8% in 2015 to 74.5% in 2016, primarily due to the significant increase in the selling prices of our lithium compounds and derivatives in 2016 in line with increased prevailing market prices. Gross profit margin for our manufacturing and sales of lithium compounds and derivatives business remained stable at 69.3%, 67.2% and 71.5% in 2017 and the three months ended March 31, 2017 and 2018, respectively.

Gross profit margin for our mining, production and sales of lithium concentrate business increased from 57.4% in 2015 to 63.1% in 2016 and further increased to 72.1% in 2017, remained stable at 71.7% for the three months ended March 31, 2017, and increased to 78.2% for the three months ended March 31, 2018, primarily due to the increase in the selling prices of our products driven by strong market demand, while the production costs remained relatively stable during the same periods.

Gross Profit and Gross Profit Margin by Geographic Location

The following table sets out a breakdown of our gross profit and gross profit margin by geographic location for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB in millions, except for percentage)						(unaudited)			
China	711.4	45.2	2,536.2	72.0	3,551.8	70.6	687.3	69.1	1,120.9	76.3
Overseas	164.0	56.4	247.3	65.3	288.5	65.7	45.3	64.4	112.0	56.1
Total	**875.4**	**47.0**	**2,783.5**	**71.3**	**3,840.3**	**70.2**	**732.6**	**68.8**	**1,232.9**	**73.9**

Gross profit margin attributable to sales to China significantly increased from 45.2% in 2015 to 72.0% in 2016, primarily due to a significant increase in the selling prices of our lithium compounds and derivatives in China in 2016 in line with increased prevailing market prices. Gross profit margin attributable to sales to China in 2017 remained stable at 70.6%. Gross profit margin attributable to sales to China increased from 69.1% in the three months ended March 31, 2017 to 76.3% in the same period in 2018, primarily due to an overall increase in the selling prices of our products in China driven by strong market demand.

Gross profit margin attributable to sales to overseas increased from 56.4% in 2015 to 65.3% in 2016, primarily due to an increase in the selling prices of our lithium compounds and derivatives in overseas markets in 2016 in line with increased prevailing market prices. Gross profit margin attributable to sales to overseas remained stable at 65.7% in 2017, and decreased from 64.4% in the three months ended March 31, 2017 to 56.1% for the same period in 2018, primarily due to increased overseas sales of lithium metal in the first three months ended March 31, 2018, which generally had a lower gross profit margin as compared to our other products.

Other Income

Our other income primarily consists of interest income from bank deposits, net unrealized fair value gains, dividend income from equity investments at FVTPL, government grants, net foreign exchange gains, net realized gain on settlement of derivative financial instruments, gain on disposal of a subsidiary, and investment income from wealth management products issued by banks. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our other income amounted to RMB39.9 million, RMB103.3 million, RMB1,239.2 million, RMB259.4 million and RMB42.0 million, respectively. The following table sets forth a breakdown of the key components of our other income, each expressed as an absolute amount and as a percentage of other income, for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Interest income from bank deposits	24.6	61.7	19.1	18.5	32.2	2.6	5.8	2.2	22.6	53.8
Net unrealized fair value gains:										
Derivative financial instruments	1.7	4.3	2.2	2.1	—	—	—	—	—	—
Equity investments at FVTPL	0.6	1.5	—	—	1,043.7	84.2	211.8	81.6	—	—
Dividend income from equity investments at FVTPL	—	—	31.5	30.5	52.5	4.2	—	—	14.5	34.5
Investment income from wealth management products issued by banks	3.1	7.8	5.1	4.9	5.7	0.5	2.4	0.9	1.1	2.6
Net realized gain on settlement of derivative financial instruments	—	—	21.2	20.5	—	—	2.8	1.1	—	—
Gain on disposal of a subsidiary	—	—	5.4	5.2	—	—	—	—	—	—
Government grants	7.0	17.5	16.2	15.7	53.5	4.3	3.5	1.3	0.9	2.1
Net foreign exchange gains	—	—	—	—	49.5	4.0	32.3	12.5	—	—
Others	2.9	7.2	2.6	2.6	2.1	0.2	0.8	0.4	2.9	7.0
Total other income	**39.9**	**100.0**	**103.3**	**100.0**	**1,239.2**	**100.0**	**259.4**	**100.0**	**42.0**	**100.0**

Equity investments at FVTPL represent the 2.10% equity interest we hold in SQM through an equity investment made in November 2016. We recorded a net unrealized fair value gain from equity investments at FVTPL of RMB1,043.7 million and RMB211.8 million in the year ended December 31, 2017 and the three months ended March 31, 2017, respectively, as a result of an increase in the share price of SQM during the relevant periods.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of transportation expense, employee benefit expense, warehouse expense, advertising and entertainment expense and office and traveling expense. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our selling and distribution expenses amounted to RMB30.5 million, RMB35.9 million, RMB38.3 million, RMB6.9 million and RMB8.3 million, respectively. The following table sets forth a breakdown of the key components of our selling and distribution expenses, each expressed as an absolute amount and as a percentage of our total selling and distribution expenses, for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Transportation expense	15.2	49.8	15.2	42.3	16.7	43.6	3.3	47.8	4.4	53.0
Employee benefit expense	4.2	13.8	6.6	18.4	8.3	21.7	1.1	15.9	1.6	19.3
Warehouse expense	4.0	13.1	4.6	12.8	5.8	15.1	1.4	20.3	1.0	12.0
Advertising and entertainment expense	2.8	9.2	2.8	7.8	1.4	3.7	0.5	7.2	0.2	2.4
Office and traveling expense	1.3	4.3	2.0	5.6	2.0	5.2	0.2	2.9	0.3	3.6
Others	3.0	9.8	4.7	13.1	4.1	10.7	0.4	5.9	0.8	9.7
Total selling and distribution expenses	**30.5**	**100.0**	**35.9**	**100.0**	**38.3**	**100.0**	**6.9**	**100.0**	**8.3**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expense, other tax expense, professional service and consulting expense, share-based payment expense, stoppage cost, depreciation and amortization, office expense, traveling expense and R&D expense. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our administrative expenses amounted to RMB178.8 million, RMB241.7 million, RMB314.8 million, RMB51.7 million and RMB68.8 million, respectively. The following table sets forth a breakdown of the key components of our administrative expenses, each expressed as an absolute amount and as a percentage of our total administrative expenses, for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Employee benefit expense	67.2	37.6	48.3	20.0	67.1	21.3	18.7	36.2	17.1	24.9
Other tax expense	13.8	7.7	43.6	18.0	56.3	17.9	11.6	22.4	18.1	26.3
Professional service and consulting expense	23.4	13.1	53.8	22.3	54.6	17.3	5.0	9.7	12.7	18.5
Share-based payment expense	13.1	7.3	37.2	15.4	25.3	8.0	6.3	12.2	3.1	4.5
Stoppage cost	25.0	14.0	9.7	4.0	17.2	5.5	—	—	—	—
Depreciation and amortization	11.6	6.5	8.4	3.5	16.6	5.3	2.1	4.1	6.4	9.3
Office expense	7.7	4.3	17.7	7.3	32.9	10.5	2.2	4.3	3.3	4.8
Traveling expense	3.3	1.8	5.1	2.1	5.6	1.8	0.5	1.0	1.4	2.0
R&D expense	5.4	3.0	6.4	2.6	24.0	7.6	3.0	5.8	3.5	5.1
Others	8.3	4.6	11.5	4.8	15.2	4.8	2.3	4.4	3.2	4.7
Total administrative expenses	**178.8**	**100.0**	**241.7**	**100.0**	**314.8**	**100.0**	**51.7**	**100.0**	**68.8**	**100.0**

Other Expenses

Our other expenses primarily consist of impairment losses, write down of inventories, net unrealized fair value loss, net realized loss on settlement of derivative financial instruments, net loss on disposal of property, plant and equipment, net foreign exchange losses and compensation expenses. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our other expenses amounted to RMB74.6 million, RMB430.7 million, RMB119.8 million, RMB12.3 million and RMB513.0 million, respectively. The following table sets forth a breakdown of the key components of our other expenses, each expressed as an absolute amount and as a percentage of our total other expenses, for the periods indicated.

	For the years ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Impairment losses:										
– Trade and other receivables	(0.1)	(0.1)	(0.5)	(0.1)	1.3	1.1	0.4	3.3	3.1	0.6
– Property, plant and equipment	57.2	76.7	4.0	0.9	5.4	4.5	—	—	—	—
Write down of inventories	3.6	4.8	—	—	—	—	—	—	—	—
Net unrealized fair value loss:										
– Derivative financial instruments	—	—	—	—	6.5	5.4	6.9	56.1	40.8	8.0
– Equity investments at FVTPL	—	—	323.6	75.1	—	—	—	—	435.1	84.8
Net realized loss on settlement of derivative financial instruments	—	—	—	—	52.1	43.5	—	—	4.8	0.9
Net loss on disposal of property, plant and equipment	4.9	6.6	9.0	2.1	19.8	16.5	—	—	2.8	0.5
Net foreign exchange losses	0.9	1.2	25.6	5.9	—	—	—	—	11.9	2.3
Compensation expenses	—	—	62.9	14.6	15.9	13.3	—	—	—	—
Others	8.1	10.8	6.1	1.5	18.8	15.7	5.0	40.6	14.5	2.9
Total other expenses	**74.6**	**100.0**	**430.7**	**100.0**	**119.8**	**100.0**	**12.3**	**100.0**	**513.0**	**100.0**

We had impairment losses of RMB57.2 million for property, plant and equipment in the year ended December 31, 2015, primarily because we decided to terminate the development of a lithium chemical manufacturing plant of Windfield and recognized impairment losses accordingly. We had net unrealized fair value losses from equity investments at FVTPL of RMB323.6 million and RMB435.1 million in the year ended December 31, 2016 and the three months ended March 31, 2018, respectively, due to a decrease in the share price of SQM during the relevant periods.

Finance Costs

Our finance costs primarily consist of interest on bank loans and other borrowings, interest on discounted bills, unwind of discount on rehabilitation and closure provision. For the year ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our finance costs amounted to RMB119.5 million, RMB86.9 million, RMB127.0 million, RMB28.2 million and RMB50.6 million, respectively. The following table sets forth a breakdown of the key components of our finance costs, each expressed as an absolute amount and as a percentage of our total finance costs, for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Interest on bank loans and other borrowings	100.2	83.8	69.8	80.3	125.8	99.1	27.3	96.8	53.7	106.1
Interest on discounted bills	16.1	13.5	13.8	15.9	9.1	7.2	—	—	4.3	8.5
Unwind of discount on rehabilitation and closure provision	3.2	2.7	3.3	3.8	3.6	2.8	0.9	3.2	0.9	1.8
Less: interest expense capitalized into construction in progress	—	—	—	—	(11.5)	(9.1)	—	—	(8.3)	(16.4)
Total finance costs	**119.5**	**100.0**	**86.9**	**100.0**	**127.0**	**100.0**	**28.2**	**100.0**	**50.6**	**100.0**

Share of Profits Less Losses of Associates

Our share of profits less losses of associates represents our share of profits of associates, deducted by our share of losses of associates. For the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2017 and 2018, our share of profits less losses of associates amounted to gains of RMB3.2 million, RMB8.1 million and RMB20.4 million, and losses of RMB2.6 million and RMB5.2 million, respectively. The following table sets forth a breakdown of our share of profits less losses of associates, each expressed as an absolute amount and as a percentage of our share of profits less losses of associates, for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions, except for percentage)						(unaudited)			
Shanghai Aerospace Power Technology Co., Ltd.	2.2	68.8	0.3	3.7	0.5	2.5	(1.7)	65.4	(2.4)	46.2
Tibet Shigatse Zabuye Lithium High-Tech Co., Limited	1.0	31.2	7.8	96.3	19.9	97.5	(0.9)	34.6	(1.0)	19.2
SolidEnergy Systems Corp.	—	—	—	—	—	—	—	—	(1.8)	34.6
Total share of profits less losses of associates	**3.2**	**100.0**	**8.1**	**100.0**	**20.4**	**100.0**	**(2.6)**	**100.0**	**(5.2)**	**100.0**

Income Tax

China

Under the PRC Corporate Income Tax Law which became effective from January 1, 2008, we and our PRC subsidiaries are subject to a statutory income tax rate of 25%, subject to any applicable preferential tax treatments. Pursuant to the Announcement of the State Administration of Taxation on Issues Relating to Corporate Income Tax Pertaining to Implementation of the Catalog of Encouraged Industries in Western Region issued by relevant tax authorities in PRC, our Company enjoyed a preferential income tax rate in 2015 and 2016, Shehong Tianqi and Chongqing Tianqi enjoyed a preferential income tax rate during the Track Record Period. See below table for details of such preferential tax rates.

	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
The Company	15%	15%	25%(2)	25%(2)
Shehong Tianqi	N/A(1)	15%	15%	15%
Chongqing Tianqi	N/A(3)	N/A(3)	15%	15%

Notes:

(1) Shehong Tianqi was incorporated on March 23, 2016.

(2) The Company no longer enjoyed the preferential income tax rate since 2017 because it transferred all business operations to Shehong Tianqi from that period.

(3) Chongqing Tianqi was incorporated on February 13, 2017.

Hong Kong

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

Overseas

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

The United Kingdom	21%
Australia	30%
Canada	15%
Chile	27%

Our subsidiary in the British Virgin Islands is not subject to any assessable British Virgin Islands income tax.

COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Revenue

Our revenue increased by 56.7% from RMB1,064.9 million for the three months ended March 31, 2017 to RMB1,668.9 million for the same period in 2018. The increase in our revenue was primarily due to increased revenue generated from both manufacturing and sales of lithium compounds and derivatives and mining, production and sales of lithium concentrate segments.

Manufacturing and Sales of Lithium Compounds and Derivatives

Revenue generated from our manufacturing and sales of lithium compounds and derivatives business increased by 57.4% from RMB682.8 million for the three months ended March 31, 2017 to

RMB1,074.4 million for the same period in 2018, driven by an increase in sales volume of our lithium compounds and derivatives from 6,485.6 tons to 8,157.2 tons due to increased production volume and an increase in the selling prices of our lithium compounds and derivatives in line with increased prevailing market prices. Revenue generated from our manufacturing and sales of lithium compounds and derivatives business accounted for 64.1% and 64.4% of our total revenue for the three months ended March 31, 2017 and 2018, respectively.

Mining, Production and Sales of Lithium Concentrate

Revenue generated from our mining, production and sales of lithium concentrate business increased by 55.6% from RMB382.1 million for the three months ended March 31, 2017 to RMB594.5 million for the same period in 2018, driven by an increase in sales volume of our lithium concentrate from 88,821.4 tons to 110,436.1 tons due to increased market demand and an increase in the selling prices of our lithium concentrate in line with increased prevailing market prices. Revenue generated from our mining, production and sales of lithium concentrate business accounted for 35.9% and 35.6% of our total revenue for the three months ended March 31, 2017 and 2018, respectively.

Cost of Sales

Our cost of sales increased by 31.2% from RMB332.3 million for the three months ended March 31, 2017 to RMB436.0 million for the same period in 2018, primarily driven by increased cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business. Our cost of sales as a percentage of our total revenue decreased from 31.2% to 26.1% during the same periods.

Manufacturing and Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business increased by 36.7% from RMB224.1 million for the three months ended March 31, 2017 to RMB306.3 million for the same period in 2018, primarily driven by increased cost of lithium concentrate and other raw materials in line with the increased sales volume.

Mining, Production and Sales of Lithium Concentrate

Cost of sales attributable to our mining, production and sales of lithium concentrate business increased by 19.9% from RMB108.2 million for the three months ended March 31, 2017 to RMB129.7 million for the same period in 2018, primarily driven by increased transportation and mining costs as a result of increased sales volume.

Gross Profit

As a result of the foregoing, our gross profit increased by 68.3% from RMB732.6 million for the three months ended March 31, 2017 to RMB1,232.9 million for the same period in 2018. Our gross profit margin increased from 68.8% for the three months ended March 31, 2017 to 73.9% for the same period in 2018, primarily due to an overall increase in the selling prices of our products driven by strong market demand, while production costs remained relatively stable during the same periods.

Manufacturing and Sales of Lithium Compounds and Derivatives

Gross profit from our manufacturing and sales of lithium compounds and derivatives business increased by 67.5% from RMB458.7 million for the three months ended March 31, 2017 to

RMB768.1 million for the same period in 2018. Gross profit margin from our manufacturing and sales of lithium compounds and derivatives business increased from 67.2% to 71.5% during the same periods.

Mining, Production and Sales of Lithium Concentrate

Gross profit from our mining, production and sales of lithium concentrate business increased by 69.7% from RMB273.9 million for the three months ended March 31, 2017 to RMB464.8 million for the same period in 2018. Gross profit margin from our mining, production and sales of lithium concentrate business increased from 71.7% to 78.2% during the same periods.

Other Income

Our other income decreased by 83.8% from RMB259.4 million for the three months ended March 31, 2017 to RMB42.0 million for the same period in 2018, primarily due to a RMB211.8 million net unrealized fair value gain from equity investment recognized in the three months ended March 31, 2017 resulting from the fair value change of our investment in SQM. Our other income as a percentage of our total revenue decreased from 24.4% for the three months ended March 31, 2017 to 2.5% for the same period in 2018.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 20.3% from RMB6.9 million for the three months ended March 31, 2017 to RMB8.3 million for the same period in 2018, substantially in line with an increase in our sales volume. Our selling and distribution expenses as a percentage of our total revenue slightly decreased from 0.6% for the three months ended March 31, 2017 to 0.5% for the same period in 2018.

Administrative Expenses

Our administrative expenses increased by 33.1% from RMB51.7 million for the three months ended March 31, 2017 to RMB68.8 million for the same period in 2018, primarily due to increased professional and consulting service expense and other tax expenses in line with our business growth. Our administrative expenses as a percentage of our total revenue slightly decreased from 4.9% for the three months ended March 31, 2017 to 4.1% for the same period in 2018.

Other Expenses

Our other expenses increased significantly from RMB12.3 million for the three months ended March 31, 2017 to RMB513.0 million for the same period in 2018, primarily due to a RMB435.1 million net unrealized fair value loss from equity investments at FVTPL recognized in the three months ended March 31, 2018 resulting from the fair value change of our investment in SQM. Our other expenses as a percentage of our total revenue increased from 1.2% for the three months ended March 31, 2017 to 30.7% for the same period in 2018.

Finance Costs

Our finance costs increased by 79.4% from RMB28.2 million for the three months ended March 31, 2017 to RMB50.6 million for the same period in 2018, primarily due to a RMB26.4 million increase in interest expenses on bank loans and other borrowings, which was driven by an increase in the principal amount of bank loans and other borrowings. Our financial cost as a percentage of our total revenue increased from 2.6% for the three months ended March 31, 2017 to 3.0% for the same period in 2018.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates increased by 100.0% from loss of RMB2.6 million for the three months ended March 31, 2017 to loss of RMB5.2 million for the same period in 2018, primarily due to increased losses recorded by SolidEnergy Systems Corp. and Shanghai Aerospace Power Technology Co., Ltd. in the three months ended March 31, 2018. Our share of profits less losses of associates as a percentage of our total revenue increased from 0.2% for the three months ended March 31, 2017 to 0.3% for the same period in 2018.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by 29.3% from RMB890.3 million for the three months ended March 31, 2017 to RMB629.0 million for the same period in 2018.

Income Tax

Our income tax decreased by 29.2% from RMB228.5 million for the three months ended March 31, 2017 to RMB161.7 million for the same period in 2018, in line with the decreased profit before taxation. Additionally, for the three months ended March 31, 2017 and 2018, our effective tax rate remained at 25.7%, which was slightly higher than the PRC statutory income tax rate of 25%. This higher effective tax rate was attributable to the increased revenue contribution from our overseas subsidiaries such as Windfield, which were generally subject to income tax rates higher than 25%.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 29.4% from RMB661.8 million for the three months ended March 31, 2017 to RMB467.3 million for the same period in 2018. Our net profit margin decreased from 62.1% for the three months ended March 31, 2017 to 28.0% for the same period in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by 40.1% from RMB3,902.3 million for the year ended December 31, 2016 to RMB5,468.8 million for the year ended December 31, 2017, primarily due to increased revenue generated from both manufacturing and sales of lithium compounds and derivatives and mining, production and sales of lithium concentrate segments.

Manufacturing and Sales of Lithium Compounds and Derivatives

Revenue generated from our manufacturing and sales of lithium compounds and derivatives business increased by 30.9% from RMB2,824.8 million for the year ended December 31, 2016 to RMB3,696.3 million for the year ended December 31, 2017, primarily due to an increase in sales volume of our lithium compounds and derivatives from 24,305.1 tons to 32,393.0 tons due to increases in market demand and our production volume. Revenue generated from our manufacturing and sales of lithium compounds and derivatives business accounted for 72.4% and 67.6% of our total revenue for the year ended December 31, 2016 and 2017, respectively.

Mining, Production and Sales of Lithium Concentrate

Revenue generated from our mining, production and sales of lithium concentrate business increased by 64.5% from RMB1,077.5 million for the year ended December 31, 2016 to RMB1,772.5 million for the year ended December 31, 2017, driven by an increase in sales volume of our lithium concentrate from 313,617.3 tons to 407,214.0 tons due to increased market demand and expansion of production capacity and an increase in the selling prices of our lithium concentrate in line with increased prevailing market prices. Revenue generated from our mining, production and sales of lithium concentrate business accounted for 27.6% and 32.4% of our total revenue for the year ended December 31, 2016 and 2017, respectively.

Cost of Sales

Our cost of sales increased by 45.6% from RMB1,118.8 million for the year ended December 31, 2016 to RMB1,628.5 million for the year ended December 31, 2017, primarily driven by increased cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business. Our cost of sales as a percentage of our total revenue increased from 28.7% for the year ended December 31, 2016 to 29.8% for the year ended December 31, 2017.

Manufacturing and Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business increased by 57.2% from RMB721.5 million for the year ended December 31, 2016 to RMB1,134.2 million for the year ended December 31, 2017, primarily driven by increased cost of lithium concentrate and other raw materials in line with the increased sales volume.

Mining, Production and Sales of Lithium Concentrate

Cost of sales attributable to our mining, production and sales of lithium concentrate business increased by 24.4% from RMB397.3 million for the year ended December 31, 2016 to RMB494.3 million for the year ended December 31, 2017, primarily driven by increased mining, processing and transportation costs as a result of increased sales volume.

Gross Profit

As a result of the foregoing, our gross profit increased by 38.0% from RMB2,783.5 million for the year ended December 31, 2016 to RMB3,840.3 million for the year ended December 31, 2017. Our gross profit margin decreased slightly from 71.3% for the year ended December 31, 2016 to 70.2% for the year ended December 31, 2017.

Manufacturing and Sales of Lithium Compounds and Derivatives

Gross profit from our manufacturing and sales of lithium compounds and derivatives business increased by 21.8% from RMB2,103.3 million for the year ended December 31, 2016 to RMB2,562.1 million for year ended December 31, 2017. Gross profit margin from our manufacturing and sales of lithium compounds and derivatives business decreased from 74.5% to 69.3% during the same periods.

Mining, Production and Sales of Lithium Concentrate

Gross profit from our mining, production and sales of lithium concentrate business increased by 87.9% from RMB680.2 million for the year ended December 31, 2016 to RMB1,278.2 million for the year ended December 31, 2017. Gross profit margin from our mining, production and sales of lithium concentrate business increased from 63.1% to 72.1% during the same periods.

Other Income

Our other income increased significantly from RMB103.3 million for the year ended December 31, 2016 to RMB1,239.2 million for the year ended December 31, 2017, primarily due to a RMB1,043.7 million net unrealized fair value gain from equity investments at FVTPL recognized in 2017 resulting from the fair value change of our investment in SQM. Our other income as a percentage of our total revenue increased from 2.6% for the year ended December 31, 2016 to 22.7% for the year ended December 31, 2017.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 6.7% from RMB35.9 million for the year ended December 31, 2016 to RMB38.3 million for the year ended December 31, 2017, primarily due to increased transportation and warehouse expenses in line with the growth in sales volume. Our selling and distribution expenses as a percentage of our total revenue decreased slightly from 0.9% for the year ended December 31, 2016 to 0.7% for the year ended December 31, 2017.

Administrative Expenses

Our administrative expenses increased by 30.2% from RMB241.7 million for the year ended December 31, 2016 to RMB314.8 million for the year ended December 31, 2017, primarily due to (i) increased employee benefit expenses and office expenses as a result of the increased salary level and headcount of administrative personnel, (ii) increased R&D expenses as a result of enhanced research and development efforts. Our administrative expenses as a percentage of our total revenue decreased slightly from 6.2% for the year ended December 31, 2016 to 5.8% for the year ended December 31, 2017.

Other Expenses

Other expenses decreased by 72.2% from RMB430.7 million for the year ended December 31, 2016 to RMB119.8 million for the year ended December 31, 2017, primarily due to a RMB323.6 million net unrealized fair value loss from equity investments at FVTPL in 2016 resulting from the fair value change of our investment in SQM, which we made in November 2016. Our other expenses as a percentage of our total revenue decreased from 11.0% for the year ended December 31, 2016 to 2.2% for the year ended December 31, 2017.

Finance Costs

Our finance costs increased by 46.1% from RMB86.9 million for the year ended December 31, 2016 to RMB127.0 million for the year ended December 31, 2017, primarily due to a RMB56.0 million increase in interest on bank loans and other borrowings driven by an increase in the principal amount of bank loans and other borrowings. Our finance costs represented 2.2% and 2.3% of our total revenue for the year ended December 31, 2016 and 2017, respectively.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates increased by 151.9% from RMB8.1 million for the year ended December 31, 2016 to RMB20.4 million for the year ended December 31, 2017, primarily due to increased profit recorded by Tibet Shigatse Zabuye Lithium High-Tech Co., Limited for the year ended December 31, 2017. Share of profits less losses of associates represented 0.2% and 0.4% of our total revenue for the year ended December 31, 2016 and 2017, respectively.

Profit Before Taxation

As a result of the foregoing, our profit before taxation increased by 114.3% from RMB2,099.7 million for the year ended December 31, 2016 to RMB4,500.0 million for the year ended December 31, 2017.

Income Tax

Our income tax increased by 208.5% from RMB356.8 million for the year ended December 31, 2016 to RMB1,100.9 million for the year ended December 31, 2017, primarily due to (i) increased profit before taxation and (ii) increased effective income tax rate. For the year ended December 31, 2016 and 2017, our effective tax rate was 17.0% and 24.5%, respectively. The lower effective income tax rate in 2016 was mainly because Tianqi Lithium (Jiangsu) did not incur any income tax in 2016 due to the recognition of deferred tax assets from losses carried forward and started to pay income tax in 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 95.0% from RMB1,742.9 million for the year ended December 31, 2016 to RMB3,399.1 million for the year ended December 31, 2017. Our net profit margin increased from 44.7% for the year ended December 31, 2016 to 62.2% for the year ended December 31, 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 109.3% from RMB1,864.3 million for the year ended December 31, 2015 to RMB3,902.3 million for the year ended December 31, 2016, primarily due to increased revenue generated from our manufacturing and sales of lithium compounds and derivatives business.

Manufacturing and Sales of Lithium Compounds and Derivatives

Revenue generated from our manufacturing and sales of lithium compounds and derivatives business increased by 185.0% from RMB991.3 million for the year ended December 31, 2015 to RMB2,824.8 million for the year ended December 31, 2016, primarily due to an increase in the selling prices of our lithium compounds and derivatives in line with increased prevailing market prices. Revenue generated from our manufacturing and sales of lithium compounds and derivatives business accounted for 53.2% and 72.4% of our total revenue for the year ended December 31, 2015 and 2016, respectively.

Mining, Production and Sales of Lithium Concentrate

Revenue generated from our mining, production and sales of lithium concentrate business increased by 23.4% from RMB873.0 million for the year ended December 31, 2015 to RMB1,077.5 million for the year ended December 31, 2016, primarily driven by an increase in sales volume of our lithium concentrate from 256,997.3 tons to 313,617.3 tons due to increased market demand and expansion of our production capacity. Revenue generated from our mining, production and sales of lithium concentrate business accounted for 46.8% and 27.6% of our total revenue for the year ended December 31, 2015 and 2016, respectively.

Cost of Sales

Our cost of sales increased by 13.1% from RMB988.9 million for the year ended December 31, 2015 to RMB1,118.8 million for the year ended December 31, 2016, primarily due to increased cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business. Our costs of sales as a percentage of our total revenue significantly decreased from 53.0% for the year ended December 31, 2015 to 28.7% for the year ended December 31, 2016, primarily due to increased selling prices of our products, while cost of sales remained relatively stable.

Manufacturing and Sales of Lithium Compounds and Derivatives

Cost of sales attributable to our manufacturing and sales of lithium compounds and derivatives business increased by 17.0% from RMB616.9 million for the year ended December 31, 2015 to RMB721.5 million for the year ended December 31, 2016, primarily driven by increased cost of lithium concentrate and other raw materials in line with increased sales volume concentrate and other raw materials.

Mining, Production and Sales of Lithium Concentrate

Cost of sales attributable to our mining, production and sales of lithium concentrate business increased by 6.8% from RMB372.0 million for the year ended December 31, 2015 to RMB397.3 million for the year ended December 31, 2016, primarily driven by increased processing cost in line with increased sales volume.

Gross Profit

As a result of the foregoing, our gross profit increased by 218.0% from RMB875.4 million for the year ended December 31, 2015 to RMB2,783.5 million for the year ended December 31, 2016. Our overall gross profit margin increased from 47.0% for the year ended December 31, 2015 to 71.3% for the year ended December 31, 2016, primarily due to the overall increase in the selling price of our products driven by strong market demand, while the production costs remained relatively stable during the same periods.

Manufacturing and Sales of Lithium Compounds and Derivatives

Gross profit from our manufacturing and sales of lithium compounds and derivatives business increased by 461.8% from RMB374.4 million for the year ended December 31, 2015 to RMB2,103.3 million for year ended December 31, 2016. Gross profit margin from our manufacturing and sales of lithium compounds and derivatives business increased from 37.8% to 74.5% during the same periods.

Mining, Production and Sales of Lithium Concentrate

Gross profit from our mining, production and sales of lithium concentrate business increased by 35.8% from RMB501.0 million for the year ended December 31, 2015 to RMB680.2 million for the year ended December 31, 2016. Gross profit margin from our mining, production and sales of lithium concentrate business increased from 57.4% to 63.1% during the same periods.

Other Income

Our other income increased by 158.9% from RMB39.9 million for the year ended December 31, 2015 to RMB103.3 million for the year ended December 31, 2016, primarily due to (i) a dividend income from equity investments at FVTPL of RMB31.5 million and (ii) a RMB21.2 million net realized gain on settlement of derivative financial instruments in 2016 relating to the settlement of currency swap. Our other income represented 2.1% and 2.6% of our total revenue for the year ended December 31, 2015 and 2016, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 17.7% from RMB30.5 million for the year ended December 31, 2015 to RMB35.9 million for the year ended December 31, 2016, primarily due to increased employee benefit expenses as a result of the increased salary level and headcount of sales personnel. Our selling and distribution expenses as a percentage of our total revenue decreased from 1.6% for the year ended December 31, 2015 to 0.9% for the year ended December 31, 2016.

Administrative Expenses

Our administrative expenses increased by 35.2% from RMB178.8 million for the year ended December 31, 2015 to RMB241.7 million for the year ended December 31, 2016, primarily due to (i) increased professional and consulting service expenses and other tax expenses in line with growth in the scale of our operations and (ii) increased share-based payment expenses due to issuance of shares pursuant to our restricted A share incentive scheme. Our administrative expenses as a percentage of our total revenue decreased from 9.6% for the year ended December 31, 2015 to 6.2% for the year ended December 31, 2016.

Other Expenses

Other expenses increased by 477.3% from RMB74.6 million for the year ended December 31, 2015 to RMB430.7 million for the year ended December 31, 2016, primarily due to a RMB323.6 million net unrealized fair value loss from equity investments at FVTPL recognized in 2016 resulting from the fair value change of our investment in SQM. Our other expenses as a percentage of our total revenue increased from 4.0% for the year ended December 31, 2015 to 11.0% for the year ended December 31, 2016.

Finance Costs

Our finance costs decreased by 27.3% from RMB119.5 million for the year ended December 31, 2015 to RMB86.9 million for the year ended December 31, 2016, primarily due to a RMB30.4 million decrease in interest expenses on our bank loans and other borrowings driven by a decrease in the principal amount of bank loans and other borrowings. Our finance costs as a percentage of our total revenue decreased from 6.4% for the year ended December 31, 2015 to 2.2% for the year ended December 31, 2016.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates increased by 153.1% from RMB3.2 million for the year ended December 31, 2015 to RMB8.1 million for the year ended December 31, 2016, primarily due to increased profit recorded by Tibet Shigatse Zabuye Lithium High-Tech Co., Limited in the year ended December 31, 2016. Share of profits less losses of associates represented 0.2% and 0.2% of our total revenue for the year ended December 31, 2015 and 2016, respectively.

Profit Before Taxation

As a result of the foregoing, our profit before taxation increased by 307.6% from RMB515.1 million for the year ended December 31, 2015 to RMB2,099.7 million for the year ended December 31, 2016.

Income Tax

Our income tax increased by 309.2% from RMB87.2 million for the year ended December 31, 2015 to RMB356.8 million for the year ended December 31, 2016, primarily due to increased profit before taxation. Additionally, for the year ended December 31, 2015 and 2016, our effective tax rate was 16.9% and 17.0%, respectively, which was lower than the PRC statutory income tax rate of 25%, mainly because (i) Tianqi Lithium (Jiangsu) did not incur any income tax in 2015 and 2016 due to the recognition of deferred tax assets from losses carried forward and (ii) our two PRC subsidiaries enjoyed a preferential income tax rate of 15% in both years. See "—Principal Components of Consolidated Statements of Profit or Loss—Income Tax—China" for further details.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 307.3% from RMB427.9 million for the year ended December 31, 2015 to RMB1,742.9 million for the year ended December 31, 2016. Our net profit margin increased from 23.0% for the year ended December 31, 2015 to 44.7% for the year ended December 31, 2016.

ADJUSTED EBITDA

Adjusted EBITDA, as we present it, represents profit for the year or period before income tax, finance costs, interest income from bank deposits, depreciation and amortization, impairment losses, write down of inventories, compensation expenses, net unrealized fair value gains or losses from derivative financial instruments and equity investments at FVTPL, net realized gain or loss on settlement of derivative financial instruments, gain on disposal of subsidiary, net loss on disposal of property, plant and equipment, and net foreign exchange gains or losses. Adjusted EBITDA is not a standard measure under IFRSs.

While adjusted EBITDA provides an additional financial measure for investors to assess our operating performance, the use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expense that affect our operations. The items that are adjusted for may continue to be incurred in our business and should be considered in the overall understanding and assessment of our results. In addition, adjusted EBITDA does not reflect changes in working capital, capital expenditures and other investing and financing activities and should not be considered a measure of our liquidity.

As a measure of our operating performance, we believe that the most directly comparable IFRSs measure to adjusted EBITDA is profit for the year or period. The following table reconciles profit for the year or period under IFRSs to adjusted EBITDA for the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)				
				(unaudited)	
Profit for the year/period	427.9	1,742.9	3,399.1	661.8	467.3
Adjustments for:					
Income tax	87.2	356.8	1,100.9	228.5	161.7
Finance costs	119.5	86.9	127.0	28.2	50.6
Interest income from bank deposits	(24.6)	(19.1)	(32.2)	(5.8)	(22.6)
Depreciation	128.5	197.6	223.7	55.6	57.4
Amortization	2.8	2.5	10.8	0.7	4.9
Impairment losses	57.1	3.5	6.7	0.4	3.1
Write down of inventories	3.6	—	—	—	—
Compensation expenses	—	62.9	15.9	—	—
Net unrealized fair value gains from derivative financial instruments and equity investments at FVTPL	(2.3)	(2.2)	(1,043.7)	(211.8)	—
Net unrealized fair value losses from derivative financial instruments and equity investments at FVTPL	—	323.6	6.5	6.9	475.9
Net realized gain on settlement of derivative financial instruments	—	(21.2)	—	(2.8)	—
Net realized loss on settlement of derivative financial instruments	—	—	52.1	—	4.8
Gain on disposal of a subsidiary	—	(5.4)	—	—	—
Net loss on disposal of property, plant and equipment	4.9	9.0	19.8	—	2.8
Net foreign exchange gains	—	—	(49.5)	(32.3)	—
Net foreign exchange losses	0.9	25.6	—	—	11.9
Adjusted EBITDA	**805.5**	**2,763.4**	**3,837.1**	**729.4**	**1,217.8**

Adjusted EBITDA should not be considered in isolation or construed as a substitute for analysis of IFRSs financial measures, such as operating profit before fair value change of investment properties, operating profit, or profit for the year or period. In addition, because adjusted EBITDA may not be calculated in the same manner by all companies, our adjusted EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we funded our operations primarily with net cash generated from our operations, bank borrowings and equity and debt fund raising. As of March 31, 2018, we had RMB4,636.0 million in cash and cash equivalents, most of which were denominated in Renminbi and U.S. dollar. Our cash and cash equivalents primarily consist of cash and bank balance.

Consolidated Statements of Cash Flows

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

	For the year ended December 31,			For the three months ended March 31,	
	2015	2016	2017	2017	2018
	(RMB in millions)			(unaudited)	
Net cash generated from operating activities	659.6	1,776.4	3,094.6	659.5	924.5
Net cash used in investing activities	(570.8)	(2,054.4)	(1,468.8)	(230.4)	(1,564.8)
Net cash generated from / (used in) financing activities	77.1	1,113.8	2,264.0	(274.7)	180.3
Net increase/(decrease) in cash and cash equivalents	**165.9**	**835.8**	**3,889.8**	**154.4**	**(460.0)**
Cash and cash equivalents at January 1	434.6	545.3	1,468.4	1,468.4	5,276.0
Effect of foreign exchange rate changes	(55.2)	87.3	(82.2)	15.6	(180.0)
Cash and cash equivalents at December 31 / March 31	**545.3**	**1,468.4**	**5,276.0**	**1,638.4**	**4,636.0**

Net Cash Generated from Operating Activities

Net cash generated from operating activities for the three months ended March 31, 2018 amounted to RMB924.5 million, primarily attributable to (i) our profit before taxation of RMB629.0 million, (ii) net unrealized fair value losses from equity investments at FVTPL of RMB435.1 million, (iii) depreciation and amortization of RMB62.3 million, and (iv) finance costs of RMB50.6 million, partially offset by (i) corporate income tax paid of RMB169.4 million and (ii) an increase in trade and other receivables of RMB158.8 million in line with increased sales.

Net cash generated from operating activities for the year ended December 31, 2017 amounted to RMB3,094.6 million, primarily attributable to (i) our profit before taxation of RMB4,500.0 million, (ii) depreciation and amortization of RMB234.5 million, and (iii) finance costs of RMB127.0 million, partially offset by (i) net unrealized fair value gains from equity investments at FVTPL of RMB1,043.7 million, (ii) corporate income tax paid of RMB551.5 million, and (iii) an increase in trade and other receivables of RMB301.2 million in line with increased sales.

Net cash generated from operating activities for the year ended December 31, 2016 was RMB1,776.4 million, primarily attributable to (i) our profit before taxation of RMB2,099.7 million, (ii) net unrealized fair value losses from equity investments at FVTPL of RMB323.6 million, and (iii) depreciation and amortization of RMB200.2 million, partially offset by (i) an increase in trade and other receivables of RMB791.3 million in line with increased sales and (ii) corporate income tax paid of RMB248.6 million.

Net cash generated from operating activities in 2015 was RMB659.6 million, primarily attributable to (i) our profit before taxation of RMB515.1 million, (ii) depreciation and amortization of RMB131.3 million, (iii) finance costs of RMB119.5 million, and (iv) decrease in inventories of RMB111.1 million as we decreased our inventory level of lithium compound products in light of the then estimated market demand, partially offset by an increase in trade and other receivables of RMB227.7 million as a result of increased sales and our adjustment to credit terms.

Net Cash Used in Investing Activities

Net cash used in investing activities for the three months ended March 31, 2018 was RMB1,564.8 million, which was primarily attributable to (i) net cash used for purchase of financial assets at FVTPL of RMB718.0 million in connection with our investment in wealth management products and (ii) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB867.2 million.

Net cash used in investing activities for the year ended December 31, 2017 was RMB1,468.8 million, which was primarily attributable to payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB1,559.5 million, partially offset by net proceeds from sale of financial assets at FVTPL of RMB216.4 million in connection with our investment in wealth management products.

Net cash used in investing activities for the year ended December 31, 2016 was RMB2,054.4 million, which was primarily attributable to (i) net cash used for purchase of financial assets at FVTPL of RMB1,857.4 million in connection with our investment in wealth management products and (ii) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB262.2 million.

Net cash used in investing activities for the year ended December 31, 2015 was RMB570.8 million, which was primarily attributable to (i) payment for acquisition of Galaxy Lithium (Jiangsu) Co., Limited, which then became our subsidiary Tianqi Lithium (Jiangsu), of RMB355.0 million and (ii) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB107.1 million.

Net Cash Generated from Financing Activities

Net cash generated from financing activities for the three months ended March 31, 2018 was RMB180.3 million, which was primarily attributable to (i) proceeds from bank loans and other borrowings of RMB675.3 million, partially offset by (i) repayments of bank loans and other borrowings of RMB316.3 million, (ii) dividends paid to non-controlling interests of RMB161.5 million, and (iii) interest paid of RMB19.5 million.

Net cash generated from financing activities for the year ended December 31, 2017 was RMB2,264.0 million, which was primarily attributable to (i) proceeds from bank loans and other borrowings of RMB4,138.1 million and (ii) proceeds from issue of A shares of RMB1,604.5 million, partially offset by repayments of bank loans and other borrowings of RMB3,018.3 million.

Net cash generated from financing activities for the year ended December 31, 2016 was RMB1,113.8 million, which was primarily attributable to proceeds from bank loans and other borrowings of RMB3,450.5 million, partially offset by repayments of bank loans and other borrowings of RMB2,068.6 million.

Net cash generated from financing activities for the year ended December 31, 2015 was RMB77.1 million, which was primarily attributable to proceeds from bank loans and other borrowings of RMB3,357.8 million, partially offset by (i) repayments of bank loans and other borrowings of RMB2,197.4 million, (ii) repayments of reduction of investment to non-controlling interests of our subsidiary of RMB580.1 million, (iii) payment of restricted and pledged deposits for bank loans of RMB227.3 million, (iv) dividends paid to non-controlling interests of RMB221.1 million, and (v) interest paid of RMB108.2 million.

CAPITAL EXPENDITURES

Our capital expenditures increased from RMB107.1 million for the year ended December 31, 2015 to RMB262.2 million for the year ended December 31, 2016, and further increased to RMB1,559.5 million for the year ended December 31, 2017, and increased from RMB178.1 million for the three months ended March 31, 2017 to RMB867.2 million for the same period in 2018. Our capital expenditures were used primarily for the expansion of our mining and manufacturing capacities, including the construction of additional manufacturing facilities and the upgrading of our existing machinery and equipment. The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2015		2016		2017		2017		2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in millions)						(unaudited)			
Property, plant and equipment	104.5	98.0	262.2	100.0	1,433.3	92.0	178.1	100.0	867.2	100.0
Lease prepayments	—	—	—	—	103.7	6.6	—	—	—	—
Intangible assets	2.6	2.0	—	—	22.5	1.4	—	—	—	—
Total capital expenditures	**107.1**	**100.0**	**262.2**	**100.0**	**1,559.5**	**100.0**	**178.1**	**100.0**	**867.2**	**100.0**

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to purchase of property, plant and equipment. As of December 31, 2015, 2016 and 2017 and March 31, 2018, the total amount of our outstanding capital commitments was RMB0.03 million, RMB1,655.3 million, RMB2,258.7 million and RMB1,639.2 million, respectively.

Operating Lease Arrangements

We lease land and buildings under non-cancellable operating lease agreements. The following table sets forth the total future minimum lease payments under non-cancellable operating leases as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Within one year	2.4	6.2	8.7	7.8
After one year but within two years	3.4	6.7	8.0	7.9
After two years but within three years	3.1	7.3	8.9	8.5
After three years	0.7	216.3	210.9	198.1
Total	**9.6**	**236.5**	**236.5**	**222.3**

WORKING CAPITAL

We recorded net current assets of RMB66.0 million, RMB945.3 million, RMB5,335.4 million, RMB5,603.4 million and RMB3,589.2 million, respectively, as of December 31, 2015, 2016, 2017, March 31, 2018 and June 30, 2018. The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of March 31,	As of June 30,
	2015	2016	2017	2018	2018
			(RMB in millions)		(unaudited)
Current Assets					
Inventories	400.1	470.8	477.1	463.1	456.2
Trade and other receivables	716.9	1,544.1	1,769.9	1,878.2	1,817.5
Financial assets at FVTPL	5.0	393.0	94.0	812.0	568.0
Prepaid tax	11.0	—	—	3.8	—
Derivative financial instruments	1.7	3.9	0.0	0.0	2.2
Restricted and pledged deposits	30.7	33.9	248.2	240.9	7.8
Cash and cash equivalents	545.3	1,468.4	5,276.0	4,636.0	2,776.7
Total current assets	**1,710.7**	**3,914.1**	**7,865.2**	**8,034.0**	**5,628.4**
Current liabilities					
Derivative financial instruments	—	—	2.7	43.4	14.2
Trade and other payables	534.5	764.2	1,127.4	1,093.9	1,038.8
Bank loans and other borrowings	994.1	2,002.1	1,068.3	867.8	671.0
Deferred income	3.7	3.8	—	—	—
Current taxation	112.4	198.7	331.4	425.5	315.2
Total current liabilities	**1,644.7**	**2,968.8**	**2,529.8**	**2,430.6**	**2,039.2**
Net current assets	**66.0**	**945.3**	**5,335.4**	**5,603.4**	**3,589.2**

Our net current assets decreased by RMB2,008.8 million from RMB5,603.4 million as of March 31, 2018 to RMB3,589.2 million as of June 30, 2018, primarily due to (i) a decrease of RMB1,859.3 million in cash and cash equivalents, (ii) a decrease of RMB244.0 million in financial assets at FVTPL, (iii) a decrease of RMB233.1 million in restricted and pledged deposits, and (iv) an decrease of RMB196.8 million in bank loans and other borrowings.

Our net current assets increased by RMB268.0 million from RMB5,335.4 million as of December 31, 2017 to RMB5,603.4 million as of March 31, 2018, primarily due to (i) an increase of RMB718.0 million in financial assets at FVTPL, (ii) a decrease of RMB200.5 million in bank loans and other borrowings, and (iii) an increase of RMB108.3 million in trade and other receivables, partially offset by (i) a decrease of RMB640.0 million in cash and cash equivalents, (ii) an increase of RMB94.1 million in current taxation, (iii) an increase of RMB40.7 million of derivative financial instruments, (iv) a decrease of RMB14.0 million in inventories, and (v) a decrease of RMB7.3 million in restricted and pledged deposits.

Our net current assets increased by RMB4,390.1 million from RMB945.3 million as of December 31, 2016 to RMB5,335.4 million as of December 31, 2017, primarily due to (i) an increase of RMB3,807.6 million in cash and cash equivalents, (ii) a decrease of RMB933.8 million in bank loans and other borrowings, (iii) an increase of RMB225.8 million in trade and other receivables, and (iv) an increase of RMB214.3 million in restricted and pledged deposits, partially offset by (i) an increase of RMB363.2 million in trade and other payables, (ii) a decrease of RMB299.0 million in financial assets at FVTPL, and (iii) an increase of RMB132.7 million in current taxation.

Our net current assets increased from RMB66.0 million as of December 31, 2015 to RMB945.3 million as of December 31, 2016, primarily due to (i) an increase of RMB923.1 million in cash and cash equivalents, (ii) an increase of RMB827.2 million in trade and other receivables, (iii) an increase of RMB388.0 million in financial assets at FVTPL, and (iv) an increase of RMB70.7 million in inventories, partially offset by (i) an increase of RMB1,008.0 million in bank loans and other borrowings, (ii) an increase of RMB229.7 million in trade and other payables, and (iii) an increase of RMB86.3 million in current taxation.

Taking into account cash and cash equivalents on hand, our operating cash flows, the available bank facilities, the estimated net **[REDACTED]** available to us from the **[REDACTED]** and other funds raised from the capital markets from time to time, our Directors believe that we have sufficient working capital for 125% of our present requirements and for at least the next 12 months from the date of this **[REDACTED]**. As of March 31, 2018, we had cash and cash equivalents of RMB4,636.0 million.

Our future cash requirements will depend on many factors, including our operating cash flows, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek funding from the capital markets or borrow from lending institutions. See "Risk Factors—Risks Relating to Our Business—Our businesses and operations require significant capital resources on an ongoing basis and are subject to uncertainties."

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

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

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Land	16.9	18.0	18.2	17.3
Plants and buildings	381.5	349.3	368.8	358.1
Mine properties and development	2,514.1	2,702.5	2,752.2	2,608.6
Machinery and equipment	1,145.1	1,081.8	1,046.8	993.5
Motor vehicles	2.0	2.7	2.4	2.8
Office equipment and others	22.6	28.4	30.4	30.7
Construction in progress	167.5	357.1	2,002.2	2,832.0
Total	**4,249.7**	**4,539.8**	**6,221.0**	**6,843.0**

The net book value of our property, plant and equipment increased by 37.0% from RMB4,539.8 million as of December 31, 2016 to RMB6,221.0 million as of December 31, 2017, and further increased by 10.0% to RMB6,843.0 million as of March 31, 2018, primarily due to the expansion of mining and processing facility at Greenbushes and the construction of a new manufacturing plant at Kwinana, Western Australia.

The net book value of our property, plant and equipment increased by 6.8% from RMB4,249.7 million as of December 31, 2015 to RMB4,539.8 million as of December 31, 2016, primarily due to the construction of a new manufacturing plant at Kwinana, Western Australia.

As of the Latest Practicable Date, we are still in the process of applying for the property ownership certificates for certain of our properties located in the PRC with carrying value of RMB29.9 million, RMB28.6 million, RMB27.3 million and RMB26.9 million as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively. Our Directors are of the opinion that the use of, and the conduct of operating activities at, the properties referred to above are not affected by the fact that we have not yet obtained the relevant property title certificates.

Inventories

Our inventories primarily consist of raw materials, work in progress, finished goods and low-value consumption goods. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The value of our inventories accounted for 23.4%, 12.0%, 6.1% and 5.8% of our total current assets as of December 31, 2015, 2016 and 2017 and March 31, 2018, respectively.

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

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Raw materials	129.2	89.7	94.2	87.4
Work in progress	101.5	80.5	84.1	86.9
Finished goods	120.0	236.5	215.2	202.3
Low-value consumption goods and others	53.0	67.7	87.2	90.1
	403.7	474.4	480.7	466.7
Less: write down of low-value consumption goods and others	(3.6)	(3.6)	(3.6)	(3.6)
Total	**400.1**	**470.8**	**477.1**	**463.1**

Our inventories increased by 17.7% from RMB400.1 million as of December 31, 2015 to RMB470.8 million as of December 31, 2016, and further increased by 1.3% to RMB477.1 million as of December 31, 2017, primarily due to increased inventory balances in anticipation of market demand and our production capacity expansion. Our inventories slightly decreased by 2.9% from RMB477.1 million as of December 31, 2017 to RMB463.1 million as of March 31, 2018, primarily due to a decrease in finished goods.

Our provision for write down of inventories remained stable at RMB3.6 million as of December 31, 2015, 2016 and 2017 and March 31, 2018. As of June 30, 2018, RMB387.2 million, or 83.6% of our inventories had been used or consumed subsequent to March 31, 2018.

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

	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
Inventory turnover days[(1)]	168.2	142.1	106.2	97.0

Note:

(1) Inventory turnover days are equal to the average balance of inventory at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 365 days for the years ended December 31, 2015, 2016 and 2017 and 90 days for the three months ended March 31, 2018.

The decrease in our inventory turnover days from 168.2 days for the year ended December 31, 2015 to 142.1 days for the year ended December 31, 2016, to 106.2 days for the year ended December 31, 2017, and further to 97.0 days for the three months ended March 31, 2018 was primarily due to the shorter sales cycle of our products. We aim to continue to manage actively our inventory turnover days in the future.

Trade and Other Receivables

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

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Trade debtors	37.5	213.0	329.0	423.9
Less: allowance for doubtful debts	(5.1)	(4.1)	(4.7)	(7.7)
	32.4	208.9	324.3	416.2
Bills receivable	571.4	1,218.2	1,286.3	1,261.2
Other receivables	10.9	25.3	42.2	56.7
Less: allowance for doubtful debts	(0.8)	(1.2)	(2.0)	(2.0)
	10.1	24.1	40.2	54.7
Deposits and prepayments	16.9	40.0	19.0	41.8
Value Added Tax recoverable	82.0	2.6	12.9	16.9
Goods and services tax recoverable	2.1	16.7	49.0	49.3
Interest receivables	2.0	2.1	22.7	23.6
Dividends receivable from SQM	—	31.5	15.5	14.5
Total trade and other receivables	**716.9**	**1,544.1**	**1,769.9**	**1,878.2**

Our trade and other receivables increased by 115.4% from RMB716.9 million as of December 31, 2015 to RMB1,544.1 million as of December 31, 2016, and increased by 14.6% to RMB1,769.9 million as of December 31, 2017, and further increased by 6.1% to RMB1,878.2 million as of March 31, 2018, primarily in line with the significant growth in our sales.

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

	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
Trade receivables turnover days[(1)]	19.2	11.3	17.8	20.0

Note:

(1) Trade receivables turnover days are equal to the average balance of trade receivables at the beginning and the end of the relevant period divided by revenue for such period and multiplied by 365 days for the years ended December 31, 2015, 2016 and 2017 and 90 days for the three months ended March 31, 2018.

Our trade receivables turnover days decreased from 19.2 days for the year ended December 31, 2015 to 11.3 days for the year ended December 31, 2016, primarily due to shorter credit terms granted to customers due to strong market demands of our products. Our trade receivables turnover days increased to 17.8 days for the year ended December 31, 2017 and further to 20.0 days for the three months ended March 31, 2018, primarily due to increased sales to overseas customers who are typically granted longer credit terms than domestic customers.

We generally require our domestic customers to pay in advance of delivery. For overseas customers and a limited number of domestic customers, we grant a credit period of up to 90 days. We maintain strict control over our outstanding receivables and have a credit control department to minimize credit risks. Overdue balances are reviewed regularly by senior management.

Trade debtors and bills receivable are due within 30 days to 180 days from the date of billing. No interests are charged on the trade debtors and bills receivables. The following table sets forth the aging analysis of our trade debtors and bills receivables, presented based on the invoice date and net of allowance for doubtful debts, as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Within one year	603.4	1,426.9	1,610.5	1,677.4
One to two years	0.4	0.1	—	—
Two to three years	—	0.1	—	—
More than three years	—	—	0.1	—
Total	**603.8**	**1,427.1**	**1,610.6**	**1,677.4**

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

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Trade debtors allowance for doubtful debts				
As of January 1	5.7	5.1	4.1	4.7
Impairment loss recognized/(reversed)	(0.6)	(1.0)	0.6	3.0
As of December 31/March 31	5.1	4.1	4.7	7.7

We consider an amount that is not paid on schedule pursuant to the agreement with us to be past due. Our trade receivables past due were primarily due to late payments by customers. As of December 31, 2015, 2016 and 2017 and March 31, 2018, our bills receivables with carrying amount of RMB442.5 million, RMB879.7 million, RMB234.3 million and RMB271.5 million were pledged as collateral for certain bank loans and other borrowings. As of June 30, 2018, RMB416.2 million, or 100% of our trade receivables were settled subsequent to March 31, 2018.

Trade and Other Payables

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

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Bills payable	63.4	72.8	107.8	187.3
Trade creditors	77.4	106.5	146.6	147.7
Accrued payroll and benefits	60.1	78.3	91.2	46.9
Receipts in advance	72.3	151.7	192.0	106.1
Repurchase obligation under Restricted A Share Incentive Scheme	84.2	81.5	54.0	54.0
Other taxes payable	111.8	134.8	72.6	80.0
Interest payable	5.5	13.2	25.8	53.4
Other payables	59.8	125.4	437.4	418.5
Total	**534.5**	**764.2**	**1,127.4**	**1,093.9**

Our trade and other payables mainly relate to prepayments from customers and other payables in connection with construction in progress. Our trade and other payables increased by 43.0% from RMB534.5 million as of December 31, 2015 to RMB764.2 million as of December 31, 2016, and further increased by 47.5% to RMB1,127.4 million as of December 31, 2017, primarily due to increased prepayments from customers in line with increased sales and increased payables associated with construction of additional manufacturing plants. Our trade and other payables remained stable as of March 31, 2018, as compared to December 31, 2017.

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

	For the year ended December 31,			For the three months ended March 31,
	2015	2016	2017	2018
Trade payables turnover days[(1)]	34.9	30.0	28.4	30.4

Note:

(1) Trade payables turnover days are equal to the average balance of trade payables at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by 365 days for the years ended December 31, 2015, 2016 and 2017 and 90 days for the three months ended March 31, 2018.

Turnover days of our trade payables decreased from 34.9 days for the year ended December 31, 2015 to 30.0 days for the year ended December 31, 2016, and further decreased to 28.4 days for the year ended December 31, 2017, primarily because our trade payables increased by a smaller degree than our cost of sales. Turnover days of our trade payables remained stable for the three months ended March 31, 2018, with a slight increase to 30.4 days.

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

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	(RMB in millions)			
Within one year	77.3	105.1	145.0	146.0
One to two years	—	1.3	1.5	1.5
Two to three years	—	—	0.1	0.1
More than three years	0.1	0.1	—	0.1
Total	**77.4**	**106.5**	**146.6**	**147.7**

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables. As of June 30, 2018, RMB111.7 million, or 75.6% of trade payables as of March 31, 2018 had been settled.

INDEBTEDNESS

As of December 31, 2015, 2016 and 2017, March 31, 2018 and June 30, 2018, our bank loans and other borrowings totaled RMB2,450.8 million, RMB3,936.2 million, RMB5,028.4 million, RMB5,254.5 million and RMB5,488.9 million, respectively. As of June 30, 2018, we had unutilized banking facilities of RMB1,328.7 million.

Our bank loans and other borrowings increased by 60.6% from RMB2,450.8 million as of December 31, 2015 to RMB3,936.2 million as of December 31, 2016, primarily due to the issuance of a RMB500.0 million one-year commercial paper in October 2016 and a RMB600.0 million three-year medium term note in October 2016. Our bank loans and other borrowings further increased by 27.7% from RMB3,936.2 million as of December 31, 2016 to RMB5,028.4 million as of December 31, 2017, primarily due to the issuance of US$300.0 million five-year USD-denominated corporate bonds in November 2017. Our bank loans and other borrowings increased by 4.5% from RMB5,028.4 million as of December 31, 2017 to RMB5,254.5 million as of March 31, 2018, primarily due to the issuance of RMB300.0 million five-year corporate bonds in February 2018. Our bank loans and other borrowings slightly increased by 4.5% from RMB5,254.5 million as of March 31, 2018 to RMB5,488.9 million as of June 30, 2018.

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

	As of December 31,			As of March 31,	As of June 30,
	2015	2016	2017	2018	2018
			(RMB in millions)		(unaudited)
Current					
Secured bank loans	499.4	607.4	—	—	—
Unsecured bank loans	297.9	756.3	841.6	649.7	671.0
Corporate bonds	—	498.4	—	—	—
Other borrowings from a related party[1]	130.0	—	—	—	—
Current portion of non-current secured bank loans	66.8	140.0	226.7	218.1	—
Total current	**994.1**	**2,002.1**	**1,068.3**	**867.8**	**671.0**
Non-current					
Secured bank loans	1,523.5	1,475.8	1,660.0	1,852.6	1,916.8
Unsecured bank loans	—	—	—	—	50.0
Corporate bonds	—	598.3	2,526.8	2,752.2	2,851.1
Less: current portion of non-current secured bank loans	(66.8)	(140.0)	(226.7)	(218.1)	—
Total non-current	**1,456.7**	**1,934.1**	**3,960.1**	**4,386.7**	**4,817.9**
Total bank loans and other borrowings	**2,450.8**	**3,936.2**	**5,028.4**	**5,254.5**	**5,488.9**

Note:

(1) Other borrowings from a related party represented borrowings from Tianqi Group, of which RMB50.0 million carried an interest rate of 7.5% and RMB80.0 million carried an interest rate of 5.07%.

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

	As of December 31,			As of March 31,	As of June 30,
	2015	2016	2017	2018	2018
			(RMB in millions)		(unaudited)
Bank loans					
Within one year or on demand	864.1	1,503.7	1,068.3	867.8	671.0
After one year but within two years	219.8	1,335.8	—	—	39.5
After two years but within five years	1,236.9	—	1,433.3	1,634.5	1,927.3
	2,320.8	**2,839.5**	**2,501.6**	**2,502.3**	**2,637.8**
Corporate bonds					
Within one year or on demand	—	498.4	—	—	—
After one year but within two years	—	—	600.0	600.0	600.0
After two years but within five years	—	598.3	1,926.8	2,152.2	2,251.1
	—	**1,096.7**	**2,526.8**	**2,752.2**	**2,851.1**
Other borrowings from a related party					
Within one year or on demand	**130.0**	—	—	—	—
Total	**2,450.8**	**3,936.2**	**5,028.4**	**5,254.5**	**5,488.9**

Our bank borrowings carried effective weighted average interest rates of 3.85%, 2.44%, 2.51%, 2.27% and 2.22% per annum for the years ended December 31, 2015, 2016 and 2017, the three months ended March 31, 2018 and the six months ended June 30, 2018, respectively.

For the years ended December 31, 2015, 2016 and 2017, the three months ended March 31, 2018 and the six months ended June 30, 2018, the effective interest rates of our borrowings with variable rates ranged from 2.05% to 5.75% per annum, 2.08% to 2.19% per annum, 2.27% to 4.57% per annum, 3.17% to 4.57% per annum, 3.17% to 4.75% per annum, respectively.

Most of our outstanding bank borrowings are denominated in RMB and U.S. dollars. As of December 31, 2015, 2016 and 2017, March 31, 2018 and June 30, 2018, certain of our outstanding bank loans were secured by the pledge of: (i) certain of our PRC subsidiaries' property, plant and equipment of RMB697.5 million, nil, nil, nil and nil, respectively; (ii) our PRC subsidiaries' leasehold prepayments of RMB16.5 million, nil, nil, nil and nil, respectively; (iii) our PRC subsidiaries' bills receivable of RMB442.5 million, RMB879.7 million, RMB234.3 million, RMB271.5 million and RMB866.7 million, respectively; (iv) our PRC subsidiaries' restricted and pledged deposits of RMB227.3 million, RMB242.8 million, RMB228.7 million, RMB220.1 million and nil, respectively; and (v) all Australian assets of the Windfield Group (as defined below) of RMB3,827.8 million, RMB4,506.4 million, RMB5,671.6 million, RMB5,689.1 million and RMB6,196.7 million, respectively.

Windfield, our subsidiary, and its subsidiaries (collectively, the "**Windfield Group**") entered into a syndicated facility agreement for a revolving corporate loan facility on July 28, 2015. The facility was secured by a charge over Windfield Group's Australian assets, including among others, the mining titles and related ancillary licenses held by Talison in connection with the Greenbushes Mine mining operations. The facility was for a total of US$200.0 million expiring on July 28, 2018, of which US$180.0 million was drawn as of December 31, 2015 and 2016, respectively. The facility was further increased to a total of US$370.0 million on July 12, 2017, which expires on July 12, 2021, and US$265.0 million and US$296.0 million was drawn as of March 31, 2018 and June 30, 2018, respectively.

In October 2016, through interbank market, we issued a one-year commercial paper with face value of RMB500.0 million and carried a coupon interest rate of 3.19% per annum and a three-year medium-term note with face value of RMB600.0 million and carried a coupon interest rate of 3.5% per annum. In November 2017, our subsidiary Tianqi Finco issued a five-year USD bond, with face value of US$300.0 million and carried a coupon interest rate of 3.75% per annum, through the Stock Exchange. In February 2018, we issued a five-year corporate bond, with face value of RMB300.0 million and carried a coupon interest rate of 6.3% per annum, through Shenzhen Stock Exchange.

The agreements under our bank loans and other borrowings do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we did not have any default in payment of trade payables, bank loans and other borrowings, and did not breach any of the covenants in relation to the bank loans and other borrowings mentioned above, during the Track Record Period and up to the Latest Practicable Date.

Since June 30, 2018 and up to the Latest Practicable Date, except that (i) we expect to incur additional debt of approximately US$3.5 billion to finance the SQM Transaction (the incurrence of which is conditional upon the consummation of the SQM Transaction), and (ii) we incurred additional bank loans of approximately RMB792.0 million to fund working capital needs, there has not been any material change in our indebtedness. We expect that our total debt obligations and debt to asset ratio will increase, and our current ratio will decrease following the completion of the SQM Transaction. The loans in relation to the SQM Transaction will be guaranteed by our Company and secured by pledges over all shares of Shehong Tianqi, Tianqi Lithium (Jiangsu) and Tianqi Xinlong and all shares of SQM to be acquired by us through the SQM Transaction and certain other securities and assets. We plan to apply 90% (approximately HK$**[REDACTED]**, assuming the **[REDACTED]** is not exercised) of the net **[REDACTED]** from the **[REDACTED]** to partially repay the debt to be incurred in relation to the SQM Transaction.

Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date apart from the **[REDACTED]** and the above debt financing in relation to the SQM Transaction.

Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of June 30, 2018, being the latest practicable date for our indebtedness statement.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our major financial ratios as of the dates or for the periods indicated.

	For the year ended or as of December 31,			For the three months ended or as of March 31,
	2015	2016	2017	2018
Profitability:				
Gross margin	47.0%	71.3%	70.2%	73.9%
Adjusted EBITDA margin(1)	43.2%	70.8%	70.2%	73.0%
Net profit margin	23.0%	44.7%	62.2%	28.0%
Rates of return:				
Return on assets(2)	5.7%	15.6%	19.1%	10.4%
Return on equity(3)	10.5%	30.1%	32.0%	17.7%
Liquidity:				
Adjusted net debt to capital ratio(4)	49.7%	47.1%	N/A	8.1%
Current ratio(5)	104.0%	131.8%	310.9%	330.5%
Quick ratio(6)	79.7%	116.0%	292.0%	311.5%

Notes:

(1) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

(2) Return on assets ratio is calculated using net profit divided by total assets at the end of the year or period, multiplied by 100%. Return on assets ratio for the three months ended March 31, 2018 is annualized for comparison purposes.

(3) Return on equity ratio is calculated using net profit divided by total equity at the end of the year or period, multiplied by 100%. Return on equity ratio for the three months ended March 31, 2018 is annualized for comparison purposes.

(4) Adjusted net debt to capital ratio is calculated using adjusted net debt divided by adjusted equity. Adjusted net debt is defined as current and non-current bank loans and other borrowings plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted equity comprises all components of equity less unaccrued proposed dividends.

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

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

Return on assets ratio. The return on total assets ratio increased from 5.7% for the year ended December 31, 2015 to 15.6% for the year ended December 31, 2016, primarily due to an increase in our net profit. The return on total assets ratio increased from 15.6% for the year ended December 31, 2016 to 19.1% for the year ended December 31, 2017, and decreased to 10.4% for the three months ended March 31, 2018, primarily as a result of the fluctuation of fair value of our investment in SQM.

Return on equity ratio. The return on equity ratio increased from 10.5% for the year ended December 31, 2015 to 30.1% for the year ended December 31, 2016, primarily due to an increase in our net profit. The return on equity ratio increased to 32.0% for the year ended December 31, 2017, and decreased to 17.7% for the three months ended March 31, 2018, primarily as a result of the fluctuation of fair value of our investment in SQM.

Adjusted net debt to capital ratio. The adjusted net debt to capital ratio decreased from 49.7% as of December 31, 2015 to 47.1% as of December 31, 2016, primarily as a result of the increases in total equity and retained profits in 2016. The adjusted net debt to capital ratio was not applicable as of December 31, 2017, because our cash and cash dividends were more than the aggregate of total current and non-current bank loans and other borrowings and unaccrued proposed dividends as of December 31, 2017. The adjusted net debt to capital ratio was 8.1% as of March 31, 2018, primarily due to the decrease in cash and cash equivalents as of March 31, 2018 as compared to December 31, 2017.

Current ratio. The current ratio increased from 104.0% as of December 31, 2015 to 131.8% as of December 31, 2016, further increased to 310.9% as of December 31, 2017 and increased to 330.5% as of March 31, 2018, primarily as a result of increased current assets resulting from cash generated from operating and financing activities.

Quick ratio. The quick ratio increased from 79.7% as of December 31, 2015 to 116.0% as of December 31, 2016, further increased to 292.0% as of December 31, 2017 and increased to 311.5% as of March 31, 2018, primarily as a result of increased current assets resulting from cash generated from operating and financing activities.

CONTINGENT LIABILITIES

Our subsidiary Windfield has lodged an application with the Australian Taxation Office ("**ATO**") for an advanced pricing arrangement ("**APA**"). The proposed APA applies to the pricing of all related party sales from January 1, 2017 to December 31, 2019. The ATO are also reviewing the pricing of related party sales in 2015 and 2016. As of the Latest Practicable Date, negotiations between Windfield and the ATO in relation to the APA and prior year review period are continuing. Our Directors are of the view that the pricing methods proposed in the APA and the pricing methods adopted in 2015 and 2016 are appropriate and therefore, reasonable prices have been applied to relevant related party sales, there is a possibility that the ATO forms a different view which would result in Windfield having a liability for additional income tax.

Other than the above, as of the Latest Practicable Date, we did not have any significant contingent liabilities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency Risk

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

The following table indicates the instantaneous change in our profit after tax and retained profits that would arise if foreign exchange rates to which we have significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. The sensitivity analysis is performed by our management. See Note 32(d) to the Accountants' Report in Appendix I of this **[REDACTED]** for details.

Interest Rate Risk

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

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

	An increase of 100 basis point in interest rates	A decrease of 100 basis points in interest rates
	(RMB in millions)	
For the year ended/as of December 31, 2015		
Effect on profit after tax	(8.7)	8.7
Effect on retained profits	(8.7)	8.7
For the year ended/as of December 31, 2016		
Effect on profit after tax	(8.6)	8.6
Effect on retained profits	(8.6)	8.6
For the year ended/as of December 31, 2017		
Effect on profit after tax	(11.5)	11.5
Effect on retained profits	(11.5)	11.5
For the three months ended/as of March 31, 2018		
Effect on profit after tax	(12.2)	12.2
Effect on retained profits	(12.2)	12.2

Credit Risk

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

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate, and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of December 31, 2015, 2016 and 2017 and March 31, 2018, 51.5%, 98.9%, 97.1% and 84.1% of trade debtors were due from our largest customer, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 to 90 days from the date of billing. We request debtors with balances that are past due to settle all outstanding balances before any further credit is granted. We do not typically request collateral from customers.

Liquidity Risk

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

The maturity profile of our financial liabilities as of December 31, 2015, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay, is as follows:

As of December 31, 2015	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	1,030.4	222.3	1,280.6	—	2,533.3	2,450.8
Trade and other payables other than receipts in advance and interest payable	456.7	—	—	—	456.7	456.7
Total	**1,487.1**	**222.3**	**1,280.6**	**—**	**2,990.0**	**2,907.5**

The maturity profile of our financial liabilities as of December 31, 2016, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay, is as follows:

As of December 31, 2016	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	2,057.9	1,390.1	617.1	—	4,065.1	3,936.2
Trade and other payables other than receipts in advance and interest payable	599.3	—	—	—	599.3	599.3
Total	**2,657.2**	**1,390.1**	**617.1**	**—**	**4,664.4**	**4,535.5**

The maturity profile of our financial liabilities as of December 31, 2017, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay, is as follows:

As of December 31, 2017	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	1,196.6	691.6	3,652.9	—	5,541.1	5,028.4
Trade and other payables other than receipts in advance and interest payable	909.6	—	—	—	909.6	909.6
Total	**2,106.2**	**691.6**	**3,652.9**	**—**	**6,450.7**	**5,938.0**

The maturity profile of our financial liabilities as of March 31, 2018, based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we can be required to pay, is as follows:

As of March 31, 2018	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying Amount
			(RMB in millions)			
Bank loans and other borrowings	982.8	701.5	4,100.1	—	5,784.4	5,254.5
Trade and other payables other than receipts in advance and interest payable	934.4	—	—	—	934.4	934.4
Derivative financial instruments	14.8	14.8	44.5	—	74.1	27.7
Total	**1,932.0**	**716.3**	**4,144.6**	**—**	**6,792.9**	**6,216.6**

Equity Price Risk

Equity price risk is the risk that the fair values of equity decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. We were exposed to price risk arising from individual investments classified as equity investments at FVTPL during the Track Record Period. In 2016, we purchased Series B shares issued by SQM in the form of American Depository Shares listed on the New York Stock Exchange, which represented 2.10% of equity interest of SQM. We accounted for such 2.10% equity holdings in SQM as equity investments at FVTPL, and the fair value gains or losses resulted from the changes in the share price of SQM were recorded in our results of operations during the Track Record Period. The sensitivity analysis is performed by our management. See Note 32(e) to the Accountants' Report in Appendix I of this **[REDACTED]** for details.

Following the completion of the SQM Transaction, we expect to hold an aggregate of 25.86% of the economic interest in SQM, and we will account for our equity holdings in SQM as investments in an associate under equity method under the IFRSs. As a result, the fair value gains or losses resulted from the changes in the share price of SQM will not be recorded in our results of operations upon the completion of the SQM Transaction. See "—Factors Affecting Our Financial Condition and Results of Operations—SQM Investment" for further details.

RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of us are also considered as related parties. For a discussion of related party transactions, see Note 35 to the Accountants' Report in Appendix I of this **[REDACTED]**. Our Directors are of the view that each of those related party transactions was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties.

DIVIDEND POLICY

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

We declared dividends of RMB78.4 million, RMB179.0 million, RMB228.4 million and nil, respectively, in relation to our operations in 2015, 2016 and 2017 and the three months ended March 31, 2018. We paid dividends of nil, RMB77.8 million, RMB178.2 million and nil in 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2015, 2016 and 2017 and March 31, 2018, our reserves available for distribution included retained profits, which amounted to RMB282.2 million, RMB1,649.6 million, RMB4,353.1 million and RMB4,683.3 million, respectively.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this **[REDACTED]**, there has not been any material adverse change in our financial or trading position or prospects since March 31, 2018, and there is no event since March 31, 2018 which would materially affect the information shown in the Accountants' Report in Appendix I to this **[REDACTED]**.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly comprise professional fees payable to Joint Sponsors, **[REDACTED]**, **[REDACTED]**, legal advisors and our reporting accountants for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. The total amount of **[REDACTED]** expenses that will be borne by us is estimated to be approximately RMB**[REDACTED]** (based on the mid-point of our indicative **[REDACTED]** range for the **[REDACTED]**), of which approximately RMB**[REDACTED]** is expected to be accounted for as a deduction from equity and the remaining amount of approximately RMB**[REDACTED]** is expected to be charged to our profit or loss contained in the consolidated statements of profit or loss and other comprehensive income. None of the **[REDACTED]** expenses was charged to our profit or loss for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

Our Directors do not expect such expenses to materially impact our results of operations for the year ending December 31, 2018.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below are set out to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as of March 31, 2018 as if the **[REDACTED]** had taken place on that date.

The unaudited **[REDACTED]** adjusted consolidated net tangible assets have been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the **[REDACTED]** been completed as of March 31, 2018 or at any future dates. It is prepared based on the consolidated net assets of the Group as of March 31, 2018 as set out in the Accountants' Report, the text of which is set out in Appendix I to this **[REDACTED]**, and adjusted as described below. The unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of March 31, 2018(1)	Estimated net [REDACTED] from the [REDACTED](2)(5)	Unaudited [REDACTED] adjusted consolidate net tangible assets attributable to equity shareholders of the Company(3)	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per share	
	RMB'000	RMB'000	RMB'000	RMB(4)	(HK$equivalent)(6)
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	[●]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	[●]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of March 31, 2018 is compiled based on the financial information included in the Accountants' Report set out in Appendix I to this **[REDACTED]**, which is based on the consolidated total equity attributable to equity shareholders of the Company of RMB[●] thousand less intangible assets of RMB[●] thousand and goodwill of RMB[●] thousand as of March 31, 2018.

(2) The estimated net **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** H Shares to be newly **[REDACTED]** at the estimated **[REDACTED]** of HK$**[REDACTED]** per Share (being the low-end of the **[REDACTED]**) and HK$**[REDACTED]** per share (being the high-end of the **[REDACTED]**), after deduction of the estimated **[REDACTED]** fees and other estimated related expenses payable by the Company and take no account of any shares which may be **[REDACTED]** upon the exercise of the **[REDACTED]**.

(3) No adjustment has been made to the unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions entered into subsequent to March 31, 2018.

(4) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is calculated based on **[REDACTED]** shares in **[REDACTED]** assuming that the **[REDACTED]** has been completed on March 31, 2018.

(5) For illustrative purpose, the estimated net **[REDACTED]** from the **[REDACTED]** are translated from the Hong Kong dollar into Renminbi at the exchange rate of RMB[●] to HK$[●], the exchange rate set by PBOC prevailing on the Latest Practicable Date. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

(6) For illustrative purpose, the unaudited **[REDACTED]** adjusted consolidated net tangible assets attributable to equity shareholders of the Company per share is translated from Renminbi into the Hong Kong dollar at the exchange rate of RMB[●] to HK$[●], the exchange rate set by PBOC prevailing on the Latest Practicable Date. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business—Development Strategies" in this **[REDACTED]** for a detailed discussion of our future plans.

USE OF [REDACTED]

The net **[REDACTED]** of the **[REDACTED]** (after deducting the relevant expenses) are estimated to be approximately HK$**[REDACTED]** before any exercise of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the stated range of the **[REDACTED]** between HK$**[REDACTED]** and HK$**[REDACTED]** per H Share. If the **[REDACTED]** is exercised in full, we estimate that the additional net **[REDACTED]** to our Company from the **[REDACTED]** of these additional H Shares will be approximately HK$**[REDACTED]** million, after deducting the relevant expenses, assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share. We intend to apply the net **[REDACTED]** from the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) in the following manner:

- Approximately 90% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** of the **[REDACTED]** will be used for refinancing the acquisition of shares in SQM. We expect to incur a debt of approximately US$3.5 billion to finance the consideration to be paid for the acquisition of shares in SQM, and approximately 90% of the net **[REDACTED]** of the **[REDACTED]** will be used to partially repay such debt. Please refer to the section headed "Business—Our Investments in the Global Lithium Value Chain—SQM Transaction" for details of the acquisition of shares in SQM and the section headed "Financial Information—Indebtedness" for details of the debt to be incurred in connection with the SQM Transaction.
- Approximately 10% (approximately HK$**[REDACTED]**) of the net **[REDACTED]** of the **[REDACTED]** will be used for general corporate purposes.

If the **[REDACTED]** is set at the high-end or the low-end of the indicative **[REDACTED]**, being HK$**[REDACTED]** or HK$**[REDACTED]** per Share, respectively, the net **[REDACTED]** to us from the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised) will respectively increase or decrease by approximately HK$**[REDACTED]**. In such case, we intend to modify the allocation of our additional or reduced net **[REDACTED]** (as the case may be) in the manner stated above on a pro-rata basis.

If the **[REDACTED]** is exercised in full, we estimate that we will receive total net **[REDACTED]** of approximately HK$**[REDACTED]** at the low-end of the **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]** and HK$**[REDACTED]** at the high-end of the **[REDACTED]** range of HK$**[REDACTED]** per **[REDACTED]**, after deducting the estimated **[REDACTED]** fees and expenses payable by us. Any additional net **[REDACTED]** received from the exercise of the **[REDACTED]** will be applied pro rata to the abovementioned purposes.

To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately required for the above purposes, the Directors currently intend that such **[REDACTED]** will be placed on short-term deposits and on other short-term capital preservation products with licensed banks or financial institutions in Hong Kong or the PRC.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Commissions and Expenses

The **[REDACTED]** will receive a commission of **[REDACTED]**% of the aggregate **[REDACTED]** of all the **[REDACTED]**, out of which they will pay any **[REDACTED]** commissions. The **[REDACTED]** may receive an additional incentive fee of up to **[REDACTED]**% of the **[REDACTED]** of all the **[REDACTED]**.

For **[REDACTED]** Hong Kong **[REDACTED]** to the **[REDACTED]**, we will pay the **[REDACTED]** commission attributable to such **[REDACTED]** Hong Kong **[REDACTED]** to **[REDACTED]** and the relevant **[REDACTED]** (but not the Hong Kong **[REDACTED]**). The **[REDACTED]** commission was determined between the Company and the **[REDACTED]** after arm's length negotiations with reference to current market conditions.

The aggregate commissions and fees, together with Hong Kong Stock Exchange **[REDACTED]** fees, SFC transaction levy and Hong Kong Stock Exchange **[REDACTED]** fee, legal and other professional fees and printing and all other expenses relating to the **[REDACTED]**, which are estimated to amount in aggregate to approximately HK$**[REDACTED]** (assuming (i) an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]** range stated in this **[REDACTED]**), (ii) the full payment of the discretionary incentive fee, and (iii) the **[REDACTED]** is not exercised at all), are payable and borne by the Company.

[REDACTED]

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I—1 to I—98, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this **[REDACTED]**.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TIANQI LITHIUM CORPORATION, MORGAN STANLEY ASIA LIMITED AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of Tianqi Lithium Corporation (天齊鋰業股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I—4 to I—98, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2015, 2016, 2017 and March 31, 2018, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I—4 to I—98 forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company dated [●] (the "**[REDACTED]**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical

Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2015, 2016, 2017 and March 31, 2018 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2017 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provision) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I—4 have been made.

Dividends

We refer to note 29(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[●]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss

	Note	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	1,864,252	3,902,333	5,468,762	1,064,888	1,668,899
Cost of sales		(988,822)	(1,118,838)	(1,628,533)	(332,333)	(435,961)
Gross profit		875,430	2,783,495	3,840,229	732,555	1,232,938
Other income	5(a)	39,890	103,255	1,239,166	259,431	41,959
Selling and distribution expenses		(30,450)	(35,889)	(38,272)	(6,880)	(8,271)
Administrative expenses		(178,766)	(241,613)	(314,755)	(51,714)	(68,788)
Other expenses	5(b)	(74,581)	(430,723)	(119,798)	(12,326)	(513,018)
Profit from operations		631,523	2,178,525	4,606,570	921,066	684,820
Finance costs	6(a)	(119,544)	(86,857)	(127,046)	(28,191)	(50,551)
Share of profits less losses of associates		3,151	8,054	20,449	(2,612)	(5,223)
Profit before taxation	6	515,130	2,099,722	4,499,973	890,263	629,046
Income tax	7(a)	(87,225)	(356,817)	(1,100,898)	(228,475)	(161,748)
Profit for the year/period		427,905	1,742,905	3,399,075	661,788	467,298
Attributable to:						
Equity shareholders of the Company		249,940	1,468,396	2,932,477	566,022	332,943
Non-controlling interests		177,965	274,509	466,598	95,766	134,355
Profit for the year/period		427,905	1,742,905	3,399,075	661,788	467,298
Earnings per share (RMB)						
Basic (RMB)	10(a)	0.23	1.34	2.65	0.52	0.29
Diluted (RMB)	10(b)	0.23	1.33	2.64	0.51	0.29

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year/period		427,905	1,742,905	3,399,075	661,788	467,298
Other comprehensive income for the year/period, net of tax:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of subsidiaries outside of the PRC		(289,872)	147,339	23,485	152,689	(262,521)
Total comprehensive income for the year/period		138,033	1,890,244	3,422,560	814,477	204,777
Attributable to:						
Equity shareholders of the Company		102,093	1,539,074	2,933,460	651,579	154,165
Non-controlling interests		35,940	351,170	489,100	162,898	50,612
Total comprehensive income for the year/period		138,033	1,890,244	3,422,560	814,477	204,777

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

		As at December 31,			As at March 31,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	4,249,665	4,539,728	6,221,091	6,842,856
Lease prepayments	12	49,508	48,323	155,914	155,589
Investment properties		7,192	—	—	—
Intangible assets	13	104,898	103,926	180,780	175,529
Goodwill	14	416,101	416,101	416,101	416,101
Interest in associates	16	398,234	404,721	507,559	502,336
Interest in a joint venture	17	129,430	151,309	152,888	150,629
Financial assets at fair value through profit or loss	18	—	1,096,431	2,140,151	1,705,014
Deferred tax assets	26(b)	219,005	277,603	200,231	167,421
Restricted and pledged deposits	21(a)	227,276	242,795	—	10,334
Other non-current assets		4,352	10,860	—	—
		5,805,661	7,291,797	9,974,715	10,125,809
Current assets					
Inventories	19	400,100	470,806	477,082	463,125
Trade and other receivables	20	716,852	1,544,139	1,769,901	1,878,203
Financial assets at fair value through profit or loss	18	5,000	393,000	94,000	812,000
Prepaid tax	26(a)	11,045	—	—	3,756
Derivative financial instruments	22	1,735	3,917	35	7
Restricted and pledged deposits	21(a)	30,678	33,908	248,156	240,940
Cash and cash equivalents	21(a)	545,258	1,468,368	5,275,968	4,635,993
		1,710,668	3,914,138	7,865,142	8,034,024
Current liabilities					
Derivative financial instruments	22	—	—	2,658	43,422
Trade and other payables	23	534,521	764,178	1,127,430	1,093,933
Bank loans and other borrowings	24	994,104	2,002,054	1,068,287	867,836
Deferred income	25	3,707	3,833	—	—
Current taxation	26(a)	112,414	198,712	331,363	425,531
		1,644,746	2,968,777	2,529,738	2,430,722
Net current assets		65,922	945,361	5,335,404	5,603,302
Total assets less current liabilities		5,871,583	8,237,158	15,310,119	15,729,111
Non-current liabilities					
Bank loans and other borrowings	24	1,456,680	1,934,168	3,960,102	4,386,715
Interest payable		4,349	10,822	—	—
Deferred income	25	40,918	40,265	40,395	53,691
Deferred tax liabilities	26(b)	191,879	278,458	544,912	377,664
Provisions	27	102,972	175,771	126,693	121,089
Other non-current liabilities	28	2,673	3,149	3,044	101,147
		1,799,471	2,442,633	4,675,146	5,040,306
NET ASSETS		4,072,112	5,794,525	10,634,973	10,688,805

Consolidated statements of financial position (continued)

		As at December 31,			As at March 31,
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES					
Share capital	29(c)	261,469	994,422	1,142,052	1,142,052
Reserves	29(d)	2,810,956	3,596,893	7,927,617	8,092,382
Total equity attributable to equity shareholders of the Company		3,072,425	4,591,315	9,069,669	9,234,434
Non-controlling interests		999,687	1,203,210	1,565,304	1,454,371
TOTAL EQUITY		4,072,112	5,794,525	10,634,973	10,688,805

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

	Note	As at December 31, 2015	As at December 31, 2016	As at December 31, 2017	As at March 31, 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment		403,781	166	3,624	3,492
Lease prepayments		32,971	—	—	—
Intangible assets		7,808	—	13,030	12,345
Interest in subsidiaries	15	3,102,080	4,085,058	4,127,164	5,407,615
Interest in associates	16	398,234	404,721	424,917	421,487
Deferred tax assets		17,704	1,780	31,739	35,240
		3,962,578	4,491,725	4,600,474	5,880,179
Current assets					
Inventories		304,222	—	—	—
Trade and other receivables		29,793	6,374	14,667	16,510
Amounts due from subsidiaries		378,185	1,248,513	695,987	888,539
Financial assets at fair value through profit or loss		—	—	18,000	—
Prepaid tax		11,041	—	—	3,756
Derivative financial instruments		314	—	—	—
Restricted and pledged deposits	21(a)	2,382	—	—	—
Cash and cash equivalents	21(a)	6,404	14,807	1,678,888	526,493
		732,341	1,269,694	2,407,542	1,435,298
Current liabilities					
Trade and other payables	23	142,543	101,542	83,600	90,437
Amounts due to subsidiaries		333,320	325,818	91,418	103,401
Bank loans and other borrowings	24	133,580	498,400	—	—
Deferred income		3,707	—	—	—
Current taxation		—	2,987	—	—
		613,150	928,747	175,018	193,838
Net current assets		119,191	340,947	2,232,524	1,241,460
Total assets less current liabilities		4,081,769	4,832,672	6,832,998	7,121,639
Non-current liabilities					
Bank loans and other borrowings	24	—	598,313	600,000	896,565
Deferred income		26,818	1,000	1,000	1,000
Deferred tax liabilities		47	—	—	—
		26,865	599,313	601,000	897,565
NET ASSETS		4,054,904	4,233,359	6,231,998	6,224,074
CAPITAL AND RESERVES	29				
Share capital		261,469	994,422	1,142,052	1,142,052
Reserves		3,793,435	3,238,937	5,089,946	5,082,022
TOTAL EQUITY		4,054,904	4,233,359	6,231,998	6,224,074

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	Exchange reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2015		258,760	3,634,201	—	2,279	30,787	(410,436)	(600,895)	42,471	2,957,167	1,787,309	4,744,476
Changes in equity for 2015:												
Profit for the year		—	—	—	—	—	—	—	249,940	249,940	177,965	427,905
Other comprehensive income		—	—	—	—	—	—	(147,847)	—	(147,847)	(142,025)	(289,872)
Total comprehensive income		—	—	—	—	—	—	(147,847)	249,940	102,093	35,940	138,033
Issue of restricted A shares	29(c)	2,709	81,487	(84,196)	—	—	—	—	—	—	—	—
Equity-settled share-based payments	30	—	—	—	—	—	13,131	—	—	13,131	—	13,131
Reduction of investment from non-controlling interests of a subsidiary	1(xiv)	—	—	—	—	—	—	—	—	—	(602,449)	(602,449)
Provision of safety production fund	29(d)	—	—	—	1,500	—	—	—	(1,500)	—	—	—
Appropriation to statutory reserves	29(d)	—	—	—	—	8,747	—	—	(8,747)	—	—	—
Cash dividends to non-controlling interests		—	—	—	—	—	—	—	—	—	(221,113)	(221,113)
Others		—	34	—	—	—	—	—	—	34	—	34
Balance at December 31, 2015 and January 1, 2016		261,469	3,715,722	(84,196)	3,779	39,534	(397,305)	(748,742)	282,164	3,072,425	999,687	4,072,112
Changes in equity for 2016:												
Profit for the year		—	—	—	—	—	—	—	1,468,396	1,468,396	274,509	1,742,905
Other comprehensive income		—	—	—	—	—	—	70,678	—	70,678	76,661	147,339
Total comprehensive income		—	—	—	—	—	—	70,678	1,468,396	1,539,074	351,170	1,890,244
Conversion of share premium into share capital	29(c)	732,113	(732,113)	—	—	—	—	—	—	—	—	—

Consolidated statements of changes in equity (continued)

		Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	Exchange reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Issue of restricted A shares	29(c)	840	17,486	(18,326)	—	—	—	—	—	—	—	—
Equity-settled share-based payments	30	—	—	—	—	—	37,208	—	—	37,208	—	37,208
Vesting of restricted A shares	30	—	37,949	21,049	—	—	(37,949)	—	—	21,049	—	21,049
Provision of safety production fund	29(d)	—	—	—	2,268	—	—	—	(2,268)	—	—	—
Appropriation to statutory reserves	29(d)	—	—	—	—	20,242	—	—	(20,242)	—	—	—
Cash dividends	29(b)	—	—	—	—	—	—	—	(78,441)	(78,441)	(147,647)	(226,088)
Balance at December 31, 2016 and January 1, 2017		994,422	3,039,044	(81,473)	6,047	59,776	(398,046)	(678,064)	1,649,609	4,591,315	1,203,210	5,794,525
Changes in equity for 2017:												
Profit for the year		—	—	—	—	—	—	—	2,932,477	2,932,477	466,598	3,399,075
Other comprehensive income		—	—	—	—	—	—	983	—	983	22,502	23,485
Total comprehensive income		—	—	—	—	—	—	983	2,932,477	2,933,460	489,100	3,422,560
Issue of A shares	29(c)	147,696	1,457,131	—	—	—	—	—	—	1,604,827	—	1,604,827
Equity-settled share-based payments	30	—	—	—	—	—	25,267	—	—	25,267	—	25,267
Tax effect of the permanent difference arising from equity-settled share-based payments		—	—	—	—	—	66,817	—	—	66,817	—	66,817
Vesting of restricted A shares	30	—	28,386	26,979	—	—	(28,386)	—	—	26,979	—	26,979
Cancelation of restricted A shares	29(c)	(66)	(470)	536	—	—	—	—	—	—	—	—

Consolidated statements of changes in equity (continued)

		Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	Exchange reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment from non-controlling interests of a subsidiary	1(xv)	—	—	—	—	—	—	—	—	—	2,621	2,621
Provision of safety production fund	29(d)	—	—	—	4,647	—	—	—	(4,647)	—	—	—
Appropriation to statutory reserves		—	—	—	—	45,374	—	—	(45,374)	—	—	—
Cash dividends	29(b)	—	—	—	—	—	—	—	(178,996)	(178,996)	(129,627)	(308,623)
Balance at December 31, 2017 and January 1, 2018		1,142,052	4,524,091	(53,958)	10,694	105,150	(334,348)	(677,081)	4,353,069	9,069,669	1,565,304	10,634,973
Changes in equity for three months ended March 31, 2018:												
Profit for the period		—	—	—	—	—	—	—	332,943	332,943	134,355	467,298
Other comprehensive income		—	—	—	—	—	—	(178,778)	—	(178,778)	(83,743)	(262,521)
Total comprehensive income		—	—	—	—	—	—	(178,778)	332,943	154,165	50,612	204,777
Equity-settled share-based payments	30	—	—	—	—	—	3,115	—	—	3,115	—	3,115
Tax effect of the permanent difference arising from equity-settled share-based payments		—	—	—	—	—	7,485	—	—	7,485	—	7,485
Provision of safety production fund	29(d)	—	—	—	2,674	—	—	—	(2,674)	—	—	—
Cash dividends to non-controlling interests		—	—	—	—	—	—	—	—	—	(161,545)	(161,545)
At March 31, 2018		1,142,052	4,524,091	(53,958)	13,368	105,150	(323,748)	(855,859)	4,683,338	9,234,434	1,454,371	10,688,805

Consolidated statements of changes in equity (continued)

		Attributable to equity shareholders of the Company										
	Note	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	Exchange reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)												
Balance at January 1, 2017		994,422	3,039,044	(81,473)	6,047	59,776	(398,046)	(678,064)	1,649,609	4,591,315	1,203,210	5,794,525
Changes in equity for three months ended March 31, 2017:												
Profit for the period		—	—	—	—	—	—	—	566,022	566,022	95,766	661,788
Other comprehensive income		—	—	—	—	—	—	85,557	—	85,557	67,132	152,689
Total comprehensive income		—	—	—	—	—	—	85,557	566,022	651,579	162,898	814,477
Equity-settled share-based payments	30	—	—	—	—	—	6,334	—	—	6,334	—	6,334
Provision of safety production fund	29(d)	—	—	—	1,065	—	—	—	(1,065)	—	—	—
At March 31, 2017		994,422	3,039,044	(81,473)	7,112	59,776	(391,712)	(592,507)	2,214,566	5,249,228	1,366,108	6,615,336

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Cash generated from operations	21(b)	679,538	2,024,962	3,646,128	755,848	1,093,968
Corporate Income Tax paid	26(a)					
—The PRC		(8,699)	(105,539)	(246,674)	(56,875)	(101,022)
—Overseas		(11,285)	(143,057)	(304,834)	(39,441)	(68,413)
Net cash generated from operating activities		659,554	1,776,366	3,094,620	659,532	924,533
Investing activities						
Payment for the purchase of property, plant and equipment, intangible assets and other non-current assets		(107,080)	(262,190)	(1,559,527)	(178,080)	(867,180)
Proceeds from sale of property, plant and equipment, intangible assets and other non-current assets		1,956	905	1,015	447	518
Proceeds from sale of financial assets at fair value through profit or loss		2,074,857	2,809,588	2,919,000	1,096,000	594,000
Payment for purchase of financial assets at fair value through profit or loss		(2,029,819)	(4,667,024)	(2,702,641)	(1,038,000)	(1,312,000)
Payment for investment in associates		(144,438)	—	—	—	—
Interest and other investment income received		5,682	16,091	64,651	5,875	12,662
Net proceeds from disposal of a subsidiary	1	—	82,213	—	—	—
Net payment of acquisition of a subsidiary	31	(354,966)	—	—	—	—
Payment of stamp duty related to acquisition		(440)	—	(110,886)	(77,515)	—
Others		(16,523)	(33,991)	(80,419)	(39,128)	7,163
Net cash used in investing activities		(570,771)	(2,054,408)	(1,468,807)	(230,401)	(1,564,837)
Financing activities						
Proceeds from issue of restricted A shares	30	84,196	18,326	—	—	—
Proceeds from issue of A shares	29(c)	—	—	1,604,469	—	—
Proceeds from bank loans and other borrowings	24	3,357,777	3,450,483	4,138,079	157,844	675,319
Repayments of bank loans and other borrowings	24	(2,197,438)	(2,068,563)	(3,018,250)	(408,127)	(316,335)
Dividend paid to equity holders of the Company	29(b)	—	(77,831)	(178,166)	—	—
Dividend paid to non-controlling interests		(221,113)	(147,647)	(129,627)	—	(161,545)
Interest paid		(108,211)	(64,806)	(156,032)	(14,657)	(19,501)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of cash flows (continued)

	Note	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Repayments of reduction of investment to non-controlling interests of a subsidiary		(580,117)	—	—	—	—
Restricted and pledged deposits for bank loans		(227,276)	—	—	—	—
Others		(30,709)	3,802	3,477	(9,793)	2,316
Net cash generated from/(used in) financing activities		77,109	1,113,764	2,263,950	(274,733)	180,254
Net increase/(decrease) in cash and cash equivalents		165,892	835,722	3,889,763	154,398	(460,050)
Cash and cash equivalents at January 1,		434,606	545,258	1,468,368	1,468,368	5,275,968
Effect of foreign exchange rate changes		(55,240)	87,388	(82,163)	15,556	(179,925)
Cash and cash equivalents at December 31,/March 31,		545,258	1,468,368	5,275,968	1,638,322	4,635,993

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION
(Expressed in thousands of Renminbi, unless otherwise stated)

1 Basis of preparation and presentation of Historical Financial Information

Tianqi Lithium Corporation (天齊鋰業股份有限公司) (the "Company") was incorporated in the People's Republic of China (the "PRC") on October 16, 1995 as a limited liability company under the Companies Law of the PRC. On August 31, 2010, the Company's A Shares were officially listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange ("the A Share Listing").

The Company and its subsidiaries (together, "the Group") are principally engaged in lithium resource development and exploitation, downstream production and trade for a diverse range of lithium products, including mineral concentrates.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company Name	Date and place of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor		
			Held by the Company	Held by a subsidiary		2015	2016	2017
Sichuan Tianqi Shenghe Lithium Co., Ltd. ("Shenghe Lithium") (四川天齊盛合鋰業有限公司) (i)(ii)(iii)	November 4, 2008 The PRC	RMB260,000,000	100%	—	Mining	(a)	(a)	(a)
Chengdu Tianqi Lithium Co., Limited ("Chengdu Tianqi") (成都天齊鋰業有限公司) (i)(ii)(iii)(ix)	August 22, 2014 The PRC	RMB2,346,472,530	100%	—	Import and export trading	(a)	(a)	(a)
Tianqi UK Limited ("Tianqi UK") (ii)(vi)(x)(xviii)	March 26, 2014 The United Kingdom	Great Britain Pound ("GBP")185,124,078	100%	—	Investment holding and trade	(d)	(d)	N/A
Tianqi HK Co., Limited ("Tianqi HK") (ii)(v)(x)(xviii)	January 24, 2013 Hong Kong	HKD501,858 and RMB109,689,565	100%	—	Investment holding and trade	(e)	N/A	N/A
Tianqi Lithium (Shehong) Co., Limited ("Shehong Tianqi") (天齊鋰業（射洪）有限公司) (i)(ii)(iii)(xi)(xix)	March 23, 2016 The PRC	RMB600,000,000	100%	—	Manufacture of lithium compounds and derivatives	N/A	(a)	(a)
Shehong Huahui Lithium Technology Materials Co.,Ltd. ("Shehong Huahui") (射洪華匯鋰業科技材料有限公司) (i)(ii)(iii)(xi)	December 22, 2006 The PRC	RMB80,000,000	N/A	—	Manufacture of lithium compounds and derivatives	(a)	(a)	N/A
Suining Tianqi Lithium Co., Ltd. ("Tianqi Suining") (遂寧天齊鋰業有限公司) (i)(xxii)	January 3, 2018 The PRC	RMB15,000,000	—	100%	Manufacture of lithium compounds and derivatives	N/A	N/A	N/A
Sichuan Tianqi Mining Co., Limited ("Tianqi Mining") (四川天齊礦業有限責任公司) (i)(ii)(iii)(xii)	November 30, 2005 The PRC	RMB60,000,000	N/A	—	Import and export trading	(a)	N/A	N/A
Tianqi Xinlong Science & Technology (Chengdu) Co.,Limited ("Tianqi Xinlong") (天齊鑫隆科技（成都）有限公司) (i)(ii)(iii)(xiii)	May 3, 2017 The PRC	RMB200,000,000	100%	—	Research and Development Import and export trade	N/A	N/A	(a)
Windfield Holdings Pty Ltd ("Windfield")(ii)(iv) (vii) (xiv)	September 21, 2012 Australia	AUD433,167,477	—	51%	Investment holding	(f)	(f)	(f)
Windfield Finco Pty Ltd (vii)	February 18, 2013 Australia	AUD1	—	51%	Investment holding	N/A	N/A	N/A
Talison Lithium Pty Ltd (vii)	October 22, 2009 Australia	AUD800,224,448	—	51%	Mining, production and sale of lithium concentrates	N/A	N/A	N/A
Talison Minerals Pty Ltd (vii)	May 24, 2007 Australia	AUD36,942,233	—	51%	Mining and sale of lithium concentrates	N/A	N/A	N/A

Company Name	Date and place of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor		
			Held by the Company	Held by a subsidiary		2015	2016	2017
Talison Lithium (Canada) Inc (viii)	June 28, 2012 Canada	CAD52,566,705	—	51%	Exploration of mineral properties	N/A	N/A	N/A
Talison Service Pty Ltd (vii)	May 25, 2007 Australia	AUD1	—	51%	Mining and sale of lithium concentrates	N/A	N/A	N/A
Talison Lithium Australia Pty Ltd (vii)	September 11, 2009 Australia	AUD1	—	51%	Mining and sale of lithium concentrates	N/A	N/A	N/A
Inversiones SLI Chile Limitada (viii)	October 24, 2009 Chile	CLP694,395,903	—	51%	Exploration of mineral properties	N/A	N/A	N/A
Talison Lithium (MCP) Pty Ltd (vii)	June 28, 2011 Australia	AUD1	—	51%	Mining and sale of lithium concentrates	N/A	N/A	N/A
Tianqi Lithium Holdings Pty Ltd ("TLH") (ii)(iv) (vii)(xx)	November 9, 2017 Australia	AUD478,598,803	—	100%	Investment holding and trade	N/A	N/A	(f)
Tianqi Lithium Australia Pty Ltd ("TLA") (vii)(xx)	November 9, 2017 Australia	AUD216,770,485	—	100%	Investment holding and trade	N/A	N/A	N/A
Tianqi Lithium Kwinana Pty Ltd (original name "Tianqi Lithium Australia Pty Ltd") ("TLK") (ii)(vii) (xxi)	April 27, 2016 Australia	AUD221,270,532	—	100%	Manufacture of lithium compounds and derivatives	N/A	(g)	N/A
Tianqi Lithium (Jiangsu) Co., Limited ("Tianqi Lithium (Jiangsu)") (天齊鋰業（江蘇）有限公司) (i)(ii)(iii)(note 31)	February 10, 2010 The PRC	RMB800,000,000	—	100%	Manufacture of lithium compounds and derivatives	(a)	(a)	(a)
Chongqing Tianqi Lithium Co., Limited ("Chongqing Tianqi") (重慶天齊鋰業有限責任公司) (i)(ii)(iii)(xv)	February 13, 2017 The PRC	RMB156,894,067	—	86.38%	Manufacture of lithium compounds and derivatives	N/A	N/A	(a)
Tianqi Lithium Resource Recycling Technologies Research & Development (Jiangsu) Co., Limited (天齊鋰業資源循環技術研發（江蘇）有限公司) (i)(ii)(iii) (xvi)	September 28, 2017 The PRC	RMB3,000,000	—	100%	Research and Development	N/A	N/A	(a)
Sichuan Tianqi Industries Co., Ltd. ("Tianqi Industries") (四川天齊實業有限責任公司) (i)(xvii)	August 27, 1997 The PRC	RMB20,000,000	—	N/A	Trading	N/A	N/A	N/A
Tianqi Finco Co., Limited ("Tianqi Finco") (viii)	June 6, 2017 The British Virgin Islands("BVI")	USD1	—	100%	Investment Holding	N/A	N/A	N/A
Tianqi Lithium HK Co.,Limited (ii)(v)	March 11, 2015 Hong Kong	HKD10,000 and USD71,300,000	—	100%	Investment holding and trade	(b)	(c)	(c)

Company Name	Date and place of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests: Held by the Company	Proportion of ownership interests: Held by a subsidiary	Principal activities	Name of statutory auditor: 2015	2016	2017
Tianqi Lithium International Limited ("Tianqi Lithium International") (ii)(v)(xviii)(note 31)	July 23, 2009 Hong Kong	HKD447,345,205	—	100%	Investment holding and trade	(e)	N/A	N/A
Tianqi Lithium Spain, S.L.U ("Tianqi Spain") (viii)	May 13, 2016 Spain	EUR3,010	—	100%	Investment Holding	N/A	N/A	N/A
Tianqi Lithium Australia Investments 2 Pty Ltd ("TLAI 2") (xxii)	May 4, 2018 Australia	AUD1	—	100%	Investment Holding	N/A	N/A	N/A
Tianqi Lithium Australia Investments 1 Pty Ltd ("TLAI 1") (xxii)	May 4, 2018 Australia	AUD1	—	100%	Investment Holding	N/A	N/A	N/A
Inversiones TLC SpA (xxii)	April 30, 2018 Chile	[CLP1,000,000]	—	100%	Investment Holding	N/A	N/A	N/A
Inversiones TLC SPA (xxii)	[July 10, 2018] Chile	[CLP325,870,000]	—	100%	Investment Holding	N/A	N/A	N/A

Notes:

(i) The English translation of the company names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.

(ii) Name of the statutory auditors are: (a) Shine Wing CPA LLP 信永中和會計師事務 所（特殊普通合夥）; (b) Lee Chi Fai & Co.李智輝會計師事務所; (c) Justin Lo & Co. 盧繼昌會計師事務所; (d) UHY Hacker Young Chartered Accountants; (e) Shine Wing (HK) CPA Limited 信永中和(香港)會計師事務所有限公司; (f) KPMG and (g) Shine Wing Australia.

(iii) The statutory financial statements of these companies for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

(iv) The statutory financial statements of these companies for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

(v) The statutory financial statements of these companies for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

(vi) The statutory financial statements of Tianqi UK for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

(vii) According to the Corporations Act (2001), the entities controlled by Windfield and TLH that are incorporated in Australia are not required to have audited financial statements because they are either exempt, or have been granted relief by the Australian Securities and Investment Commission (ASIC).

(viii) No statutory financial statements have been prepared for these companies as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(ix) On December 23, 2015, the paid-up capital of Chengdu Tianqi increased from RMB100,000 thousand to RMB 610,000 thousand. On July 4, 2016 and March 2, 2018, the paid-up capital of Chengdu Tianqi further increased to RMB1,000,000 thousand and RMB2,075,861 thousand respectively.

(x) On May 19, 2017, Tianqi UK was transferred to the Company by Tianqi HK, and the paid-up capital of Tianqi HK decreased by RMB1,988,739 thousand.

(xi) On April 23, 2016, the Company made capital injection to Shehong Tianqi, of which RMB 86,000 thousand was credited to share premium. The paid-up capital of Shehong Tianqi increased to RMB600,000 thousand accordingly. On August 16, 2017, Shehong Huahui was absorbed by Shehong Tianqi and no statutory financial statements have been prepared for Shehong Huahui for the year ended December 31, 2017.

(xii) On June 28, 2016, the Company disposed 100% equity in Tianqi Mining to Chengdu Tianqi Industrial (Group) Co., Limited (成都天齊實業（集團）有限公司) ("Tianqi Group Company").

(xiii) No statutory financial statements have been prepared for Tianqi Xinlong. for the years ended December 31, 2015 and 2016 as it was incorporated on May 3, 2017.

(xiv) On August 5, 2015, the paid-up capital of Windfield decreased from AUD704,944 thousand to AUD433,167 thousand.

(xv) No statutory financial statements have been prepared for Chongqing Tianqi for the years ended December 31, 2015 and 2016 as Chongqing Tianqi was incorporated by the Company on February 13, 2017. The original paid-up capital of Chongqing Tianqi was RMB 100, 000 thousand. Pursuant to the board resolution dated August 25, 2017, the registered capital of Chongqing Tianqi increased by RMB 78,598 thousand. Up to March 31, 2018, the Company injected cash of RMB 54,273 thousand and Chongqing Kunyu Lithium Co., Ltd. ("Chongqing Kunyu") injected assets with net carrying amounts of RMB2,621 into Chongqing Tianqi.

(xvi) No statutory financial statements have been prepared for Tianqi Lithium Resources Recycling Technologies R&D (Jiangsu) Co.,Ltd. for the years ended December 31, 2015 and 2016 as it was incorporated on September 28, 2017.

(xvii) No statutory financial statements have been prepared for Tianqi Industries during the Relevant Periods as it was dissolved on October 21, 2015.

(xviii) No statutory financial statements have been prepared for Tianqi HK and Tianqi Lithium International for the years ended December 31, 2016 and 2017. No statutory financial statements have been prepared for Tianqi UK for the year ended December 31, 2017.

(xix) No statutory financial statements have been prepared for Shehong Tianqi for the year ended December 31,2015, as it was incorporated on March 23, 2016.

(xx) No statutory financial statements have been prepared for TLH and TLA for the years ended December 31, 2015 and 2016 as they were incorporated on November 9, 2017.

(xxi) No statutory financial statements have been prepared for TLK for the year ended December 31, 2015 as it was incorporated on April 27, 2016.

(xxii) No statutory financial statements have been prepared for Tianqi Suining, TLAI 2, TLAI 1, Inversiones TLC SpA and Inversiones TLC SPA during the Relevant Periods as they were incorporated on January 3, 2018, May 4, 2018, May 4, 2018, April 30, 2018 and July 10, 2018 respectively.

All companies comprising the Group have adopted December 31, as their financial year end date.

Disposal of a subsidiary

On June 28, 2016, the Company disposed its entire equity interest of Tianqi Mining to Tianqi Group Company the immediate holding company of the Group, at a cash consideration of RMB85,056 thousand with reference to an independent valuation report. The carrying amounts of the net assets of Tianqi Mining as at June 28, 2016 were as follows:

	Net book value as at June 28, 2016
	RMB'000
Cash and cash equivalents	2,843
Financial assets at fair value through profit or loss	52,000
Trade and other receivables	194
Investment properties	6,955
Property, plant and equipment	17,693
Trade and other payables	(75)
	79,610

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods except for any new standards or interpretations that are not yet effective for the accounting period ended March 31, 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2018 are set out in Note 37.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement and functional and presentation currency

The Historical Financial Information is prepared on historical cost basis except for financial assets at fair value through profit or loss and derivative financial instruments which are measured at fair value (see notes 2(f) and 2(g)).

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated. Each entity in the Group determines its own functional currency to be the currency of the primary economic environment in which it operates. The functional currency of the Company and the Company's subsidiaries, except for Windfield and its subsidiaries ("Windfield Group"), TLH and its subsidiaries ("TLH Group"), TLAI 2 and its subsidiaries ("TLAI Group"), Tianqi Spain, Tianqi UK, Tianqi Finco and Tianqi Lithium International, is RMB. The functional currency of the Australian operations, Chilean operations and Canadian operation of Windfield Group are Australian Dollars ("AUD"), Chilean Pesos ("CLP") and Canadian Dollars ("CAD"), respectively. The functional currency of TLH Group is AUD. The functional currency of Tianqi UK and Tianqi Finco is US Dollars ("USD"). The functional currency of Tianqi Lithium International is Hong Kong Dollars ("HKD").

(b) Use of estimates and judgments

The preparation of the Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Basis of consolidation

(i) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(ii) Business combination involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Acquisition-related costs are expensed when incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

(iii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with notes 2(s) or (t) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2 (e) and (o)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amounts of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statement of financial position, investments in associates and joint venture are accounted for under equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(o)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognized / derecognized on the date the group commits to purchase / sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(f). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the group are classified into one of the following measurement categories:

- Amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(y)).
- fair value through other comprehensive income ("FVOCI")—recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- Fair value through profit or loss ("FVPL") if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 2 (y).

(g) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment property

Investment properties are land and / or buildings which are owned or held under a leasehold interest (see note 2(n)) to earn rental income and / or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are accounted for using the cost model and stated in the Historical Financial Information at cost less accumulated depreciation and impairment losses (see note 2(o)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortized using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

(i) Property, plant and equipment

Freehold land of Windfield Group located in Australia is shown at historical cost, and is not depreciated. Other property, plant and equipment, which consists of plants and buildings, machinery and equipment, motor vehicles, mine properties and development (including capitalized stripping costs) and office equipment and others, are initially stated at cost less accumulated depreciation and impairment losses (see note 2(o)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction (see note 2(aa)) and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognized for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognizes in the carrying amounts of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognized as an expense in profit or loss in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amounts of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, over the estimated useful lives using the straight line method, reducing balance method or units of production method of the economically recoverable reserves after taking into account the estimated residual values if necessary as indicated below:

— Plants and buildings	Straight line over 11 – 22 years
— Mine properties and development	Units of production
— Machinery and equipment	
● Machinery and equipment exposure to acid and alkali	Reducing balance over 10 years
● Mine specific machinery and equipment	Higher of units of production method or straight line over 20 years
● Other machinery and equipment	Straight line over 10 years
— Motor vehicles	Straight line over 5 years
— Office equipment and others	Straight line over 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment loss. Cost comprises direct costs of construction during the period of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are substantially complete.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(j) Mine properties and development

The following assets are classified directly as mine properties and development assets from the commencement of development:

- Mineral reserves and resources acquired as part of a business combination and recognized at fair value at the date of acquisition; and
- Mine rehabilitation, restoration and dismantling assets.

All subsequent expenditure to develop the mine to the production phase is capitalized and classified as construction in progress. On completion of development, construction in progress balances are reclassified to machinery and equipment or mine properties and development categories of property, plant and equipment as appropriate.

(k) Capitalized stripping costs

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

There are two types of stripping activity:

- Development stripping is the initial overburden removal during the development phase to obtain access to a mineral deposit that will be commercially produced; and
- Production stripping is the inter-burden removal during the normal course of production activity.

Development stripping costs are capitalized as a stripping activity asset (in construction in progress) and forming part of the cost of constructing the mine, when:

- It is probable that future economic benefits associated with the asset will flow to the Group; and
- The costs can be measured reliably.

Capitalization of development stripping costs ceases and these costs are transferred to mine properties and development (in property, plant and equipment) when the ore body or the component of an ore body is ready for its intended use. Production stripping can give rise to two benefits being the extraction of ore in the current period and improved access to the ore body or the component of an ore body in future periods. To the extent that the benefit is the extraction of ore, the stripping costs are recognized as cost of inventories. To the extent the benefit is improved access to the ore body or the component of an ore body in future periods, the stripping costs are capitalized as mine properties and development, if the following criteria are met:

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

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

(l) Rehabilitation and mine closure costs

The Group has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment.

The cost of an asset must include any estimated costs of dismantling and removing the asset and restoring the site on which it is located. The capitalized rehabilitation and mine closure costs are depreciated (along with the other costs included in the asset) over the asset's useful life. The depreciation expense is included in the cost of sales of goods.

A provision is to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at reporting period end. Those costs that relate to rehabilitation and restoration obligations arising from the production process are recognized in production costs. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discount rate must not reflect risks for which future cash flow estimates have been adjusted.

As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in the provision due to the passage of time is recognized within borrowing costs. This borrowing cost is excluded from the cost of sales of goods.

(m) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(aa)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 2(o)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Mining rights are stated at cost less accumulated amortization and any impairment losses (see note 2(o)). Mining rights include the cost of acquiring mining licenses. The mining rights are amortized over the estimated useful lives of the mines, in accordance with the proven and probable reserves of the mines using the units of production method.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (see note 2(o)). Amortization of other intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

—	software	5 years
—	patents	10 years

Both the period and method of amortization are reviewed annually.

(n) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Lease prepayments

Lease prepayments represent the costs of acquiring land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortization and impairment losses. Amortization is recognized in profit or loss on a straight-line basis over the respective period of the rights.

(o) Credit losses and Impairment of assets

(i) Credit losses from financial assets measured at amortized cost

The Group recognizes allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and restricted and pledged deposits).

Financial assets measured at fair value, including equity securities measured at FVPL and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognized in accordance with note 2(y) is calculated based on the gross carrying amounts of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amounts less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amounts of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

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

- property, plant and equipment and investment properties;
- lease prepayments;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amounts of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amounts of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amounts that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(p) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amounts of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(q) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 2(o)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(o).

(s) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 2(aa)).

(u) Treasury shares

Own equity instruments which are required and held by the Company (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized on the purchase, sale, issue or cancelation of the Group's own equity instruments.

(v) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Long-term employee benefits

The liability for long-term incentive scheme is recognized in the provision for employee benefits of Windfield Group and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of each reporting period. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at each end of the reporting period on government bonds of Australia with terms to maturity that match, as closely as possible, the estimated future cash outflows. A liability is recognized for the amount expected to be paid under a long-term incentive scheme if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment arrangements

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the restricted A shares ("RASs") is recognized as an expense. The total amount to be expensed is determined by making reference to the fair value of RASs granted:

- including any market performance condition (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

Non-market performance and service conditions are included in assumptions about the number of options and RASs that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

At the end of each reporting period, the Group revises its estimates of the number of RASs that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The dilutive effect of outstanding locked RASs is reflected as additional share dilution in the computation of earnings per share.

(iv) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amounts of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
- the same taxable entity; or
- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(x) Provisions and contingent liabilities

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of lithium compounds and derivatives

Customers obtain control of lithium compounds and derivatives when the goods are delivered to and have been accepted at their premises for domestic sales or designated port of loading for export sales. Revenue is recognized at that point in time and invoices are issued accordingly. The Group usually requires advance payments or payments within 30 days after the goods are accepted. No discounts are provided for lithium compounds and derivatives.

For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for specific types of lithium compounds and derivatives. Returned goods are exchanged only for new goods—i.e. no cash refunds are offered. In such circumstances, a refund liability and a right to recover returned goods asset are recognized.

(ii) Sales of lithium concentrate

Customers obtain control of lithium concentrate when the goods are dispatched from the Group's warehouse for domestic sales or are delivered to and have been accepted at designated port of loading for export sales. Revenue is recognized at that point in time and invoices are issued accordingly. The Group usually requires advance payments. No discounts are provided for lithium concentrate.

For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data for lithium concentrate. Returned goods are exchanged only for new goods—i.e. no cash refunds are offered. In such circumstances, a refund liability and a right to recover returned goods asset are recognized.

(iii) Dividends

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method. For financial assets measured at amortized cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amounts of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amounts net of loss allowance) of the asset (see note 2(o)(i)).

(v) Government grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset by way of being recognized in other revenues.

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgments and estimates

Judgments and estimations used in preparation of the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note32 contain information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Reserves and resources

Reserves are estimates of the amount of mineral product that can be economically extracted from the Group's properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, future capital requirements, short and long term commodity prices and exchange rates.

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

The Group determines and reports ore reserves under the Australian Code for Reporting of Mineral Resource and Ore Reserves December 2012, known as the JORC Code. The JORC Code requires the use of reasonable investment assumptions to calculate reserves. Due to the fact that economic assumptions used to estimate reserves change from period to period, and geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including:

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

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

(b) Capitalized stripping costs

Production stripping costs can be incurred both in relation to the production of inventories in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventories, while the latter are capitalized as mine properties and development, where certain criteria are met (see note 2(k)). Significant judgement is required to distinguish between the production stripping that related to the extraction of inventories and what relates to the creation of mine properties and development.

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

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

(c) Rehabilitation and mine closure provisions

As set out in note 2(i), these provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate mine properties and development. The discounted value reflects a combination of the Group's assessment of the cost of performing the work required, the timing of the cash flows and the discount rate. A change in any, or a combination, of the three key assumptions used to determine the provisions could have a material impact to the carrying amounts of the provision.

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

(d) Useful life of property, plant and equipment

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

(e) Impairment of goodwill

The Group estimates the impairment allowances for goodwill by assessing the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires an estimate of the expected future cash flows from the cash-generating units and also selection of a suitable discount rate in order to calculate the present value of those cash flows. Any change in the assumptions would increase or decrease the amount of the carrying amounts of goodwill. The Group reassesses these estimates at the end of each reporting period.

(f) Recognition of deferred tax assets

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

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are lithium resource development and exploitation, downstream production and trade for a diverse range of lithium products, including mineral concentrates.

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Manufacturing and sales of lithium compounds and derivatives	991,337	2,824,751	3,696,259	682,759	1,074,396
Mining, production and sales of lithium concentrate	872,915	1,077,582	1,772,503	382,129	594,503
	1,864,252	3,902,333	5,468,762	1,064,888	1,668,899

The Group's customer base is diversified and transactions with one of its customers, who owned a material non-controlling interest of Windfield Group (note 15), has exceeded 10% of the Group's revenues for each of the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018. Revenues from sales of lithium concentrate to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB353,281 thousand, RMB653,929 thousand, RMB1,083,324 thousand, RMB238,284 thousand (unaudited) and RMB349,176 thousand for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018 respectively. Details of concentrations of credit risk arising from customers are set out in note 32(a).

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Lithium compounds and derivatives: this segment primarily derive its revenue from the manufacturing and sale of lithium compounds and derivatives, which mainly includes metal and compounds. These compounds and derivatives are manufactured in the manufacturing plants of the Group located in the PRC.

- Lithium concentrate: this segment primarily undertakes mining, production and sales of lithium concentrate. Currently the Group's exploration activities are carried out in Australia and the sales activities are mainly carried out both in Australia and the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in subsidiaries, associates and joint ventures. Segment liabilities include trade and other payables attributable to the exploration, manufacturing and sales activities of the individual segments with the exception of bank loans and other borrowings managed directly by the Group's senior executive management.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. However, other than reporting inter-segment sales of lithium concentrate, assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The measure used for reporting segment profit is adjusted profit before taxation. To arrive at adjusted profit before taxation the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as interest income, finance costs, directors' and auditors' remuneration and other head office or corporate adminiztration costs.

In addition to receiving segment information concerning adjusted profit before taxation, management is provided with segment information concerning revenue (including inter segment sales), interest income from cash balances and finance cost from bank loans and other borrowings, depreciation, amortization and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2017 and 2018 is set out below.

(ii) Reconciliations of reportable segment revenue and profit before taxation, assets and liabilities

	Year ended December 31, 2015		
	Lithium compounds and derivatives	Lithium concentrate	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers	991,337	872,915	1,864,252
Inter-segment revenue	—	315,102	315,102
Reportable segment revenue	991,337	1,188,017	2,179,354
Reportable segment profit (adjusted profit before taxation)	361,027	594,685	955,712
Interest income from bank deposits	13,165	11,388	24,553
Finance cost	91,186	22,118	113,304
Depreciation and amortization for the year	63,801	67,460	131,261
Impairment on non-current assets	—	57,248	57,248
Reportable segment assets	2,762,242	4,160,329	6,922,571
Capital expenditure*	17,442	52,935	70,377
Reportable segment liabilities	640,303	508,122	1,148,425

	Year ended December 31, 2016		
	Lithium compounds and derivatives	Lithium concentrate	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers	2,824,751	1,077,582	3,902,333
Inter-segment revenue	—	409,732	409,732
Reportable segment revenue	2,824,751	1,487,314	4,312,065
Reportable segment profit (adjusted profit before taxation)	1,772,600	694,851	2,467,451
Interest income from bank deposits	9,453	9,642	19,095
Finance cost	49,854	37,003	86,857
Depreciation and amortization for the year	132,109	68,046	200,155
Impairment on non-current assets	4,012	—	4,012
Reportable segment assets	4,150,692	4,746,040	8,896,732
Capital expenditure*	216,131	43,204	259,335
Reportable segment liabilities	842,805	819,288	1,662,093

	Year ended December 31, 2017		
	Lithium compounds and derivatives	Lithium concentrate	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers	3,696,259	1,772,503	5,468,762
Inter-segment revenue	—	809,667	809,667
Reportable segment revenue	3,696,259	2,582,170	6,278,429
Reportable segment profit (adjusted profit before taxation)	1,768,844	1,826,427	3,595,271
Interest income from bank deposits	12,486	16,715	29,201
Finance cost	52,784	37,797	90,581
Depreciation and amortization for the year	144,991	88,523	233,514
Impairment on non-current assets	—	5,448	5,448
Reportable segment assets	4,551,493	6,200,507	10,752,000
Capital expenditure*	1,268,453	606,412	1,874,865
Reportable segment liabilities	1,173,127	994,734	2,167,861

(unaudited)	Three months ended March 31, 2017		
	Lithium compounds and derivatives	Lithium concentrate	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers	682,759	382,129	1,064,888
Inter-segment revenue	—	251,074	251,074
Reportable segment revenue	682,759	633,203	1,315,962
Reportable segment profit (adjusted profit before taxation)	333,251	440,769	774,020
Interest income from bank deposits	2,811	2,938	5,749
Finance cost	9,931	9,150	19,081
Depreciation and amortization for the period	32,540	23,771	56,311
Impairment on non-current assets	—	—	—
Reportable segment assets	3,228,935	4,610,767	7,839,702
Capital expenditure*	208,040	29,785	237,825
Reportable segment liabilities	924,945	583,609	1,508,554

	Three months ended March 31, 2018		
	Lithium compounds and derivatives	Lithium concentrate	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers	1,074,396	594,503	1,668,899
Inter-segment revenue	—	257,711	257,711
Reportable segment revenue	1,074,396	852,214	1,926,610
Reportable segment profit (adjusted profit before taxation)	535,150	612,923	1,148,073
Interest income from bank deposits	1,926	6,483	8,409
Finance cost	12,805	10,026	22,831
Depreciation and amortization for the period	38,114	23,332	61,446
Impairment on non-current assets	—	—	—
Reportable segment assets	6,191,751	6,471,604	12,663,355
Capital expenditure*	559,531	387,151	946,682
Reportable segment liabilities	1,357,944	1,078,719	2,436,663

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Reportable segment revenue	2,179,354	4,312,065	6,278,429	1,315,962	1,926,610
Elimination of inter-segment revenue	(315,102)	(409,732)	(809,667)	(251,074)	(257,711)
Consolidated revenue (note 4(a))	1,864,252	3,902,333	5,468,762	1,064,888	1,668,899
Profit					
Reportable segment profit before taxation	955,712	2,467,451	3,595,271	774,020	1,148,073
Elimination of inter-segment profits	(66,117)	(14,123)	(41,979)	(60,476)	(25,388)
Interest income	24,571	19,111	32,185	5,768	22,588
Finance cost	(119,544)	(86,857)	(127,046)	(28,191)	(50,551)
Share of profits less losses of associates	3,151	8,054	20,449	(2,612)	(5,223)
Unallocated head office and corporate (expenses)/income	(282,643)	(293,914)	1,021,093	201,754	(460,453)
Consolidated profit before taxation	515,130	2,099,722	4,499,973	890,263	629,046
Assets					
Reportable segment assets	6,922,571	8,896,732	10,752,000	7,839,702	12,663,355
Elimination of inter-segment assets	(351,604)	(400,073)	(479,993)	(285,498)	(475,915)
Interest in associates	398,234	404,721	507,559	402,109	502,336
Interest in a joint venture	129,430	151,309	152,888	149,485	150,629
Unallocated head office and corporate assets	417,698	2,153,246	6,907,403	3,789,196	5,319,428
Consolidated total assets	7,516,329	11,205,935	17,839,857	11,894,994	18,159,833
Liabilities					
Reportable segment liabilities	1,148,425	1,662,093	2,167,861	1,508,554	2,436,663
Elimination of inter-segment liabilities	(183,126)	(226,705)	(270,335)	(68,405)	(247,581)
Current bank loans and other borrowings	994,104	2,002,054	1,068,287	1,896,866	867,836
Non-current bank loans and other borrowings—non-current	1,456,680	1,934,168	3,960,102	1,776,178	4,386,715
Unallocated head office and corporate liabilities	28,134	39,800	278,969	166,465	27,395
Consolidated total liabilities	3,444,217	5,411,410	7,204,884	5,279,658	7,471,028

* Capital expenditure consists of purchase of property, plant and equipment, lease prepayments, investment properties and intangible assets.

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of external customers is based on the location at which the goods delivered.

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The PRC	1,573,645	3,523,681	5,029,911	994,611	1,469,100
Overseas	290,607	378,652	438,851	70,277	199,799
	1,864,252	3,902,333	5,468,762	1,064,888	1,668,899

The following table sets out information about the geographical location of the Group's property, plant and equipment, investment properties, lease prepayments, intangible assets, goodwill and interests in associates and joint venture ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, lease prepayments and investment properties, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of interests in associates and joint venture.

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	2,160,049	2,064,345	2,363,719	2,396,179
Overseas				
—Australia	3,065,550	3,448,455	5,035,085	5,615,383
—Other countries and jurisdictions	129,429	151,308	235,529	231,478
	5,355,028	5,664,108	7,634,333	8,243,040

5 Other income and other expenses

(a) Other income

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income from bank deposits	24,571	19,111	32,185	5,768	22,588
Net unrealized fair value gains:					
—derivative financial instruments	1,735	2,182	—	—	—
—equity investments at FVTPL	577	—	1,043,720	211,755	—
Dividend income from equity investments at FVTPL	—	31,521	52,523	—	14,536
Investment income from wealth management products issued by banks	3,131	5,074	5,716	2,449	1,126
Net realized gain on settlement of derivative financial instruments	—	21,223	—	2,815	—
Gain on disposal of a subsidiary	—	5,446	—	—	—
Government grants	7,030	16,170	53,546	3,493	866
Net foreign exchange gains	—	—	49,450	32,307	—
Others	2,846	2,528	2,026	844	2,843
	39,890	103,255	1,239,166	259,431	41,959

(b) Other expenses

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Impairment losses					
—trade and other receivables (note 20(b))	(71)	(506)	1,340	398	3,061
—property, plant and equipment(note11)	57,248	4,012	5,448	—	—
Write down of inventories (note 19(b))	3,612	—	—	—	—
Net unrealized fair value loss:					
—derivative financial instruments	—	—	6,540	6,948	40,792
—equity investments at FVTPL	—	323,569	—	—	435,137
Net realized loss on settlement of derivative financial instruments	—	—	52,059	—	4,826
Net loss on disposal of property, plant and equipment	4,873	8,970	19,845	—	2,820
Net foreign exchange losses	940	25,643	—	—	11,869
Compensation expenses (note 27(ii))	—	62,910	15,859	—	—
Others	7,979	6,125	18,707	4,980	14,513
	74,581	430,723	119,798	12,326	513,018

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans and other borrowings	100,280	69,723	125,882	27,274	53,648
Interest on discounted bills	16,076	13,800	9,069	—	4,338
Unwind of discount on rehabilitation and closure provision (note 27)	3,188	3,334	3,633	917	895
Less: interest expense capitalized into construction in progress	—	—	(11,538)	—	(8,330)
	119,544	86,857	127,046	28,191	50,551

The borrowing costs have been capitalized at a rate of 2.90% and 3.26% for the year ended December 31, 2017 and for three months ended March 31, 2018 respectively.

(b) Staff costs

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages, bonuses and other benefits	178,258	184,002	246,838	49,118	61,158
Equity-settled share-based payment expenses (note 30)	13,131	37,208	25,267	6,334	3,115
Contributions to defined contribution retirement plans	16,742	16,334	20,344	5,097	5,669
Termination benefits	5,013	1,090	1,031	88	122
Other employee benefits	8,982	9,915	13,369	2,908	3,287
	222,126	248,549	306,849	63,545	73,351

Staff costs includes remuneration of directors, supervisors and senior management (note 8 and note 9).

Pursuant to the relevant labor rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Pursuant to the relevant labor rules and regulations in Australia, the Company and its subsidiaries in Australia participate in retirement benefit organized by the local government authorities whereby the Company and its subsidiaries in Australia are required to make contributions to the retirement benefit based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The incentive plans of Windfield Group include both short-term and long-term incentives. Short-term incentives include bonuses paid to staff based on short-term performance against targets for such items as safety performance, individual performance and business performance. Long-term incentive plan refers to the bonus plan provided to staff based on the performance of the business over a three years period and is only payable in the third year following the performance year subject to continuity of employment.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amortization					
—lease prepayments (notes 12)	1,062	1,185	1,304	296	325
—intangible assets (note 13)	1,717	1,341	9,521	422	4,575
Depreciation					
—property, plant and equipment(note 11)	128,076	197,392	223,650	55,613	57,429
—investment properties	406	237	—	—	—
Impairment losses					
—trade and other receivables	(71)	(506)	1,340	398	3,061
—property, plant and equipment(note 11)	57,248	4,012	5,448	—	—
Write down of inventories (note 19(b))	3,612	—	—	—	—
Operating lease charges:					
—minimum lease payments	3,535	4,932	7,429	3,839	5,332
Net foreign exchange losses/(gains)	940	25,643	(49,450)	(32,307)	11,869
Auditors' remuneration					
—audit services	2,772	2,557	3,607	239	438
—tax services	1,980	1,775	991	331	208
Research and development expenses*	5,408	6,351	24,008	3,016	3,509
Cost of inventories# (note 19)	992,434	1,118,838	1,628,533	332,333	435,961

* During the years ended December 31, 2015, 2016 and 2017,and three months ended March 31, 2017 and 2018, research and development expenses include RMB4,516 thousand, RMB4,871 thousand, RMB8,445 thousand, RMB1,248 thousand (unaudited) and RMB1,937 thousand, respectively relating to staff costs, depreciation and amortization expenses and operating lease charges, which are also included in the respective total amounts disclosed separately above or in the note 6(b) for each of these types of expenses.

\# During the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2017 and 2018, cost of inventories includes RMB263,603 thousand , RMB336,184 thousand, RMB371,820 thousand , RMB90,811 thousand (unaudited) and RMB104,059 thousand respectively relating to staff costs, depreciation and amortization expenses, impairment losses and operating lease charges, which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax—The PRC Corporate Income Tax					
Provision for the year/period	6,398	164,867	381,614	46,626	158,298
Current tax—Overseas					
Provision for the year/period	112,759	174,340	354,832	47,871	114,720
Deferred tax					
Origination and reversal of temporary differences (note 26(b))	(31,932)	17,610	364,452	133,978	(111,270)
	87,225	356,817	1,100,898	228,475	161,748

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	515,130	2,099,722	4,499,973	890,263	629,046
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned(i)	173,393	558,524	1,196,425	240,383	178,652
Effect of preferential tax rate(ii)	(223)	(101,871)	(105,132)	(19,621)	(25,991)
Recognition of previously unrecognized tax losses and temporary difference	(95,970)	(30,571)	—	—	—
Tax effect of utilization of tax losses not recognized in prior years	(487)	(66,676)	—	(62)	—
Tax effect of unused tax losses not recognized	1,817	710	7,762	605	1,622
Effect on deferred tax balances resulted from a change in tax rate	5,819	—	(1,187)	(1,187)	—
Under/(over) provided in prior periods	2,229	(5,247)	(3,133)	19	—
Others	647	1,948	6,163	8,338	7,465
Actual tax expense	87,225	356,817	1,100,898	228,475	161,748

(i) Income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Relevant Periods is 16.5%. No provision was made for Hong Kong Profits Tax as the Group's Hong Kong subsidiaries did not earn any assessable income subject to local tax law during the Relevant Periods.

Effective from January 1, 2008, under the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

Pursuant to the rules and regulations of the British Virgin Islands, the Group's subsidiary in British Virgin Islands is not subject to any assessable income tax in the British Virgin Islands.

Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries and the applicable statutory income tax rates were listed in table below.

The United Kingdom#	21%
Australia*	30%
Canada#	15%
Chile#	27%

* Windfield and TLH and their wholly-owned Australian resident entities are taxed as two single entities respectively as part of two tax-consolidated groups. The head entities within the tax-consolidated groups are Windfield and TLH respectively.

No provision was made for the United Kingdom, Canada and Chile Profits Tax as the Group's overseas subsidiaries in the United Kingdom, Canada and Chile did not earn any assessable income subject to local tax law during the Relevant Periods.

(ii) Pursuant to "Announcement of the State Administration of Taxation on Issues Relating to Enterprise Income Tax Pertaining to Implementation of the Catalog of Encouraged Industries in Western Region" issued by relevant tax authorities in PRC, companies in the western region that engage in the industries encouraged by the State can enjoy the preferential corporate income tax rate of 15% from January 1, 2011 to December 31, 2020. The Company and certain subsidiaries of the Group in the PRC fall within the eligible industry category and are entitled to enjoy the preferential income tax rate as mentioned in below table.

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
The Company	15%	15%	25%*	25%*
Shehong Tianqi	N/A	15%	15%	15%
Chongqing Tianqi	N/A	N/A	15%	15%

* As the Company transferred all its business to Shehong Tianqi, the Company ceased to enjoy the preferential income tax rate from 2017.

8 Directors' remuneration

Directors' remuneration are disclosed as follows:

Year ended December 31, 2015	Directors'fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note 30)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr.Jiang Weiping	20	—	—	—	20	—	20
Ms.Wu Wei	20	725	—	24	769	1,939	2,708
Mr.Zou Jun	20	580	—	24	624	1,745	2,369
Mr.Ge Wei(iv)	20	584	—	24	628	1,697	2,325
Non-executive directors							
Mr.Li Jingze(i)(iv)	24	—	—	—	24	—	24
Mr.Zhao Jiasheng(i)	18	—	—	—	18	—	18
Mr.Xiang Xianhu(iv)	72	—	—	—	72	—	72
Mr.Wu Feng(iv)	72	—	—	—	72	—	72
Supervisors							
Ms.Yang Qing	10	—	—	—	10	—	10
Mr.Zhang Yong	6	76	—	—	82	—	82
Mr.She Shifu	10	309	—	—	319	—	319
	292	2,274	—	72	2,638	5,381	8,019

Year ended December 31, 2016	Directors'fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note 30)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr.Jiang Weiping	20	—	—	—	20	—	20
Ms.Wu Wei	20	415	286	31	752	4,886	5,638
Mr.Zou Jun	20	366	232	31	649	4,397	5,046
Mr.Ge Wei(iv)	20	365	232	31	648	4,275	4,923
Non-executive directors							
Mr.Li Jingze(i)(iv)	72	—	—	—	72	—	72
Mr.Xiang Xianhu(iv)	72	—	—	—	72	—	72
Mr.Wu Feng(iv)	72	—	—	—	72	—	72
Supervisors							
Ms.Yang Qing	10	—	—	—	10	—	10
Mr.Zhang Yong	6	91	—	—	97	—	97
Mr.She Shifu	10	350	—	—	360	—	360
Ms.Li Liping(ii)(iii)	6	135	—	9	150	—	150
	328	1,722	750	102	2,902	13,558	16,460

Year ended December 31, 2017	Directors'fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note 30)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr.Jiang Weiping	1,355	6	—	—	1,361	—	1,361
Ms.Wu Wei	35	647	615	34	1,331	2,559	3,890
Mr.Zou Jun	35	522	490	34	1,081	2,303	3,384
Ms.Jiang Anqi(iv)	57	—	—	—	57	—	57
Mr.Ge Wei(iv)	—	522	490	34	1,046	2,239	3,285
Non-executive directors							
Mr.Du Kunlun(iv)	138	—	—	—	138	—	138
Mr.Pan Ying(iv)	138	—	—	—	138	—	138
Mr.Wei Xianghui(iv)	138	—	—	—	138	—	138
Mr.Li Jingze(i)(iv)	6	—	—	—	6	—	6
Mr.Xiang Xianhu(iv)	6	—	—	—	6	—	6
Mr.Wu Feng(iv)	6	—	—	—	6	—	6
Supervisors							
Ms.Yan Jin(iv)	111	—	—	—	111	—	111
Ms.Yang Qing	56	—	—	—	56	—	56
Mr.She Shifu	24	343	—	—	367	—	367
Ms.Li Liping(ii)(iii)	1	96	—	—	97	—	97
	2,106	2,136	1,595	102	5,939	7,101	13,040

Three months ended March 31, 2017 (unaudited)	Directors'fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note 30)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr.Jiang Weiping	248	—	—	—	248	—	248
Ms.Wu Wei	8	162	—	8	178	640	818
Mr.Zou Jun	8	131	—	8	147	576	723
Ms.Jiang Anqi(iv)	12	—	—	—	12	—	12
Mr.Ge Wei(iv)	—	131	—	8	139	560	699
Non-executive directors							
Mr.Du Kunlun(iv)	25	—	—	—	25	—	25
Mr.Pan Ying(iv)	25	—	—	—	25	—	25
Mr.Wei Xianghui(iv)	25	—	—	—	25	—	25
Mr.Li Jingze(i)(iv)	6	—	—	—	6	—	6
Mr.Xiang Xianhu(iv)	6	—	—	—	6	—	6
Mr.Wu Feng(iv)	6	—	—	—	6	—	6
Supervisors							
Ms.Yan Jin(iv)	20	—	—	—	20	—	20
Ms.Yang Qing	11	—	—	—	11	—	11
Mr.She Shifu	5	78	—	—	83	—	83
Ms.Li Liping(ii)(iii)	1	—	—	—	1	—	1
	406	502	—	24	932	1,776	2,708

Three months ended March 31, 2018	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note 30)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr.Jiang Weiping	369	—	—	—	369	—	369
Ms.Wu Wei	9	179	—	8	196	330	526
Mr.Zou Jun	9	142	—	8	159	297	456
Ms.Jiang Anqi(iv)	15	—	—	—	15	—	15
Non-executive directors							
Mr.Du Kunlun(iv)	38	—	—	—	38	—	38
Mr.Pan Ying(iv)	38	—	—	—	38	—	38
Mr.Wei Xianghui(iv)	38	—	—	—	38	—	38
Supervisors							
Ms.Yan Jin(iv)	30	—	—	—	30	—	30
Ms.Yang Qing	15	—	—	—	15	—	15
Mr.She Shifu	6	78	—	—	84	—	84
	567	399	—	16	982	627	1,609

(i) On August 28, 2015, Mr.Zhao Jiasheng resigned as independent non-executive director of the Company and Mr.Li Jingze was appointed as non-executive director of the Company.

(ii) On June 20, 2016, Ms.Li Liping was appointed as supervisor and Mr.Zhang Yong resigned as supervisor of the Company.

(iii) On February 06, 2017, Ms.Li Liping resigned as supervisor of the Company.

(iv) On February 10, 2017, Ms.Jiang Anqi was appointed as executive director, Ms.Yan Jin was appointed as supervisor of the Company, Mr.Du Kunlun, Mr.Pan Ying and Mr.Wei Xianghui were appointed as independent non-executive directors of the Company. On the same day, Mr.Ge Wei resigned as executive director, Mr.Li Jingze, Mr.Xiang Xianhu and Mr.Wu Feng resigned as independent non-executive directors of the Company.

9 Individuals with highest remuneration

For the years ended December 31, 2015, 2016 and 2017, and three months ended March 31, 2017 and 2018, of the five individuals with the highest remuneration, 3,3,3,3 (unaudited) and 3 are directors whose remuneration are disclosed in note 8.

The aggregate remuneration in respect of the remaining individuals are as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other remuneration	1,061	1,056	786	197	262
Discretionary bonuses	—	299	723	—	—
Share-based payments	1,260	3,176	1,664	416	387
Retirement scheme contributions	48	62	69	17	17
	2,369	4,593	3,242	630	666

The remuneration of the above individuals with the highest remuneration are within the following bands:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Nil—HKD 1,000,000	—	—	—	2	2
HKD 1,000,001—1,500,000	2	—	—	—	—
HKD 1,500,001—2,000,000	—	—	2	—	—
HKD> 2,000,000	—	2	—	—	—

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to ordinary equity shareholders of the Company excluding cash dividends attributable to the shareholders of Restricted A Share Incentive Scheme expected to be unlocked in the future and the weighted average of ordinary shares in issue during the Relevant Periods are calculated as follows:

(i) Adjusted profit attributable to ordinary equity shareholders of the Company used in basic earnings per share calculation

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit attributable to ordinary equity shareholders	249,940	1,468,396	2,932,477	566,022	332,943
Less: Cash dividends attributable to Restricted A Share Incentive Scheme	—	(610)	(1,440)	—	—
Adjusted profit attributable to ordinary equity shareholders of the Company used in basic earnings per share calculation	249,940	1,467,786	2,931,037	566,022	332,943

(ii) Weighted average number of ordinary shares

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	'000	'000	'000	'000 (unaudited)	'000
Issued ordinary shares at January 1,	258,760	261,469	994,422	994,422	1,142,052
Effect of issuing of A shares (note 29(c)(i))	82,704	113,277	119,522	112,536	—
Effect of shares repurchased (note 29(c)(ii))	—	—	(35)	—	—
Effect of conversion of share premium into share capital(note 29(c)(iii))	724,528	732,113	—	—	—
Effect of Restricted A Share Incentive Scheme (note 30)	—	(9,650)	(7,709)	(8,561)	(6,289)
Weighted average number of ordinary shares at December 31,/March 31,	1,065,992	1,097,209	1,106,200	1,098,397	1,135,763

(b) Diluted earnings per share

The calculation of diluted earnings per share for the Relevant Periods is based on the profit attributable to ordinary equity shareholder of the Company and the weighted average of ordinary shares in issue assuming conversion of all dilutive potential ordinary shares during the Relevant Periods, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company used in diluted earnings per share calculation

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit attributable to ordinary equity shareholders and used in diluted earnings per share calculation	249,940	1,468,396	2,932,477	566,022	332,943

(ii) Weighted average number of ordinary shares (diluted)

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	'000	'000	'000	'000 (unaudited)	'000
Weighted average number of ordinary shares at December 31,	1,065,992	1,097,209	1,106,200	1,098,397	1,135,763
Effect of Restricted A Share Incentive Scheme (note 30)	1,392	8,820	6,639	6,006	5,115
Weighted average number of ordinary shares (diluted) at December 31,/March 31,	1,067,384	1,106,029	1,112,839	1,104,403	1,140,878

11 Property, plant and equipment

	Land	Plants and buildings	Mine properties and development	Machinery and equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At January 1, 2015	17,972	255,865	2,742,207	1,025,378	4,866	30,765	191,107	4,268,160
Purchase	—	—	3,981	3,362	1,011	1,406	58,013	67,773
Transfer from construction in progress	—	3,442	—	21,211	—	—	(24,653)	—
Acquisition through business combination (note 31)	—	180,583	—	496,197	562	7,545	—	684,887
Decrease in rehabilitation and mine closure costs (note 27)	—	—	(1,925)	—	—	—	—	(1,925)
Deferred stripping cost	—	—	59,226	—	—	—	—	59,226
Disposals	—	(2,994)	—	(72,943)	(1,174)	(486)	—	(77,597)
Foreign exchange differences	(1,038)	(1,854)	(160,210)	(36,882)	—	—	(1,335)	(201,319)
At December 31, 2015	16,934	435,042	2,643,279	1,436,323	5,265	39,230	223,132	4,799,205
Purchase	—	—	1,984	3,077	2,517	5,975	245,784	259,337
Transfer from construction in progress	—	12,596	—	46,694	—	3,461	(62,751)	—
Disposal of a subsidiary (note 1)	—	(21,724)	—	—	—	(72)	—	(21,796)
Increase in rehabilitation and mine closure costs (note 27)	—	—	175	—	—	—	—	175

	Land	Plants and buildings	Mine properties and development	Machinery and equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred stripping cost	—	—	66,957	—	—	—	—	66,957
Disposals	—	—	—	(12,548)	(456)	(3,258)	—	(16,262)
Foreign exchange differences	1,032	1,860	163,125	37,684	10	4	9,588	213,303
At December 31, 2016	17,966	427,774	2,875,520	1,511,230	7,336	45,340	415,753	5,300,919
Purchase	—	953	3,162	1,777	144	3,395	1,757,364	1,766,795
Transfer from construction in progress	—	17,417	—	85,850	165	4,056	(107,488)	—
Increase in rehabilitation and mine closure costs (note 27)	—	—	8,370	—	—	—	—	8,370
Deferred stripping cost	—	—	51,130	—	—	—	—	51,130
Investment from non-controlling interests of a subsidiary (note 1(xv))	—	26,119	—	25,492	313	2,010	—	53,934
Disposals	—	(257)	—	(49,279)	(857)	(1,833)	—	(52,226)
Foreign exchange differences	276	510	44,680	10,408	5	1	1,426	57,306
At December 31, 2017	18,242	472,516	2,982,862	1,585,478	7,106	52,969	2,067,055	7,186,228
Purchase	—	—	154	491	632	1,483	947,497	950,257
Transfer from construction in progress	—	—	—	6,309	—	—	(6,309)	—
Deferred stripping cost	—	—	11,561	—	—	—	—	11,561
Disposals	—	(3,040)	—	(1,299)	(167)	(237)	—	(4,743)
Foreign exchange differences	(932)	(1,756)	(152,765)	(35,721)	(17)	(20)	(114,030)	(305,241)
At March 31, 2018	17,310	467,720	2,841,812	1,555,258	7,554	54,195	2,894,213	7,838,062
Accumulated depreciation:								
At January 1, 2015	—	(33,615)	(101,654)	(228,298)	(3,384)	(10,119)	—	(377,070)
Charge for the year	—	(20,778)	(34,330)	(65,340)	(790)	(6,838)	—	(128,076)
Disposals	—	532	—	2,637	899	283	—	4,351
Foreign exchange differences	—	283	6,893	6,900	—	—	—	14,076
At December 31, 2015	—	(53,578)	(129,091)	(284,101)	(3,275)	(16,674)	—	(486,719)
Charge for the year	—	(28,566)	(35,166)	(130,320)	(1,759)	(1,581)	—	(197,392)
Disposal of a subsidiary (note 1)	—	4,041	—	—	—	62	—	4,103
Disposals	—	—	—	5,183	416	1,281	—	6,880
Foreign exchange differences	—	(365)	(8,907)	(8,571)	—	(2)	—	(17,845)
At December 31, 2016	—	(78,468)	(173,164)	(417,809)	(4,618)	(16,914)	—	(690,973)
Charge for the year	—	(25,207)	(54,338)	(136,375)	(865)	(6,865)	—	(223,650)
Disposals	—	65	—	26,555	748	1,205	—	28,573
Foreign exchange differences	—	(121)	(3,075)	(2,758)	(1)	—	—	(5,955)
At December 31, 2017	—	(103,731)	(230,577)	(530,387)	(4,736)	(22,574)	—	(892,005)
Charge for the period	—	(6,537)	(14,953)	(34,532)	(207)	(1,200)	—	(57,429)
Disposals	—	139	—	803	165	261	—	1,368
Foreign exchange differences	—	459	12,177	10,283	6	9	—	22,934
At March 31, 2018	—	(109,670)	(233,353)	(553,833)	(4,772)	(23,504)	—	(925,132)
Accumulated impairment losses:								
At January 1, 2015	—	—	—	(31,137)	—	—	(7,275)	(38,412)
Charge for the year	—	—	—	(7,372)	—	—	(49,876)	(57,248)
Disposals	—	—	—	31,137	—	—	—	31,137
Foreign exchange differences	—	—	—	219	—	—	1,483	1,702
At December 31, 2015	—	—	—	(7,153)	—	—	(55,668)	(62,821)
Charge for the year	—	—	—	(4,012)	—	—	—	(4,012)
Foreign exchange differences	—	—	—	(436)	—	—	(2,949)	(3,385)
At December 31, 2016	—	—	—	(11,601)	—	—	(58,617)	(70,218)
Charge for the year	—	—	—	—	—	—	(5,448)	(5,448)
Disposals	—	—	—	3,440	—	—	—	3,440

	Land	Plants and buildings	Mine properties and development	Machinery and equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foreign exchange differences	—	—	—	(116)	—	—	(790)	(906)
At December 31, 2017	—	—	—	(8,277)	—	—	(64,855)	(73,132)
Foreign exchange differences	—	—	—	394	—	—	2,664	3,058
At March 31, 2018	—	—	—	(7,883)	—	—	(62,191)	(70,074)
Net book value:								
At December 31, 2015	16,934	381,464	2,514,188	1,145,069	1,990	22,556	167,464	4,249,665
At December 31, 2016	17,966	349,306	2,702,356	1,081,820	2,718	28,426	357,136	4,539,728
At December 31, 2017	18,242	368,785	2,752,285	1,046,814	2,370	30,395	2,002,200	6,221,091
At March 31, 2018	17,310	358,050	2,608,459	993,542	2,782	30,691	2,832,022	6,842,856

The land represents the freehold land located in Australia and owned by Windfield Group, which is shown at historical cost and is not depreciated.

As at December 31, 2015, 2016 and 2017, certain property, plant and equipment were pledged as collateral for certain bank loans and other borrowings (note 24).

As at December 31, 2015, 2016 and 2017 and March 31, 2018, the Group was applying for certificates of ownership for certain properties located in the PRC with carrying amounts of RMB29,934 thousand, RMB28,624 thousand, RMB27,322 thousand and RMB26,886 thousand, respectively. The directors of the Group are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

Impairment

For the year ended December 31, 2015, the Group ceased the development of Lithium Chemical Production Plant of Windfield Group and an impairment losses of RMB57,248 thousand was recognized in "other expenses" accordingly.

For the years ended December 31, 2016 and 2017, certain machinery and equipment were physically damaged. The Group assessed the recoverable amounts of those machinery and equipment and impairment losses of RMB4,012 thousand and RMB5,448 thousand were recognized in "other expenses" respectively.

12 Lease prepayments

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1,	40,110	56,895	56,895	165,790
Purchase	—	—	103,747	—
Investment from non-controlling interests of a subsidiary (note 1(xv))	—	—	5,148	—
Acquisition through business combination (note 31)	16,785	—	—	—
At December 31,/March 31,	56,895	56,895	165,790	165,790
Accumulated amortization:				
At January 1,	(6,325)	(7,387)	(8,572)	(9,876)
Charge for the year/period	(1,062)	(1,185)	(1,304)	(325)
At December 31,/March 31,	(7,387)	(8,572)	(9,876)	(10,201)
Net book value:				
At December 31,/March 31,	49,508	48,323	155,914	155,589

The lease prepayments represent payments for land use rights of land located in the PRC. The period for the land use rights is no more than 50 years. As at December 31, 2015, the Group was applying for certificates of certain land use rights with carrying amounts of RMB16,537 thousand.

As at December 31, 2015, certain lease prepayments were pledged as collateral for certain bank loans and other borrowings (see note 24).

13 Intangible assets

	Software	Patents	Mining rights	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2015	9,083	10,422	88,044	4,901	112,450
Purchase	49	—	—	2,555	2,604
Transfers	—	7,456	—	(7,456)	—
Foreign exchange differences	(526)	—	—	—	(526)
At December 31, 2015	8,606	17,878	88,044	—	114,528
Foreign exchange differences	524	—	—	—	524
At December 31, 2016	9,130	17,878	88,044	—	115,052
Purchase	22,525	—	—	—	22,525
Investment from non-controlling interests of a subsidiary (note 1)	—	63,706	—	—	63,706
Foreign exchange differences	207	—	—	—	207
At December 31, 2017	31,862	81,584	88,044	—	201,490
Foreign exchange differences	(926)	—	—	—	(926)
At March 31, 2018	30,936	81,584	88,044	—	200,564
Accumulated amortization:					
At January 1, 2015	(1,325)	(1,746)	—	—	(3,071)
Charge for the year	(894)	(823)	—	—	(1,717)
Foreign exchange differences	103	—	—	—	103
At December 31, 2015	(2,116)	(2,569)	—	—	(4,685)
Charge for the year	(887)	(454)	—	—	(1,341)
Foreign exchange differences	(155)	—	—	—	(155)
At December 31, 2016	(3,158)	(3,023)	—	—	(6,181)
Charge for the year	(2,399)	(7,122)	—	—	(9,521)
Foreign exchange differences	(63)	—	—	—	(63)
At December 31, 2017	(5,620)	(10,145)	—	—	(15,765)
Charge for the period	(1,229)	(3,346)	—	—	(4,575)
Foreign exchange differences	250	—	—	—	250
At March 31, 2018	(6,599)	(13,491)	—	—	(20,090)
Accumulated impairment losses:					
At January 1, 2015, December 31, 2015, 2016, 2017 and March 31, 2018	—	(4,945)	—	—	(4,945)
Net book value:					
At December 31, 2015	6,490	10,364	88,044	—	104,898
At December 31, 2016	5,972	9,910	88,044	—	103,926
At December 31, 2017	26,242	66,494	88,044	—	180,780
At March 31, 2018	24,337	63,148	88,044	—	175,529

As at December 31, 2015, 2016 and 2017 and March 31, 2018, certain intangible assets were pledged as collateral against certain bank loans and other borrowings (note 24).

14 Goodwill

	RMB'000
Cost and carrying amounts	
At January 1, 2015	—
Acquisition through business combination (note 31)	416,101
At December 31, 2015, 2016 and 2017, and March 31, 2018	416,101

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tianqi Lithium (Jiangsu)	416,101	416,101	416,101	416,101

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period stay the same with fifth year. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates The cash flows are discounted using a discount rate of 11.05%,11.05%, 10.83% and 10.98% respectively, for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018. The discount rates used are after-tax and reflect specific risks relating to the relevant cash-generating unit.

No impairment loss has been recognized during the Relevant Periods.

15 Investments in subsidiaries

The carrying amounts of investments in subsidiaries is listed below:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Chengdu Tianqi (note 1(ix))	619,137	1,031,503	1,050,142	2,128,460
Shenghe Lithium	180,000	180,000	181,283	181,478
Tianqi HK (note 1(x))	2,099,615	2,099,615	110,876	110,876
Tianqi Mining (note 1(xiii))	124,328	—	—	—
Shehong Tianqi (note 1(xi))	—	694,940	796,124	799,309
Shehong Huahui (note 1(xi))	79,000	79,000	—	—
Tianqi UK (note 1(x))	—	—	1,988,739	1,988,739
Tianqi Xinlong	—	—	—	198,753
	3,102,080	4,085,058	4,127,164	5,407,615

The following table lists out the information relating to Windfield Group, the subsidiaries of Tianqi UK which have a material non-controlling interest (NCI). The summarized financial information presented below represents the amounts before any inter-company elimination.

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
NCI Percentage	49%	49%	49%	49%
Current assets	708,059	1,164,672	1,778,964	1,687,381
Non-current assets	3,249,137	3,493,065	4,045,535	4,152,319
Current liabilities	274,020	495,055	448,591	506,697
Non-current liabilities	1,438,577	1,488,607	1,925,718	2,083,981
Net assets	2,244,599	2,674,075	3,450,190	3,249,022
Carrying amounts of NCI	1,099,854	1,310,297	1,690,593	1,592,021
Revenue	1,181,389	1,452,702	2,164,036	658,186
Profit for the year/period	429,311	574,346	994,737	299,420
Total comprehensive income	139,464	730,797	1,040,660	128,515
Profit allocated to NCI	210,362	281,430	487,421	146,716
Total comprehensive income allocated to NCI	68,337	358,090	509,923	62,973
Dividend paid to NCI	221,113	147,647	129,627	161,545
Cash flows generated from operating activities	889,390	493,743	981,850	311,503
Cash flows used in investing activities	96,437	98,789	570,867	333,470
Cash flows used in financing activities	641,415	329,187	49,251	106,858

16 Interest in associates

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shanghai Aerospace Power Technology Co., Ltd* (上海航天電源技術有限責任公司) (i)	Incorporated	The PRC	RMB364,834,437	18.63%	18.63%	—	Development and manufacture of advanced lithum-based batteries
Tibet Shigatse Zabuye Lithium High-Tech Co., Limited* (西藏日喀則紮布耶鋰業高科技有限公司) (ii)	Incorporated	The PRC	RMB930,000,000	20%	20%	—	Mining and sale of lithium compounds
SolidEnergy System Corp.(iii)	Incorporated	The United States of America	10,205,074 ordinary shares and 22,821,858 preferred shares of USD 0.000001 each	11.72%	—	11.72%	Development and manufacture of solid-state batteries

* The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

(i) The investment in Shanghai Aerospace Power technology Co.,Ltd, enables the Group to strengthen the control of the downstream industry.

(ii) The investment in Tibet Shigatse Zabuye Lithium High-Tech Co., Limited enables the Group to participate in the development of lithium brine-based resources at Zhabuye Salt Lake in Tibet.

(iii) The Company's subsidiary, Tianqi Lithium HK Co., Ltd. purchased a number of 4,362,697 Series C preferred shares of SolidEnergy System Corp. ("SES") and appointed a director of SES at the end of 2017. This investment enables the Group to keep updated with the new generation of battery technology and improve the production technology and quality of the Group's lithium metal and to achieve stable sales.

All of the above associates are accounted for using the equity method in the Historical Financial Information.

Summarized financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Shanghai Aerospace Power Technology Co., Ltd.

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	523,063	472,397	422,136	349,129
Non-current assets	127,411	117,360	178,471	217,077
Current liabilities	174,718	132,644	150,016	128,971
Non-current liabilities	42,714	30,973	23,258	22,912
Equity	433,042	426,140	427,333	414,323
Revenue	306,295	382,197	336,889	35,007
Profit/(loss) from continuing operations	11,696	1,509	2,551	(13,010)
Total comprehensive income	11,696	1,509	2,551	(13,010)
Dividend received from the associate	2,601	1,567	253	—
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	433,042	426,140	427,333	414,323
Group's effective interest	18.63%	18.63%	18.63%	18.63%
Group's share of net assets of the associate	80,676	79,390	79,612	77,188
Goodwill	3,560	3,560	3,560	3,560
Carrying amounts in the consolidated statement of financial position	84,236	82,950	83,172	80,748

Tibet Shigatse Zabuye Lithium High-Tech Co., Limited

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	384,842	438,279	548,026	516,201
Non-current assets	396,221	382,259	376,988	389,249
Current liabilities	43,303	43,661	48,370	33,821
Non-current liabilities	2,000	2,253	2,018	2,032
Non-controlling interests	—	—	132	131
Equity	735,760	774,624	874,494	869,466
Revenue	113,793	141,882	195,490	401
Profit/(loss) from continuing operations	4,865	38,864	99,870	(5,028)
Total comprehensive income	4,865	38,864	99,870	(5,028)
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	735,760	774,624	874,494	869,466
Group's effective interest	20%	20%	20%	20%
Group's share of net assets of the associate	147,152	154,925	174,899	173,893
Goodwill	166,846	166,846	166,846	166,846
Carrying amounts in the consolidated statement of financial position	313,998	321,771	341,745	340,739

SolidEnergy System Corp.

	December 31, 2017	March 31, 2018
	RMB'000	RMB'000
Current assets	170,288	155,387
Non-current assets	26,632	26,266
Current liabilities	7,463	7,491
Non-current liabilities	75	73
Equity	189,382	174,089
Revenue	—	—
Loss from continuing operations	—	(15,293)
Total comprehensive income	—	(15,293)
Reconciled to the Group's interests in the associates		
Gross amounts of net assets of the associate	189,382	174,089
Group's effective interest	11.72%	11.72%
Group's share of net assets of the associate	22,196	20,403
Goodwill	60,446	60,446
Carrying amounts in the consolidated statement of financial position	82,642	80,849

The carrying amounts of investments in associates is listed below:

The Group	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Aerospace Power Technology Co.,Ltd	84,236	82,950	83,172	80,748
Tibet Shigatse Zabuye Lithium High-Tech Co.,Limited	313,998	321,771	341,745	340,739
SolidEnergy System Corp.	—	—	82,642	80,849
	398,234	404,721	507,559	502,336

The Company	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Aerospace Power Technology Co.,Ltd	84,236	82,950	83,172	80,748
Tibet Shigatse Zabuye Lithium High-Tech Co.,Limited	313,998	321,771	341,745	340,739
	398,234	404,721	424,917	421,487

17 Interest in a joint venture

Details of the Group's interest in a joint venture, which is accounted for using the equity method in the Historical Financial Information, are as follows:

				Proportion of ownership interest			
Name of joint venture	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Salares de Atacama Sociedad Contractual Minera. ("Chile SALA")(i)	Incorporated	Republic of Chile ("Chile")	CLP 1,281,275,000	50%	—	50%	Discovery, exploration, development and operational mining concessions and properties

(i) Chile SALA is a private Chilean company who is the owner of Salares 7 Project. The Salares 7 Project is a lithium and potassium exploration project which consists of seven brine lakes in the Atacama province in northern Chile. Chile SALA has not commenced any production since the date of incorporation. The investment of Chile SALA was to provide the Group with the potential to complement its existing hard rock lithium operations at Greenbushes, Australia with the recovery of lithium from brine deposits.

Summarized financial information of Chile SALA, adjusted for any differences in accounting policies, and a reconciliation to the carrying amounts in the Historical Financial Information, are disclosed below.

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	11,735	13,549	13,613	13,340
Equity	11,735	13,549	13,613	13,340
Reconciled to the Group's interests in the joint venture				
Gross amounts of net assets	11,735	13,549	13,613	13,340
Group's effective interest	50%	50%	50%	50%
Group's share of net assets	5,868	6,775	6,807	6,670
Goodwill	123,562	144,534	146,081	143,959
Carrying amounts in the consolidated statement of financial position	129,430	151,309	152,888	150,629

18 Financial assets at fair value through profit or loss

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Financial assets at FVTPL				
—Equity investments (a)	—	1,096,431	2,140,151	1,705,014
Current				
Financial assets at FVTPL				
—Investment in wealth management products issued by banks (b)	5,000	393,000	94,000	812,000

(a) In 2016, the Company purchased Series B class issued by Sociedad Química y Minera de Chile S.A. ("SQM") in the form of American Depository Shares listed on the New York Stock Exchange, which represents 2.1% equity interest in SQM.

(b) The wealth management products were issued by banks with variable investment income and can be redeemed on demand or in a short term.

19 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	129,228	89,743	94,173	87,431
Work in progress	101,495	80,544	84,128	86,920
Finished goods	119,951	236,529	215,248	202,335
Low-value consumption goods and others	53,038	67,602	87,145	90,051
	403,712	474,418	480,694	466,737
Less: write down of low-value consumption goods and others	(3,612)	(3,612)	(3,612)	(3,612)
	400,100	470,806	477,082	463,125

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amounts of inventories sold	988,822	1,118,838	1,628,533	435,961
Write down of inventories	3,612	—	—	—
	992,434	1,118,838	1,628,533	435,961

20 Trade and other receivables

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	37,485	213,051	328,943	423,848
Less: allowance for doubtful debts	(5,051)	(4,144)	(4,687)	(7,677)
	32,434	208,907	324,256	416,171
Bills receivable	571,398	1,218,245	1,286,260	1,261,185
Other receivables	10,813	25,278	42,215	56,717
Less: allowance for doubtful debts	(772)	(1,171)	(1,952)	(2,023)
	10,041	24,107	40,263	54,694
Deposits and prepayments	16,905	39,981	19,045	41,793
Value added tax recoverable	82,032	2,576	12,865	16,922
Goods and services tax recoverable	2,086	16,653	49,037	49,279
Interest receivables	1,956	2,149	22,718	23,623
Dividends receivable from SQM	—	31,521	15,457	14,536
	716,852	1,544,139	1,769,901	1,878,203

All of the trade debtors, bills receivable and other receivables are expected to be recovered or recognized as expense within one year.

As at December 31, 2015, 2016, 2017 and March 31, 2018, certain bills receivable were pledged as collateral for certain bank loans and other borrowings (note 24).

(a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	603,386	1,426,922	1,610,419	1,677,317
1 to 2 years	443	95	—	—
2 to 3 years	3	135	—	—
More than 3 years	—	—	97	39
	603,832	1,427,152	1,610,516	1,677,356

Trade debtors and bills receivable are due within 30 to 180 days from the date of billing. No interests are charged on the trade debtors and bills receivable. Further details on the Group's credit policy are set out in note 32(a).

(b) Impairment of trade debtors and other receivables

Impairment losses in respect of trade debtors and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and other receivables directly (see note 2(o)).

At December 31, 2015, 2016, 2017 and March 31, 2018, trade and other receivables of RMB4,206 thousand, RMB4,109 thousand, RMB4,142 thousand and RMB4,142 thousand was individually determined to be impaired. The individually impaired receivables related to a customer that was in financial difficulties and management assessed that the receivables may not be recovered. Consequently specific allowance for doubtful debts of RMB4,206 thousand, RMB4,074 thousand, RMB4,107 thousand and RMB4,107 thousand were recognized at December 31, 2015, 2016, 2017 and March 31, 2018, respectively. Except for the individually impaired receivables, the allowances for doubtful debts of RMB1,617 thousand, RMB1,206 thousand, RMB2,497 thousand and RMB5,558 thousand recognized at December 31, 2015, 2016, 2017 and March 31, 2018, respectively were made at each reporting date based on a collective group basis assessment by aging for trade debtors. The management assessed that a portion of such receivables might not be recovered based on the management's experience.

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Allowance for doubtful debts for doubtful debts				
At January 1,	5,685	5,051	4,144	4,687
Impairment loss (reversed)/ recognized	(634)	(905)	543	2,990
Disposal of a subsidiary (note (1))	—	(2)	—	—
At December 31,/March 31,	5,051	4,144	4,687	7,677
Allowance for doubtful debts for other receivables				
At January 1,	209	772	1,171	1,952
Impairment loss recognized	563	399	797	71
Uncollectible amounts written off	—	—	(16)	—
At December 31,/March 31,	772	1,171	1,952	2,023
At December 31,/ March 31,	5,823	5,315	6,639	9,700

21 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

The Group	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balance	803,212	1,745,071	5,524,124	4,887,267
Less :				
Non-current restricted and pledged deposits				
—pledged for bank loans and other borrowings (note 24)	227,276	242,795	—	—
—guarantee deposits	—	—	—	10,334
	227,276	242,795	—	10,334
Current restricted and pledged deposits				
—pledged for bank loans and other borrowings (note 24)	—	—	228,697	220,084
—guarantee deposits	30,678	33,908	19,459	20,856
	30,678	33,908	248,156	240,940
	545,258	1,468,368	5,275,968	4,635,993

The Company	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balance	8,786	14,807	1,678,888	526,493
Less :				
Current restricted and pledged deposits				
- guarantee deposits	2,382	—	—	—
	6,404	14,807	1,678,888	526,493

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation		515,130	2,099,722	4,499,973	890,263	629,046
Adjustments for:						
Depreciation and amortization	6(c)	131,261	200,155	234,475	56,331	62,329
Amortization of deferred income	25	(3,779)	(4,047)	(4,303)	(1,002)	(714)
Impairment losses	6(c)	57,177	3,506	6,788	398	3,061
Write down of inventories	6(c)	3,612	—	—	—	—
Net unrealised fair value (gains)/loss:	5					
—derivative financial instruments		(1,735)	(2,182)	6,540	6,948	40,792
—equity investments at FVTPL		(577)	323,569	(1,043,720)	(211,755)	435,137
Dividend income from equity investments at FVTPL	5(a)	—	(31,521)	(52,523)	—	(14,536)
Investment income from wealth management products issued by banks	5(a)	(3,131)	(5,074)	(5,716)	(2,449)	(1,126)
Net realised (gain)/loss on settlement of derivative financial instruments	5	—	(21,223)	52,059	(2,815)	4,826
Gain on disposal of a subsidiary	5(a)	—	(5,446)	—	—	—
Net loss on disposal of property, plant and equipment	5(b)	4,873	8,970	19,845	—	2,820
Finance costs	6(a)	119,544	86,857	127,046	28,191	50,551
Net foreign exchange losses/(gains)	5	940	25,643	(49,450)	(32,307)	11,869
Share of profits less losses of associates		(3,151)	(8,054)	(20,449)	2,612	5,223
Changes in working capital:						
(Increase)/decrease in inventories		111,052	(70,706)	(6,276)	(29,839)	13,957
Increase in trade and other receivables		(227,668)	(791,264)	(301,168)	(94,941)	(158,824)
Increase/(decrease) in trade and other payables		(24,010)	216,057	183,007	146,213	9,557
Cash generated from operations		679,538	2,024,962	3,646,128	755,848	1,093,968

(c) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings	Current and non-current interest payables	Dividend payable	Total
	RMB'000 Note 24	RMB'000	RMB'000	RMB'000
At January 1, 2015	680,288	1,660	—	681,948
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	3,357,777	—	—	3,357,777
Repayments of bank loans and other borrowings	(2,197,438)	—	—	(2,197,438)
Dividend paid to non-controlling interests	—	—	(221,113)	(221,113)
Interest paid	(28,893)	(79,318)	—	(108,211)
Total changes from financing cash flows	1,131,446	(79,318)	(221,113)	831,015
Exchange adjustments	24,714	(8,917)	—	15,797
Other changes:				
Bank loans and other borrowings acquired through business combination	610,436	—	—	610,436
Dividend declared	—	—	221,113	221,113
Interest on bank loans and other borrowings	3,900	96,380	—	100,280
Total other changes	614,336	96,380	221,113	931,829
At December 31, 2015 and January 1, 2016	2,450,784	9,805	—	2,460,589
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	3,450,483	—	—	3,450,483
Repayments of bank loans and other borrowings	(2,068,563)	—	—	(2,068,563)
Dividend paid to equity holders of the Company	—	—	(77,831)	(77,831)
Dividend paid to non-controlling interests	—	—	(147,647)	(147,647)
Interest paid	—	(64,806)	—	(64,806)
Total changes from financing cash flows	1,381,920	(64,806)	(225,478)	1,091,636
Exchange adjustments	93,218	19,578	—	112,796
Other changes:				
Dividend declared	—	—	226,088	226,088
Interest on bank loans and other borrowings	10,300	59,423	—	69,723
Total other changes	10,300	59,423	226,088	295,811
At December 31, 2016	3,936,222	24,000	610	3,960,832

	Bank loans and other borrowings	Current and non-current interest payables	Dividend payable	Total
	RMB'000 Note 24	RMB'000	RMB'000	RMB'000
At January 1, 2017	3,936,222	24,000	610	3,960,832
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	4,138,079	—	—	4,138,079
Repayments of bank loans and other borrowings	(3,018,250)	—	—	(3,018,250)
Dividend paid to equity holders of the Company	—	—	(178,166)	(178,166)
Dividend paid to non-controlling interests	—	—	(129,627)	(129,627)
Interest paid	(39,942)	(116,090)	—	(156,032)
Total changes from financing cash flows	1,079,887	(116,090)	(307,793)	656,004
Exchange adjustments	(55,295)	1,197	—	(54,098)
Other changes:				
Investment from non-controlling interests of a subsidiary	58,366	—	—	58,366
Dividend declared	—	—	308,623	308,623
Interest on bank loans and other borrowings	9,209	116,673	—	125,882
Total other changes	67,575	116,673	308,623	492,871
At December 31, 2017 and January 1, 2018	5,028,389	25,780	1,440	5,055,609
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	675,319	—	—	675,319
Repayments of bank loans and other borrowings	(316,335)	—	—	(316,335)
Dividend paid to non-controlling interests			(161,545)	(161,545)
Interest paid	—	(19,501)	—	(19,501)
Total changes from financing cash flows	358,984	(19,501)	(161,545)	177,938
Exchange adjustments	(137,748)	(1,600)	—	(139,348)
Other changes:				
Dividend declared	—	—	161,545	161,545
Interest on bank loans and other borrowings	4,926	48,722	—	53,648
Total other changes	4,926	48,722	161,545	215,193
At March 31, 2018	5,254,551	53,401	1,440	5,309,392

(Unaudited)	Bank loans and other borrowings	Current and non-current interest payables	Dividend payables	Total
	RMB'000 *Note 24*	RMB'000	RMB'000	RMB'000
At January 1, 2017	3,936,222	24,000	610	3,960,832
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	157,844	—	—	157,844
Repayments of bank loans and other borrowings	(408,127)	—	—	(408,127)
Interest paid	—	(14,657)	—	(14,657)
Total changes from financing cash flows	(250,283)	(14,657)	—	(264,940)
Exchange adjustments	(14,875)	(420)	—	(15,295)
Other changes:				
Interest on bank loans and other borrowings	1,978	25,296	—	27,274
Total other changes	1,978	25,296	—	27,274
At March 31, 2017	3,673,042	34,219	610	3,707,871

22 Derivative financial instruments

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial assets				
—currency swap	1,735	3,917	35	7
Derivative financial liabilities				
—currency swap	—	—	(2,658)	(43,422)

23 Trade and other payables

The Group	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bills payable	63,430	72,808	107,761	187,327
Trade creditors	77,446	106,548	146,555	147,711
Accrued payroll and benefits	60,117	78,324	91,249	46,851
Receipts in advance	72,288	151,734	191,961	106,116
Repurchase obligation under Restricted A Share Incentive Scheme (note (30))	84,196	81,473	53,958	53,958
Other taxes payable	111,804	134,771	72,594	79,999
Interest payable	5,456	13,178	25,780	53,401
Other payables	59,784	125,342	437,572	418,570
	534,521	764,178	1,127,430	1,093,933

The Company	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade creditors	35,101	926	2,720	3,190
Accrued payroll and benefits	9,956	8,783	11,754	11,495
Receipts in advance	92	78	—	—
Repurchase obligation under Restricted A Share Incentive Scheme(note (30))	84,196	81,473	53,958	53,958
Other taxes payable	8,846	436	532	1,219
Interest payable	499	7,275	4,142	12,471
Other payables	3,853	2,571	10,494	8,104
	142,543	101,542	83,600	90,437

All of the trade and other payables are normally settled or recognized as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	77,331	105,119	144,935	146,093
1 to 2 years	11	1,327	1,538	1,492
2 to 3 years	22	11	82	74
More than 3 years	82	91	—	52
	77,446	106,548	146,555	147,711

24 Bank loans and other borrowings

The analysis of the carrying amounts of bank loans and other borrowings is as follows:

The Group	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Secured bank loans[(ii)]	499,366	607,421	—	—
Unsecured bank loans[(iii)]	297,890	756,271	841,602	649,706
Corporate bonds[(v)]	—	498,400	—	—
Other borrowings from a related party (note 35(d))	130,000	—	—	—
Current portion of non-current secured bank loans[(iv)]	66,848	139,962	226,685	218,130
	994,104	2,002,054	1,068,287	867,836
Non-current				
Secured bank loans[(iv)]	1,523,528	1,475,817	1,660,033	1,852,615
Corporate bonds[(v)]	—	598,313	2,526,754	2,752,230
Less: current portion of non-current secured bank loans[(iv)]	(66,848)	(139,962)	(226,685)	(218,130)
	1,456,680	1,934,168	3,960,102	4,386,715
Total	2,450,784	3,936,222	5,028,389	5,254,551

The Company	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Unsecured bank loans	83,580	—	—	—
Corporate bonds	—	498,400	—	—
Other borrowings from a related party (note 35(d))	50,000	—	—	—
	133,580	498,400	—	—
Non-current				
Corporate bonds[(v)]	—	598,313	600,000	896,565
Total	133,580	1,096,713	600,000	896,565

(i) Bank loans

The effective weighted average interest rates of the Group's bank loans were 3.85%, 2.44%,2.51% and 2.27% per annum for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 respectively.

(ii) Current secured bank loans

As at December 31, 2015, the Group's current bank loans of RMB369,860 thousand were secured by bills receivable with carrying amounts of RMB442,525 thousand (see note 20).

As at December 31, 2015, the Group's current bank loans of RMB129,506 thousand were secured by Machinery and equipment with carrying amounts of RMB152,446 thousand (see note 11) and guaranteed by Mr. Jiang Weiping, Mrs. Zhang Jing and Tianqi Group Company jointly.

As at December 31, 2016, the Group's current bank loans of RMB607,421 thousand were secured by bills receivable with carrying amounts of RMB879,670 thousand (see note 20).

(iii) Current unsecured bank loans

As at December 31, 2015, the Group's current bank loans of RMB118,581 thousand were guaranteed by Tianqi Group Company and the Group's current bank loans of RMB80,000 thousand were guaranteed by Mr. Jiang Weiping, Mrs. Zhang Jing and Tianqi Group Company jointly.

(iv) Non-current secured bank loans

As at December 31, 2015, the Group's non-current bank loans of RMB153,897 thousand were secured by property, plant and equipment with carrying amounts of RMB545,096 thousand (see note 11) and lease prepayments with carrying amounts of RMB 16,537 thousand (see note 12), of which RMB65,549 thousand was due within one year.

As at December 31, 2015, a bank loan of USD34,900 thousand (equivalent to RMB226,627 thousand) was secured by restricted and pledged deposits of USD35,000 thousand (equivalent to RMB227,276 thousand) and related interest receivables of RMB4,352 thousand, of which USD200 thousand (equivalent to RMB1,299 thousand) of the bank loan was due within one year respectively.

As at December 31, 2016, a bank loan of USD34,700 thousand (equivalent to RMB240,714 thousand) was secured by restricted and pledged deposits of USD35,000 thousand (equivalent to RMB242,795 thousand) and related interest receivables of RMB10,860 thousand, of which USD200 thousand (equivalent to RMB1,387 thousand) of the bank loan was due within one year respectively.

As at December 31, 2017, a bank loan of USD34,500 thousand (equivalent to RMB226,685 thousand) was secured by restricted and pledged deposits of USD35,000 thousand (equivalent to RMB228,697 thousand) and related interest receivables of RMB16,063 thousand, of which USD34,500 thousand (equivalent to RMB226,685 thousand) of the bank loan was due within one year respectively.

As at March 31, 2018, a bank loan of USD34,500 thousand (equivalent to RMB218,130 thousand) was secured by restricted and pledged deposits of USD35,000 thousand (equivalent to RMB220,084 thousand) and related interest receivables of RMB16,843 thousand, of which USD34,500 thousand (equivalent to RMB218,130 thousand) of the bank loan was due within one year respectively.

Windfield Group entered into a syndicated facility agreement for a revolving corporate loan facility on July 28, 2015 and the facility is secured by Windfield Group's Australian assets. The facility was for a total of USD200,000 thousand expiring on July 28, 2018. As at December 31, 2015 and 2016, the carrying amount of bank loan from this facility was USD180,000 thousand (equivalent to RMB1,143,004 thousand) and USD180,000 thousand (equivalent to RMB1,235,103 thousand), respectively. A certain portion of the bank loan of USD20,000 thousand (equivalent to RMB138,575 thousand) was due within one year for the year ended December 31, 2016. The facility was further increased to a total of USD370,000 thousand on July 12, 2017, which will expire on July 12, 2021. As at December 31, 2017 and March 31, 2018, the carrying amount of bank loan from this facility was USD226,000 thousand (equivalent to RMB1,433,348 thousand) and USD265,000 thousand (equivalent to RMB1,634,485 thousand), respectively.

(v) Corporate bonds

On October 18, 2016, the Company issued a one-year commercial paper through interbank market. The face value of the note is RMB500,000 thousand and carried a coupon interest rate of 3.19% per annum. As at December 31, 2016, the carrying amount was RMB498,400 thousand.

On October 20, 2016, the Company issued a three-year medium-term note through interbank market. The face value of the note is RMB600,000 thousand and carried a coupon interest rate of 3.50% per annum. As at December 31, 2016 and 2017 and March 31, 2018, the carrying amount was RMB598,313 thousand, RMB600,000 thousand and RMB600,000 thousand, respectively.

On November 28, 2017, Tianqi Finco Co., Ltd issued a five-year USD bond through The Stock Exchange of Hong Kong Limited. The face value of the note is USD300,000 thousand and it carries a coupon interest rate of 3.75% per annum. As at December 31, 2017 and March 31, 2018, the carrying amount was USD294,872 thousand (equivalent to RMB1,926,754 thousand) and USD295,108 thousand (equivalent to RMB1,855,666 thousand), respectively.

On February 1, 2018, the Company issued a five-year corporate bond through Shenzhen Stock Exchange. The face value of the note is RMB300,000 thousand and it carries a coupon interest rate of 6.30% per annum. As at March 31, 2018, the carrying amount was RMB296,564 thousand.

(vi) Banking facilities

At December 31, 2015, 2016 and 2017 and March 31, 2018, the unused banking facilities of the Group amounted to RMB491,968 thousand, RMB667,984 thousand, RMB1,439,047 thousand and RMB1,221,550 thousand.

Some of the Group's banks loans are subject to the fulfilment of covenants relating to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(b). As at December 31, 2015, 2016, 2017 and March 31, 2018, none of the covenants relating to drawn down facilities had been breached.

At December 31, 2015, 2016 and 2017 and March 31, 2018, the bank loans and other borrowings were repayable as follows:

The Group	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
Within 1 year or on demand	864,104	1,503,654	1,068,287	867,836
After 1 year but within 2 years	219,770	1,335,855	—	—
After 2 years but within 5 years	1,236,910	—	1,433,348	1,634,485
	2,320,784	2,839,509	2,501,635	2,502,321
Corporate bonds				
Within 1 year or on demand	—	498,400	—	—
After 1 year but within 2 years	—	—	600,000	600,000
After 2 years but within 5 years	—	598,313	1,926,754	2,152,230
	—	1,096,713	2,526,754	2,752,230
Other borrowings from a related party				
Within 1 year or on demand	130,000	—	—	—
	2,450,784	3,936,222	5,028,389	5,254,551

The Company	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
Within 1 year or on demand	83,580	—	—	—
Corporate bonds				
Within 1 year or on demand	—	498,400	—	—
After 1 year but within 2 years	—	—	600,000	600,000
After 2 years but within 5 years	—	598,313	—	296,565
	—	1,096,713	600,000	896,565
Other borrowings from a related party				
Within 1 year or on demand	50,000	—	—	—
	133,580	1,096,713	600,000	896,565

As at the end of each reporting period, the bank loans and other borrowings and banking facilities were secured as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
PRC subsidiaries:				
—Property, plant and equipment	697,542	—	—	—
—Lease prepayments	16,537	—	—	—
—Bills receivable	442,525	879,670	234,293	271,486
—Restricted and pledged deposits	227,276	242,795	228,697	220,084
—Non-current assets	4,352	10,860	—	—
—Interest receivables	—	—	16,063	16,843
Windfield Group				
—All Australian assets	3,827,766	4,506,428	5,671,611	5,689,071
	5,215,998	5,639,753	6,150,664	6,197,484

As at December 31, 2015, 2016 and 2017 and March 31, 2018, none of the banking facilities were subject to the fulfilment of covenants relating to any of the balance sheet ratios of the Group. Further details of the Group's management of liquidity risk are set out in note 32(b).

25 Deferred income

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	34,222	44,625	44,098	40,395
Additions	14,182	3,520	600	14,010
Credited to profit or loss	(3,779)	(4,047)	(4,303)	(714)
At the end of year/period	44,625	44,098	40,395	53,691
Representing				
—Current portion	3,707	3,833	—	—
—Non-current portion	40,918	40,265	40,395	53,691

As at December 31, 2015, 2016 and 2017 and March 31, 2018, deferred income of the Group mainly represented various grants received from governments for research and development of lithium related technology, construction of property, plant and equipment and payments for lease prepayments. Government grants relating to compensation of assets are recognized as other income on a straight-line basis over the expected useful life of the relevant assets.

26 Income tax in the consolidated statements of financial position

(a) *Current taxation in the consolidated statements of financial position represents:*

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Corporate Income Tax				
At January 1,	5,108	2,807	62,135	155,028
Charged to profit or loss	6,398	164,867	381,614	158,298
Charged to other reserve	—	—	(42,047)	—
Payments during the year/period	(8,699)	(105,539)	(246,674)	(101,022)
At December 31,/March 31,	2,807	62,135	155,028	212,304
Overseas Corporate Income Tax				
At January 1	—	98,562	136,577	176,335
Charged to profit or loss	112,759	174,340	354,832	114,720
Payments during the year/period	(11,285)	(143,057)	(314,846)	(71,332)
Foreign exchange differences	(2,912)	6,732	(228)	(10,252)
At December 31,/March 31,	98,562	136,577	176,335	209,471
Representing:				
Prepaid tax	(11,045)	—	—	(3,756)
Current taxation	112,414	198,712	331,363	425,531
	101,369	198,712	331,363	421,775

(b) Deferred tax assets and liabilities recognized

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognized in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Impairment provisions	Unrealized inter-group profit	Unused tax losses	Unrealized exchange (gain)/loss	Provisions	Government grants	Equity-settled share-based payment expenses	Fair value gains	Depreciation allowances difference	Mine development and stripping costs	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	(2,733)	(24,102)	(15,811)	1,237	(32,395)	(5,683)	—	—	16,881	95,042	(21,861)	10,575
Charged/(Credited) to profit or loss	(362)	(13,800)	(99,522)	(3,010)	(376)	(270)	(2,883)	402	3,963	78,497	5,429	(31,932)
Foreign exchange differences	—	—	228	18	1,882	—	—	—	(1,093)	(7,824)	1,020	(5,769)
At December 31, 2015	(3,095)	(37,902)	(115,105)	(1,755)	(30,889)	(5,953)	(2,883)	402	19,751	165,715	(15,412)	(27,126)
Charged/(Credited) to profit or loss	(24,752)	(7,273)	75,533	1,320	(16,784)	(2,046)	(85)	(80,315)	8,481	61,953	1,578	17,610
Foreign exchange differences	—	—	(144)	(68)	(1,914)	—	—	—	1,454	11,931	(888)	10,371
At December 31, 2016	(27,847)	(45,175)	(39,716)	(503)	(49,587)	(7,999)	(2,968)	(79,913)	29,686	239,599	(14,722)	855
Charged/(Credited) to profit or loss	2,441	(5,694)	12,090	15,817	12,325	474	(2,659)	259,295	17,914	47,878	4,571	364,452
Charged/(Credited) to other reserve	—	—	—	—	—	—	(24,770)	—	—	—	—	(24,770)
Foreign exchange differences	—	—	(83)	113	(546)	—	—	—	592	4,048	20	4,144
At December 31, 2017	(25,406)	(50,869)	(27,709)	15,427	(37,808)	(7,525)	(30,397)	179,382	48,192	291,525	(10,131)	344,681
Charged/(Credited) to profit or loss	(614)	(7,685)	332	(3,569)	(464)	(125)	(633)	(118,982)	6,722	7,149	6,599	(111,270)
Charged/(Credited) to other reserve	—	—	—	—	—	—	(7,485)	—	—	—	—	(7,485)
Foreign exchange differences	—	—	456	(695)	1,945	—	—	—	(2,640)	(15,088)	339	(15,683)
At March 31, 2018	(26,020)	(58,554)	(26,921)	11,163	(36,327)	(7,650)	(38,515)	60,400	52,274	283,586	(3,193)	210,243

(ii) Reconciliation to the consolidated statements of financial position

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognized in the consolidated statements of financial position	(219,005)	(277,603)	(200,231)	(167,421)
Net deferred tax liability recognized in the consolidated statements of financial position	191,879	278,458	544,912	377,664
	(27,126)	855	344,681	210,243

(c) *Deferred tax assets not recognized*

In accordance with the accounting policy set out in note 2(w), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB241,097 thousand, RMB147,336 thousand, RMB188,456 thousand and RMB195,577 thousand respectively, for the years ended December 31, 2015, 2016 and 2017, and three months ended March 31, 2018, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. For Hong Kong and the United Kingdom subsidiaries, the tax losses do not expire under current tax legislation.

Pursuant to the relevant laws and regulations in the PRC, the unrecognized tax losses at the end of the Relevant Period will expire in the following years:

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
2020	95,419	2,937	2,937	2,937
2021	—	1,402	1,402	1,402
2022	—	—	8,116	8,116
2023	—	—	—	564
	95,419	4,339	12,455	13,019

27 Provisions

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	107,984	102,972	175,771	126,693
Rehabilitation and mine closure adjustment	(1,925)	175	8,370	—
Unwind of discount on rehabilitation and mine closure provision (i)	3,188	3,334	3,633	895
Compensation expenses provided/(paid) (ii)	—	62,910	(62,910)	—
Foreign exchange differences	(6,275)	6,380	1,829	(6,499)
At December 31,/March 31,	102,972	175,771	126,693	121,089

(i) Windfield Group has an obligation to rehabilitate its mining areas at the end of the life of its mining operations according to Australian laws and regulations. Windfield Group recognizes a provision for the cost to rehabilitate the mining areas as the obligation arises and when it can be reliably measured. Estimates are required to determine the level of undiscounted rehabilitation and closure costs for Windfield Group. In addition, an estimate of the life of mine is required to determine the period over which the undiscounted costs are required to be discounted. The estimated cost to rehabilitate its mining areas is determined according to past experience and the best estimate of future expenditures given the current area of disturbance and after considering the current related regulations. The directors also consider factors such as the time value of money and therefore the discount rate which is applied to discount the estimated future cash outflows to the net present value. The discount rate applied by Windfield Group to discount the estimated amount of 'rehabilitation and mine closure' was the 15-year risk-free Australian government bond rate of 3.12%, 3.22% and 2.90% as at December 31, 2015, 2016 and 2017 respectively. The life of mine has been estimated to be approximately 23, 21, 20 and 20 years as at December 31, 2015, 2016, 2017 and March 31, 2018 based on the most updated estimation of mineable reserves and the anticipated rate of production. This is the period over which the rehabilitation and closure provision is discounted. The life of mine is subject to change should the mineable reserves and the anticipated rate of production change in the future.

(ii) The Group accrued the provision of RMB 62,910 thousand related to a law suit against Chengdu Tianqi in respect of its breach of sales contracts as at December 31, 2016. The payment had been made in full in 2017.

28 Other non-current liabilities

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits received from constructors	—	—	—	79,148
Long-term incentive scheme	2,673	3,149	3,044	21,999
	2,673	3,149	3,044	101,147

29 Capital, reserves and dividends

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the period are set out below.

	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	(Accumulated losses)/retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	258,760	3,634,201	—	2,279	19,438	38,091	(7,706)	3,945,063
Changes in equity for 2015:								
Total comprehensive income for the year	—	—	—	—	—	—	96,676	96,676
Issue of restricted A shares	2,709	81,487	(84,196)	—	—	—	—	—
Equity-settled share-based payments	—	—	—	—	—	13,131	—	13,131
Provision of safety production fund	—	—	—	1,500	—	—	(1,500)	—
Appropriation to statutory reserves	—	—	—	—	8,747	—	(8,747)	—
Others	—	34	—	—	—	—	—	34
At December 31, 2015 and January 1, 2016	261,469	3,715,722	(84,196)	3,779	28,185	51,222	78,723	4,054,904
Changes in equity for 2016:								
Total comprehensive income for the year	—	—	—	—	—	—	202,335	202,335
Conversion of share premium into share capital	732,113	(732,113)	—	—	—	—	—	—
Issue of restricted A shares	840	17,486	(18,326)	—	—	—	—	—
Equity-settled share-based payments	—	—	—	—	—	37,208	—	37,208
Vesting of restricted A shares	—	37,949	21,049	—	—	(37,949)	—	21,049
Provision of safety production fund	—	—	—	(83)	—	—	83	—
Appropriation to statutory reserves	—	—	—	—	20,242	—	(20,242)	—
Cash dividends	—	—	—	—	—	—	(78,441)	(78,441)
Transferred to a subsidiary	—	—	—	(3,696)	—	—	—	(3,696)
At December 31, 2016	994,422	3,039,044	(81,473)	—	48,427	50,481	182,458	4,233,359

	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	994,422	3,039,044	(81,473)	—	48,427	50,481	182,458	4,233,359
Changes in equity for 2017:								
Total comprehensive income for the year	—	—	—	—	—	—	453,745	453,745
Issue of A shares	147,696	1,457,131	—	—	—	—	—	1,604,827
Equity-settled share-based payments	—	—	—	—	—	25,267	—	25,267
Tax effect of the permanent difference arising from equity-settled share-based payments	—	—	—	—	—	66,817	—	66,817
Vesting of restricted A shares	—	28,386	26,979	—	—	(28,386)	—	26,979
Cancelation of restricted A shares	(66)	(470)	536	—	—	—	—	—
Appropriation to statutory reserves	—	—	—	—	45,374	—	(45,374)	—
Cash dividends	—	—	—	—	—	—	(178,996)	(178,996)
At December 31, 2017 and January 1, 2018	1,142,052	4,524,091	(53,958)	—	93,801	114,179	411,833	6,231,998
Changes in equity for three months ended March 31, 2018:								
Total comprehensive income for the period	—	—	—	—	—	—	(18,524)	(18,524)
Equity-settled share-based payments	—	—	—	—	—	3,115	—	3,115
Tax effect of the permanent difference arising from equity-settled share-based payments	—	—	—	—	—	7,485	—	7,485
At March 31, 2018	1,142,052	4,524,091	(53,958)	—	93,801	124,779	393,309	6,224,074

(Unaudited)	Share capital	Share premium	Treasury shares	Special reserves	PRC statutory reserves	Other reserves	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2017	994,422	3,039,044	(81,473)	—	48,427	50,481	182,458	4,233,359
Changes in equity for three months ended March 31, 2017:								
Total comprehensive income for the period	—	—	—	—	—	—	(6,954)	(6,954)
Equity-settled share-based payments	—	—	—	—	—	6,334	—	6,334
At March 31, 2017	994,422	3,039,044	(81,473)	—	48,427	56,815	175,504	4,232,739

(b) Dividends

(i) Dividends payable to ordinary equity shareholders of the Company attributable to the year/period:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Final dividend proposed after the end of the year/period	78,441	178,996	228,411	228,411

The final dividend proposed after the end of each of the Relevant Periods has not been recognized as a liability at the end of each of the Relevant Periods.

(ii) Dividends payable to ordinary equity shareholders of the Company attributable to the previous financial year, approved and paid during the year/period:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year/period	—	77,831	178,166	—

(c) Share capital

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Ordinary shares, issued and fully paid:				
At January 1,	258,760	261,469	994,422	1,142,052
Issue of A shares (i)	—	—	147,696	—
Conversion of share premium into share capital (iii)	—	732,113	—	—
Shares issued under Restricted A Share Incentive Scheme (note 30)	2,709	840	—	—
Cancelation of restricted A shares (ii)	—	—	(66)	—
At December 31,/March 31,	261,469	994,422	1,142,052	1,142,052

(i) On December 22, 2017, the Company issued 147,696,000 A shares at an issue price of RMB11.06 per share to existing shareholders, and collected net proceeds of RMB1,604,827 thousand accordingly, of which RMB147,696 thousand was credited to share capital and the remaining amount of RMB1,457,131 thousand was credited to share premium.

(ii) The Company repurchased 65,550 shares from an employee who participated in the Restricted A Share Incentive Scheme but resigned in 2017. The repurchased shares were canceled during 2017.

(iii) Pursuant to the resolution of the 2016 annual general meeting on May 27, 2016, the Company transferred share premium of RMB732,113 thousand to share capital and the issued A shares increased by 28 shares per 10 shares.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid up shares of the Company.

(ii) Other reserves

Other reserves of the Group mainly represented (1) merger reserves resulted from business combination in 2008, 2013 and 2014 respectively involving entities under common control; and (2) the portion of the grant date fair value of unlocked restricted A shares granted to employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(v).

(iii) PRC statutory reserves

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years), as determined under the PRC Accounting Regulations, to the statutory reserves until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserves fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Special reserves

Pursuant to the relevant PRC regulations for production of hazardous chemicals, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

(v) Exchange reserves

The exchange reserves comprises all foreign exchange differences arising from the translation of the financial statements of the Group's subsidiaries outside the PRC which are dealt with in accordance with the accounting policies set out in note 2(z).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholder and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes bank loans and other borrowings) plus unaccrued proposed dividends, less cash and cash dividends. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at December 31, 2015, 2016 and 2017, and the three months ended March 31, 2018, respectively was as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current bank loans and other borrowings	994,104	2,002,054	1,068,287	867,836
Non-current bank loans and other borrowings	1,456,680	1,934,168	3,960,102	4,386,715
Total debt	2,450,784	3,936,222	5,028,389	5,254,551
Add: Proposed dividends	78,441	178,996	228,411	228,411
Less: Cash and cash equivalents	(545,258)	(1,468,368)	(5,275,968)	(4,635,993)
Adjusted net debt	1,983,967	2,646,850	(19,168)	846,969
Total equity	4,072,112	5,794,525	10,634,973	10,688,805
Less: Proposed dividends	(78,441)	(178,996)	(228,411)	(228,411)
Adjusted capital	3,993,671	5,615,529	10,406,562	10,460,394
Adjusted net debt-to-capital ratio	50%	47%	0%	8%

30 Restricted A Share Incentive Scheme

The Company adopted a share incentive scheme (the "Restricted A Share Incentive Scheme") for the purpose of further refining the corporate governance structure of the Group, facilitating the establishment of the restricted incentive mechanism, fully motivating the management and key personnel of the Group.

The Restricted A Share Incentive Scheme was approved by shareholder's general meeting of the Company on August 28, 2015, according to which 3,010,000 restricted shares were planned to be granted to eligible participants. The Company granted restricted shares to the senior management and core technical personnel under the Restricted A Share Incentive Scheme during the Relevant Periods as follow:

Incentive Scheme	Date of approval and grant	Grant price per share	Eligible participants	Shares granted	Valid periods#
The first batch*	August 28, 2015	RMB31.08	72	2,709,000	4 years
The second batch**	June 28, 2016	RMB22.30	28	688,000	3 years
The third batch**	August 25, 2016	RMB19.63	1	152,000	3 years

* The Company granted restricted shares of 2,709,000 to the senior management on August 28, 2015.

** On June 28, 2016, the board of directors of the Company approved to adjust the remaining restricted shares to be granted under Restricted A Share Incentive Scheme from 301,000 shares to 1,144,000 shares to mitigate the impact due to conversion of share premium into share capital (note 29 (c)(iii)). The total number of restricted shares granted and to be granted under Restricted A Share Incentive Scheme has been enlarged to 11,438,000, while the number of first batch of restricted shares granted has been enlarged to 10,294,200 accordingly.

The Restricted A Share Incentive Scheme shall be valid for a period of time, commencing from the date of grant and ending on the date on which all the restricted shares granted have been unlocked or otherwise repurchased and canceled.

Restricted shares shall be locked up immediately upon the grant. All of the restricted shares granted to the eligible participants shall be subject to various lock-up periods ranging from 1 year to 4 years, immediately from the date of grant. Restricted shares held by the eligible participants shall be unlocked (or repurchased and canceled) by the Company upon the expiry of each lock-up period. Details of the unlock periods and conditions are summarized as follows:

		Unlock proportion	
Unlock period	Performance target	The first batch	The second and third batch
First unlock period: commencing from the first trading day after the expiry of the 12-month period from the date of grant and ending on the last trading day of the 24-month period from the date of grant.	Compared to the year 2014, the net profit and revenue in 2015 will increase by more than 16% and 8%, respectively.	25%	N/A
Second unlock period: commencing from the first trading day after the expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant.	Compared to the year 2014, the net profit and revenue in 2016 will increase by more than 32% and 24%, respectively.	25%	33%
Third unlock period: Commencing from the first trading day after the expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant.	Compared to the year 2014, the net profit and revenue in 2017 will increase by more than 48% and 40%, respectively.	25%	33%
Fourth unlock period: Commencing from the first trading day after the expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant.	Compared to the year 2014, the net profit and revenue in 2018 will increase by more than 80% and 64%, respectively.	25%	34%

Where the performance target at the Company's level has been achieved, an eligible participant is only entitled to unlock the restricted shares upon achieving the benchmark of ''Pass'' or above in his/her performance target for the preceding year according to the Company's administrative measures in respect of remuneration and performance appraisal.

As at March 31, 2018, the aggregate fair value of the restricted shares granted at the grant dates, after netting of the total considerations of RMB102,522 thousand received for the issue of the restricted shares amounted to approximately RMB92,460 thousand, of which RMB13,131 thousand, RMB37,208 thousand, RMB25,267 thousand, RMB6,334 thousand (unaudited) and RMB3,115 thousand have been charged to profit or loss and the other reserve as costs of share-based payment for the years ended December 31, 2015, 2016 and 2017, and for the three months ended March 31, 2017 and 2018, respectively from the date of grant to the date on which the unlocking conditions are being fulfilled and the shares may be circulated according to the law. An amount of RMB84,196 thousand and RMB18,326 thousand have been recognized in trade and other payables and debited to the treasury shares for the year ended December 31, 2015 and 2016 due to the restricted share repurchase obligation of the Company till the end of the unlock period.

A total of 2,574,000 restricted shares amounting to RMB21,049 thousand have been unlocked for the year ended December 31, 2016. As at December 31, 2016, the number of restricted shares was 8,560,000 and the amount of treasury shares was RMB81,473 thousand.

A total of 2,829,000 restricted shares amounting to RMB26,979 thousand have been unlocked for the year ended December 31, 2017. Following the resignation of one employee of the Company in 2017, the Company repurchased and canceled 65,500 shares amounting to RMB536 thousand. As at December 31, 2017and March 31, 2018, the number of restricted shares was 5,665,500 and the amount of treasury shares was RMB53,958 thousand.

31 Acquisition of business

On April 30, 2015 ("Acquisition Date"), Tianqi HK acquired 100% equity interest of Tianqi Lithium International (previously known as "Galaxy Lithium International Limited"), the holding company of Tianqi Lithium (Jiangsu) (previously known as "Galaxy Lithium Jiangsu Limited"), from Galaxy Resources Limited at a cash consideration of USD71,700 thousand, approximately equivalent to RMB440,465 thousand.

(a) Identifiable assets acquired and liabilities assumed at the Acquisition Date

	Note	Book value/fair value RMB'000
Non-current assets		
Property, plant and equipment	11	684,887
Lease prepayments	12	16,785
		701,672
Current assets		
Inventories		13,871
Trade and other receivables		106,796
Cash and cash equivalents		6,914
		127,581
Current liabilities		
Trade and other payables		169,917
Bank loans and other borrowings		210,590
		380,507
Net current liabilities		(252,926)
Total assets less current liabilities		448,746
Non-current liabilities		
Bank loans and other borrowings		399,846
Long-term payables		15,814
Deferred income		8,722
		424,382
Net identifiable assets		24,364

(b) Goodwill

	RMB'000
Total consideration	440,465
Less: fair value of identifiable net assets	24,364
	416,101

32 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors. The Group's exposure to credit risk arising from cash and cash equivalents, restricted and pledged deposits, bills receivable, wealth management products and derivative financial assets is limited because the counterparties are banks, for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate, and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2015, 2016 and 2017 and March 31, 2018, 51.5%, 98.9%, 97.1% and 84.1% of trade debtors were due from the Group's largest customer.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 to 90 days from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at December 31, 2015					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	1,030,445	222,315	1,280,561	—	2,533,321	2,450,784
Trade and other payables other than receipts in advance and interest payable	456,777	—	—	—	456,777	456,777
	1,487,222	222,315	1,280,561	—	2,990,098	2,907,561

	As at December 31, 2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	2,057,869	1,390,119	617,092	—	4,065,080	3,936,222
Trade and other payables other than receipts in advance and interest payable	599,266	—	—	—	599,266	599,266
	2,657,135	1,390,119	617,092	—	4,664,346	4,535,488

	As at December 31, 2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	1,196,621	691,623	3,652,924	—	5,541,168	5,028,389
Trade and other payables other than receipts in advance and interest payable	909,689	—	—	—	909,689	909,689
	2,106,310	691,623	3,652,924	—	6,450,857	5,938,078

	As at March 31, 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	982,815	701,541	4,100,111	—	5,784,467	5,254,551
Trade and other payables other than receipts in advance and interest payable	934,416	—	—	—	934,416	934,416
Derivative financial instruments	14,823	14,823	44,509	—	74,155	27,660
	1,932,054	716,364	4,144,620	—	6,793,038	6,216,627

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term bank loans. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	Year ended December 31,						Three months ended March 31, 2018	
	2015		2016		2017		2018	
	Effective Interest rate		Effective Interest rate		Effective Interest rate		Effective Interest rate	
	%	RMB	%	RMB	%	RMB	%	RMB
Fixed rate borrowings:								
Bank loans and other borrowings	0.92%~6.4%	1,217,882	1.82%~4.79%	2,701,118	1.86%~4.65%	3,395,042	2.17%~5.35%	3,520,066
Variable rate borrowings:								
Bank loans and other borrowings	2.05%~5.75%	1,232,902	2.08%~2.19%	1,235,104	2.27%~4.57%	1,633,347	3.17%~4.57%	1,734,485
Total borrowings		2,450,784		3,936,222		5,028,389		5,254,551
Fixed rate borrowings as a percentage of total borrowings		49.69%		68.62%		67.52%		66.99%

(ii) Sensitivity analysis

The following table details the effect on the Group's profit after tax for each year of the Relevant Periods and retained profits as at the end of each reporting period that an increase/ decrease of 100 basis points in interest rates would have.

	Year ended or as at December 31,						Three months ended or as at March 31,	
	2015		2016		2017		2018	
	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	A decrease of 100 basis points in interest rates
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Effect on:								
Profit after tax	(8,675)	8,675	(8,646)	8,646	(11,533)	11,533	(12,191)	12,191
Retained profits	(8,675)	8,675	(8,646)	8,646	(11,533)	11,533	(12,191)	12,191

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualized impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to trade and other receivables, trade and other payables and cash and bank balances and through financing which give rise to bank loans and other borrowings, restricted and pledged deposits and interest payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("USD"), Australian Dollars ("AUD") and Hong Kong Dollars ("HKD"). The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	As at December 31, 2015		
	USD	AUD	HKD
	RMB'000	RMB'000	RMB'000
Other non-current assets	4,352	—	—
Non-current restricted and pledged deposits	227,276	—	—
Trade and other receivables	51,485	—	—
Cash and cash equivalents	71,492	109	9
Trade and other payables	(55,027)	(23,984)	(446)
Current bank loans and other borrowings	(165,244)	—	—
Non-current bank loans and other borrowings	(1,368,082)	—	—
Interest payable	(4,349)	—	—
Net exposure arising from recognized assets and liabilities	(1,238,097)	(23,875)	(437)

	As at December 31, 2016		
	USD	AUD	HKD
	RMB'000	RMB'000	RMB'000
Other non-current assets	10,860	—	—
Non-current restricted and pledged deposits	242,795	—	—
Trade and other receivables	495,838	—	—
Cash and cash equivalents	227,207	6,467	347
Trade and other payables	(177,410)	(32,747)	(13,759)
Current bank loans and other borrowings	(435,854)	—	—
Current taxation	(5,908)	—	—
Non-current bank loans and other borrowings	(1,337,243)	—	—
Interest payable	(10,822)	—	—
Net exposure arising from recognized assets and liabilities	(990,537)	(26,280)	(13,412)

	As at December 31, 2017		
	USD	AUD	HKD
	RMB'000	RMB'000	RMB'000
Trade and other receivables	745,560	—	—
Current restricted and pledged deposits	228,697	—	—
Cash and cash equivalents	361,962	6,329	25
Trade and other payables	(129,427)	(39)	—
Current bank loans and other borrowings	(538,287)	—	—
Current taxation	(2,782)	—	—
Non-current bank loans and other borrowings	(1,658,777)	—	—
Net exposure arising from recognized assets and liabilities	(993,054)	6,290	25

	As at March 31, 2018		
	USD	AUD	HKD
	RMB'000	RMB'000	RMB'000
Trade and other receivables	852,518	(84)	—
Current restricted and pledged deposits	220,084	—	—
Cash and cash equivalents	388,523	9,660	35
Trade and other payables	29,295	(3,403)	—
Current bank loans and other borrowings	(537,836)	—	—
Current taxation	(2,677)	—	—
Non-current bank loans and other borrowings	(1,851,424)	—	—
Other non-current liabilities	(86,281)	—	—
Net exposure arising from recognized assets and liabilities	(987,798)	6,173	35

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	Year ended or as at December 31,						Three months ended or as at March 31,	
	2015		2016		2017		2018	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		RMB'000		RMB'000		RMB'000
RMB vs USD	5%	(7,426)	5%	(11,619)	5%	(9,152)	5%	(1,564)
	(5%)	7,426	(5%)	11,619	(5%)	9,152	(5%)	1,564
RMB vs AUD	5%	4	5%	271	5%	249	5%	260
	(5%)	(4)	(5%)	(271)	(5%)	(249)	(5%)	(260)
RMB vs HKD	5%	(16)	5%	(503)	5%	1	5%	1
	(5%)	16	(5%)	503	(5%)	(1)	(5%)	(1)
AUD vs USD	5%	(36,882)	5%	(23,897)	5%	(26,233)	5%	(33,391)
	(5%)	36,882	(5%)	23,897	(5%)	26,233	(5%)	33,391
USD vs AUD	5%	(947)	5%	(1,292)	5%	—	5%	—
	(5%)	947	(5%)	1,292	(5%)	—	(5%)	—
HKD vs USD	5%	1	5%	1	5%	1	5%	1
	(5%)	(1)	(5%)	(1)	(5%)	(1)	(5%)	(1)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis during the Relevant Periods.

(e) Equity price risk

Equity price risk is the risk that the fair values of equity decrease or increase as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price changes arising from equity investments at fair value through profit or loss (see note 18). The equity investments are listed.

At each reporting period end, it is estimated that a change of the equity price of the listed investments, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) as follows:

	Year ended or as at December 31,						Three months ended or as at March 31,	
	2015		2016		2017		2018	
		Effect on profit after tax and retained profits RMB'000		Effect on profit after tax and retained profits RMB'000		Effect on profit after tax and retained profits RMB'000		Effect on profit after tax and retained profits RMB'000
Change in the relevant equity price								
Increase	5%	—	5%	41,116	5%	80,256	5%	63,938
Decrease	(5%)	—	(5%)	(41,116)	(5%)	(80,256)	(5%)	(63,938)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the changes in the equity price of the listed investments had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. The analysis is performed on the same basis during the Relevant Periods.

(f) Fair value measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the 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:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

— Level 3 valuations: Fair value measured using significant unobservable inputs.

	As at December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
—Equity investments at FVTPL	—	—	—	—
—Investment in wealth management products issued by banks	—	—	5,000	5,000
Derivative financial instruments				
—Currency swaps	1,735	—	—	1,735

	As at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
—Equity investments at FVTPL	1,096,431	—	—	1,096,431
—Investment in wealth management products issued by banks	—	—	393,000	393,000
Derivative financial instruments				
—Currency swaps	3,917	—	—	3,917

	As at December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
—Equity investments at FVTPL	2,140,151	—	—	2,140,151
—Investment in wealth management products issued by banks	—	—	94,000	94,000
Derivative financial instruments				
—Currency swaps	(2,623)	—	—	(2,623)

	As at March 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
—Equity investments at FVTPL	1,705,014	—	—	1,705,014
—Investment in wealth management products issued by banks	—	—	812,000	812,000
Derivative financial instruments				
—Currency swaps	(43,415)	—	—	(43,415)

33 Commitments

(a) Capital commitments outstanding at December 31, 2015, 2016 and 2017 and March 31, 2018 not provided for in the Historical Financial Information were as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	26	1,655,290	1,426,661	1,213,754
Authorized but not contracted for	—	—	832,019	425,398
	26	1,655,290	2,258,680	1,639,152

(b) At December 31, 2015, 2016, 2017, and March 31, 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,447	6,238	8,738	7,788
After 1 year but within 2 years	3,419	6,716	7,963	7,909
After 2 years but within 3 years	3,102	7,311	8,924	8,499
After 3 years	655	216,286	210,912	198,066
	9,623	236,551	236,537	222,262

34 Contingent liabilities

[Windfield has lodged an application with the Australian Taxation Office ("ATO") for an Advanced Pricing Arrangement ("APA"). The proposed APA applies to the pricing of all related party sales from January 1, 2017 to December 31, 2019. The ATO are also reviewing the pricing of related party sales in 2015 and 2016. As at the date of issue of this report, negotiations between Windfield and the ATO in relation to the APA and prior year review period are continuing. Whilst Windfield are of the view that the pricing methods proposed in the APA and the pricing methods adopted in 2015 and 2016 are appropriate, and therefore reasonable prices have been applied to relevant related party sales, there is the possibility that the ATO forms a different view which would result in Windfield having a liability for additional income tax.]

35 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	4,346	5,083	8,429	1,013	1,416
Share-based payment	7,812	19,686	9,544	2,578	1,229
Post-employment benefits	121	164	207	51	51
	12,279	24,933	18,180	3,642	2,696

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Identify of related parties

Name of party	Relationship with the Group
Mr. Jiang Weiping 蔣衛平	Executive director and controlling shareholder
Ms. Zhang Jing張靜	A close member of Mr. Jiang Weiping's family
Tianqi Group Company ("成都天齊實業（集團）有限公司")	Immediate holding company
Tianqi Group HK Co., Limited ("天齊集團香港有限公司")	Fellow subsidiary
Chengdu Tianqi plumbing equipment Co., Ltd ("成都天齊水暖設備有限公司")	Fellow subsidiary
TQC Equipment Inc. Canada	Fellow subsidiary
Chengdu Tianqi zongheng Investment Co., Ltd ("成都天齊縱橫投資有限公司")	Fellow subsidiary
Chengdu Tianqi Machinery, Metals & Minerals Import & Export Co., Ltd ("TQMMM") ("成都天齊機械五礦進出口有限責任公司")	Fellow subsidiary

(c) Significant related party transactions

The Group	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Leasing income from:					
Tianqi Group Company	357	424	—	—	—
TQMMM	128	—	—	—	—
Leasing expense to:					
Tianqi Group Company	98	48	50	50	50
Tianqi Mining	—	797	1,840	444	498
Purchases of goods / service from:					
TQC Equipment Inc. Canada	67	131	—	—	—
Tianqi Group Company	2,271	784	970	233	326
Sales of goods / service / assets to:					
Chengdu Tianqi plumbing equipment Co., Ltd	68	—	—	—	—
Tianqi Group Company	266	—	—	—	—
Disposal of Tianqi Mining to:					
Tianqi Group Company	—	85,056	—	—	—
Proceeds from borrowings from:					
Tianqi Group Company	480,800	—	—	—	—
Tianqi Group HK Co., limited	183,407	—	—	—	—
Repayment of borrowings to					
Tianqi Group Company	350,800	130,000	—	—	—
Tianqi Group HK Co., limited	183,407	—	—	—	—
Interest expenses					
Tianqi Group Company	14,154	1,195	—	—	—
Tianqi Group HK Co., limited	6,240	—	—	—	—

(d) Balance with related parties

The Group

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other borrowings from (note 24):				
Tianqi Group Company (i)	130,000	—	—	—

The Company

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other borrowings from (note 24):				
Tianqi Group Company (i)	50,000	—	—	—

(i) Other borrowings from a related party represented borrowings from Tianqi Group Company, of which RMB50,000 thousand carried at an interest rate of 7.5% and RMB80,000 thousand carried at an interest rate of 5.07%.

(e) Guarantee provided by related parties

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
Guaranteed by Tianqi Group Company	118,581	—	—	—
Guaranteed by Mr. Jiang Weiping, Ms. Zhang Jing and Tianqi Group Company jointly	209,506	—	—	—
	328,087	—	—	—
Bills payable				
Guaranteed by Tianqi Group Company	30,000	—	—	—

36 Immediate and ultimate controlling party

At March 31, 2018, the directors consider the immediate holding company to be Tianqi Group Company which is incorporated in the PRC. At March 31, 2018, the directors consider the ultimate controlling shareholder of the Group to be Mr. Jiang Weiping.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this report, the IASB has issued a number of amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over Income Tax Treatment*	January 1, 2019
Annual improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below.

IFRS 16, Leases

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on consolidated statement of financial position for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2(h) with the Group's future operating lease commitments, which are not reflected in the consolidated statement of financial position, set out in Note 33. IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognize certain leases outside of the statement of financial position. Instead, almost all leases must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statements of profit or loss, the operating lease expenses will decrease, while depreciation and amortization and the interest expense will increase. The new standard is not expected to apply until 2019.

The Group has disclosed its non-cancellable operating lease commitments amounting to RMB 9,623 thousand, RMB236, 551 thousand, RMB236,537 thousand and RMB222,262 thousand for the Group as at December 31, 2015, 2016 and 2017 and March 31, 2018 in Note 33. As a result of the adoption of the new standard, there will be no operating lease commitment.

Nevertheless, it is expected that there will be no material impact on financial performance of the Group as the total expenses to be recognized by the Group over the entire lease period and total profit over the lease period is not expected to be materially affected. The adoption of IFRS 16 would not affect the Group's cash flows in respect of the leases.

The Group are continuing to assess the specific magnitude of the adoption of IFRS 16 to the relevant financial statement areas and will conduct a more detailed assessment on the impact as information become available closer to the planned initial date of the adoption of January 1, 2019.

38 [Subsequent events]

[After the end of the Relevant Periods, the Company proposed a final dividend. Further details are disclosed in note 29(b).]

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to March 31, 2018.

The financial information of SQM contained in this appendix (the "**SQM Financial Information**") is directly extracted from the consolidated classified statements of financial position, consolidated statements of cash flows, consolidated statements of income by function and consolidated statements of comprehensive income that previously published by SQM as a company publicly listed on the Santiago Stock Exchange, the Valparaíso Stock Exchange, the Santiago Electronic Stock Exchange and the New York Stock Exchange. The SQM Financial Information has been prepared in accordance with the International Financial Reporting Standards (IFRS) and audited by SQM's independent auditor. The SQM Financial Information and other related business and operating information of SQM were included in the Annual Reports for 2015, 2016 and 2017 issued and published by SQM, which are publicly accessible at http://s1.q4cdn.com/793210788/files/doc_financials/2015/ar/Memoria-Anual-2015_Final_ing.pdf, http://s1.q4cdn.com/793210788/files/doc_financials/2016/annual/Memoria-Anual-2016_ing_final.pdf and http://s1.q4cdn.com/793210788/files/doc_financials/2017/Memoria-Anual-2017_eng.pdf, respectively. Except for those expressly reproduced herein, any other statement, data or information contained in these hyperlinks are not incorporated into this **[REDACTED]**.

The SQM Financial Information is reproduced and included in this **[REDACTED]** in connection with the Company's application for a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules, [and the Stock Exchange has granted us the waiver]. See "Waivers from Strict Compliance with the Listing Rules—Shareholdings in SQM Acquired after the Track Record Period". None of the Company, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or the Reporting Accountant involved in the **[REDACTED]** or their respective affiliates, directors, officers, employees, advisers or agents was involved or have otherwise participated in the preparation of the SQM Financial Information or have performed any verification or inspection as to its accuracy, fairness and completeness.

The inclusion of the SQM Financial Information is for the Shareholders and potential investors of the Company to evaluate the risks associated with the Company's investment in SQM and the **[REDACTED]** only. Shareholders and potential investors of the Company are cautioned not to unduly rely on the SQM Financial Information announced by SQM, as they do not represent the Group's consolidated results during the Track Record Period. Instead, Shareholders and potential investors of the Company should refer to the Group's consolidated results extracted from the Accountants' Report set out in Appendix I to this **[REDACTED]**, as well as the section headed "Financial Information" in this **[REDACTED]**. Shareholders and potential investors of the Company should not place undue reliance on any financial information not prepared by the Company, including the SQM Financial Information.

A Chinese version of the SQM Financial Information has been prepared and included in the Chinese version of this **[REDACTED]** by the Directors of the Company to be in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Neither SQM nor its independent auditor was involved in or has otherwise participated in the process of translating the SQM Financial Information into Chinese.

EXTRACT OF THE FINANCIAL STATEMENTS OF SQM FOR THE YEAR ENDED DECEMBER 31, 2017

Consolidated Classified Statements of Financial Position

	Note	As of December 31, 2017 ThUS$	As of December 31, 2016 ThUS$
Assets			
Current assets			
Cash and cash equivalents	7.1	630,438	514,669
Other current financial assets	10.1	366,979	289,189
Other current non-financial assets	24	26,883	30,273
Trade and other receivables, current	10.2	446,875	368,761
Trade receivables due from related parties, current	9.5	59,132	82,259
Current inventories	8	902,074	993,072
Current tax assets	27.1	32,291	51,632
Current assets other than those classified as held for sale or disposal		**2,464,672**	**2,329,855**
Non-current assets or groups of assets classified as held for sale		1,589	2,056
Total current assets		**2,466,261**	**2,331,911**
Non-current assets			
Other non-current financial assets	10.1	62,879	34,099
Other non-current non-financial assets	24	19,262	24,690
Trade receivables, non-current	10.2	1,912	1,840
Investments classified using the equity method of accounting	11.1-12.3	126,425	113,140
Intangible assets other than goodwill	13.1	105,948	109,439
Goodwill	13.1	44,177	37,972
Property, plant and equipment	14.1	1,437,193	1,532,710
Tax assets, non-current	27.1	32,179	32,179
Total non-current assets		**1,829,975**	**1,886,069**
Total assets		**4,296,236**	**4,217,980**
Liabilities and Equity			
Current liabilities			
Other current financial liabilities	10.4	220,328	179,144
Trade and other payables, current	10.5	196,280	200,496
Trade payables due to related parties, current	9.6	1,365	7
Other current provisions	18.1	63,445	41,912
Current tax liabilities	27.2	75,402	75,872
Provisions for employee benefits, current	15.1	22,421	20,998
Other current liabilities	18.3	168,804	61,920
Total current liabilities		**748,045**	**580,349**
Non-current liabilities			
Other non-current financial liabilities	10.4	1,031,507	1,093,438
Other non-current provisions	18.1	30,001	8,934
Deferred tax liabilities	27.3	205,283	205,455
Provisions for employee benefits, non-current	15.1	33,932	22,532
Total non-current liabilities		**1,300,723**	**1,330,359**
Total liabilities		**2,048,768**	**1,910,708**
Equity	17		
Share capital		477,386	477,386
Retained earnings		1,724,784	1,781,576
Other reserves		(14,349)	(12,888)
Equity attributable to owners of the Parent		**2,187,821**	**2,246,074**
Non-controlling interests		59,647	61,198
Total equity		**2,247,468**	**2,307,272**
Total liabilities and equity		**4,296,236**	**4,217,980**

Consolidated Statements of Cash Flows

	Note	12/31/2017	12/31/2016
		ThUS$	ThUS$
Consolidated Statements of cash flows			
Cash flows from operating activities			
Cash receipts from sales of goods and rendering of services		2,082,366	1,874,202
Cash receipts from premiums and benefits, annuities and other benefits from policies entered		2,967	5,071
Cash payments to suppliers for the provision of goods and services (1)		(959,213)	(851,972)
Cash payments to and on behalf of employees		(227,103)	(204,609)
Other payments related to operating activities		(34,956)	(32,185)
Net cash generated from (used in) operating activities		**864,061**	**790,507**
Dividends received		2,091	4,345
Interest paid		(18,964)	(55,217)
Interest received		13,499	10,550
Income taxes paid		(148,568)	(113,991)
Other incomes (outflows) of cash (2)		(8,122)	(2,532)
Net cash generated from (used in) operating activities		**703,997**	**633,662**
Cash flows from (used in) investing activities			
Payments made to acquire interest in joint ventures		(38,088)	(45,000)
Proceeds from the sale of property, plant and equipment		229	4,347
Acquisition of property, plant and equipment		(142,144)	(131,251)
Proceeds from sales of intangible assets		8,640	3,435
Purchases of intangible assets		—	(2,090)
Cash advances and loans granted to third parties		78	(163)
Proceeds from the repayment of advances and loans granted to third parties		—	—
Other inflows (outflows) of cash (3)		(76,782)	333,108
Net cash generated from (used in) investing activities		**(248,067)**	**162,386**
Cash flows used in financing activities			
Proceeds from short-term borrowings		143,000	100,000
Repayment of borrowings		(126,712)	(517,000)
Dividends paid		(373,933)	(399,410)
Net cash generated used in financing activities		**(357,645)**	**(816,410)**
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		**98,285**	**(20,362)**
Effects of exchange rate fluctuations on cash held		17,484	7,772
Net (decrease) increase in cash and cash equivalents		115,769	(12,590)
Cash and cash equivalents at beginning of period		**514,669**	**527,259**
Cash and cash equivalents at end of period		**630,438**	**514,669**

(1) Includes a payment of ThUS$30,000 made to the SEC and the DOJ, which was provisioned in 2016.

(2) Other inflows (outflows) of cash from operating activities include increases (decreases) net of Value Added Tax.

(3) Other inflows (outflows) of cash include investments and redemptions of time deposits and other financial instruments that do not qualify as cash and cash equivalent in accordance with IAS 7, paragraph 7, since they mature in more than 90 days from the original investment date.

Consolidated Statements of Income by Function

	Note	January to December 2017	2016
		ThUS$	ThUS$
Revenue	26.1	2,157,323	1,939,322
Cost of sales	26.2	(1,394,822)	(1,328,285)
Gross profit		**762,501**	**611,037**
Other income	26.3	17,827	15,202
Administrative expenses	26.4	(101,171)	(88,436)
Other expenses by function	26.5	(61,638)	(89,731)
Other gains (losses)	26.6	543	679
Profit (loss) from operating activities		**618,062**	**448,751**
Finance income		13,499	10,129
Finance costs	21-26.8	(50,124)	(57,498)
Share of profit of associates and joint ventures accounted for using the equity method	11-12	14,452	13,047
Foreign currency translation differences	22	(1,299)	460
Profit (loss) before taxes		**594,590**	**414,889**
Income tax expense, continuing operations	27.3	(166,173)	(132,965)
Profit for the year		**428,417**	**281,924**
Profit attributable to			
Owners of the Parent		427,697	278,290
Non-controlling interests		720	3,634
Profit for the year		**428,417**	**281,924**
Earnings per share			
Common shares			
Basic earnings per share (US$ per share	20	1.6250	1.0573
Diluted common shares			
Diluted earnings per share (US$ per share)	20	1.6250	1.0573

Consolidated Statements of Comprehensive Income

	January to December	
	2017	2016
	ThUS$	ThUS$
Statement of comprehensive income		
Profit (loss) for the year	428,417	281,924
Other comprehensive income		
Items of other comprehensive income that will not be reclassified to profit for the year, before taxes		
Other comprehensive income, before taxes, gains (losses) from new measurements of defined benefit plans	(1,392)	(3,397)
Total other comprehensive income that will not be reclassified to profit for the year, before taxes	**(1,392)**	**(3,397)**
Items of other comprehensive income that will be reclassified to profit for the year, before taxes		
Foreign currency exchange difference		
Foreign currency exchange gains I(losses) before taxes	(5,446)	(2,252)
Other comprehensive income before taxes	**(5,446)**	**(2,252)**
Cash flow hedges on defined benefit plans		
Gains (losses) from cash flow hedges	2,184	2,233
Other comprehensive income before taxes	**2,184**	**2,233**
Financial assets measured at fair value with changes in other comprehensive income		
Gains (losses) in financial assets measured at fair value through other comprehensive income	(26)	4,813
Other comprehensive income, before taxes, financial assets measured at fair value	**(26)**	**4,813**
Total other comprehensive income that will be reclassified to profit for the year	**(3,288)**	**4,794**
Other items of other comprehensive income before taxes	**(4,680)**	**1,397**
Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year		
Income tax related to investments in equity instruments of other comprehensive income	(550)	(1,300)
Income taxes related to new measurements of defined benefit plans in other comprehensive income	282	921
Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year	**(268)**	**(379)**
Income taxes related to items of other comprehensive income that will be reclassified to profit for the year		
Income taxes related to cash flow hedges in other comprehensive income	—	(470)
Accumulated income taxes related to items of other comprehensive income that will be reclassified to profit for the year	**—**	**(470)**
Total other comprehensive income	**(4,948)**	**548**
Total comprehensive income	**423,469**	**282,472**
Comprehensive income attributable to		
Owners of the Parent	422,736	278,831
Non-controlling interests	733	3,641
Total comprehensive income	**423,469**	**282,472**

EXTRACT OF THE FINANCIAL STATEMENTS OF SQM FOR THE YEAR ENDED DECEMBER 31, 2016

Consolidated Classified Statements of Financial Position

	Note	As of December 31, 2016	As of December 31, 2015
		ThUS$	ThUS$
Assets			
Current assets			
Cash and cash equivalents	7.1	514,669	527,259
Other current financial assets	10.1	289,189	636,325
Other current non-financial assets	25	30,273	47,441
Trade and other receivables, current	10.2	368,761	302,225
Trade receivables due from related parties, current	9.5	82,259	99,907
Current inventories	8	993,072	1,003,846
Current tax assets	28.1	54,787	65,277
Current assets other tan assets classified as held-for-sale or disposal		**2,333,010**	**2,682,280**
Non-current assets or asset groups for disposal classified as held-for-sale		2,056	—
Total current assets		**2,335,066**	**2,682,280**
Non-current assets			
Other non-current financial assets	10.1	14,099	486
Other non-current non-financial assets	25	24,690	33,526
Trade receivables, non-current	10.2	1,840	1,050
Investments classified using the equity method of accounting	11.1-12.3	133,140	79,302
Intangible assets other than goodwill	13.1	109,439	110,428
Goodwill	13.1	37,972	38,388
Property, plant and equipment	14.1	1,532,710	1,683,576
Tax assets, non-current		29,024	14,565
Deferred tax assets	28.4	664	161
Total non-current assets		**1,883,578**	**1,961,482**
Total assets		**4,218,644**	**4,643,762**
Liabilities and Equity			
Current liabilities			
Other current financial liabilities	10.4	179,144	402,030
Trade and other payables, current	10.5	200,496	136,840
Trade payables due to related parties, current	9.6	7	435
Other current provisions	18.1	41,912	31,512
Current tax liabilities	28.2	75,872	52,070
Provisions for employee benefits, current	15.1	20,998	10,074
Other current liabilities	18.3	61,920	69,966
Total current liabilities		**580,349**	**702,927**
Non-current liabilities			
Other non-current financial liabilities	10.4	1,093,438	1,290,203
Other non-current provisions	18.1	8,934	8,890
Deferred tax liabilities	28.4	206,119	219,391
Provisions for employee benefits, non-current	15.1	22,532	21,995
Total non-current liabilities		**1,331,023**	**1,540,479**
Total liabilities		**1,911,372**	**2,243,406**
Equity	17		
Share capital		477,386	477,386
Retained earnings		1,781,576	1,882,196
Other reserves		(12,888)	(19,797)
Equity attributable to owners of the Parent		**2,246,074**	**2,339,785**
Non-controlling interests		61,198	60,571
Total equity		**2,307,272**	**2,400,356**
Total liabilities and equity		**4,218,644**	**4,643,762**

Consolidated Statements of Cash Flows

	Note	12/31/2016	12/31/2015
		ThUS$	ThUS$
Consolidated Statements of cash flows			
Cash flows from operating activities			
Cash receipts from sales of goods and rendering of services		1,874,202	1,713,549
Cash receipts from premiums and benefits, annuities and other benefits from policies entered		5,071	—
Cash payments to suppliers for the provision of goods and services		(796,961)	(1,082,704)
Cash payments to and on behalf of employees		(253,163)	(44,916)
Other payments related to operating activities		(32,185)	(70,991)
Dividends received		4,345	7,515
Interest paid		(55,217)	(44,225)
Interest received		10,550	11,570
Income taxes paid		(87,050)	(72,579)
Other incomes (outflows) of cash		(29,473)	10,098
Net cash generated from (used in) operating activities		**640,119**	**427,317**
Cash flows from (used in) investing activities			
Payments made to acquire interest in joint ventures		(51,457)	(59)
Proceeds from the sale of property, plant and equipment		4,347	388
Acquisition of property, plant and equipment		(131,251)	(111,315)
Proceeds from sales of intangible assets		3,435	4,586
Purchases of intangible assets		(2,090)	—
Cash advances and loans granted to third parties		—	420
Proceeds from the repayment of advances and loans granted to third parties		(163)	—
Other inflows (outflows) of cash (*)		333,108	36,175
Net cash generated from (used in) investing activities		**155,929**	**(69,805)**
Cash flows used in financing activities			
Proceeds from short-term borrowings		100,000	137,000
Total proceeds from borrowings		**100,000**	**137,000**
Repayment of borrowings		(517,000)	(190,000)
Dividends paid		(399,410)	(127,343)
Net cash generated used in financing activities		**(816,410)**	**(180,343)**
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		**(20,362)**	**177,169**
Effects of exchange rate fluctuations on cash held		7,772	(4,476)
Net (decrease) increase in cash and cash equivalents		(12,590)	172,693
Cash and cash equivalents at beginning of period		**527,259**	**354,566**
Cash and cash equivalents at end of period		**514,669**	**527,259**

(*) Includes other cash receipts (payments), investments and redemptions of time deposits and other financial instruments, which do not qualify as cash and cash equivalents in accordance with IAS 7.7 as they record a maturity date from their date of origin greater than 90 days.

Consolidated Statements of Income by Function

	Note	January to December 2016	2015
		ThUS$	ThUS$
Revenue	27.1	1,939,322	1,728,332
Cost of sales	27.2	(1,328,285)	(1,185,583)
Gross profit		**611,037**	**542,749**
Other income	27.3	14,781	15,343
Administrative expenses	27.4	(88,436)	(86,830)
Other expenses by function	27.5	(89,731)	(113,603)
Other gains (losses)	27.6	679	3,760
Profit (loss) from operating activities		**448,330**	**361,419**
Finance income		10,550	11,570
Finance costs	22-27.8	(57,498)	(69,853)
Share of profit of associates and joint ventures accounted for using the equity method	11-12	13,047	10,326
Foreign currency translation differences	23	460	(12,364)
Profit (loss) before taxes		**414,889**	**301,098**
Income tax expense, continuing operations	28.4	(132,965)	(83,766)
Profit (loss) from continuing operations		**281,924**	**217,332**
Profit for the year		**281,924**	**217,332**
Profit attributable to			
Owners of the Parent		278,290	213,168
Non-controlling interests		3,634	4,164
Profit for the year		**281,924**	**217,332**
Earnings per share			
Common shares			
Basic earnings per share (US$ per share)	21	1.0573	0.8099
Diluted common shares			
Diluted earnings per share (US$ per share)	21	1.0573	0.8099

Consolidated Statements of Comprehensive Income

	January to December	
	2016	2015
	ThUS$	ThUS$
Statement of comprehensive income		
Profit (loss) for the year	281,924	217,332
Other comprehensive income		
Items of other comprehensive income that will not be reclassified to profit for the year, before taxes		
Other comprehensive income, before taxes, gains (losses) from new measurements of defined benefit plans	(3,397)	(221)
Total other comprehensive income that will not be reclassified to profit for the year, before taxes	**(3,397)**	**(221)**
Items of other comprehensive income that will be reclassified to profit for the year, before taxes		
Foreign currency exchange difference		
Foreign currency exchange gains I(losses) before taxes	(2,252)	(6,499)
Other comprehensive income before taxes	**(2,252)**	**(6,499)**
Cash flow hedges on defined benefit plans		
Gains (losses) from cash flow hedges	2,233	401
Other comprehensive income before taxes	**2,233**	**401**
Financial assets measured at fair value through other comprehensive income		
Gains (losses) in financial assets measured at fair value through other comprehensive income	4,813	—
Other comprehensive income, before taxes, financial assets measured at fair value	**4,813**	**—**
Total other comprehensive income that will be reclassified to profit for the year	**4,794**	**(6,098)**
Other items of other comprehensive income before taxes	**1,397**	**(6,319)**
Income taxes related to items of other comprehensive income that will not be reclassified to profit for the year		
Income taxes related to investments in equity securities in other comprehensive income	1,300	—
Income taxes related to new measurements of defined benefit plans in other comprehensive income	(921)	309
Accumulated income taxes related to items of other comprehensive income that will not be reclassified to profit for the year	**379**	**309**
Income taxes related to items of other comprehensive income that will be reclassified to profit for the year		
Income taxes related to cash flow hedges in other comprehensive income	470	219
Accumulated income taxes related to items of other comprehensive income that will be reclassified to profit for the year	**470**	**219**
Total other comprehensive income	**548**	**(6,847)**
Total comprehensive income	**282,472**	**210,485**
Comprehensive income attributable to		
Owners of the Parent	278,831	206,533
Non-controlling interests	3,641	3,952
Total comprehensive income	**282,472**	**210,485**

EXTRACT OF THE FINANCIAL STATEMENTS OF SQM FOR THE YEAR ENDED DECEMBER 31, 2015

Consolidated Classified Statements of Financial Position

	Note	As of December 31, 2015	As of December 31, 2014
		ThUS$	ThUS$
Assets			
Current assets			
Cash and cash equivalents	7.1	527,259	354,566
Other current financial assets	10.1	636,325	670,602
Other current non-financial assets	25	62,006	43,736
Trade and other receivables, current	10.2	302,225	340,830
Trade receivables due from related parties, current	9.5	99,907	134,506
Current inventories	8	1,003,846	919,603
Current tax assets	28.1	65,277	47,975
Total current assets		**2,696,845**	**2,511,818**
Non-current assets			
Other non-current financial assets	10.1	486	427
Other non-current non-financial assets	25	33,526	32,171
Trade receivables, non-current	10.2	1,050	2,044
Investments in associates	11.1	49,836	49,723
Investments in joint ventures	12.3	29,466	26,055
Intangible assets other than goodwill	13.1	110,428	114,735
Goodwill	13.1	38,388	38,388
Property, plant and equipment	14.1	1,683,576	1,887,954
Deferred tax assets	28.4	161	340
Total non-current assets		**1,946,918**	**2,151,837**
Total assets		**4,643,762**	**4,663,655**
Liabilities and Equity			
Liabilities			
Current liabilities			
Other current financial liabilities	10.4	402,030	213,172
Trade and other payables, current	10.5	136,840	145,160
Trade payables due to related parties, current	9.6	435	231
Other current provisions	18.1	28,141	27,747
Current tax liabilities	28.2	52,070	28,983
Provisions for employee benefits, current	15.1	13,445	18,384
Other current non-financial liabilities	18.3	69,966	90,010
Total current liabilities		**702,927**	**523,687**
Non-current liabilities			
Other non-current financial liabilities	10.4	1,290,203	1,574,225
Other non-current provisions	18.1	8,890	8,890
Deferred tax liabilities	28.4	219,391	223,349
Provisions for employee benefits, non-current	15.1	21,995	33,801
Total non-current liabilities		**1,540,479**	**1,840,265**
Total liabilities		**2,243,406**	**2,363,952**
Equity	17		
Share capital		477,386	477,386
Retained earnings		1,882,196	1,775,612
Other reserves		(19,797)	(13,162)
Equity attributable to owners of the Parent		**2,339,785**	**2,239,836**
Non-controlling interests		60,571	59,867
Total equity		**2,400,356**	**2,299,703**
Total liabilities and equity		**4,643,762**	**4,663,655**

Consolidated Statements of Cash Flows

	Note	12/31/2015	12/31/2014
		ThUS$	ThUS$
Consolidated Statements of cash flows			
Cash flows from (used in) operating activities			
Types of receipts from operating activities			
Cash receipts from sales of goods and rendering of services		1,713,549	1,944,072
Types of payments			
Cash payments to suppliers for the provision of goods and services		(1,082,704)	(1,179,413)
Cash payments to and on behalf of employees		(44,916)	(42,218)
Other payments related to operating activities		(70,991)	(9,770)
Dividends received		7,515	11,817
Interest paid		(44,225)	(83,592)
Interest received		11,570	16,142
Reimbursed (paid) income taxes		(72,579)	(76,810)
Other incomes (outflows) of cash		10,098	10,816
Net cash generated from (used in) operating activities		**427,317**	**591,044**
Cash flows from (used in) investing activities			
Cash flows from the loss of control of subsidiaries or other businesses		—	5,000
Other cash payments made to acquire interest in joint ventures		(59)	4,223
Proceeds from the sale of property, plant and equipment		388	156
Acquisition of property, plant and equipment		(111,315)	(112,143)
Proceeds from sales of intangible assets		4,586	15,431
Cash advances and loans granted to third parties		420	(2,470)
Other incomes (outflows) of cash(*)		36,175	(221,561)
Net cash generated from (used in) investing activities		**(69,805)**	**(311,364)**
Cash flows from (used in) financing activities			
Importes procedentes de préstamos de largo plazo		—	250,000
Proceeds from short-term borrowings		137,000	180,000
Total proceeds from borrowings		**137,000**	**430,000**
Repayment of borrowings		(190,000)	(230,000)
Dividends paid		(127,343)	(379,044)
Other incomes (outflows) of cash		—	(208,991)
Net cash generated from (used in) financing activities		**(180,343)**	**(388,035)**
Net increase (decrease) in cash and cash equivalents before the effect of changes in the exchange rate		**177,169**	**(108,355)**
Effects of exchange rate fluctuations on cash held		(4,476)	(13,701)
Net (decrease) increase in cash and cash equivalents		172,693	(122,056)
Cash and cash equivalents at beginning of period		**354,566**	**476,622**
Cash and cash equivalents at end of period		**527,259**	**354,566**

(*) Includes other cash receipts (payments), investments and redemptions of time deposits and other financial instruments, which do not qualify as cash and cash equivalents in accordance with IAS 7.7 as they record a maturity date from their date of origin greater than 90 days.

Consolidated Statements of Income by Function

	Note	January to December 2015	2014
		ThUS$	ThUS$
Revenue	20	1,728,332	2,014,214
Cost of sales	27.2	(1,185,583)	(1,431,242)
Gross profit		**542,749**	**592,972**
Other income	27.3	15,343	24,055
Administrative expenses	27.4	(86,830)	(96,532)
Other expenses by function	27.5	(113,603)	(57,107)
Other gains (losses)	27.6	3,760	4,424
Profit (loss) from operating activities		**361,419**	**457,812**
Finance income		11,570	16,142
Finance costs	22	(69,853)	(63,373)
Share of profit of associates and joint ventures accounted for using the equity method		10,326	18,116
Foreign currency translation differences	23	(12,364)	(16,545)
Profit (loss) before taxes		**301,098**	**412,152**
Income tax expense, continuing operations	28.4	(83,766)	(108,382)
Profit (loss) from continuing operations		217,332	303,770
Profit for the year		**217,332**	**303,770**
Profit attributable to			
Owners of the Parent		213,168	296,381
Non-controlling interests		4,164	7,389
Profit for the year		**217,332**	**303,770**
Earnings per share			
Common shares			
Basic earnings per share (US$ per share)	21	0.8099	1.1261
Basic earnings per share (US$ per share) from continuing operations		0.8099	1.1261
Diluted common shares			
Diluted earnings per share (US$ per share)	21	0.8099	1.1261
Diluted earnings per share (US$ per share) from continuing operations		0.8099	1.1261

Consolidated Statements of Comprehensive Income

	January to December	
	2015	2014
	ThUS$	ThUS$
Statements of comprehensive income		
Profit for the year	217,332	303,770
Components of other comprehensive income before taxes and foreign currency translation differences		
Gain (loss) from foreign currency translation differences, before taxes	(6,499)	(4,016)
Other comprehensive income before taxes and foreign currency translation differences	(6,499)	(4,016)
Cash flow hedges		
(Gain) loss from cash flow hedges before taxes	401	2,196
Other comprehensive income before taxes and cash flow hedges	**401**	**2,196**
Other comprehensive income before taxes and actuarial gains (losses) from defined benefit plans	(221)	(672)
Other components of other comprehensive income before taxes	**(6,319)**	**(2,492)**
Income taxes associated with components of other comprehensive income		
Income taxes associated with cash flow hedges in other comprehensive income	(219)	(311)
Income tax related to defined benefit plans in other comprehensive income	(309)	—
Income taxes associated with components of other comprehensive income	**(528)**	**(311)**
Other comprehensive income	**(6,847)**	**(2,803)**
Total comprehensive income	**210,485**	**300,967**
Comprehensive income attributable to		
Owners of the Parent	206,533	293,710
Non-controlling interests	3,952	7,257
Total comprehensive income	**210,485**	**300,967**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

BEHRE DOLBEAR AUSTRALIA

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15 August 2018

Ms Vivian Wu
President & Director
Tianqi Lithium Corporation
Building A 3rd Floor
10# East Gaopeng Road
High-Tech Development Zone
Chengdu, Sichuan Province
China

Dear Madam

COMPETENT PERSONS REPORT

GREENBUSHES LITHIUM MINE—WESTERN AUSTRALIA, AUSTRALIA

AND CUOLA LITHIUM PROJECT—SICHUAN, PEOPLE'S REPUBLIC OF CHINA

BEHRE DOLBEAR AUSTRALIA PTY LIMITED

Behre Dolbear Australia Pty Limited ("BDA"), a partially-owned subsidiary of Behre Dolbear Group Inc., is pleased to submit a Competent Person's Report ("CPR") for the Greenbushes Lithium Mine ("Greenbushes Mine"), Western Australia, Australia and the Cuola Lithium (or Spodumene) Project ("Cuola Project"), Sichuan Province, the People's Republic of China ("China"). BDA's principal office is in North Sydney, New South Wales, Australia; BDA's address is noted at the top of the letter head. This letter of transmittal forms part of the CPR.

The Greenbushes Mine is owned and operated by Talison Lithium Limited ("Talison"), which is 51% owned and controlled by Tianqi Lithium Corporation ("Tianqi"), with the remaining 49% interest owned by Albemarle Corp Inc ("Albemarle").

Greenbushes Lithium Mine is a producing, open pit mining and processing operation, which includes a hired crushing plant, two processing plants and associated administrative facilities, workshop, laboratory and other infrastructure, all located adjacent to the open pit mining operation. The two plants, the Technical Grade Plant ("TGP") and the Chemical Grade Plant ("CGP1") produce mineral concentrates containing a range of lithium grades with varying iron impurity levels. Low iron technical grade ("TG") concentrates are produced in the TGP; chemical grade ("CG") concentrates which contain higher levels of iron are produced in the CGP1. The current output of CGP1 is around 550,000 tons per annum ("tpa") of concentrate spodumene concentrate with minimum lithium oxide

("Li_2O") grade of 6% ("SC6.0"). The TGP has an output capacity of around 150,000tpa of concentrate comprising mostly the higher grade TG concentrate with a maximum iron grade of 0.17% Fe_2O_3; some SC6.0 concentrate is also produced in the TGP.

Talison is currently constructing a second CG plant (CGP2) which will increase SC6.0 production capacity by around 500,000tpa, giving total SC6.0 production capacity of approximately 1.05 million tons per annum ("Mtpa"), increasing to around 1.2Mtpa after further debottlenecking of the plants.

Talison has recently carried out a drilling campaign of the old tailings storage facility number one ("TSF1") and has estimated a resource and reserve based on the construction of a 2Mtpa treatment plant to separate the spodumene tailings and the gangue to produce a spodumene concentrate. A Mineral Resource of 18.3Mt at 1.3% Li_2O and an Ore Reserve of 10.1Mt at 1.4% Li_2O has been defined.

The Cuola Project is 100% owned and operated by Sichuan Tianqi Shenghe Lithium Company Limited ("Tianqi Shenghe"), a wholly-owned subsidiary of Tianqi and is in the planning and development stage. An extensive exploration program from 2009 to 2011 defined the lithium mineral resources at the property; a feasibility study and an initial engineering design report were completed in 2012, followed by the start of the project construction for a Phase I 600 thousand tons per annum ("ktpa") mining operation. However, construction was suspended by the Department of Land and Resources of Ganzi Prefecture in October 2013 due to an alleged environmental incident related to the neighboring Jiajika Lithium Mine owned and operated by a third party (refer to Section 5.8 of this report). As at the date of this report, regulatory approval to recommence construction/production has not been granted for the Cuola Project and the Jiajika Lithium Mine and therefore the development of Cuola Project is currently on hold. Tianqi currently considers Cuola as a reserve lithium asset.

The purpose of this CPR is to provide an independent technical assessment of Tianqi's Greenbushes Mine and Cuola Project, to be included in the **[REDACTED]** for the Company's **[REDACTED]** ("**[REDACTED]**") on the main board of the Stock Exchange of Hong Kong Limited ("SEHK"). This CPR has been prepared in accordance with the Rules Governing the Listing of Securities on the SEHK ("Listing Rules"). The reporting standards adopted by this CPR are the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, and the Minerals Council of Australia in 1999 and revised in 2012 (the "JORC Code") and the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports, as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2015 (the "VALMIN Code").

The evidence upon which the estimated lithium resources and reserves of the Greenbushes Mine and Cuola Project are based includes the deposit geology, drilling and sampling information, and project economics. BDA formed its view of the lithium resource and lithium reserve estimates based on the site visits of BDA's professionals to the subject mining properties, interviews with Tianqi's and Talison's management team, site personnel and outside consultants, analysis of the drilling and sampling database as well as the resource reconciliation data, and the procedures and parameters used for the estimates by Tianqi's and Talison's internal team and any external consultants.

The BDA review was prepared through Behre Dolbear's Sydney office in Australia and the project team consisted of senior mining professionals from Sydney, Perth and USA. The scope of work for the Greenbushes Mine review included technical analysis of the project geology, lithium resource and lithium reserve estimates, review of mining, processing, operating costs, capital costs, environmental and social management, and occupational health and safety issues. A team of BDA Competent Persons conducted a site visit to Greenbushes Mine in March 2018. The scope of work for Cuola Project review included technical analysis of the project geology and lithium resource estimates. In April 2018, BDA Competent Persons conducted a visit to Cuola Project.

BDA's CPR comprises an introduction, followed by reviews of the technical aspects of geology, resources and reserves, mining, processing, operating and capital costs, environmental and social management, occupational health and safety, an economic analysis and a risk analysis of the Greenbushes Mine and a review of the geology and resources of the Cuola Project. BDA considers that the CPR adequately and appropriately describes the technical aspects of the mining properties and addresses issues of significance and risk. BDA notes that Talison has prepared in-house JORC resources and reserves estimates, including Table 1, for the Greenbushes Project, and BDA's comments and conclusions in that regard are drawn from that documentation and the Competent Persons' site visits.

BDA is independent of Tianqi, Talison, and any other associated parties. Neither BDA nor any of its employees or associates involved in this project hold any shares or have any direct or indirect pecuniary or contingent interests of any kind in Tianqi, Talison, and the Greenbushes Mine and the Cuola Project. BDA is to receive a fee for its services (the work product of which includes this CPR) at its normal commercial rate and customary payment schedules. The payment of BDA's professional fee is not contingent on the outcome of this CPR.

The effective date of this CPR is April 1, 2018 and Tianqi has advised BDA that except for on-going lithium concentrate production, there have been no material changes for the Greenbushes Lithium Mine and the Cuola Project since the effective date. The sole purpose of this CPR is for the use of the Directors of Tianqi and their advisors in connection with the Company's **[REDACTED]**; it should not be used or relied upon for any other purpose. Neither the whole nor any part of this CPR, nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDA's written consent to the form and context in which it appears. BDA consents to the inclusion of this CPR in the Tianqi **[REDACTED]** for the purpose of the **[REDACTED]** on the SEHK.

Mr Dan Greig and Mr Peter Ingham are the Competent Persons for this CPR for the Greenbushes Mine and Dr. Qingping Deng is the Competent Person for this CPR for the Cuola Project. They all meet the SEHK Listing Rule requirements for Competent Persons of (i) having a minimum of five years of experience relevant to the style of mineralisation and type of deposit under consideration, reserve estimation, and to the activities which Tianqi and Talison are undertaking, (ii) being professionally qualified and being members in good standing of a relevant Recognized Professional Organization; and (iii) taking overall responsibility for the CPR.

Yours faithfully,

BEHRE DOLBEAR AUSTRALIA PTY LTD

Dan Greig

BDA Senior Associate and Competent Person

Peter Ingham

BDA General Manager Mining, Project Manager and Competent Person

Qingping Deng, Ph.D., CPG

BDA Director and Competent Person

Malcolm Hancock

BDA Executive Director

John McIntyre

BDA Managing Director

1.0 INTRODUCTION

Tianqi Lithium Corporation ("Tianqi") has a 51% controlling interest in Talison Lithium Limited ("Talison"), which owns and operates the Greenbushes Lithium Mine ("Greenbushes Mine"), located in the south-western corner of Western Australia, Australia, and 100% interest in Sichuan Tianqi Shenghe Lithium Company Limited ("Tianqi Shenghe"), which owns the Cuola Lithium (or Spodumene) Project ("Cuola Project") in Yajiang County, Sichuan Province, in the People's Republic of China ("PRC" or "China") (Figure 1). Tianqi has requested that Behre Dolbear Australia Pty Limited ("BDA") undertake an independent technical review and prepare a Competent Persons Report ("CPR") in compliance with the requirements of Chapter 18 of the Stock Exchange of Hong Kong ("SEHK") Listing Rules. The **[REDACTED]** Company is a company incorporated in the PRC and is the entity to be **[REDACTED]** on the SEHK.

BDA is the Australian subsidiary of Behre Dolbear & Company Inc., an international minerals industry consulting group which has operated continuously worldwide since 1911, with offices in Denver, New York, Toronto, Vancouver, Guadalajara, Santiago, Hong Kong, London and Sydney. Behre Dolbear specializes in mineral evaluations, due diligence studies, independent expert reports, independent engineer certification, valuations, and technical audits of resources, reserves, mining and processing operations and project feasibility studies.

Greenbushes Mine

According to industry commodities research expert Roskill Information Services ("Roskill"), Greenbushes Mine is the world's largest lithium mine, supplying 29% of all lithium globally in 2017 and 48% of all hard rock lithium globally. The workforce at the Greenbushes Mine currently comprises around 300 employees and permanent contractors and an additional 370 involved in construction projects and maintenance shutdowns. Talison is owned by Tianqi (51%) and Albemarle Corp Inc (49%) ("Albemarle").

Talison produces lithium mineral concentrates from its operations at Greenbushes located 90km southeast of the port of Bunbury, a major bulk-handling port in the southwest of Western Australia ("WA") (Figure 2). The lithium mining operation is close to the Greenbushes town site, located in the Shire of Bridgetown-Greenbushes (population 4,200). Greenbushes has a population of approximately 450 people and is serviced by the larger town of Bridgetown. It is connected to the regional center of Bunbury by the South Western Highway.

The Greenbushes Central Lode lithium orebody contains an Ore Reserve of 133.1 million tons ("Mt") grading 2.1% lithium oxide ("Li_2O") as at March 2018, with a mine life of approximately 30 years after completion of the current expansion works to 1.95Mtpa, or approximately 260,000 tons per annum ("tpa") of lithium carbonate equivalent ("LCE") The processing operations include a hired crushing plant, two processing plants and associated administrative facilities, workshop, laboratory and other infrastructure, all located adjacent to the open pit mining operation. The two plants, the Technical Grade Plant ("TGP") and the Chemical Grade Plant ("CGP1") produce mineral concentrates containing a range of lithium grades with varying iron impurity levels. Low iron technical grade ("TG") concentrates are produced in the TGP; chemical grade ("CG") concentrates which contain higher levels of iron are produced in the CGP1. The main use for low iron concentrates is as feedstock for the glass and ceramic industries. The CG concentrates are supplied to Tianqi and Albemarle for processing into lithium chemicals. The essential difference between the two ores is the lower iron content of the spodumene in the TG ore.

In 2012, Talison completed a major expansion of CGP1, bringing its production output capacity to around 550,000tpa of SC6.0 concentrate (spodumene concentrate with minimum Li_2O grade of 6%). The TGP currently has an output capacity of the higher-grade concentrates of around 150,000tpa, though typically it also produces some SC6.0 concentrate. Debottlenecking of CGP1 was achieved in 2017 and the plant is now operating at full capacity; any attempt to significantly increase production in CGP1 is constrained both by the capacity of the existing crushing circuit and by immediate availability of real estate to expand the existing plant.

Talison engaged MSP Engineering Pty Ltd ("MSP") in February 2017 to construct a separate new stand-alone Chemical Grade Plant, ("CGP2"), including a new crushing facility. The new plant will increase SC6.0 production capacity by around 500,000tpa, giving total SC6.0 production capacity of approximately 1.2Mtpa after debottlenecking both plants.

The project implementation duration (engineering and design, construction and commissioning) is estimated to be 26 months. The current expansion consists mainly of the construction cost of CGP2, but related infrastructure such as construction of a Berth 8 shed at Bunbury port used for product storage before shipping, a water treatment plant, debottlenecking of CGP1 and other related infrastructure is also included. Talison is currently planning further expansion of the lithium processing capacity with the construction of two further plants, CGP3 and CGP4. On completion of CGP3, this would increase the concentrate output capacity to 1.95Mtpa with mine life of approximately 30 years, and to 2.3Mtpa if the Board approves CGP4, with a mine life of approximately 17 years and a final throughput rate of 9.5Mtpa of ore by 2023.

Fig1 Project Location Plan

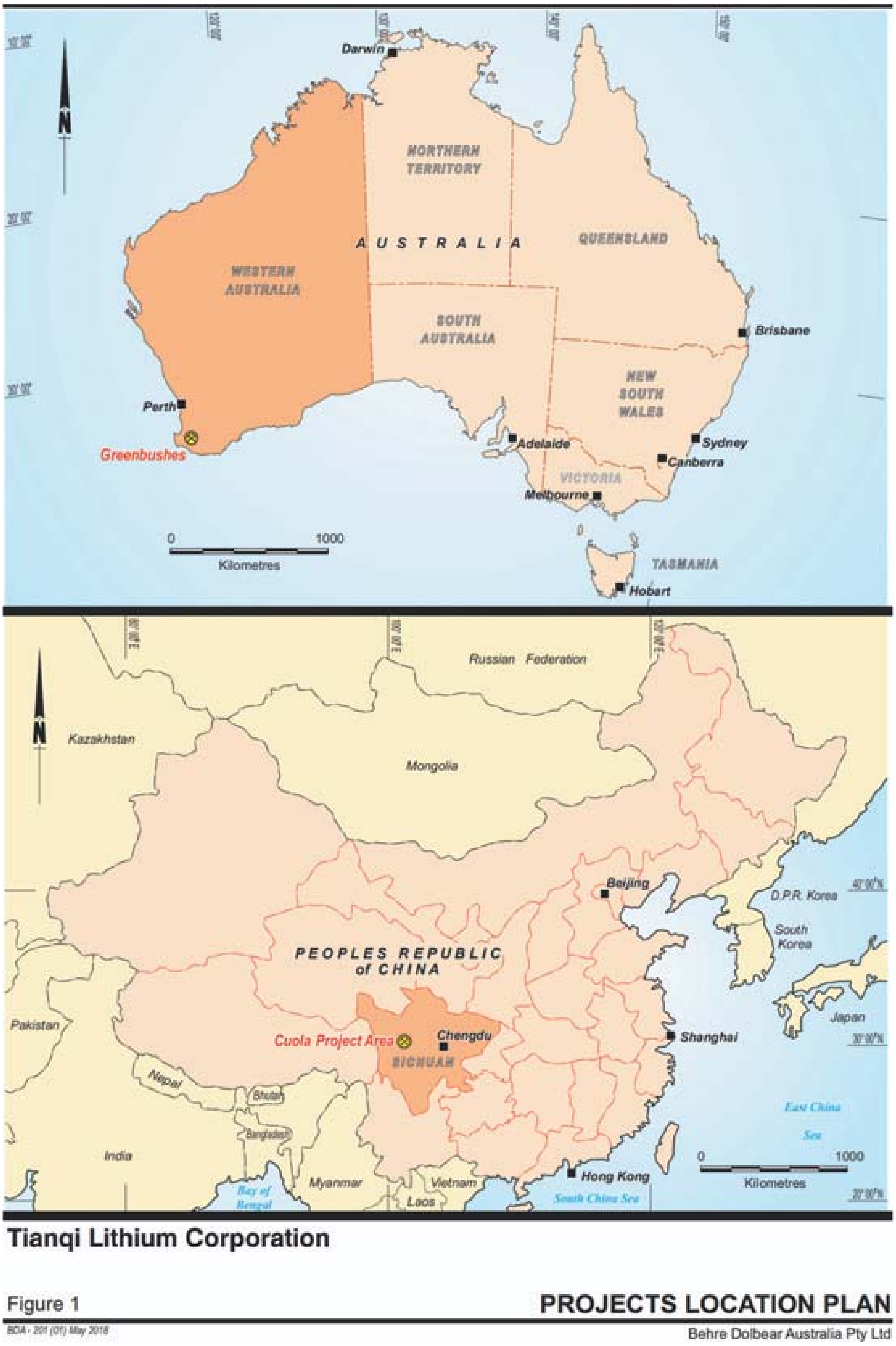


Fig 2 Greenbushes Location Plan

Talison has recently undertaken drilling, resource modeling and preliminary metallurgical testing of material contained within the original tailings storage facility ("TSF1"), which pre-dates lithium extraction at Greenbushes. This tailings facility contains the waste product from the tantalum primary treatment plant that had no lithium recovery processing and which contains significant lithium grades. Probable Ore Reserves of 10.1Mt at 1.4% Li_2O have been estimated from the upper part of TSF1, and a preliminary feasibility study has been undertaken; this is based on a new stand-alone process plant with a treatment rate of 2Mtpa, planned with a five year mine life.

BDA has previously undertaken several reviews of Talison's Greenbushes Mine; these reviews were undertaken in an independent capacity and BDA confirms that it is independent of all parties in the transaction. BDA's most recent visit to Greenbushes Mine was conducted in March 2018 by Messrs Dan Greig and Peter Ingham, Competent Persons for the Greenbushes Mine; that visit included a review of the in-house Talison JORC resources and reserves estimates (including Table 1), as well as inspection of the open pit operations, processing and related aspects of the operation and detailed discussions with the Talison staff on the preparation of the resource and reserve estimates.

Cuola Project

Cuola is located in Yajiang County, Sichuan Province, in China, approximately 500km west of the city of Chengdu, the capital of the Sichuan Province (Figures 1 and 3). The project is located at the south-eastern edge of the Qinghai-Tibet plateau and is at an altitude ranging from 4,100m to 4,900m. The Cuola Project site is approximately 38km northeast of the Yajiang County seat. There is a 4km long dirt-and-gravel road from the Cuola Project site to the Jiajika Lithium (or Spodumene) Mine ("Jiajika Mine") owned and operated by a third party in the east and within the administration area of Kangding City, and a further 33km dirt-and-gravel road east to the town of Tagong in Kangding City. Tagong is located on provisional highway S215, which connects to the G318 national highway in the south over a distance of 108km to Kangding and 477km to Chengdu.

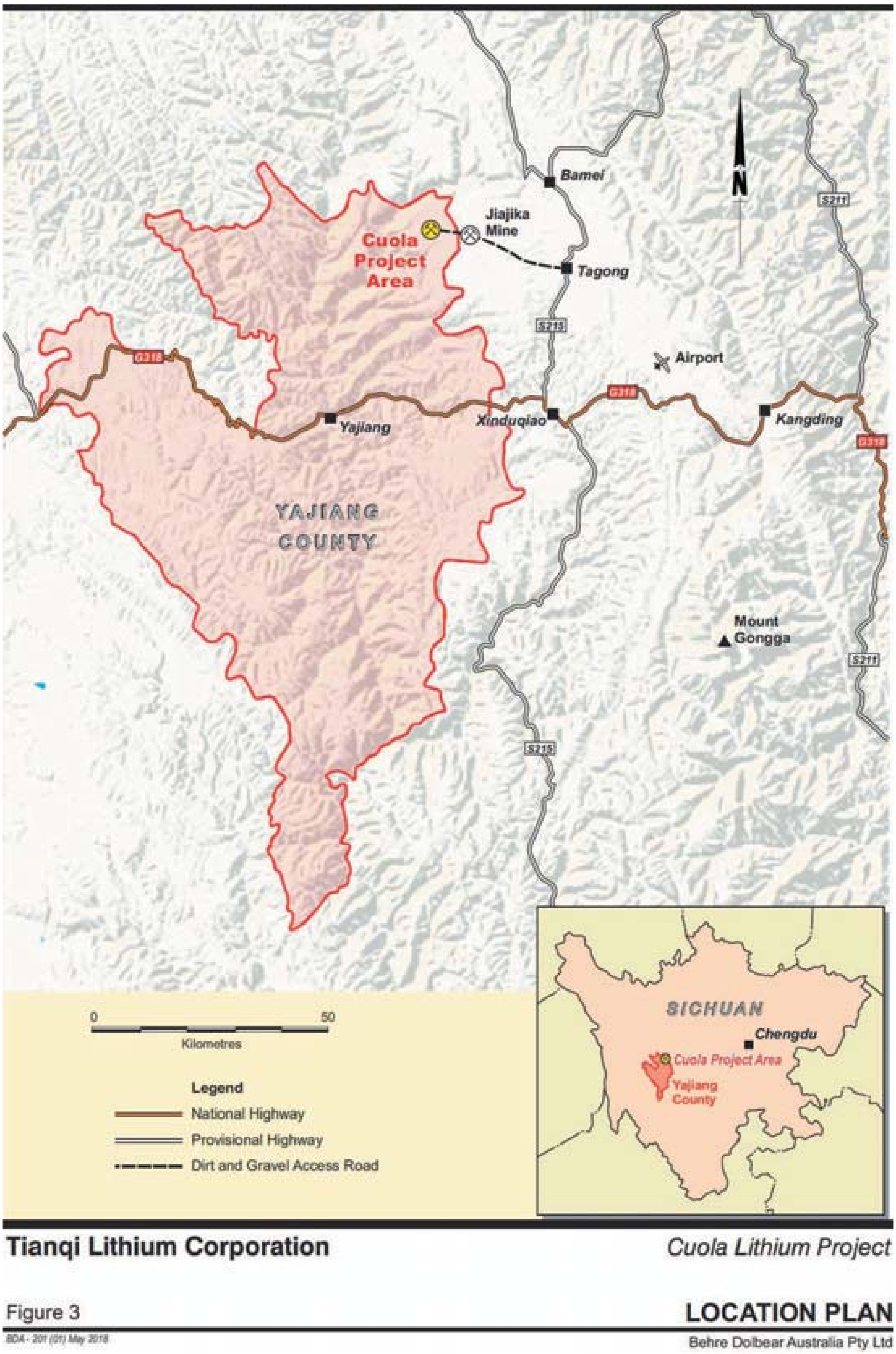
Tianqi Shenghe currently holds a mining license covering an area of 2.069 square kilometers ("km^2") over the Cuola Project. An extensive exploration program was carried out on the project from 2009 to 2011 by Tianqi Shenghe, which defined the lithium mineral resources hosted by a series of spodumene pegmatite veins (14.2Mt of Indicated Resource with an average Li_2O grade of 1.31% and 5.5Mt of Inferred Resource with an average Li_2O grade of 1.26%). A feasibility study for a Phase I 600 thousand tons per annum ("ktpa") mining operation with traditional open-pit/underground mining and crushing-grinding-flotation-magnetic separation processing process was completed in February 2012; a project initial engineering design study was completed in July 2012, followed by the start of project construction. However, construction was suspended by the Department of Land and Resources of Ganzi Prefecturein October 2013 due to an alleged environmental incident related to the neighboring Jiajika Mine, which is not owned by Tianqi (refer to Section 5.8). As at the date of this report, regulatory approval to recommence construction and subsequent production has not been granted for the Cuola Project and the Jiajika Mine and therefore the development of Cuola Project is currently on hold. Tianqi considers the Cuola Project as an important reserve lithium asset for the Company, because the spodumene concentrate used by the Company is currently sourced from the Talison Greenbushes operation in Western Australia. Tianqi is planning to resume project construction at Cuola as soon as regulatory approval to recommence construction is granted.

BDA conducted a site visit to the Cuola Project in Yajiang County and to Tianqi Shenghe's head office in Chengdu from April 14-21, 2018. Dr Deng, Competent Person for the Cuola Project, reviewed the project geology and resource estimation. A preliminary review of the feasibility study and the initial engineering design study was also carried out during the visit. It was found that both the project feasibility study and the initial engineering design study used all the Indicated and Inferred resources for mine planning and that some of the economic parameters used for these studies were not up to date; therefore, BDA considers that Ore Reserves under the JORC Code have not currently been defined for the Cuola Project. This BDA report will only review the Mineral Resources for the Cuola Project. Ore Reserves, mine planning, mining and processing operations, capital and operating costs, and project economic analysis of the project will not be discussed in this report as it is not considered that this work has yet progressed to an appropriate standard. These aspects can be further reviewed by BDA in the future when a feasibility study or an initial engineering design study conforming with the JORC Code and based on current economic conditions is completed by Tianqi Shenghe.

Summary of CPR and BDA Project Review Team

BDA's review of the Greenbushes Mine in Western Australia and Cuola Project in Sichuan Province in China covers the geology, exploration, resource and reserve estimates, mining, processing, infrastructure, environmental and social aspects of the projects, project approvals, life of mine production plans, project implementation, capital and operating costs and project risks.

Fig 3 Cuola Lithium Project Location Plan



BDA has carried out a technical review of the projects and prepared this CPR, consistent with the requirements of the Rules Governing the Listing of Securities on the SEHK ("the Listing Rules"), specifically Chapter 18 and Rule 18.09. The review has been undertaken in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves—Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2012 ("the JORC Code") and the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("the VALMIN Code") as issued in 1995 and updated in 2012. BDA confirms that the requirements of Chapter 18 pertaining to project details that can be stated by an independent expert are detailed in this report.

BDA has reviewed the project resources and reserves in accordance with Australian industry standards and for compliance with the JORC Code.

BDA has not undertaken an independent audit of the data or re-estimated the resources or reserves. BDA has not undertaken any legal due diligence on the status of the tenements but has viewed copies of the tenement documentation. Tianqi has advised that all tenements are in good standing. All mine operations, processing, mine infrastructure, waste dumps and tailings dams are sited within the granted mining lease for the Greenbushes Mine and all defined Mineral Resources are located within the granted mining license for the Cuola Project.

This report contains forecasts and projections based on data provided by Tianqi. BDA's assessment of the production schedule, the projected capital and operating costs and the estimate of remaining mine life are based on technical reviews of project data and discussions with technical personnel from Tianqi and Talison. BDA has reviewed the relevant data to assess the reasonableness of such projections. However, these forecasts and projections cannot be assured and factors both within and beyond the control of Tianqi and Talison could cause the actual results to be materially different from BDA's assessments and any projections contained in this report.

The Company proposes to prepare a **[REDACTED]** to be issued in support of an **[REDACTED]** ("**[REDACTED]**") for a **[REDACTED]** on the main board of The Stock Exchange of Hong Kong Limited ("SEHK").

Summary of Talison Valuation

As part of the review of the Tianqi, BDA has prepared a valuation of the various assets owned by Tianqi, including the Greenbushes Central Lode hard-rock mining and processing operation, and the Greenbushes TSF1 tailings retreatment project, as shown in summary in Table 1.1.

Table 1.1

Combination of Tianqi Mining & Processing Assets Valuations

Project	Low Valuation A\$M	Most Likely A\$M	High Valuation A\$M
Central Lode Lithium Mining & Processing	3,100	4,400	6,100
Greenbushes TSF1 Tailings Retreatment Project	155	253	351
Total Tianqi Mining & Processing Assets	3,255	4,653	6,451

BDA's project team for this independent technical review consisted of senior-level professionals from Behre Dolbear's Sydney office in Australia. BDA professionals contributing to the study and to this CPR include:

- **Dr Qingping Deng** (BS, MS and PhD, CPG AIPG, MMSA), is a Director of BDA. Dr. Deng is a geologist and a mining specialist with over 30 years of worldwide professional experience in the minerals industry, specializing in geology, exploration, deposit modeling and mine planning, estimation of resources and reserves, geostatistics, resource/reserve auditing, strategic planning, economic analysis, project evaluation and valuation, feasibility studies, competent person's reports for securities filing, and due diligence studies for financing and acquisition for various metals and industrial minerals, coal, dimension stones and fertilizers in North, Central and South Americas, Asia, Australia, Europe, and Africa. Both AIPG and MMSA are Recognized Professional Organizations under the Australasian JORC Code. He meets all the requirements for 'Competent Person' as defined in the Australasian JORC Code and the SEHK Listing Rules for the purpose of mineral resource/ore reserve estimation and reporting. In recent years, Dr. Deng has managed a number of CPRs to support successful IPOs or acquisitions for the SEHK and other securities exchanges. He was the President and Chairman of the board of directors of Behre Dolbear Asia, Inc. before June 30, 2010 and has successfully established the firm's presence and reputation in China and the Asia region. Dr. Deng also managed Behre Dolbear's Ore Reserve and Mine Planning section for over 10 years and is a well-recognized ore reserve specialist. Dr. Deng is fluent in both English and Chinese.
- **Mr Dan Greig** (BSc (Hons) Geology, MAIG) is a Senior Consultant for BDA and a graduate geologist with over 35 years of experience in the mineral industry in Africa, Australia, SE Asia, Europe, the USA and South America. His experience includes a broad range of activities, including generation and management of grass-roots exploration, detailed drilling programs, project evaluation and acquisition, resource estimation and feasibility studies and mine development. Specialities include QA/QC evaluation of resource databases for reporting under the JORC Code and Canadian Instrument NI 43-101. He has experience in a range of commodities including gold, copper, nickel, lithium, mineral sands and uranium.
- **Mr Peter Ingham** (BSc (Min), MSc, DIC, G.Dip. App.Fin. (Sec. Inst.), CEng, FAusIMM, MIMMM, MAIMVA(CMV)) is General Manager Mining of BDA and is a graduate mining engineer with more than 30 years in the mining industry in Europe, Africa, Australia and Asia. His experience includes operations management, mining contract management, strategic planning, project assessment and acquisition, cost estimation and operational audits and trouble-shooting. He is experienced in a range of commodities, including gold, copper, nickel, base metals, lithium and platinum, in both surface and underground mining.
- **Mr Ian White** (BSc (Hon) Metall., MSc, DIC, MAusIMM) is a Senior Associate of BDA with more than 25 years of experience in the Australian mining industry. He is a metallurgist and has held senior management positions in several operating mines and has been involved in plant design and optimisation, process design testwork, feasibility studies and plant commissioning and project valuation. He is experienced in CIP/CIL technology, flotation, gravity separation, heap leaching, SX/EW, comminution, magnetic separation and pelletising and has worked with a range of commodities including gold, copper, iron ore, base metals, tin, tantalum, lithium and industrial minerals. Mr White has conducted

the process review, engineering and construction monitoring, and Completion Testing for BDA on numerous major projects in Australia, New Zealand, Laos, Vietnam, the Philippines, China and the Pacific region.

- **Mr Richard Frew** (BE Civil, MIE Aust) is a Senior Associate of BDA with more than 40 years' experience as a planning, estimation and contracts engineer. He is experienced in contract management, feasibility study review, financial modeling, capital cost estimation, infrastructure, project controls and implementation. He has worked on a large number of projects providing management and project services to the owners or financiers, including major projects in Australia, Indonesia, the Philippines, Argentina, Mauritania, New Zealand and Romania.

- **Mr Adrian Brett** (BSc (Hon) Geol., MSc, MEnvir.Law, FAusIMM, MAIMVA(CMV)) is a Senior Associate of BDA with more than 40 years' experience in environmental and geo-science, including the fields of environmental planning and impact assessment, site contamination assessments, environmental audit, environmental law and policy analysis and the development of environmental guidelines and training manuals. He has worked in an advisory capacity with several United Nations, Australian and overseas government agencies. He has completed assignments in Australia, Indonesia, Thailand, Laos, the Philippines, the Middle East, Africa and South America.

- **Mr Malcolm Hancock** (BA, MA, FGS, FAusIMM, MIMM, MMICA, CP(Geol), MAIMVA(CMV)) is a Principal and Executive Director of BDA. He is a geologist with more than 40 years of experience in the areas of resource/reserve estimation, reconciliation, exploration, project feasibility and development, mine geology and mining operations. Before joining BDA, he held executive positions responsible for geological and mining aspects of project acquisitions, feasibility studies, mine development and operations. He has been involved in the feasibility, construction, and commissioning of several mining operations. He has worked on both open pit and underground operations, on gold, base metal, light metal and industrial mineral projects, and has undertaken the management and direction of many of BDA's independent engineer operations in recent years.

- **Mr John McIntyre** (BE (Min) Hon., FAusIMM, MMICA, CP (Min), MAIMVA(CMV), MIIMA(CMA)) is a Principal and Managing Director of BDA. He is a mining engineer who has been involved in the Australian and international mining industry for more than 40 years, with operational and management experience in copper, lead, zinc, gold, uranium, industrial minerals and coal, in open pit and underground operations. He has been involved in numerous mining projects and operations, feasibility studies and technical and operational reviews in Australia, West Africa, New Zealand, North and South America, PNG and South East Asia. He has been a consultant for more than 20 years and has been Managing Director of BDA since 1994, involved in the development of the independent engineering and technical audit role.

BDA's project team has visited the two sites. Mr Peter Ingham and Mr Dan Greig visited Greenbushes Mine in March 2018 and Mr Richard Frew, Mr Ian White and Mr Adrian Brett have previously visited the site in April 2017 on a previous independent technical review assignment. Dr Qingping Deng visited the Cuola Project and Tianqi Shenghe's office in Chengdu in April 2018.

The metric system is used throughout this report. The currency used in the Greenbushes Mine review is Australian dollar ("A$") with an exchange rate conversion from Australian dollars to US dollar of 0.75.

2.0 QUALIFICATIONS OF BEHRE DOLBEAR AUSTRALIA

BDA is the Australian subsidiary of Behre Dolbear & Company Inc., an international minerals industry consulting group which has operated continuously worldwide since 1911, with offices or agencies in Beijing, Chicago, Denver, New York, Toronto, Vancouver, Guadalajara, Santiago, Hong Kong, London and Sydney. Behre Dolbear specializes in mineral evaluations, due diligence studies, independent expert reports, independent engineer certification, valuations, and technical audits of resources, reserves, mining and processing operations and project feasibility studies.

3.0 DISCLAIMER

This assessment has been based on data, reports and other information made available to BDA by Tianqi and referred to in this report. BDA has been advised that the information is complete as to material details and is not misleading. A draft copy of this report has been provided to Tianqi and Talison for comment as to any material errors of fact, omissions or incorrect assumptions.

BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various technical aspects. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations reasonable.

BDA does not accept any liability other than its statutory liability to any individual, organization or company and takes no responsibility for any loss or damage arising from the use of this report, or information, data, or assumptions contained therein. With respect to the BDA report and use thereof, Tianqi agrees to indemnify and hold harmless BDA, its shareholders, directors, officers, and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions.

4.0 GREENBUSHES MINE

4.1 Operations Overview

Location

Talison produces lithium mineral concentrates from its operations at Greenbushes approximately 250km south of Perth, at latitude 33° 52′ S and longitude 116° 04′ E, 90km southeast of the port of Bunbury, a major bulk-handling port in the southwest of WA (Figure 2).

The lithium mining operation is in close proximity to the Greenbushes town site located in the Shire of Bridgetown-Greenbushes (population 4,200).

Greenbushes has a population of approximately 450 people and is serviced by the larger town of Bridgetown. It is connected to the regional center of Bunbury by the South Western Highway.

About 55% of the tenements held by Talison are covered by State Forest which is under the authority of the Department of Biodiversity, Conservation and Attractions ("DBCA"). The majority of the remaining land is Private Land which covers about 40% of the surface rights. The remaining ground comprises Crown Land, Road Reserves and other miscellaneous reserves.

Access to the Greenbushes Mine is via the sealed South Western Highway between Bunbury and Bridgetown to Greenbushes Township and via Maranup Ford Road to the Greenbushes Mine.

History and Ownership

Mining in the Greenbushes area has continued almost uninterrupted since tin was first discovered in 1886. Greenbushes is recognized as the longest continuously operated mine in WA.

Tin

Since cassiterite mineralisation was first discovered in 1886, tin has been mined almost continuously in the Greenbushes area, although in more recent times lower tin prices and the emergence of lithium and tantalum as major revenue earners have relegated tin to the position of a by-product. Tin was first mined at Greenbushes by the Bunbury Tin Mining Co in 1888. There was a gradual decline in tin production between 1914 and 1930. Vulcan Mines carried out sluicing operations of the weathered tin oxides between 1935 and 1943, whilst between 1945 and 1956, modern earth moving equipment was introduced and tin dredging commenced. Greenbushes Tin NL was formed in 1964 and open cut mining of the softer oxidized rock commenced in 1969.

Tantalum

In the 1940s, tantalum mining at Greenbushes started concurrently with advancements in electronics.

Tantalum hard rock operations commenced in 1992 with an ore processing capacity of 800,000tpa. By the late 1990s demand for tantalum peaked, and the existing high grade Cornwall Pit was nearing completion (Figure 4). In order to meet increasing demand a decision was made to expand the mill capacity to 4Mtpa and develop an underground mine to provide higher grade ore for blending with the lower grade ore from the Central Lode pits (C3 and C1).

An underground operation was commenced at the base of the Cornwall Pit in April 2001 to access high-grade ore prior to the depletion of the available open pit high-grade resources. In 2002 the tantalum market collapsed due to a slow-down in the electronics industry and subsequently the underground operation was placed on care and maintenance. The underground operation was restarted in 2004 due to increased demand but again placed on care and maintenance the following year; it is now closed and flooded. The tantalum primary treatment plant that processed mined ore to produce tantalum and tin concentrates was put on care and maintenance in 2006.

The open pit lithium operations have continued throughout recent times but in 2009 the mineral rights were separated, with Talison retaining only the rights to lithium in the tenements.

Lithium Minerals

The mining of lithium minerals is a relatively recent event in the history of mining at Greenbushes with Greenbushes Limited commencing production of lithium minerals in 1983 and commissioning a 30,000tpa lithium mineral concentrator two years later in 1984/85. The lithium assets were acquired by Lithium Australia Ltd in 1987 and by Sons of Gwalia in 1989. Plant capacity was increased to 100,000tpa of lithium concentrate in the early 1990s and to 150,000tpa of lithium concentrate by 1997, which included the capacity to produce a spodumene concentrate for the lithium chemical processing market.

Figure 4 Greenbushes Site Layout

In 2007, Talison purchased the Greenbushes Mine from Sons of Gwalia and in 2009, Talison and Global Advanced Metals Ltd ("GAM") entered into a mineral rights agreement (Reserved Mineral

Rights Agreement) to coordinate the exercise of the parties' respective mineral rights on the tenements. Under the agreement, GAM retained the exclusive right to conduct exploration and mining operations for all minerals other than lithium on the tenements. The tenements are held and controlled by Talison, and Talison has the rights to all lithium exploration and mining.

Lithium mineral production is from the Greenbushes pegmatite which hosts the world's largest known resource of lithium minerals (source Roskill). While the overall lithium grade of the pegmatite (1.5% Li_2O) is only marginally above the typical average of 1.0-1.3% Li_2O of other lithium-rich orebodies, the Greenbushes orebody contains large zones of spodumene-rich ore where the average resource grade doubles to over 3% Li_2O.

Currently, two lithium processing plants recover and upgrade spodumene using grinding, classification, gravity, flotation and magnetic processes, producing a range of lithium concentrates for bulk or bagged shipment. The two plants, the TGP and the CGP1, produce mineral concentrates containing a range of lithium grades with varying iron impurity levels according to market requirements. Low iron technical grade concentrates are produced in the TGP; chemical grade concentrates which contain higher levels of iron are produced in the CGP. A second CG plant, CGP2, is currently being constructed. The main use for low iron TG concentrates is as feedstock for the glass and ceramic industries. The CG concentrates are supplied to Tianqi and Albermale for processing into lithium chemicals.

The lithium processing operations have been progressively upgraded to the current ore treatment capacity of 1.9Mtpa of ore feed; lithium concentrate production is dependent on ore grade, lithium recovery and overall lithium concentrate grade. The CGP previously operated at around 60% capacity based on market demand, but production was increased to full capacity in 2016 as demand improved. The TGP plant also currently operates at 100% of capacity. Talison has recently announced Board approval for further expansion through the construction of CGP3, taking annual capacity to 1.95Mtpa of lithium concentrate post commissioning, currently planned for 2022. A summary of ore production from the mine, and concentrate produced by the two plants over the period from 2010 to 2017, is shown in Table 4.1.

Table 4.1

Recent Lithium Production History

Year	Lithium Ore Mined/Processed kt	Lithium Concentrates Produced kt	Total Lithium Production (kt LCE)
Calendar Year			
2015	1,001	438	63
2016	949	494	71
2017	1,629	646	98

Note kt = thousand tons; "LCE" = lithium carbonate equivalent; Talison only produces a lithium spodumene concentrate and its contained lithium in concentrate is quoted on an industry standard 'lithium carbonate equivalent' basis;

Project Status

The Greenbushes Mine has a history of production of lithium concentrates over more than twenty years. Talison's projections of future production levels are based on progressive increases in demand for lithium concentrates and the progressive expansion of site concentrate capacity. These increases are justified by market research which predicts continued growth in consumption of lithium, driven primarily by the lithium secondary (rechargeable) battery market which includes batteries for consumer applications and the developing markets for electric and hybrid vehicles, electricity grid storage and renewable energy storage.

The Measured and Indicated Mineral Resources have progressively increased over time with additional drilling and, consequent to changing commodity prices, exchange rates and economics, reductions in cut-off grade. Thus resources have changed from 22Mt at a grade of 3.7% Li_2O in 2010, to 70Mt at 2.6% Li_2O in 2011, to 117Mt at 2.4% Li_2O in September 2012, to 158Mt at 2.3% Li_2O in September 2014, to 165.1Mt at 2.1% Li_2O in September 2016 and to 169.6Mt at 2.0% Li_2O at the end of March 2018. An additional Indicated resource of 18.3Mt at 1.3% Li_2O has recently been reported by Talison in the upper part of TSF1. Talison is reviewing the potential for additional resources in outlying parts of the Greenbushes landholding.

Ore Reserves are currently 130.4Mt at 2.0% Li_2O within the C3, C2 and C1 pits[1], with a further Ore Reserve of 10.4Mt at 1.4% Li_2O contained within TSF1.

Talison plans to increase production in line with an anticipated increase in demand, through a series of simple, modular, low cost expansions, based on existing proven technology. The currently planned expansion of capacity is intended to reach design levels of production over the next six years to match forecast demand growth, while there is further scope to increase production through technological improvements.

Lithium concentrate production has been carried out on the Greenbushes site for over twenty years and Table 4.1 shows the trend of increasing production over the last seven years, with over 1.6Mt of lithium ore processed in 2017 to produce almost 650,000t of lithium concentrates. The extensive production history of lithium ore treatment on the site makes pilot plant testing of future ores unnecessary and none has been carried out.

Worldwide Lithium Production and Markets

BDA is not a marketing expert and has used detailed lithium market reports provided by Roskill Information Services Limited ("Roskill"), a reputable international marketing research group, for the market analysis. Global production of lithium is highly concentrated by geography, corporate ownership and source of lithium (salars or hard-rock mineral deposits). Roskill estimated the total global lithium production in 2017 to be approximately 307,000t LCE. Roskill reports that in 2017, Talison was the world's largest producer of lithium, with approximately 29% market share; Sociedad Quimica y Minera de Chile SA ("SQM") and Reed Industrial Minerals Pty Ltd were jointly the world's second largest producers, with approximately 16% market share each (see Figure 5). These figures exclude approximately 53,000t LCE produced by Mineral Resources Ltd from the Wodgina mine in WA in direct shipping ore ("DSO").

The major global producers of lithium from hard rock mineral deposits are:

- Talison—Greenbushes Mine, WA, Australia
- Reed International Minerals Ltd—Mt Marion, WA, Australia

[1] An additional 2.7Mt at 2.0% Li2O was reported in stockpiles as of the end of March 2018

- Galaxy Resources Limited—Mt Cattlin, WA, Australia
- Mineral Resources Ltd—Wodgina Mine, WA, Australia
- Other producers located in China.

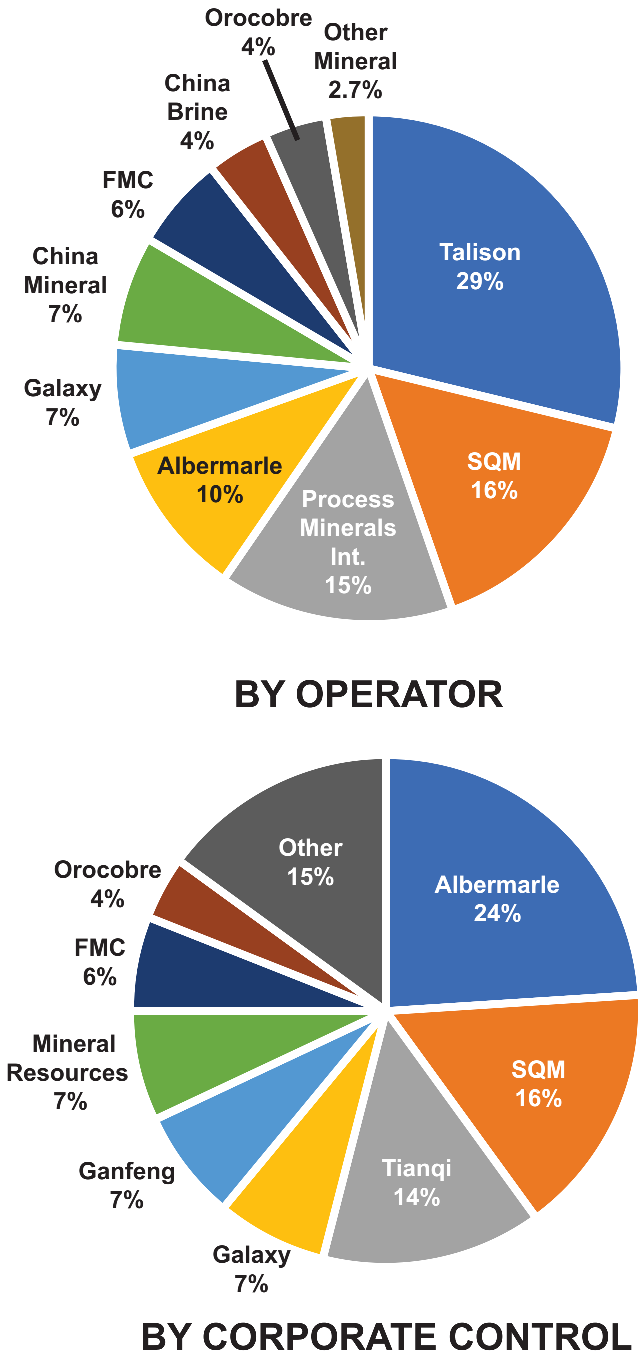
Lithium minerals are converted into lithium chemicals, predominantly in China. The majority of these chemicals are consumed domestically in China; however, lithium carbonate, lithium hydroxide and high purity lithium chemicals are also exported by the Chinese chemical converters.

The major global producers of lithium from salars or brine deposits are:

- SQM—Salar de Atacama region in Chile
- Albermarle Corporation—Salar de Atacama region in Chile adjacent to SQM's Salar de Atacama facility, and the Silver Peak plant in Nevada, United States of America
- FMC Corporation—Salar del Hombre Muerto in northwest Argentina
- Qinghai FoZhao Lithium Energy Development Co., Ltd—Chaerhan, Qinghai, China
- Tibet Zabuye Lithium Industry High Technology Co., Ltd—Zabuye Salt Lake, Tibet, China
- Orocobre Ltd, Olaroz, northwest Argentina
- Other producers located in China.

Most of the lithium production from brines is used in the chemicals market, with a small amount used in the glass and ceramics technical markets. However, the lower price per unit of hard rock lithium minerals compared to lithium chemicals (brines) as well as the inherent benefits of the alumina and silica content makes hard rock minerals the preferred feedstock in the glass and ceramics market.

Figure 5—World Production Pie Charts



Source: Roskill

4.2 Geology and Mineralisation

Regional Geology

The Greenbushes area is underlain by rocks of the Balingup Metamorphic Belt ("BMB"), which forms part of the Western Gneiss Province within the Archaean Yilgarn Craton in WA (Figure 6).

The Greenbushes pegmatites are intruded into a 15-20km wide, north to north-west trending lineament known as the Donnybrook-Bridgetown Shear Zone (Figure 6, inset), characterized by sheared gneiss, orthogneiss, amphibolite and migmatite. The pegmatites have been dated at approximately 2,525 million years ("Ma"), and appear to have been intruded during shearing, which would account for the fine grain size and internal deformation of the pegmatites. The pegmatites have been further affected by subsequent deformation and/or hydrothermal re-crystallization, the last episode being dated at around 1,100Ma.

Local Geology

The Greenbushes deposit consists of a main, rare-metal zoned pegmatite body, with numerous smaller footwall pegmatite dykes and pods. The main pegmatite strikes in a north to north-westerly direction and dips moderately to steeply towards the west-southwest (Figures 6 and 7). Well-developed mylonitic fabrics are developed, particularly along host rock contacts.

In general, the hanging wall of the pegmatite bodies is composed of amphibolite (meta-basalt and sub-volcanic intrusive bodies), whereas the footwall is granofels, dominantly of metasedimentary origin. The mine sequence has been intruded by Proterozoic dolerite dykes and sills (Figure 7). The dykes trend east-west and vary in width from a few centimeters to tens of meters.

All rocks have been extensively lateritised during Tertiary peneplain formation; the laterite profile locally reaches depths in excess of 40m below the original surface.

Pegmatite Zoning

The main Greenbushes pegmatite is about 3km in length and up to 300m in width. Internally, it consists of five mineralogically defined zones: the Contact Zone, Potassium Feldspar (Potassium) Zone, Albite (Sodium) Zone, Mixed Zone and Spodumene (Lithium) Zone. These are shown schematically in Figure 7; in detail they display complex zoning both along strike and at depth.

The zones occur as a series of thick layers commonly with a Spodumene Zone on the hanging wall or footwall, a Potassium Zone towards the hanging wall and a number of central Albite Zones. High-grade tantalum mineralisation (>420ppm) is generally confined to the Albite Zone, whereas the Spodumene and Potassium Feldspar Zones generally have tantalum-tin grades below the cut-off grades. However, in places the pegmatite may contain economically recoverable levels of both lithium and tantalum.

Deposit Geometry

The Greenbushes Central Lode pegmatite deposits extend over a strike length of 3km north-south and have been sub-divided for practical purposes into four sectors representing past and present open pit operations, known as (from north to south) the Cornwall (tantalum only), C3, C2 and C1 pits (Figure 7).

The C3 Pit contains the largest and highest grade lithium deposit. This ore body is about 600m long and up to 100m wide, dipping at 30-80° to the west or south-west. The C1 area contains a second lithium deposit, some 500m long by 150m wide and dipping moderately to the west. Limited mining has been undertaken in the intervening C2 area in which the deposit extends over about 600m, varies in width up to about 30m and dips moderately to the west.

Mineralogy

The main lithium-bearing minerals are spodumene (containing approximately 8% Li_2O) and varieties kunzite and hiddenite. Minor to trace lithium minerals include lepidolite mica, amblygonite and lithiophilite. Lithium is readily leached in the weathering environment and thus is virtually non-existent in weathered pegmatite.

Conclusions

BDA considers the Greenbushes geology and mineralisation to be well-defined and understood, supported by extensive mining and pit exposures as well as by exploration drilling.

Figure 6 Regional Geology

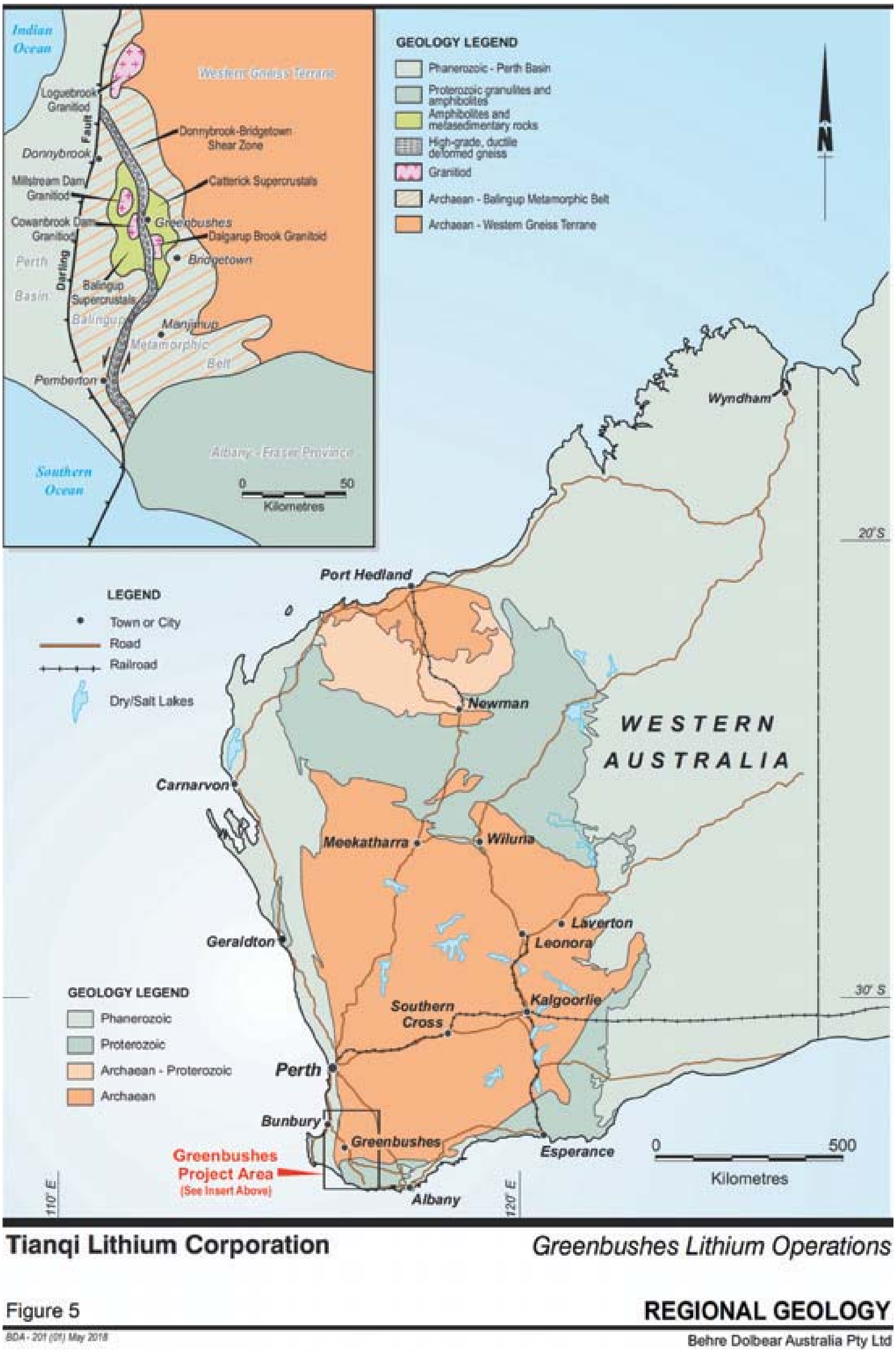
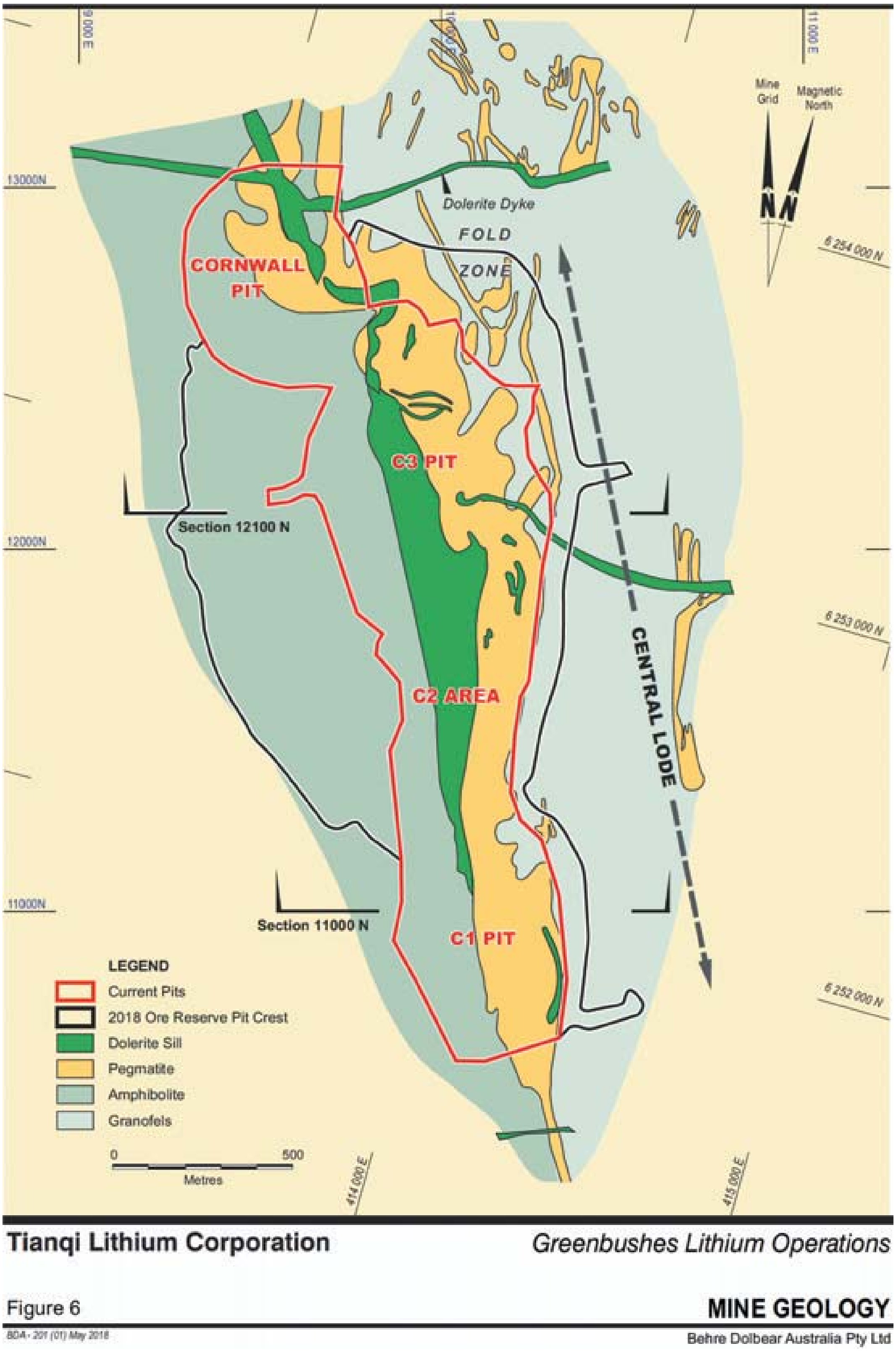


Figure 7 Greenbushes Local Geology



4.3 Exploration, Geological and Resource Data

Introduction

Lithium production from the Greenbushes Mine has been undertaken continuously for over 20 years, during which time a comprehensive picture of the geology, controls and distribution of mineralisation has been developed. The large majority of this work was reported in detail in an NI43-101 report prepared for Talison Lithium Limited in 2012, with limited additional drilling—92 drill holes out of a total database of 1,073 holes on the Central Lode pegmatite—undertaken since that time to confirm continuations of the deposit at depth and infill areas of lower confidence (Inferred) resources (refer Figure 8). Resource models have been revised by Talison on a two-yearly basis since 2012, but the basic process behind this work has varied little over that time. Reconciliation between various resource models, mining and mill production has been consistently good since at least 2012, providing confidence in the geological understanding, validity of the resource database and the resource modeling approach. Consequently, BDA has reviewed this project as an operating mine under the 2012 JORC Code, and Section 2 of Table 1 of the 2012 JORC Code regarding Exploration Results does not apply. This report does not provide great detail regarding exploration activities and results, but an outline of the exploration, geological and resource data is provided in this section.

Exploration

Modern exploration relevant to the current lithium resources, reserves and mining operations has been undertaken on the property since the mid-1980s, first by Greenbushes Limited, then by Lithium Australia Ltd and in turn by Sons of Gwalia prior to the acquisition of Greenbushes by Talison in 2007. Initial exploration focussed largely on tantalum, with the emphasis changing to lithium from around 2000. Information regarding exploration prior to then is patchy and incomplete, although data quality appears to have been adequate to support profitable mine operations.

While surface exploration has proved useful in locating pegmatite bodies, weathering and associated leaching means that economic lithium mineralisation does not occur at surface. Consequently, diamond and reverse circulation ("RC") percussion drilling have been the primary tools for identifying lithium resources.

Exploration drilling has also tested several nearby pegmatite targets with some success, but currently all significant lithium resources are confined to the Central Lode within the main pegmatite zone, with the deposits remaining partly open at depth and along strike to the south.

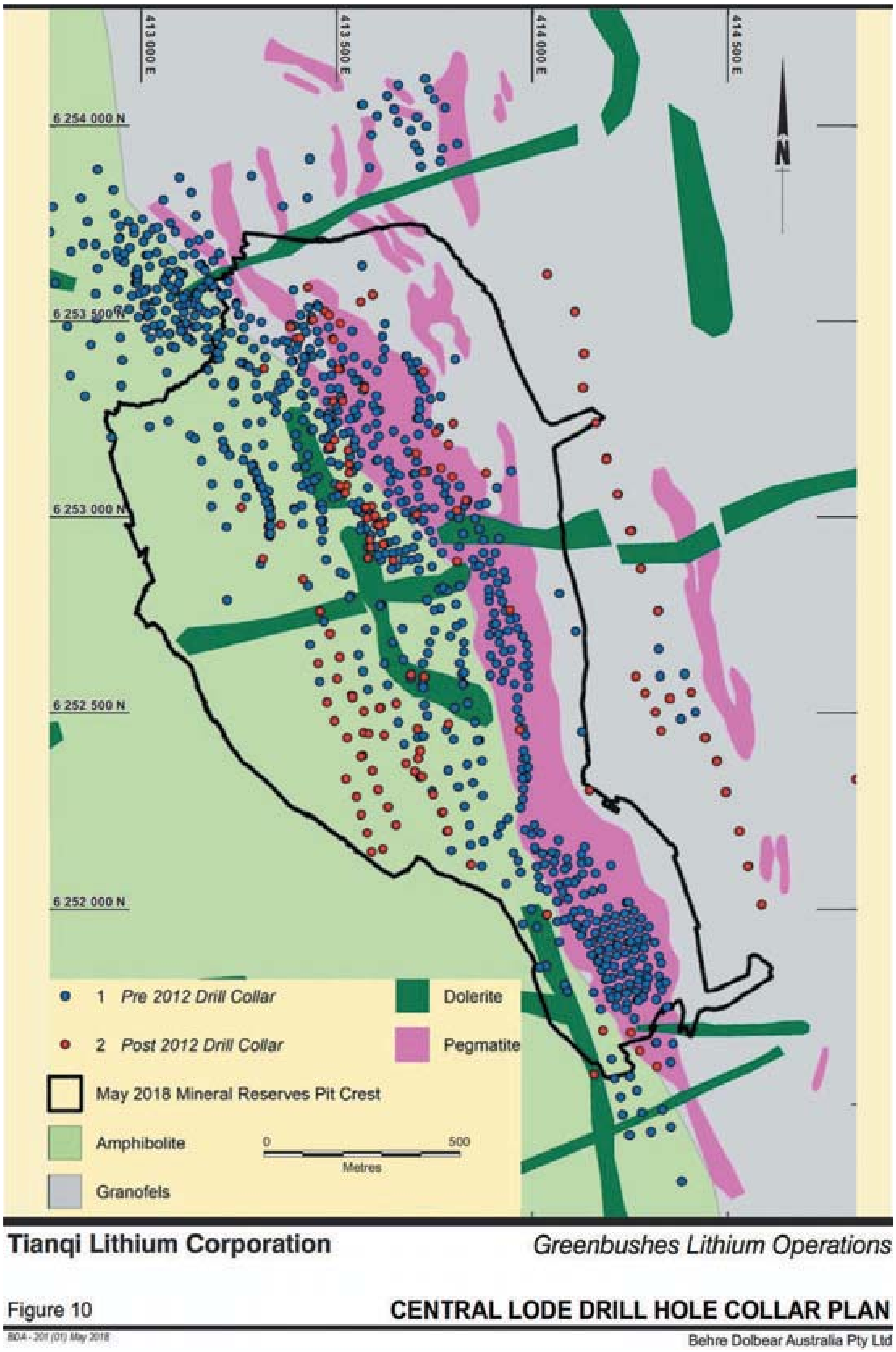
Geological Data Acquisition

Data from a total of 1,073 drill holes totalling 160,232m of drilling form the basis for the most recently reported (March 2018) Central Lode lithium resources. The drill database is made up of 331 surface diamond holes (57,318m) and 514 RC holes (68,585m); an additional 228 underground resource holes in the database targeted high-grade underground tantalum mineralisation. Figure 8 displays the surface drill hole collars in relation to the pegmatite and proposed pit limits, highlighting the additional holes (92) completed since 2012, which lie mainly within and to the west (down-dip) of C3 and C2 pits.

Geological and sample information is derived from a mixture of diamond drilling and RC drilling dating back over more than 30 years, although most of the drilling used to define lithium (as opposed to tantalum) resources has taken place since the year 2000. Drilling and sampling records, practices and procedures have varied over time, and there is a higher level of information available in the database for this more recent work.

RC and diamond drill holes are spread relatively uniformly and equally through the Central Lode deposits, with the mineralisation defined on drill sections approximately normal to the strike of the pegmatites and 25m to 50m apart; irregular spacings occur within the open pits due to access issues.

Figure 8 Central Lode Drillhole Collar Plan



RC drilling mainly utilized 5.5 inch diameter face-sampling hammers and samples were routinely collected over 1m intervals via a splitter. Samples were largely dry and recoveries were reportedly high. Randomly selected RC holes had recoveries recorded by weight over the full length of the hole at the rig in Quality Assurance/Quality Control ("QA/QC") programs to confirm this observation.

Diamond holes varied between BQ, NQ and HQ core sizes, with triple tube used when coring through broken ground to maximize recovery. Some triple tube HQ drill holes have been completed for geotechnical purposes, with material sampled and results included in the resource database. Core recoveries were measured between core blocks for each drill run; recoveries were typically greater than 95%.

Drill cores were logged geologically and geotechnically in detail throughout their length, recording mineralogical and structural features. Logging was both qualitative and quantitative, depending on the sample characteristics being described. All core was photographed in the tray after mark-up and prior to sampling. RC holes were geologically logged at 1m intervals over their full depths and all logging information since 2001 was recorded electronically utilizing Excel logging templates.

Collars were surveyed by differential GPS, accurate to 10cm, and down-hole surveys were completed using a gyroscopic or Reflex survey tool. Topographical control is excellent, as the mine site is covered with detailed and high quality survey datum controls as part of mine operations.

All of the above geological and survey information was captured in the site acQuire Technology Solutions Pty Limited ("acQuire") database.

Sampling, Sample Preparation and Analysis

Most drill core was cut in half with a diamond saw, although HQ core was sometimes quartered and one quarter used for assay analysis, another quarter used for mineralogical or metallurgical research and half retained as a record. Sampling was typically over 1m intervals, while honoring geological boundaries as required.

RC samples were collected at 1m intervals via a cyclone and split to approximately 3-4kg with either a riffle splitter, stationary cone or rotary cone splitter. The vast majority of RC samples were collected dry. Recent RC programs had 5% of the samples routinely duplicated at the drill rig. Field residues were collected in plastic storage bags and held to allow further sampling if necessary. Further sub-samples were split to provide duplicates for assay during the sample preparation process in the laboratory.

The lithium-bearing spodumene mineral generally ranges between 15% and 55% and averages 25% by weight of the resource pegmatite. RC samples are commonly split to 3-4 kgs, and both RC and diamond core samples are considered appropriate for the disseminated nature and relatively fine mineral grain size being sampled.

Sample preparation and analytical work have been undertaken at Talison's on-site laboratory since the inception of the mine, although a small number of early samples were tested off-site. The laboratory is ISO9002 compliant and was last audited under this regime in January 2016.

The sample preparation flow sheet can be summarized as follows: all samples are dried for 12 hours at a nominal 110ºC; thereafter samples are passed through primary and secondary crushers to reduce them to minus 5mm. A rotary splitter is used to separate an approximate 1kg sub-sample, which is ground in a ring mill to minus 100 microns ("-100µm").

All resource drilling sample pulp residues are retained in storage. Coarse sample rejects are normally discarded unless specifically require for further test work.

Due to the long history of operations at Greenbushes, the meta-data regarding assaying is somewhat incomplete; however, the recording of analytical data has been at the current standard since at least 2006. As far as can be determined, all assaying of drill samples has been by XRF and Atomic Absorption Spectroscopy ("AAS"). Sodium peroxide dissolution and AAS is used for Li_2O determination, while a 36 element/oxide suite is analyzed by XRF following fusion with lithium metaborate.

Assay Quality Control

QA/QC systems at Greenbushes have developed over time and vary across the dataset used for resource estimation. However, since at least January 2007 a rigorous QA/QC program has been in place, with the results captured in the acQuire database.

RC sampling practice involves collection of a duplicate field sample for every 20 RC samples submitted. Two samples of custom certified reference materials (CRM, ie. known standards) made from ROM Greenbushes feed targeting relevant grade values are submitted with each sample batch. Routine quality control for diamond core samples relies on internal laboratory controls (standards and blanks); duplicate core samples are not analyzed on a regular basis.

The laboratory's internal quality systems include replicate (pulp repeat) laboratory analyzes, analysis of known standards by XRF, and round-robin interaction with other laboratories. These systems are run in each batch of drill samples. Li_2O in is not analyzed in replicates; instead, the AAS machine is recalibrated before every batch of samples, and standards and blanks are included in each batch.

The QA/QC data is assessed in terms of results for CRMs and blanks, scatter plots of duplicate and replicate RC sample assays, QQ plots and plots for half absolute relative difference ("HARD"). These show acceptable accuracy and sampling error. As examples, charts showing CRM lithium results for one of the standards accompanying all drilling since 2012 and a scatter plot of all RC field duplicate analyzes since 2012 are included (Figure 9).

All geological and sampling data post-2001 has been recorded in electronic format, utilizing Excel logging templates. The data is uploaded into the acQuire database, recording the data in tables covering survey, geology, sampling, assay and collar information. Data from earlier drill holes has been added to the database manually where available. The database procedure rejects invalid log codes on import as part of the built-in validation. Assay data is provided in electronic form and merged with the sampling information. A random selection of historical data has been compared to database records by Talison and by specialist resource consulting group, Quantitative Group Pty Ltd ("QG") to confirm the validity of historical data entry. Modern geological data is logged into spreadsheet templates and electronically imported into the database to avoid transcription errors. Modern assay data and some survey data is output by instruments in electronic format and imported into the database to avoid transcription errors. The database has a number of built in logical checks to prevent invalid depth entries. Further validation of collar locations, hole orientations and comparisons of analytical results with geological logging is carried out by site geologists using a validation template.

An independent review of data quality was undertaken by QG as part of its December 2012 NI43-101 Technical Report, from which it concluded that data quality at that time was adequate for estimation of lithium Mineral Resources and Ore Reserves. QA/QC procedures have been maintained for subsequent drill programs and have continued to produce reliable results. This is confirmed by examination of QA/QC plots (as shown in Figure 9) and by the close reconciliation between the resource model and mine/mill production (see Section 4.4).

Density

Pegmatite dry bulk density ("BD") is calculated as BD = 2.59 + (Li_2O x 0.071). This relationship has been determined by experimental measurements on 385 diamond core samples of fresh pegmatite over a range from 0 to 5.5% Li_2O (Figure 10) and is supported by theoretical values derived from the modal mineralogy of the pegmatite. A uniform density of 2.9 tons per cubic meter ("t/m^3") has been ascribed to all fresh wall rock based on previous mining experience in the deposit, ie. from truck counts and survey measurements, with support from a small number of core sample determinations.

Lithium resources lie beneath the weathered (oxidized) zone. Oxide waste material has been assigned a bulk density of $1.8t/m^3$, which is supported by past site mining records in the form of production truck counts versus survey measurements.

Conclusions

BDA has not undertaken an audit of the geological and assay data as part of this review. However, BDA has reviewed data acquisition and quality control procedures and QA/QC results presented both by QG in its 2012 NI43-101 report and by Talison, including results from recent drilling programs, and concludes that database quality is appropriate and adequate for estimation of Mineral Resources and Ore Reserves under the JORC Code. The historical close agreement between estimated resources, mining and mill tonnages and grades provides significant support to data quality and accuracy.

Figure 9 Sampling QA/QC

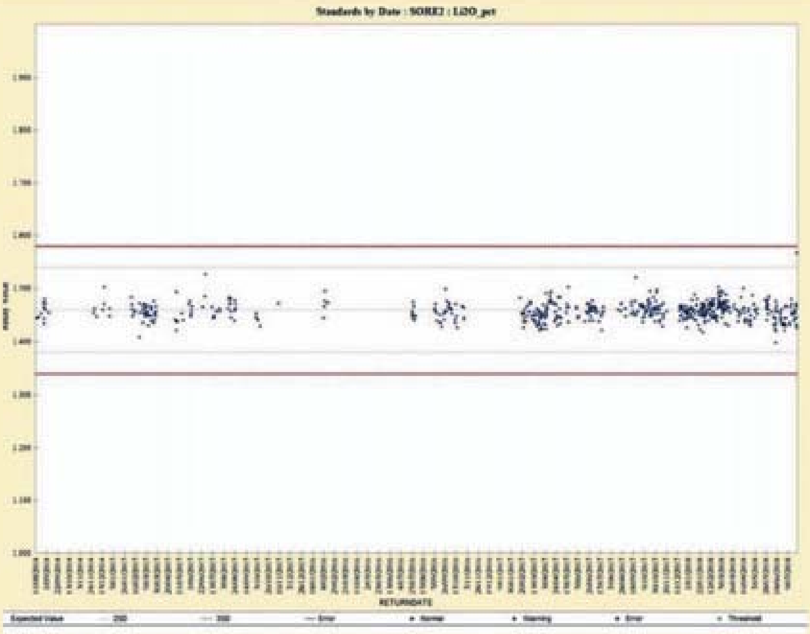


Figure A2: TALISON ASSAY QA/QC:
Time Plot of Results of Standard Sore2, Post-2012 Resource Drilling

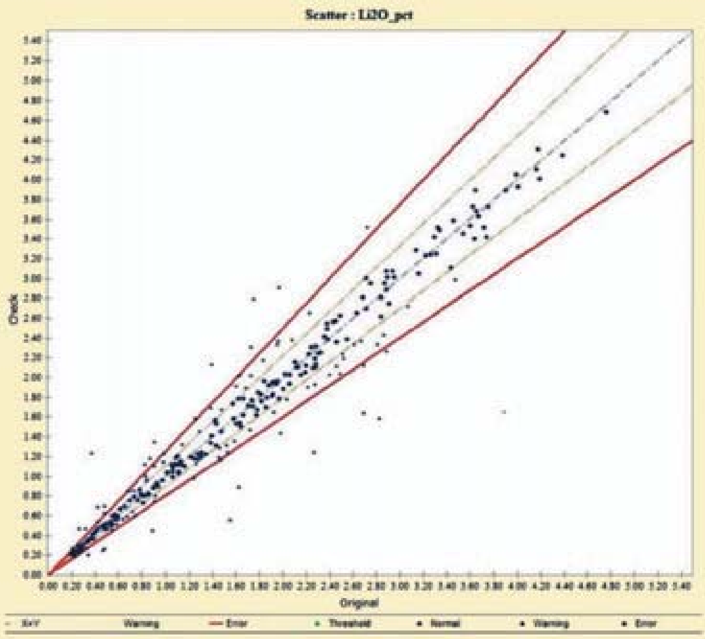


Figure A3: CENTRAL LODE RC DRILLING QA/QC:
Scatter Plot of Field Duplicate Sample Analyses, Post-2012 Resource Drilling

Tianqi Lithium Corporation *Greenbushes Lithium Operations*

Figure 11 **DRILL SAMPLING QA/QC**

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Figure 10 Density Analysis Charts

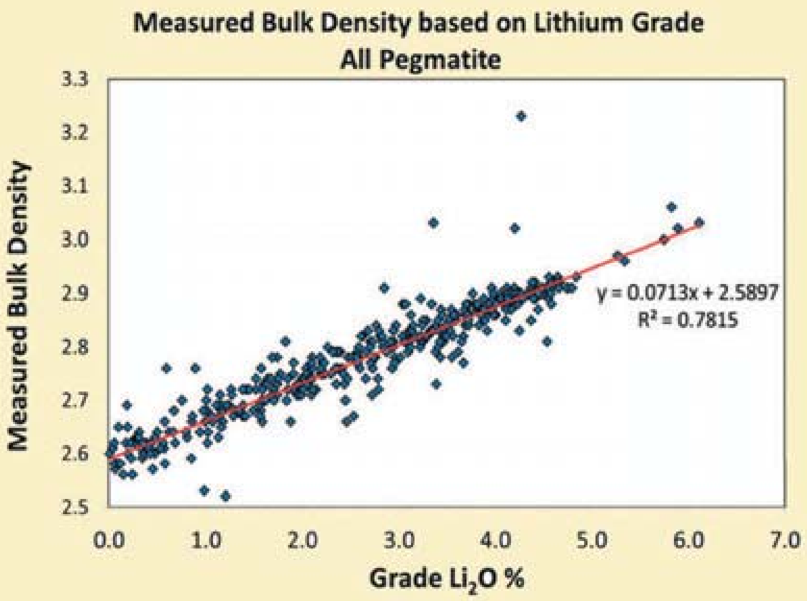

Figure A4: CENTRAL LODE PEGMATITE:
Plot of Core Bulk Density Measurements Against Li2O Content

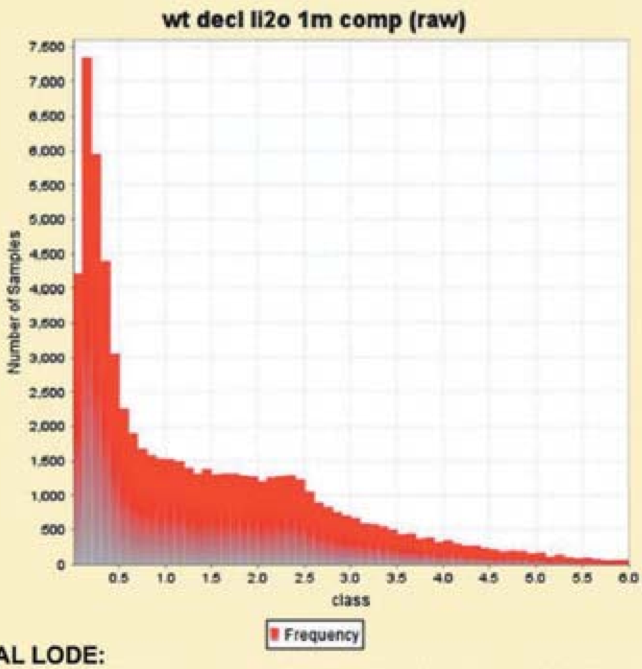

Figure A5 CENTRAL LODE:
Histogram of Declustered Li2O Composite Data within the Pegmatite Domain

Tianqi Lithium Corporation *Greenbushes Lithium Operations*

Figure 12 **DENSITY ANALYSIS**

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4.4 Mineral Resources and Ore Reserve Estimation

Resource Modeling and Estimation Procedures

The March 2018 resource model was developed internally by Talison but relied to some extent on the approach developed in conjunction with QG over several iterations between 2007 and 2014. The approach was based firstly on three-dimensional interpretations of the pegmatite bodies and the larger dolerite intrusives which were defined using geological cross-section interpretations to produce coherent volumes and remove minor outliers. An internal envelope of continuous mineralisation above a nominal 0.7% Li_2O cut-off grade was identified within the pegmatite and grade modeling of Li_2O was undertaken using Ordinary Kriging ("OK"). No other elements or oxides were estimated in the 2018 model.

In more detail, resource modeling involved the following activities and assumptions:

- a chart of raw sampled lengths against corresponding Li_2O assays showed the whole range of Li_2O grades across all sample lengths, ie. there was no spike of short, high grade intervals. One meter was by far the dominant sampling interval used in RC drilling and for much of the diamond core away from geological contacts, so drill data was composited on 1m intervals
- comparison between RC and diamond drill sample results showed no significant difference in grade distributions
- sectional interpretation and geological wireframing of the Central Lode pegmatite was completed using the drilling geological database, with guidance from pit mapping, and from grade control and blast hole drill information in areas with limited nearby exploration data. The pegmatite wireframe was snapped to drill hole contacts and checked. The pegmatite geology and lithium grades are controlled by deposit structure and mineral zoning related to pegmatite pulses during emplacement. The influence of these features is well understood from past mining and drilling programs. The pegmatite shows strong continuity except where affected by cross-cutting dolerites, but these are local and do not affect the deposit globally
- as all mineralization of interest is confined to the Central Lode pegmatite, this wireframe was used to select analytical data for resource modeling
- a histogram of declustered Li_2O composite data showed a low grade Li_2O population and a less distinct higher grade Li_2O population (Figure 10)). A grade of 0.7% Li_2O was chosen as an effective grade domain boundary to separate the two populations. A wireframe was developed within the pegmatite domain to constrain the most continuous zone of lithium mineralisation >0.7%, again based on sectional interpretations with input from grade control and blast hole drilling (Figure 11, upper). The mineralisation wireframe was checked on screen against drill hole composite data for confirmation.
- a histogram of declustered Li_2O composite values within the mineralisation wireframe (Figure 11, lower) showed a relatively normal population, suitable for grade estimation by OK
- a 15m x 15m x 5m cell block model was created for the Central Lode pegmatite, with 7.5m x 7.5m x 5m sub-cells to improve geometric definition of domain boundaries. By comparison, drill hole spacing varies from 25 x 25m up to locally 50 x 50m, except locally in the north where underground drilling into the dominantly tantalum ore-body was on

closer spacing. All planned future mining is by open pit, with minimum mining widths of 5m

- mineralogical characteristics of the lithium mineralisation restrict the possibility of extreme outliers in the composite population (maximum lithium grade for pure spodumene is approximately 8%). Examination of a histogram of declustered composites within the 0.7% wireframe (Figure 11, lower) indicated a relatively normal distribution such that no cutting of high grades was required
- industry standard Surpac software was used for geostatistical analysis and grade estimation for Li_2O. OK was used as has been the case since 2007. Due to changes in pegmatite geometry between the C3, C2 and C1 deposits, different estimation domains, search orientations and estimation parameters were defined for each area. Separate estimates were required for pegmatite within and outside of the 0.7% wireframe, ie. a total of six domains
- a combination of slicing wireframe interpretations in plan and section, reviewing 3m x 3m x5m blast hole assays in plan and section, and pit mapping gave starting point orientations for the expected direction of maximum continuity
- variographic analysis was undertaken for lithium for all six domains.

Using the tools available in Surpac downhole variograms were calculated in each domain to give an indication of the nugget. Directional variograms were then calculated in each area for use in estimation, with Table 4.2 and Table 4.3 showing the variogram parameters used for grade estimation in the various domains.

Figure 11 Central Lode Modeling

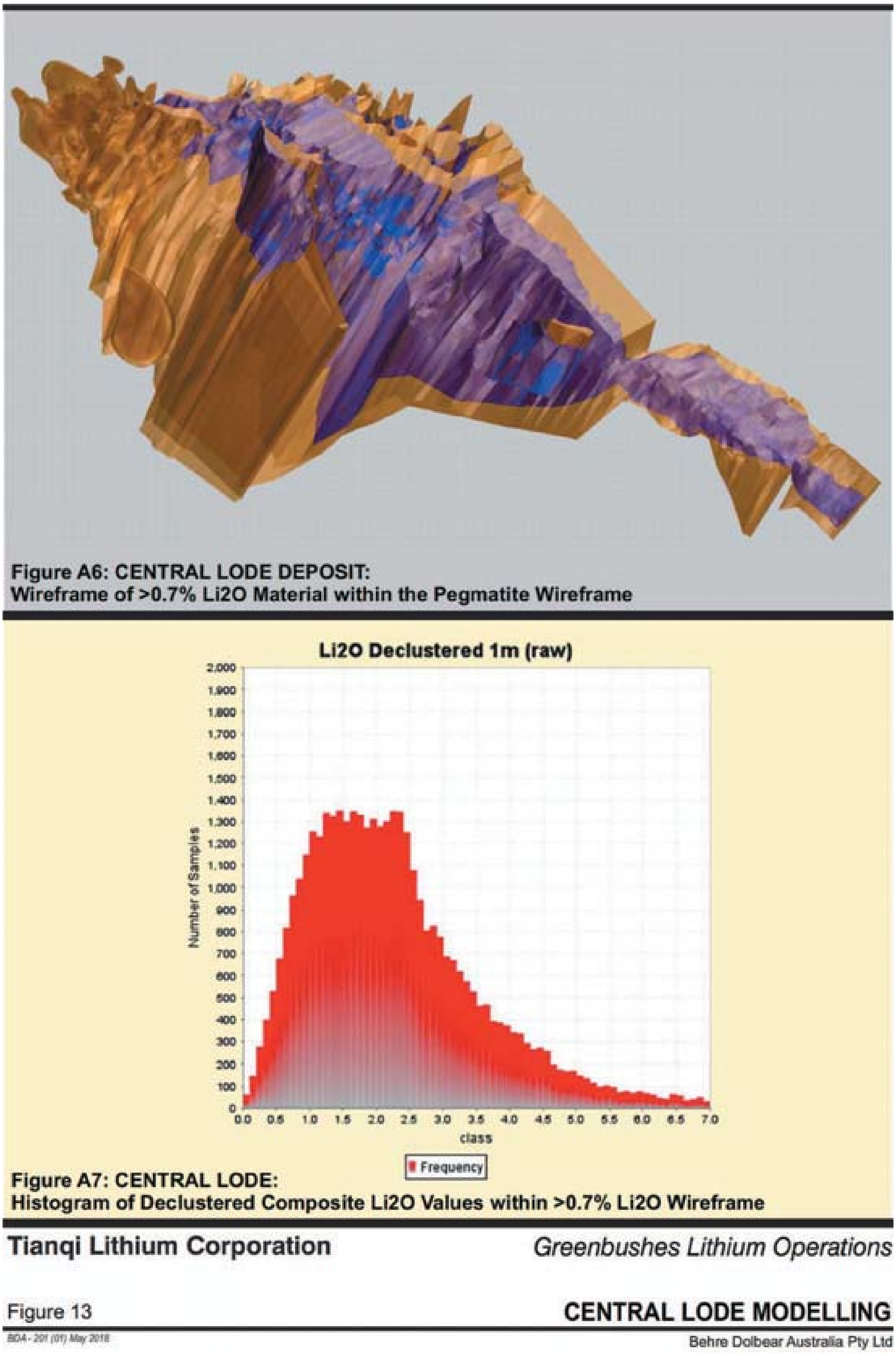


Table 4.2

Summary of Variogram Parameters Used in Estimation of >0.7% Li_2O Domains

Loc	3DM	Vble	Az	P	Dip	VMT	N	c1	a1	c2	a2	c3	a3	m:sm	m:m
C1	GE07	Li_2O	170	0	-55	S	0.10	0.25	20	0.65	130	—	—	2.4	9.1
C2	GE07	Li_2O	5	0	40	S	0.05	0.6	32	0.35	300	—	—	1.1	4.8
C3	GE07	Li_2O	175	0	-55	S	0.05	0.08	11.2	0.32	63	0.4	300	1.3	2.8

Loc = location; Vble = variable; Az = azimuth; P = plunge; VMT = variogram model type; S = spherical; N = nugget

Table 4.3

Summary of Variogram Parameters Used in Estimation of <0.7% Li_2O Domains

Loc	3DM	Vble	Az	P	Dip	VMT	N	c1	a1	c2	a2	c3	a3	m:sm	m:m
C1	LT07	Li_2O	170	0	-55	S	0.2	0.36	22	0.44	200	—	—	2.0	9.0
C2	LT07	Li_2O	5	0	40	S	0.2	0.8	92	—	—	—	—	1.0	9.0
C3	LT07	Li_2O	175	0	-55	S	0.2	0.28	13	0.52	40	—	—	1.45	1.45

Loc = location; Vble = variable; Az = azimuth; P = plunge; VMT = variogram model type; S = spherical; N = nugget

- All pegmatite blocks (both within and outside the 0.7% wireframe) were estimated, with hard boundaries across the 0.7% mineralisation wireframe but soft boundaries between the mining areas
- discretisation points in a 4 x 4 x 4 configuration were used to estimate all blocks
- a minimum of 4 and a maximum of 12 composites were used within the search ellipse for grade estimation
- four grade estimation passes were completed, with the major search axis for each domain progressively increased from 40m to 80m, 120m and finally 300m, in order to fill all blocks and assign confidence to the resource estimates
- dry bulk density was calculated for each block as a function of estimated Li_2O grade, using the regression equation Bulk Density = 2.59 + (% Li_2O x 0.07). Drilling and mining experience shows that fresh rock is free of voids
- uniform dry bulk densities of 2.9 and 1.8, respectively, were assigned to waste rock and weathered rock blocks
- the resultant resource block model was validated visually to confirm that all blocks had been estimated. The average grade of estimated blocks within the greater than 0.7% Li_2O domain sliced every 100m by northing was compared to the average grade of the composite file sliced in the same increments. Generally, the estimated block grades were close to, but lower than the composite grades (Figure 12, upper). Local grade trends were confirmed in the model, with an expected and acceptable degree of smoothing of input data. The estimates and grade/tonnage relationships were compared with 2014 and 2016 resource model estimations which had been developed using a similar approach, and were found to be comparable for common areas
- reconciliation of the latest model against mine production over the period 2015 to 2017 is good, with 99% of expected mining tonnage produced, containing 97% of the predicted metal (see later, Table 4.6)

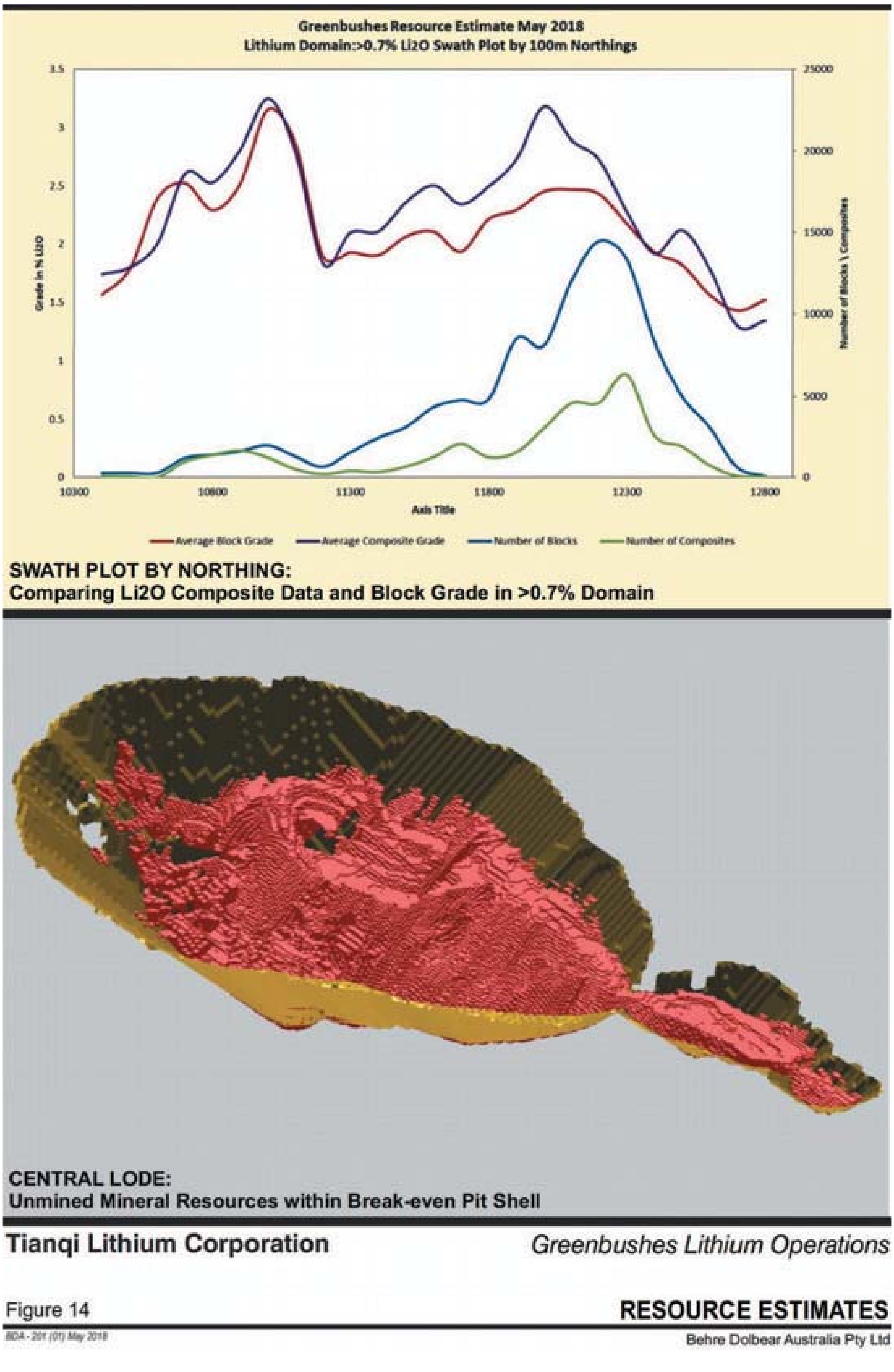
- individual blocks were identified as Indicated, Inferred or Unclassified, based on the number of estimation runs required to produce the block estimate. Those blocks estimated in the first two passes were considered to be Indicated (ie. to a major axis search distance of 80m), the third pass to a maximum of 120m produced Inferred blocks and the remainder were defined as Unclassified.

Mineral Resource and Ore Reserve Classification

The 2018 Greenbushes Lithium Mineral Resources and Ore Reserves were classified and reported by Talison according to the latest (2012) JORC Code, including preparation of Table 1 of the Code.

Mineral Resource classification in the block model was based on data density and quality, geological confidence, and quality of the Li_2O estimate. Essentially, pegmatite blocks within the 0.7% Li_2O domain and lying within a major search axis distance of 80m—broadly incorporating areas having a drill density of 50 x 50m or better—were classified as Indicated Mineral Resources. Blocks estimated only after the major axis search distance was expanded to 120m were classified as Inferred Mineral Resources, as the data density and estimation quality are poorer. The Measured Mineral Resource classification was restricted to surface ROM and fine ore stockpiles. Surface stockpiles comprising non-ROM material that is used for blending or as storage for lower grade material are classified as Indicated and, occasionally, Inferred resources.

Figure 12—Resource Estimates



The Indicated Resource classification for the bulk of the in situ mineralisation takes account of good geological understanding of the deposit, as well as confidence in the quantity, distribution and quality of the data, grade continuity and the modeling approach, all of which is supported by close reconciliation with mine/mill production figures over the past three years. Inferred Resources are restricted to peripheral parts of the deposit where wider drill spacing reduces the certainty of grade estimates.

Ore Reserve classification is dependent on the underlying Mineral Resource classification, once mining, processing, economic and other parameters have been taken into account. Measured Mineral Resources in stockpiles have been converted to Proven Ore Reserves, while Indicated Mineral Resources become Probable Ore Reserves where appropriate mining, processing and economic parameters are satisfied. All Ore Reserves are contained within the Mineral Resources.

Mineral Resource Reporting

For this BDA review, Mineral Resources are reported as of March 31, 2018 (Table 4.4). Subsequent production has been limited and is not considered material to remaining total Mineral Resources.

ROM Ore and Fine Ore (post-crushing) stockpiles are surveyed at the end of each month. Broken rock densities are applied to calculate tons. The stockpile grades are a balance between grade control sampling grades on to the stockpiles and mill feed grades off the stockpiles. A further 2.6Mt at 1.9% Li_2O is contained within lower grade stockpiles and is classified as an Indicated Resource with a small number of lower grade stockpiles (1.0Mt at 0.9% Li_2O) classified as Inferred.

The reported Mineral Resources are in situ. These lie within the Central Lode pegmatite and have been constrained within a break-even optimized pit shell (Figure 12, lower) using the latest mining parameters, costs, process recoveries and revenues. The reporting cut-off grade is 0.5% Li_2O, which is approximately the economic break-even grade for the existing plant. The reported resources are on a dry tonnage basis and make no assumptions about selective mining within blocks.

Table 4.4

Greenbushes Lithium Mineral Resources at March 31, 2018

Resource Category	Tonnage (Mt)	Li_2O Grade (%)	LCE (Mt)
Measured Resources (Stockpiles)	0.2	3.0	0.01
Indicated Resources	169.4	2.0	8.46
Inferred Resources	8.9	1.3	0.29
Total Mineral Resources	**178.5**	**2.0**	**8.78**

Note: there may be some rounding errors in totals; a cut-off grade of 0.5% Li_2O was used for reporting resources; the derivation of lithium carbonate equivalent is tons x (% Li_2O/100) x 2.473 = tons LCE; Indicated resources are largely in situ, constrained within pegmatite and lying within a break-even optimized pit shell

Ore Reserve Reporting

At the outset, it should be noted that all Mineral Resources reported for the Central Lode lie directly below or immediately along strike from the existing open pits which, themselves, have been mined continuously for over 20 years. Further, there is no indication that the geology, grade distribution, mining or processing characteristics will change materially as production continues into these areas. As described in Sections 4.5-4.10 of this document, additional geotechnical, mine design and scheduling studies have been completed, and existing plant capacity and planned plant expansions will be available to treat the proposed mine production. In addition, adequate capacity is provided in existing and planned waste rock and tailings dams and other infrastructure to match the proposed schedule. Finally, financial analysis has been undertaken by Talison to demonstrate that identified parts of the mineral resource can be mined and treated profitability. All the above information was reviewed and confirmed by BDA for the purpose of this report. Consequently, BDA considers that the 2018 Ore Reserves developed from the 2018 Mineral Resources conform to the JORC Code.

As described in Section 4.5, Ore Reserves were determined by Talison, based on Whittle 4-X optimisation of the March 2018 resource model, using current overall pit wall and mining criteria, the latest mining and processing costs and process recoveries, and predicted product pricing. A grade reduction of 5% was applied to all resource blocks, following a review of production reconciliation data over the previous three years. A block cut-off grade of 0.7% Li_2O was applied; such material is economic to treat through the existing plant, although lower grade material is currently stockpiled in favor of treating more profitable ore.

Using the selected pit shell as a guide, established pit design criteria were used to determine mine designs. The mine schedule was developed based on predicted future mill performance and capacity, and projected sales of TG and CG product at that time.

Ore Reserves totalled 133.1Mt at 2.1% Li_2O, containing 6.8Mt LCE, as of March 31, 2018 (Table 4.5), including 0.15Mt of Proved ore reserves in run-of-mine ("ROM") and fine ore stockpiles and 2.6Mt of non-ROM stockpile material classified as Probable ore reserves. As discussed below (Mine Reconciliation), Talison uses a mining recovery of 100% to resource block tonnage, but with a grade reduction of 5% for the calculation of the 2018 Ore Reserves, consistent with experience over previous years.

Table 4.5

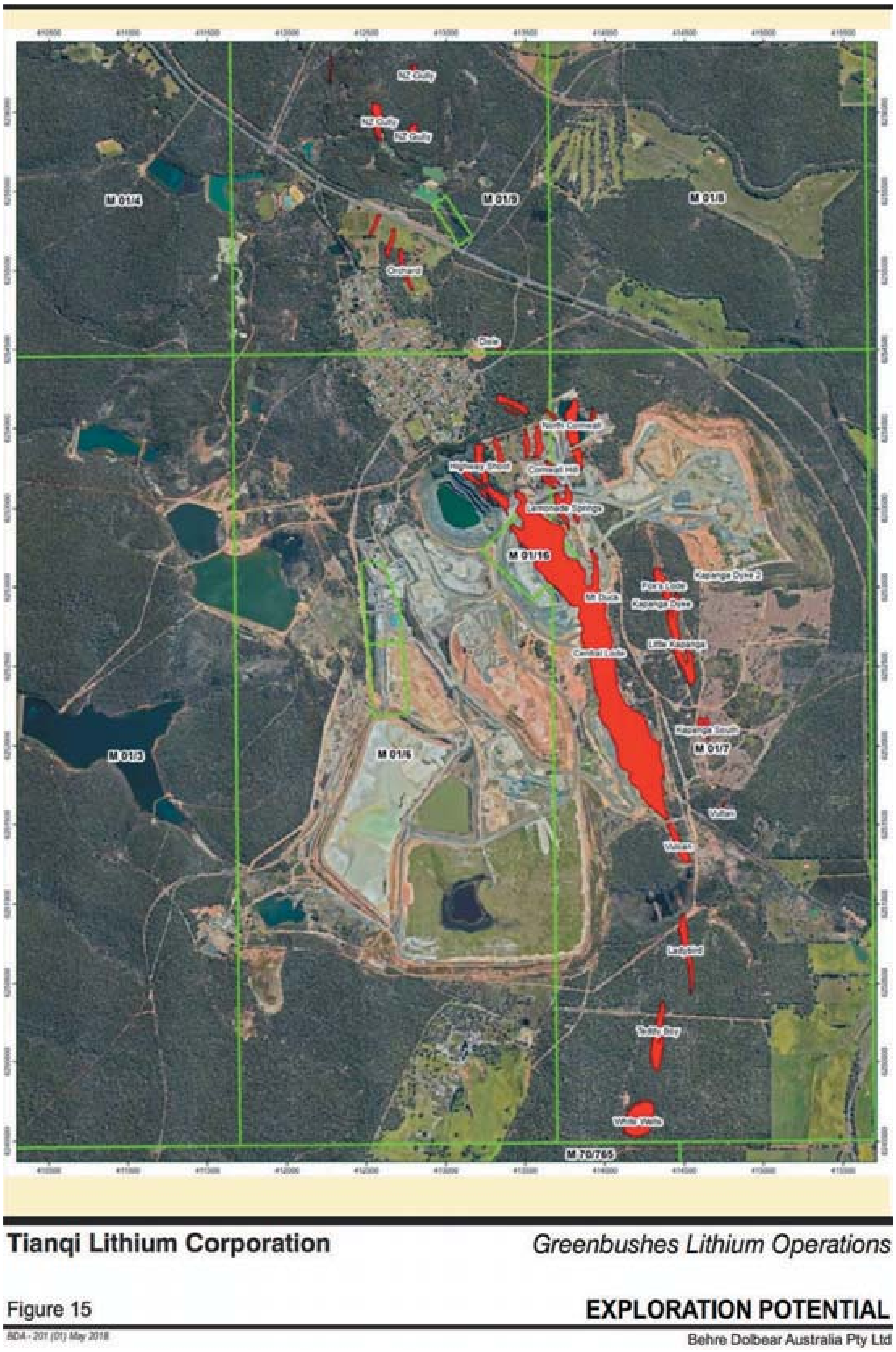
Greenbushes Lithium Ore Reserves at March 31, 2018

	Update—March 31, 2018			Previous—September 30, 2016		
Reserve Category	**Tonnage (Mt)**	**Li_2O Grade (%)**	**LCE (Mt)**	**Tonnage (Mt)**	**Li_2O Grade (%)**	**LCE (Mt)**
Proved Ore Reserves (Existing Stockpiles)	0.2	3.0	0.01	0.6	3.0	0.04
Probable Ore Reserves	133.0	2.1	6.9	85.9	2.4	5.0
Total Proven and Probable Ore Reserves	133.1	2.1	6.9	86.4	2.4	5.0

Note: there may be some rounding errors in totals; all tons are dry tons; Probable Ore Reserves are largely derived from the March 31, 2018 resource block model, cut by the March 31, 2018 mine surface and within an optimized pit shell with a Mine Cost Adjustment Factor (MCAF) of 0.30; a block cut-off grade of 0.7% Li_2O has been applied; the derivation of lithium carbonate equivalent is tons x (%Li_2O/100) x 2.473 = tons LCE; Proved Ore Reserves comprises the Run of Mine and Fine Ore stockpiles as surveyed at the end of March 2018 by the mine surveyor; Probable Ore Reserves include a small proportion of non-ROM stockpile material.

Disregarding mining activities in the interim, the 2018 Ore Reserve represents an approximate increase of 54% in tonnage over the previously reported (September 2016) reserves. The dominant drivers of the increased tonnage and lower grade are improving, sales tonnages and prices combined with lower unit processing and selling costs, as discussed in subsequent sections of this report, allowing for profitable treatment of lower grade material, while recent additional drilling has improved confidence in mineralisation, particularly at the northern end of C3 and down-dip at C2 leading to additional Indicated Resources in those areas.

Figure 13—Outlying Pegmatite on Greenbushes Landholding



The Ore Reserves are a sub-set of the Mineral Resources; the conversion rate of mineral resource tons to ore reserve tons has increased significantly from around 50% (in 2016) to 75%, largely due to improving lithium prices and reduced unit processing operating costs due to higher throughput rates, allowing for profitable treatment of lower grade material.

Mine Reconciliation

Previous comparisons between mineral resources, mine production and mill production figures have demonstrated significant short-term variability (monthly), as would be expected, particularly given the small scale of production and relatively wide-spaced resource drill spacing. However, a comparison of reconciled mining data for calendar years 2015 to 2017 compared to the March 2018 resource model indicates that the mine produced 99% of tonnage predicted from the 2018 resource model, at marginally lower grade (Table 4.6). In calculating the 2018 Ore Reserves, Talison has applied a mining recovery of 100% to resource block tonnage, but with a grade reduction of 5%. BDA considers this approach to be supported by the recent reconciliation data and to differ little from previous reconciliation adjustments to earlier resource models.

Table 4.6

Reconciliation of Central Lode Mineral Resources and Ore Mined for Years 2015 to 2017

	Resource Model			Mine Production			% Difference	
Year	Tonnage kt	Grade Li_2O %	LCE kt	Tonnage kt	Grade Li_2O %	LCE kt	Ore Tons kt	LCE kt
2015	949	3.13	73	1,001	2.97	74	106	100
2016	1,008	2.72	68	999	2.93	72	99	93
2017	1,727	2.72	116	1,629	2.79	112	94	97
Total	3,683	2.92	266	3,629	2.86	257	99	97

As noted by Talison, reconciled mining numbers are the grade-controlled drill and blast material excavated from the open pit, including stockpile movements, the latter introducing some potential errors.

Mineral Resource and Ore Reserve Upside Potential

Although there is little incentive to explore for additional indicated resources on the property, given the long term nature of existing ore reserves, potential nevertheless exists adjacent to the known resources and at several nearby prospects (Figure 13). Their importance is enhanced by the fact that they lie in areas designated for development of additional waste and tailings storage capacity in the relatively near term.

Central Lode Pegmatite

- pegmatite mineralisation above cut-off grade but classified as Inferred within the current break-even pit-shell
- mineralised pegmatite classified as Indicated and Inferred but lying outside the break-even pit shell
- potential additional resources and reserves down-dip and along strike immediately to the south of C1

There are no plans in place to test any of this additional material at this time.

- preliminary drilling to test a zoned pegmatite (the Kapanga zone) lying a few hundred meters east of and parallel to the footwall of Central Lode, has confirmed Li_2O mineralisation extending over several hundred meters of strike Figure 13). Preliminary exploration drilling has indicated that the upper zone in particular contains grades >1.5% Li_2O (and up to +3%), with combined thicknesses of up to 50m (Table 4.7); a more detailed drilling program remains to be planned, to determine a resource and investigate mining potential

Table 4.7

Exploration Drilling Results, Kapanga Pegmatite Zone

Hole ID	North	East	RL	EOH Depth	Dip	Azimuth	From	To	Interval	% Li_2O
RC600	11694.04	10525.85	1314.97	204m	-60°	90°	63m	89m	26m	2.13
RC602	11911.56	10515.79	1317.89	246m	-62°	89°	90m	113m	23m	2.45
							127m	135m	8m	1.32
							140m	140m	19m	1.24
RC605	11812.01	10512.24	1316.53	252	-76	105°	80m	109m	29m	2.78
RC607	12010.47	10507.68	1314.62	288	-75	89°	80m	114m	34m	1.81
							136m	165m	29m	2.38
							181m	199m	18m	1.80

- a potentially significant mineralised zone extends south from C1 for well over a kilometer, and includes the Vulcan, Ladybird, Teddy Boy and White Wells prospects. These have not yet been drill-tested

Tailings

- drilling of the original Greenbushes tailings disposal area, TSF1, located adjacent to CGP2 and the C1 pit (Figure 4) and used prior to the start of lithium operations, has confirmed a more or less continuous zone of >1% Li_2O grades in the upper part of the tailings facility. Geology, drilling, resource estimation and Resource and Reserve reporting are described in Section 4.12.

Conclusions

BDA considers that 2018 database compilation and resource modeling of the Central Lode deposits has been undertaken by suitably qualified and experienced Talison staff, under the supervision of the site Geology Superintendent who is a Competent Person under the JORC code with over 5 years of experience on the site, building on a number of previous resource models originally developed by QG, an independent consulting group. Data validation has been completed, confirming acceptable database quality, and the geological definition of the deposit is considered to be well-founded. The drill data gives acceptable coverage of the lithium mineralised zone and provides a suitable basis for mineral resource estimation. The resource modeling approach and resource classification procedures are considered appropriate, in accordance with industry standards, and in compliance with the JORC Code. The quality of the resource model and its underlying data and assumptions are well supported by reconciliation against mine/mill production from the Central Lode deposits over the past three years.

BDA considers that the 2018 Mineral Resource model complies with the 2012 JORC Code and forms an acceptable basis for mine planning and generation of Ore Reserves.

BDA has reviewed the 2018 Ore Reserve estimate and has found it to have been completed in accordance with industry standards, and in compliance with the JORC Code by suitably qualified and experienced Talison staff, under the supervision of the Talison Manager Mining and Environment, a Competent Person under the Code, with over 12 years of experience on the site. BDA considers the mine design for the open pits to be appropriate and supported by over 20 years of past mining practice at the deposit. The mining schedule is considered to be achievable. The estimated mine recovery and dilution factors appear reasonable and are supported by mine reconciliation data. BDA does not consider the Ore Reserves will be materially affected by foreseeable permitting, title, environmental, or metallurgical issues, based on the information supplied by Talison.

Overall BDA considers the 2018 Proved and Probable Ore Reserves to be an appropriate representation of the recoverable tons and grade, and suitable for use in financial modeling of the project.

There are Indicated (and minor Inferred) Resources lying between the break-even pit shell used for reporting mineral resources and the mine design pit shell. These have some potential economic value and could eventually be added to the Ore Reserves depending on lithium markets, prices, product specifications, plant performance, and plant operating costs. Additional potential exists to expand Central Lode Mineral Resources to include lower grade lithium mineralisation that currently falls outside the 2018 break-even pit shell as lithium market conditions or process recoveries/costs improve. However, the quality and economic value of such resources is likely to be marginal.

Recent exploration drilling has identified additional pegmatite resource potential in the footwall Kapanga Zone and as a southern extension of the Central Lode. Additional work is required before any resources can be demonstrated in these areas.

4.5 Mining

Overview

Open cut mining of lithium ore is currently from the Central Lode open pits, south of the Cornwall Pit which was mined up to 2003 predominantly for tantalum ore before mining went underground via a decline. The higher grade lithium ore is mined from a distinct zone within the pegmatite on the hanging wall side of the C3 (North) zone and from the large zone within the C1 (South) zone (Figure 7).

The mining plan involves a series of stages, including eastern and western cutbacks of the C1 and C3 pits. The eastern cutback of C3 pit, which has commenced, is in two parts, Central and East, with the Central cutback of the east wall being taken down initially before moving to the southern wall and taking out the saddle between the C3 and C1 pits, within the area referred to as the C2 pit. During the 20-year period scheduled, the C3 pit will have ten cutbacks involving both the east and west walls (Figure 14).

The existing Central pit area extends around 2,000m north-south with C3 pit being around 700m east-west and C1 being around 350m east-west. The bottom of C3 pit is currently at 1175mRL (around 150m deep) and the bottom of C1 pit is at 1195mRL (around 70m deep). Final pit floor at completion of the current mine design is 950mRL in C3 pit and 1140mRL in C1 pit with the final depth of the pit at 450m (Figure 15).

Current mining at Greenbushes is based on open pit extraction using conventional hydraulic excavators and haul trucks; mining is at a rate of approximately 2.4 million bank cubic meters ("Mbcm") per annum. The mining activities of load and haul are carried out by mining contractor, SG Mining Pty Ltd ("SGM"), and drill and blast activities are contracted to Action Drill and Blast Pty Ltd ("ADB"); Talison provides grade control and overall pit management.

The underground tantalum mine, accessed from an adit within the Cornwall pit, was on care and maintenance from 2005 until 2014 when the pumps were withdrawn. The southern limit of the former underground development extends beneath the central area of the C3 pit.

Mine planning is undertaken by Talison; the ore reserves have generally been upgraded every two years with the most recent review completed in 2018. Mine scheduling is done by Greenbushes' mining staff with directions from Talison Corporate office and the company's owners, which sets product volume and quality requirements each year.

Pit Optimisation and Designs

The design of the Central Lode open pits which contain all the hardrock lithium Ore Reserves is based on optimisation work undertaken by Talison using commercial inputs and processing criteria; it was reviewed by BDA in 2018. Several of the inputs are commercially sensitive but all parameters are in line with the current operations and cost structure. A 5% dilution factor applied to grade and a recovery factor of 100% were assumed in the analysis; the average of the slopes angles applied in the analysis was 45º. Whittle software based on the Lerch Grossman algorithm was used to create optimized pit shells from the Mineral Resource block model run in Datamine.

The assumption for the pit slopes vary between 34º and 54º depending on the domain and whether fresh or weathered; the basis of the slope angle design is further discussed under the Geotechnical Section.

Based on results of the reconciliation of mine production against the resource model (see Section 4.4), the mining input parameters for the optimisation were set at a grade factor of 95% and mining recovery of ore of 100%. Chemical grade product production is based on quantities specified by the Company's owners with production increasing each year to a peak of around 1.2Mtpa by 2023, based on the 2018 plan. Technical grade production capacity is around 150,000t of product based on the selected product mix.

The selected Whittle shells from the Ore Reserve optimisation modeling were used to design mineable pits that satisfied the design criteria of the site Slope Stability Management Plan, utilized parts of the existing ramps, minimized narrow mining widths and met the required bench mining widths. The final pit has been designed with 20m bench heights, with 8 to 8.5m bench widths and overall wall angles between 30º and 50º (Figures 14, 15 and 16). Local batter angles vary with local ground conditions as summarized in Table 4.8.

The geotechnical parameters used in this 2018 optimisation were drawn from recommendations from various consultants' reports and subsequent site design reviews. Allowances for haul road segments were included in the design parameters. The designs are consistent with current operating practices for the Central Lode pits. The inter-berm weathered slope design on the eastern wall was reviewed and shallowed during 2016, but this has caused a minimal variation in the overall slope angle. Ramp width was set at 18m single lane and 26m for two-way traffic. Haul road gradient was set at 1:10 or approximately 6º. The final C3 pit floor is at 950mRL, with a high wall of approximately 450m; the final C1 pit floor is at 1140mRL, with a high wall of approximately 120m.

Figure 14 Ore Reserves Pit Design)

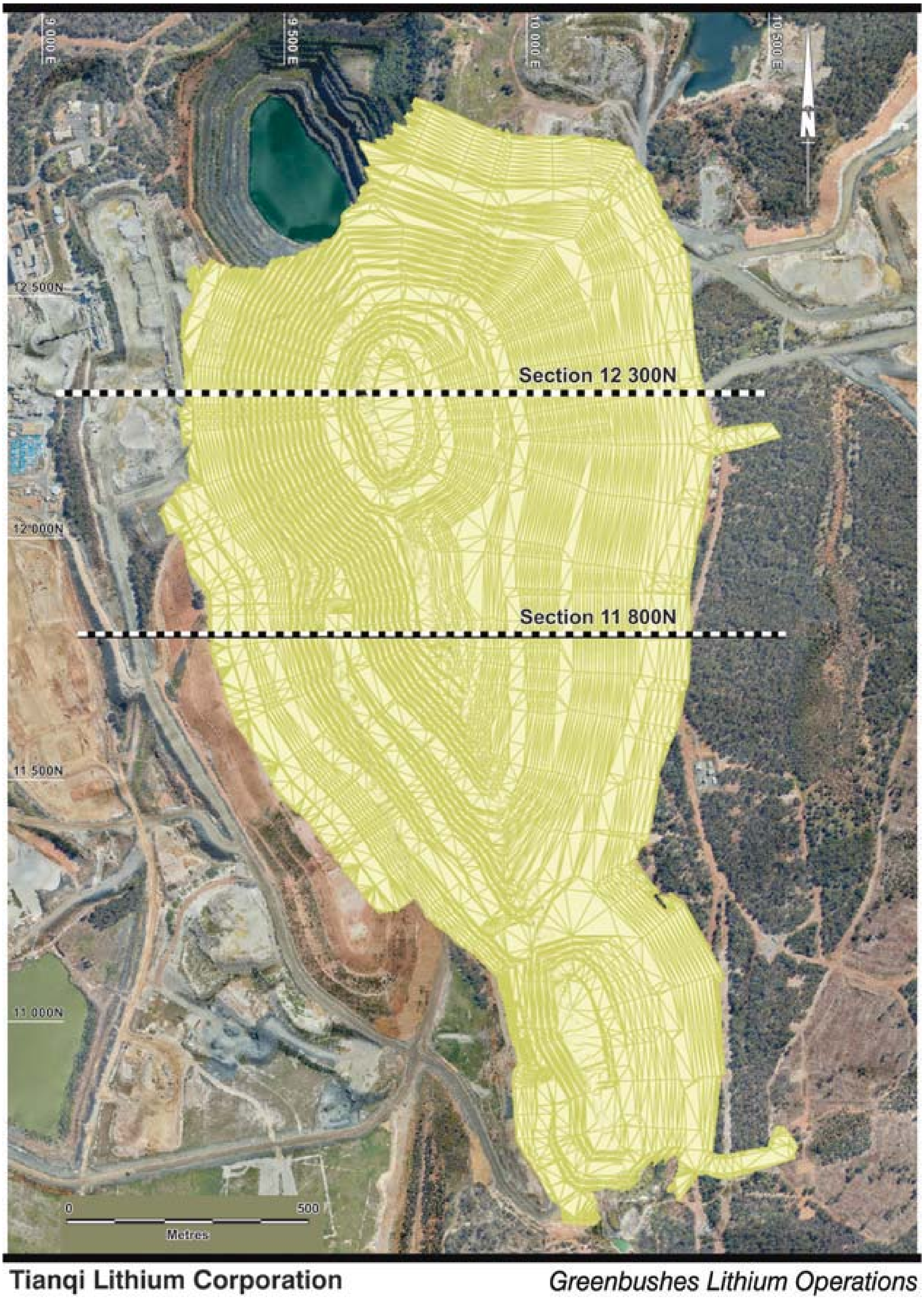


Figure 15—Crosssections 12300 & 11800

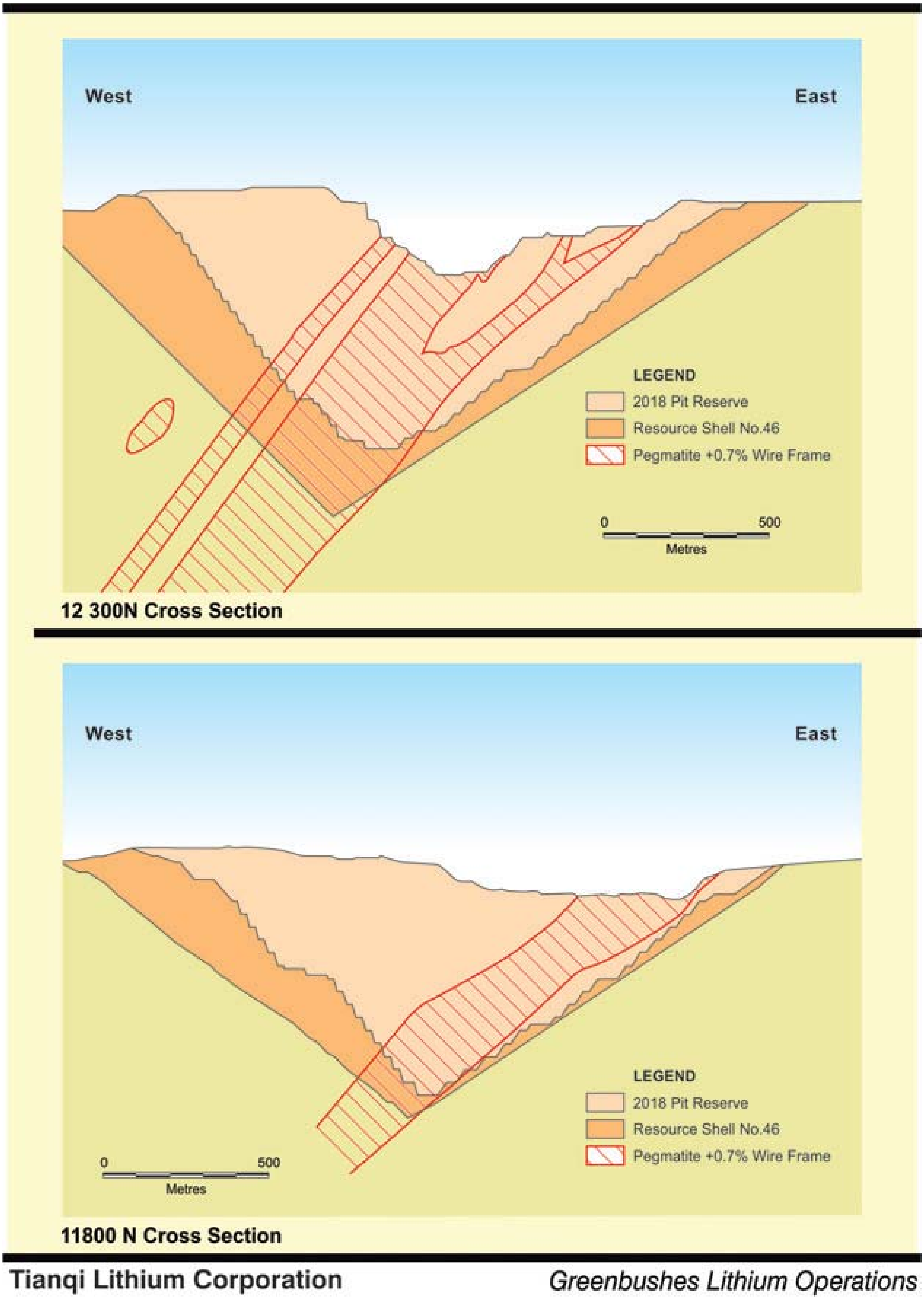
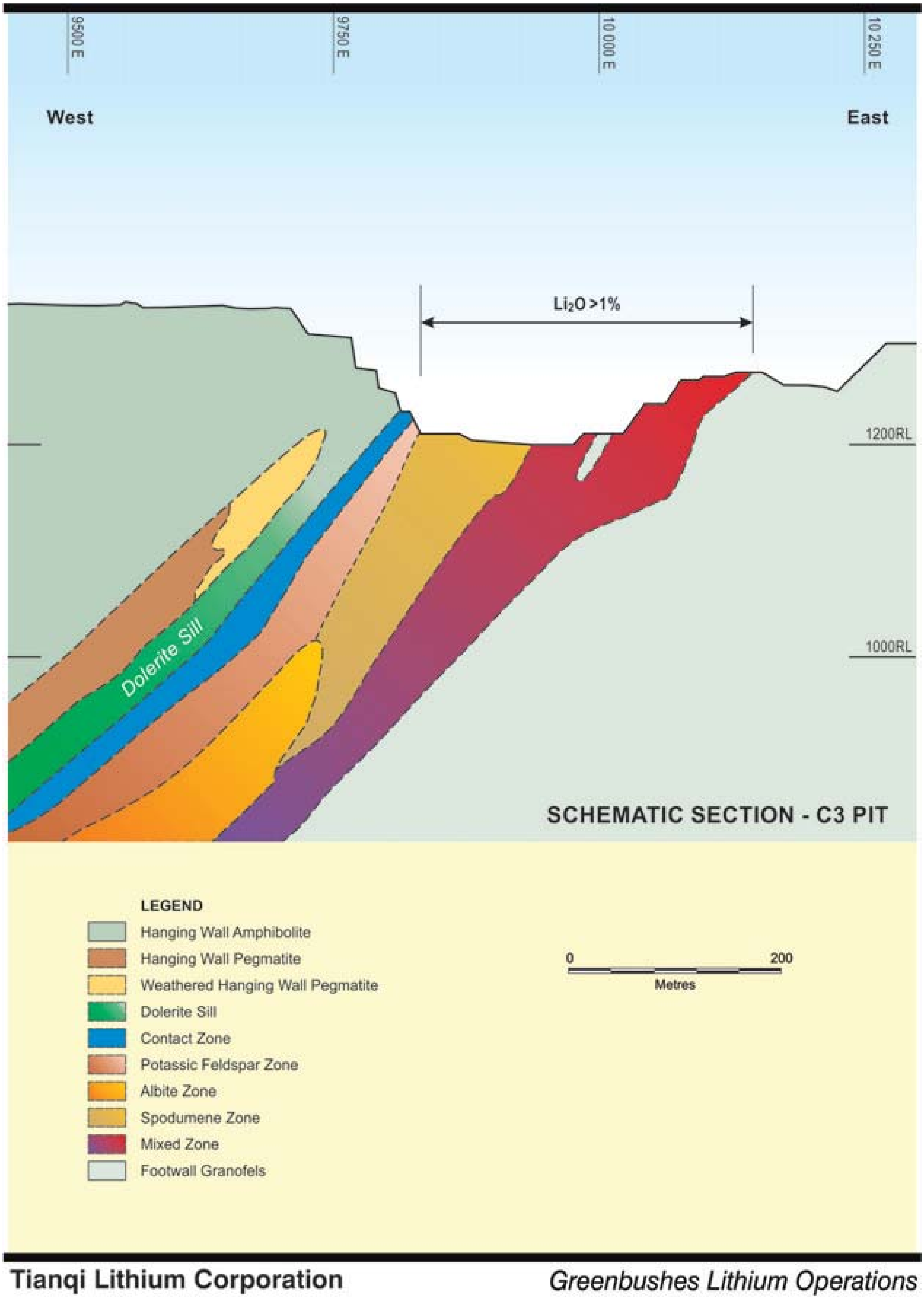


Figure 16—Crosssection C3



There is no distinctive pit floor at C2 pit; the pit provides access into the C3 pit (refer Figure 7).

Table 4.8

Pit Wall Design Parameters for Ore Reserves Estimation

Pit	Wall Orientation	Lithology	Maximum Batter Angle (Degrees)	Maximum Bench Height (meters)	Minimum Berm Width (meters)
C1	East	Weathered to Moderately Weathered	54	20	8
	West	Weathered to Moderately Weathered	45	10	8
	East	Pegmatite and Granofels	35	20	8
	West	Dolerite, Amphibolite and Pegmatite	70	20	8
	North and South	Pegmatite/ Amphibolite	70	20	8
C3	East	Weathered to Moderately Weathered	45	20	8.5
	West	Weathered to Moderately Weathered	54	20	8.5
	East	Pegmatite and Granofels	55	20	8.5
	West	Dolerite, Amphibolite and Pegmatite	75	20	8.5
	North and South	Pegmatite/ Amphibolite	75	20	8.5

Talison has designed a series of cutbacks and the ultimate pit design using the optimisation data. The cutbacks are designed with minimum mining widths between 80 and 100m. The Central C3 cutback was driven by the requirement to ensure continuous supply of TG ore to maintain the TG market for the duration of the TG resource. The schedule and volumes of the various cutbacks are shown in Table 4.9 and in Figure 17. While the LOM cutback is relatively large, BDA anticipates that there may be opportunities to further stage the final pit cutback as the mine progresses.

Table 4.9

Central Lode Open Pit Cut Backs (Mbcm)

Cut Back	Commence	Complete	Volume (Mbcm)
C1 Stages 1 and 2	Ongoing	Q4 2021	5
C2	Q3 2019	Q1 2021	2
C3 East	Ongoing	Q1 2024	39
C3 North Ramp	Q3 2020	Q2 2026	8
C3 Central	Ongoing	Q4 2019	5
Angus	Q4 2027	Q2 2027	36
LOM	Q3 2022	EOML	103
Total	—	—	**198**

Note: EOML = end of mine life;

Waste Dump

The Floyds waste dump (Figure 4) is the planned depository of all waste rock from the mine and is to be extended south, parallel to the highway to the east and south of the open pits. This area is sufficient for the LOM waste disposal, but further approvals would be required for any additional expansions. The details of the approvals are discussed in Section 4.8.

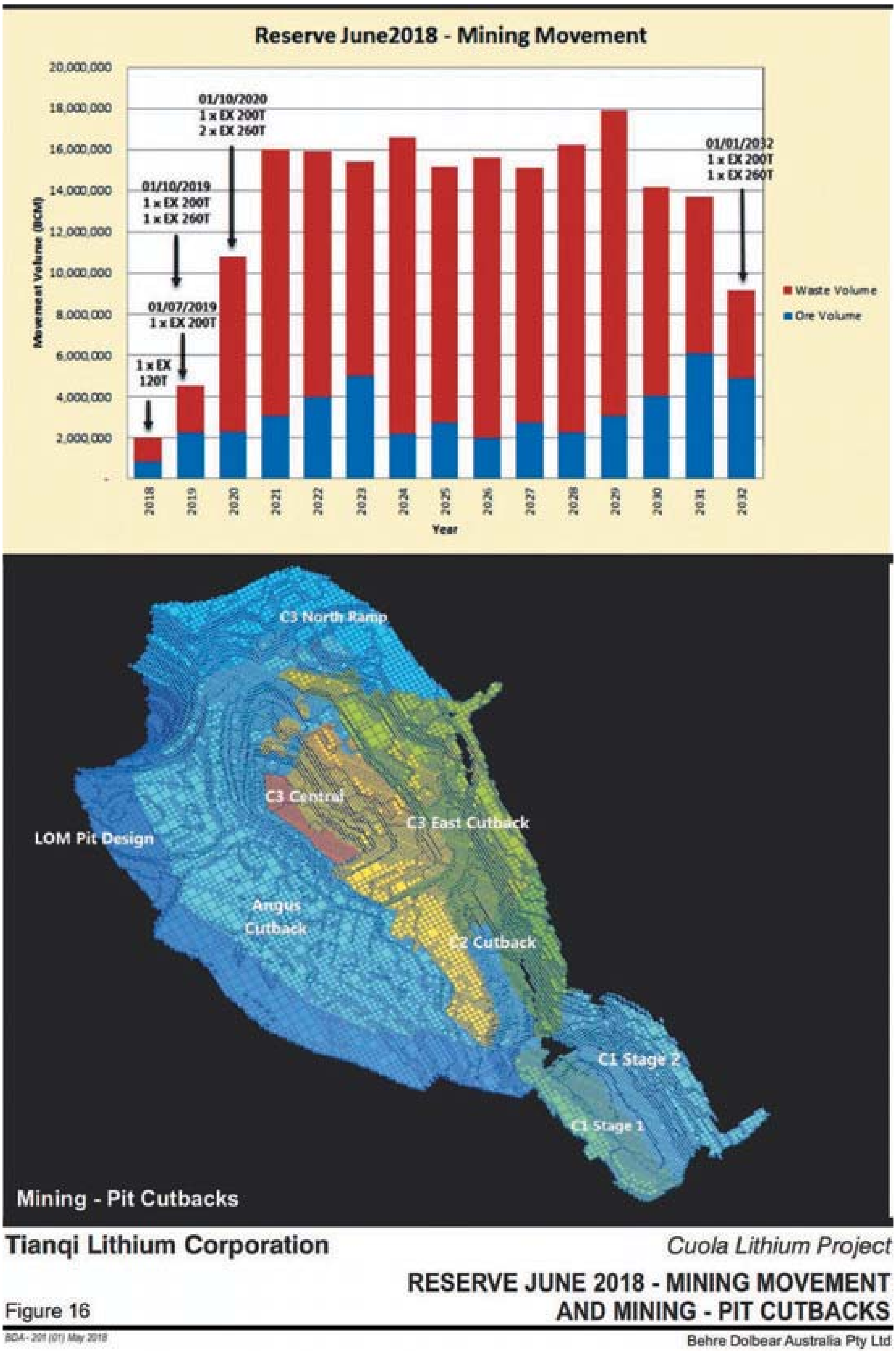
Geotechnical and Hydrological Aspects

The geotechnical parameters used in this 2018 optimisation were drawn from recommendations in various consultants' reports and subsequent site design reviews. Allowances for haul road segments were included in the design parameters. The designs are consistent with current operating practices for the Central Lode pits. The inter-berm weathered slope design on the eastern wall was reviewed and shallowed during 2016, but this has caused a minimal variation in the overall slope angle.

The Cornwall pit which is adjacent and to the north of the C3 pit was mined to a depth of 270m between 1992 and 2003 using the same overall slope angles and its walls remain stable. The overall rock strength at Greenbushes is considered generally good with limited structural weaknesses; pit slope parameters have been refined to manage risk of failures over an extended period of mining. Some recent batter failures have necessitated adjustments to bench heights and a number of other measures including a small quantity of meshing to ensure pit working areas are safe.

A geotechnical drilling program was carried out on the west wall of C3 pit during 2015/16 and the data reviewed by geotechnical consultants who have confirmed design parameters. Ongoing drill programs have been scheduled for the west wall to validate previous studies and improve available data to confirm current designs. Talison has reviewed the sensitivity of the west wall slope angle during the optimisation process and concluded that any change of design is unlikely to impact on project value due to the low mine strip ratio.

Figure 17—June 2018 Reserve Staged Mine Design & Cutbacks



Talison has advised that recent hydrological studies and drilling for the C1 pit encountered only superficial water tables and flows. There have been no recent hydrological investigations of the C3 pit area, however, current open pit and underground mining has provided no evidence of potential ground-water problems.

Based on the larger rainfall catchment area as the 'footprint' approaches the final pit design, additional pit pumping capacity may be required. Talison recently drilled a 200m hole from close to the pit floor in C3 into the underground mine, allowing drainage of the pit floor. The underground workings can now be pumped when required. Prior to the installation of the drain hole, around 12 liters per second ("L/s") of water was pumped from the pit. The operating levels are rarely affected by high rainfall events.

There is a relatively low occurrence of seismic activity in the southwest of WA. The Australian Geological database from 1955 shows that the maximum recorded earthquake within 200km was a magnitude 5.4 in 1969, 200km north-northeast of Greenbushes. There is strong evidence that even in areas with high magnitude earthquakes such as New Guinea, Chile and Peru, significant wall failures are limited (Guidelines for Open Pit Slope Design, CSIRO, 2009).

Grade Control

For grade control purposes, Talison firstly drills 133mm diameter RC holes on a 10 x 15m pattern to a length of 15m vertically with 2.5m samples taken. A local block model is then developed for lithium grades and proxy iron values to guide short term mine planning. Final definition of ore blocks and differentiation of ore types is based on grab samples from blast hole drilling on a spacing of approximately 2.5m x 3m. Duplicate RC and grab samples are collected at a ratio of approximately 1:20 and submitted for analysis for QA/QC purposes.

Ore outlines are based on interpretation of blocks above the Li_2O cut-off grade, which, for ore reserves, is presently set at 0.7% Li_2O, taking account of practical mining limitations, with TG blocks being identified from >3.5% Li_2O cut-off and with low proxy iron values. Predicted mining tons and grade are calculated using Surpac software.

Mining Operations

The open pit operation uses conventional mining methods with drilling and blasting of both ore and waste; the contractor is currently using a Gardner Denver GD5000 drill and an Atlas Copco D65 which can drill both blastholes and RC holes for grade control. Within ore, the blast hole drill pattern is either 2.3 x 2.7m or 2.5 x 2.9m for 5m benches with nominal 115mm diameter blast holes. Within the greenstone waste the drill pattern is 4.1 x 4.8m for 10m benches with nominal 127-165mm diameter blast holes. Emulsion explosives are used for blasting.

The load and haul fleet consists of two 120t hydraulic excavator, five 90t dump trucks; the contractor SGM has a 120t excavator and four older trucks on standby. The contractor also provides an auxiliary fleet including four front end loaders, two track bulldozers, water truck and grader. Ore is taken to the ROM pad where it is stockpiled according to ore type, mineralogical characteristics and grade. Tantalum mineralisation mined as a consequence of lithium mining is stockpiled separately as Talison has only has rights to the lithium ore. Waste is trucked to the Floyd waste dump to the east of the pits; currently road access to the dump is from the northeast corner of C3 pit; the dump will also be accessed from the south from C1 pit as the dump expands southwards. Total material movement is around 2.4Mbcmpa and the schedule and costs recognize the annual haulage distances required.

SGM took over the mining contract in 2009 and to date has met the requirements of the contract. The contractor operates two twelve hour shifts per day, seven days per week, to achieve the current production rate. Planned movement in 2018 is 2.6Mbcmpa, similar to the target for 2017 which was increased from 2016 at 1.8Mbcmpa. In 2017, there were some minor delays in achieving the new production rate due to transitional issues and the distraction of the pre-construction works at the CGP2 site.

In 2019, the production rate is scheduled to increase to around 4.5Mbcmpa (see Figure 17), which is planned to be met by the introduction of a 200t excavator in mid-2019, followed by a 260t excavator late in 2019. In late 2020, a second 260t excavator is planned to be added to the fleet. Trucks will be matched to the excavator mining rates and the haul distances for ore and waste. It is expected that the contractor would employ between 26 to 35 150t trucks. Mining vertical advance is limited to three benches per year on the various cutbacks, which BDA considers is appropriate. The mining schedule assumed loading rates of 120t, 200t and 260t excavators of 7,800bcm/day, 11,500bcm/day and 16,100bcm/day respectively. Talison considers the current contractor has the capacity to provide the equipment and manpower resources required to achieve the forecast increases and plans to manage the equipment and production requirements with revisions to the mine contract.

The mine management, including geological staff, has significant experience at Greenbushes Mine. Personnel numbers are relatively low, which is typical of a mining operation such as Greenbushes Mine with contract mining. Talison uses external consultants to assist the operation when required. The contractor has the resources to provide the additional equipment as the project expands and there are sufficient local labor resources for future operations.

Conclusions

Mining operations are well established and mine designs are appropriate and have taken into account geotechnical recommendations. Planned mining rates are reasonable and are being achieved currently. Planned mining recovery of 100% with resource block grades reduced by 5% appears reasonable and in line with recent reconciliation results; BDA considers these parameters provide an acceptable basis for future planning.

The general geotechnical conditions are good. Localized batter failures have been managed without any impact on the overall reserves. The current work program of the geotechnical consultant is aimed towards ensuring the final wall is designed appropriately.

The mine contractor has been operating on site since 2009 and has met the requirements of the contract; the fleet has been updated and increases to mine production are being achieved but there will be significant increases in requirements as the mining volumes are increase. The plan to adjust mining fleets through changes to the mining contract is considered appropriate and provides the required flexibility.

4.6 Processing

Introduction

The Greenbushes processing operations have been treating lithium ores for over 20 years. The metallurgical process required to produce concentrates from Greenbushes spodumene ore is well understood. Metallurgical test work is undertaken on a routine basis for the purposes of continued optimization and improvement, with specific objectives that include improving the knowledge of ore characteristics, assessing and optimizing the process performance, assessing circuit changes and evaluation of new equipment and technologies. The majority of such test work can be carried out in the operating plant to provide a direct real measure of performance. Where necessary, either the Greenbushes laboratory or outside laboratories or supplier facilities are also used.

Talison personnel have developed a model to predict the iron content of the lithium concentrate that would be produced from a particular ore block. The model has been extensively tested against plant performance and is considered to be reliable.

Routine test work on core and drill cuttings is not carried out, as the application of the iron grade predictive model to analyzes obtained from core and drill cuttings provides a more comprehensive and reliable method for assessment of plant feed type. However, iron analyzes of spodumene grains from drill core samples are conducted by microprobe to determine the metallurgical characteristics of future ores. These analyzes are used to confirm the reliability of the iron grade predictive model on the ore stream in the mine plan.

Greenbushes Lithium Plant Operations

The two lithium mineral processing plants currently operating, CGP1 and the TGP, are located adjacent to the open pits (Figure 4). In 2017, CGP1 processed around 1.66Mt of ore whilst the TGP processed around 0.34Mt, with total production of technical and chemical grade concentrates being 646kt. This level of concentrate production is close to the combined capacity of the two plants.

The lithium recovery process for the chemical grade plants and for the TGP includes:

- crushing and ball milling to reduce the size of coarse ore
- heavy medium separation ("HMS"), to separate lithium minerals from lower density minerals; HMS at Greenbushes uses a slurry of fine ferrosilicon suspended in water
- classification, to separate a stream into several size fractions using screens or a hydraulic sizing method
- wet high intensity magnetic separation ("WHIMS"), to remove minerals which have the potential to contaminate concentrates with iron
- regrind ball milling, to grind a stream finer, improving the liberation of the contained minerals, so that a physical separation can be made
- flotation, to separate lithium minerals from gangue minerals
- thickening, to increase the pulp density of a stream, typically a tailing or a concentrate, and to produce clean water for recirculation as the process water supply
- filtration, to dewater the valuable products to a suitable level for shipment.

Talison defines yield as the percentage of the feed to a plant which reports to the concentrate. In 2017, TGP and CGP1 yields were 44.9% and 29.8% respectively. The higher yield from the TGP plant is largely due to the higher spodumene content, and hence lithium grade, and the lower iron grade of the ore fed to that plant, rather than from any significant difference in the processing route.

Talison does not routinely consider lithium recovery in its analysis of the operation. The processing route, involving heavy medium separation and flotation, is analogous to that generally used in coal processing, and analysis of the plant performance is generally carried out in a similar manner to the way in which coal processing is assessed, with the mass yield to concentrate being the critical variable.

Talison plans to increase production of chemical grade concentrate by bringing three additional plants (CGP2, 3 and 4) into production. The flowsheets for these new plants will be similar to that of CGP1, although the new plants will be configured to process lower grade ore than CGP1. The decision to construct CGP2 and CGP3 has been announced. CGP2 is currently under construction and construction of CGP3 is planned to commence in 2019. Production from CGP2 is planned to commence in mid-2019 and this plant will ramp up in response to market demand. CGP2 will be located adjacent to CGP1 (see Figure 4). Talison's LOM model indicates that CGP2 will be ramped up to maximum capacity and that CGP1, rather than operating at maximum capacity, will be used to produce the additional tonnage of chemical grade concentrates required to meet anticipated demand. CGP1 has a throughput capacity of 1.9Mtpa of lithium ore while the capacity of each of the three new plants is planned to be 2.4Mtpa of ore.

The detailed process design of CGP3 and 4 has commenced, with commissioning of these units planned to take place in 2020 and 2022 respectively.

The two existing plants, the TGP and CGP1, produce lithium concentrates with a range of lithium and iron grades as shown in Table 4.8. Chemical grade concentrates from the new plants are planned to be of a similar grade to the concentrate from CGP1.

Spodumene concentrate SC6.0 is a chemical grade concentrate with a minimum grade of 6% Li_2O and relatively high iron content, produced from CGP1. The remaining four concentrates (SC5.0, 6.5, 6.8 and 7.2 Standard and Premium) are produced from the TGP and have significantly lower iron levels.

Table 4.10

Specifications of Talison Lithium Concentrates

	Products									
Item	**SC5.0**		**SC6.0**		**SC6.8**		**SC7.2S**		**SC7.2P**	
Chemical Properties										
% Li_2O	5.0	Min	6.0	Min	6.8	Min	7.2	Min	7.2	Min
% Fe_2O_3	0.13	Max	0.8	Max	0.20	Max	0.17	Max	0.12	Max

Note: SC is spodumene concentrate; numerals in product name indicate guaranteed Li_2O level; Max is maximum level; Min is minimum level; S=standard; P=premium

The relatively low grades of the lithium concentrates reflect the generally low lithium content of lithium minerals. Pure spodumene contains 8% Li_2O, about twice the grade of other significant lithium minerals which are exploited on a commercial basis. Talison's SC7.2S and 7.2P concentrates are premium high-grade concentrates containing around 90% spodumene are produced in the TGP.

In the past, processed Greenbushes lithium ore has contained around 4% Li_2O, equivalent to around 50% spodumene. Processed CG ore grade is forecast to fall to an average of 2.25% Li_2O from

2018 onwards. The mineral suite in the ore includes spodumene (lithium aluminum silicate), quartz, sodium and potassium feldspars, micas (muscovite, biotite and lepidolite), phosphates (apatite, amblygonite and lithiophilite), minor carbonates, tantalum minerals, cassiterite (tin oxide) and arsenic minerals.

The pegmatite ore processed at Greenbushes is generally very predictable and Talison staff assess processing characteristics and future product quality from comprehensive chemical analysis of the ore. Whilst the ore is relatively abrasive, designs which control wear rates to acceptable levels have been developed in high-wear areas such as chutes in the crushing and grinding circuits.

Laboratory-scale testwork on ore samples is generally only carried out when potential improvements to the process, such as alternative flotation reagents, are being evaluated. Talison has found that the processing characteristics of the pegmatite ore can be determined accurately from the comprehensive chemical analysis which is carried out on ore samples. This methodology has proven to be very successful on the ore mined to date and the ore reserve planned to be mined is known to be mineralogically very similar, though of lower lithium grade.

Talison considers that the lower grade ores to be mined in future years are generally similar in their mineralogical characteristics to the tailings material on which testwork has been carried out and which is planned to be reprocessed. BDA has discussed the methodology used to predict process plant performance with Talison staff and considers that it this case it is appropriate to use the chemical assays carried out on the drill core samples to predict metallurgical performance. Experience to date on site has indicated that the risk involved is very low.

CGP2 Plant Design

CGP2 has a similar process flowsheet to CGP1. CGP1 will be fed with higher grade ore and will consequently produce a higher yield to concentrate. CGP2 will be fed lower grade ore with a less favorable lithium to iron ratio. The CGP2 primary grind size will be finer than the CGP1 grind size in order to achieve improved liberation of the lithium minerals in the lower grade ore.

The feed grade to CGP1 has reduced over time from 3.5% Li_2O to around 2.4% Li_2O. Talison has opted to operate CGP1 as a high-grade plant and will revert to feeding it with higher grade ore containing around 2.8% Li_2O, permitting closer to optimum performance to be achieved in areas which are affected by the split between concentrate and tailings mass flows, such as screening and filtration capacities. Once CGP2 has been fully commissioned, it will be operated at maximum tonnage on lower grade ore, whilst CGP1 will produce the remainder of the required production on ore of a higher grade.

Figure 18 shows the general layout of CGP2. The process flowsheet includes two stages of crushing, stockpiling of the crushed ore, milling in closed circuit with screens, HMS, magnetic separation, gravity separation, flotation, thickening and filtration processes. HMS sinks product and flotation concentrates are combined for filtration, stockpiling and transport to customers.

Crushing Plant Operations

The crushing plant used until March 2018 to feed CGP1 and the TGP is owned by GAM. In 2017, GAM notified Talison of its intention to discontinue leasing the crusher to Talison in mid-2018. Consequently, Talison has established a contract crushing plant operation adjacent to the crushed ore stockpile area for the TGP and CGP1. The crushing contract applies for 12 months, until a replacement plant is constructed to feed CGP1, with an option for a further 12 month extension if required. Provision has been made in the financial model for the additional costs of the contract crushing operations. Use of such plants is not unusual in various circumstances in the West Australian mining industry and BDA considers that there is no significant additional risk of temporarily contracting out the crushing operation for CGP1.

A dedicated crushing plant for CGP2 will be constructed to feed that plant at its design rate of 2.4Mtpa, as set out in Figure 18.

CGP3/4 Plant Design

A scoping study has been carried out for the construction of two additional CGPs (CGP3 and 4) and, as noted above, the decision to construct CGP3 has been made. The processes used in the base case flowsheets for CGP3 and 4 are essentially the same as those operating in CGP1 and planned for CGP2, as described above.

The CGP2, 3 and 4 processing circuits downstream of the grinding circuit will closely resemble those of CGP1.

In CGP2, 3 and 4, Talison intends to create dedicated process circuit water supplies for the flotation circuits by thickening the tailings from these two areas separately.

It is expected that crushing operations for CGP3 and 4 will be conducted on the eastern side of Maranup Ford Road; the crushed ore will be belt-conveyed to the two plants, which are planned to be constructed adjacent to each other on the western side of Maranup Ford Road.

General

The TG and CGP1 plants include gravity separation stages comprised of shaking tables and/or spirals to recover tantalum.

Tailings are discharged to the TSF without the need for any neutralization process. Chemical addition to the plant is restricted to minor amounts of flotation reagents and flocculants for use in the thickening processes. Other consumables include crusher and ball mill liners and ferrosilicon for use in the HMS plants.

Talison has advised that levels of spare parts holdings are assessed as part of a critical continuity plan which is an insurance requirement. Major spares holdings include mill motors, girth gears and pinion shafts for the ball mills and a spare gear box and girth gear for the WHIMS. Other spares holdings include screen panels, flotation machine agitators, pump liners, filter belts and conveyor belts. The location of the operation, within three hours driving time from Perth, ensures that a wide range of spare parts is available at short notice.

Figure 18 Proposed Location—CGP2 Plant and Crushing Facilities

Conclusions

Talison plans to increase ore processing capacity at the Greenbushes site to around 9.5Mtpa by construction of three additional chemical grade plants. When the operation ramps up to full capacity, currently scheduled to occur in 2023, the operation will produce around 2.3Mtpa of lithium concentrate.

CGP2 is under construction on a site adjacent to the existing CGP1 and development of CGP2 and 3 has been approved. Scoping studies have been completed for CGP4. The three new plants will use similar flowsheets to that of the existing CGP1.

Talison has developed significant expertise in managing production of a range of lithium concentrates and has been active in utilizing new technology to improve the performance of the two existing plants. BDA considers that the planned expansion of the ore processing area is practical and achievable at low risk and notes that it consists largely of replication of and existing facilities.

4.7 Infrastructure

General

Access to the Greenbushes mine is via the sealed South Western Highway between Bunbury and Bridgetown to Greenbushes Township and via Maranup Ford Road to the Greenbushes mine site. The site has been established for many years and apart from the new plants' specific requirements, much of the infrastructure is in place.

Existing infrastructure on site includes power and water supply facilities, a laboratory, administrative offices, occupational health/safety/training offices, dedicated mines rescue area, stores, storage sheds, workshops and engineering offices.

Water Supply

Water for mineral processing is sourced from rainfall and stored in several process dams located on site, with the majority of the water used being recovered and recycled. Surface water quality is measured and reported on a monthly basis.

New process water supply facilities for the CGP2 project are proposed from the existing clear water pond including new pumps, piping and a dedicated power supply.

Power Supply

Talison purchases its power from Perth Energy; power is delivered by Western Power's distribution system and reticulated and metered within the site by Talison. Peak demand for the existing lithium operation is approximately 8 megawatts ("MW"), whilst average demand is approximately 6.6MW when the existing CGP is operational.

Power for the CGP2 project is to be supplied from an existing 22 kilovolts ("kV") switchboard by adding a new circuit breaker. Early works and permitting activities have commenced for the upgrading of power supply facilities including installation of a 132kV power line to provide additional power from the local grid.

Workforce Accommodation

A 250 room accommodation camp has been established for the CGP2 construction workforce. This will be maintained for the construction workforce for CGP3 and CGP4 and may be converted into accommodation for the permanent workforce if required.

Talison has a policy that all employees must live within 30 minutes' drive to the site.

Expansion Infrastructure

Other expansion infrastructure proposed to be constructed in the period 2017 to 2021 within the current expansion are:

- a storage shed and associated materials handling facilities, known as the Berth 8-8 Shed, to be constructed at the port of Bunbury
- a water treatment plant at the mine site to reduce contaminants in the process water circuit
- a bypass road to reduce truck traffic through the local community.

Conclusions

The existing and proposed infrastructure is generally adequate and appropriate to support the existing operations and the proposed expansion of CGP2, CGP3 and CGP4.

4.8 Mineral Tenements, Royalties and Regulatory Approvals

Mineral Tenure

BDA has not undertaken legal due diligence on the status of the mineral tenements. The following tenement details (Table 4.11 and Figure 19) are based on information provided by Talison. The mineral tenements are held and controlled by Talison.

Table 4.11

List of Mineral Tenements held and/or Controlled by Talison

Tenement	Grant Date	Expiry Date	Area (ha)
L01/01	Mar-19-1986	Dec-27-2026	9
M01/02	Dec-28-1984	Dec-27-2026	969
M01/03	Dec-28-1984	Dec-27-2026	1000
M01/04	Dec-28-1984	Dec-27-2026	999
M01/05	Dec-28-1984	Dec-27-2026	999
M01/06	Dec-28-1984	Dec-27-2026	985
M01/07	Dec-28-1984	Dec-27-2026	998
M01/08	Dec-28-1984	Dec-27-2026	999
M01/09	Dec-28-1984	Dec-27-2026	997
M01/10	Dec-28-1984	Dec-27-2026	1000
M01/11	Dec-28-1984	Dec-27-2026	999
M01/16	Jun-06-1986	Jun-05-2028	19
M01/18	Sep-28-1994	Sep-27-2036	3
G01/01	Nov-17-1986	Jun-05-2028	10
G01/02	Nov-17-1986	Jun-05-2028	10
M70/765	Jun-20-1994	Jun-19-2036	70.4

Note: G01/01 and G01/02 are linked to Mining Lease M01/16 and are General Purpose Leases; "G" denotes General Purpose Lease; "L" denotes Miscellaneous License, "M" denotes Mining Lease;

Approximately 55% of the tenement area is covered by State Forest which is under the authority of the Department of Biodiversity, Conservation and Attractions (DBCA). The majority of the remaining area is private land (representing approximately 40% of the surface area), and the balance comprises Crown Land, road reserves and other miscellaneous reserves.

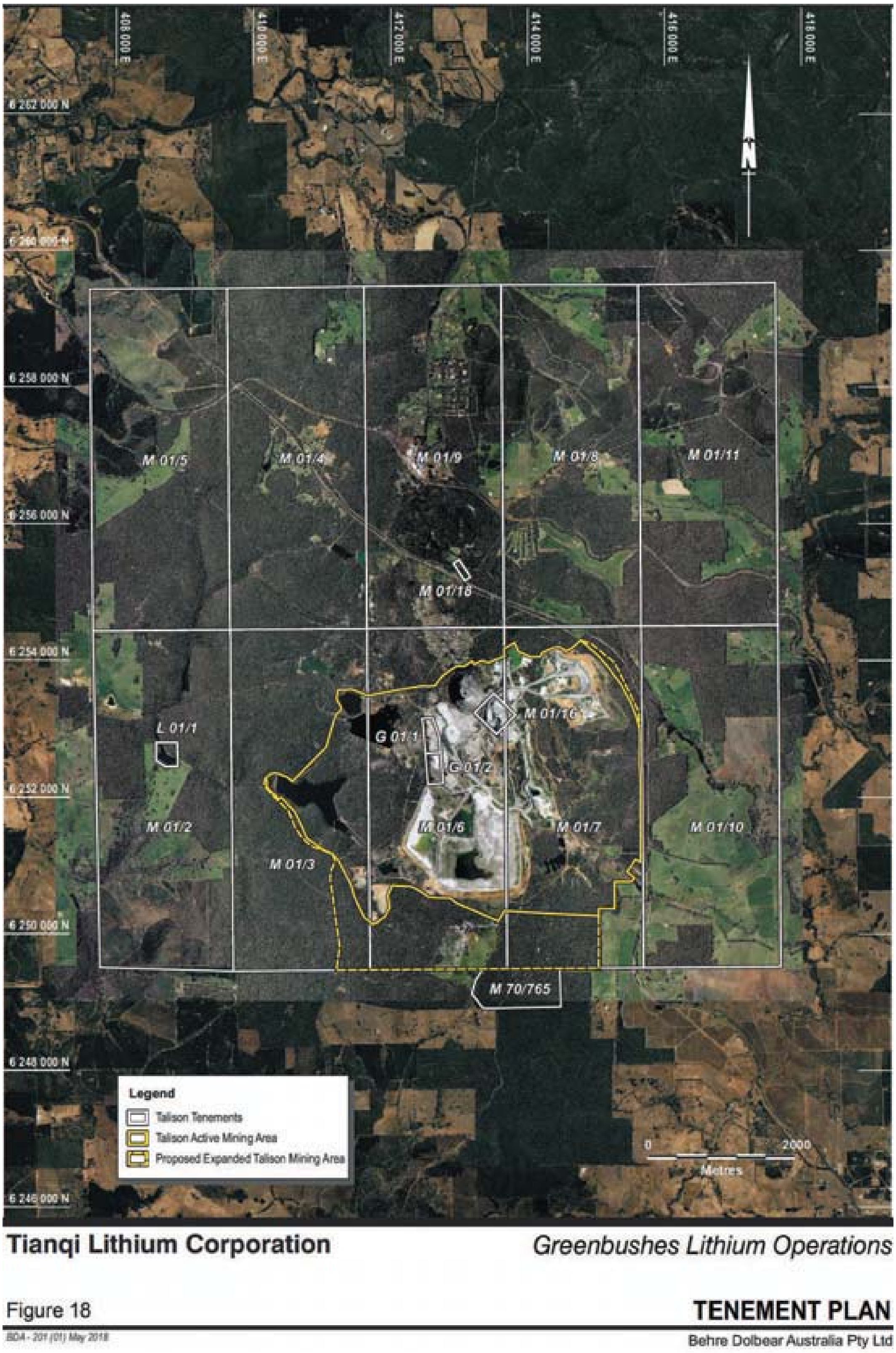
The tenements cover a total area of approximately 10,000ha and include the historic Greenbushes tin, tantalum and current lithium mining areas. The operating lithium mining and processing plant area covers approximately 2,000ha comprising Mining Leases M01/06, M01/07 and M01/16. These three leases contain the entire lithium Measured, Indicated and Inferred mineral resource. All lithium mining activities, including tailings storage, processing plant operations, open pits and waste rock dumps, are currently carried out within the boundaries of Mining Leases M01/06, M01/07 and M01/16 plus General Purpose Leases G01/01 and G01/02. Note, there is a sublease agreement between Talison and GAM who owns the rights to non-lithium minerals on the tenements.

In order to keep the granted tenements in good standing, Talison is required to spend a yearly minimum of A$1.02 million ("M") for all the permits. Annual rates of approximately A$69,000 and rent of approximately A$162,000 are also payable to the Shires of Bridgetown-Greenbushes and Donnybrook-Balingup, and the WA Department of Mines and Petroleum, respectively. A condition of grant of a mining lease is the contribution of an annual levy to the new statutory Mining Rehabilitation Fund ("MRF") under the Mining Rehabilitation Fund Act 2012; this annual levy replaces the previous lodging of an environmental bond. Participation in the MRF was made compulsory from July 1, 2014. On July 1, 2014 the pre-existing bonds were released back to Talison in their entirety and the annual MRF financial contribution, totalling A$281,402 in 2017, which is related to the area of land disturbance, was made to the MRF. The legal onus on tenement holders for mine rehabilitation and mine closure is not altered by implementation of this annual MRF levy.

Mining Rehabilitation Fund

The Mining Rehabilitation Fund is a pooled fund that is to be used to rehabilitate abandoned mine sites in the State of Western Australia. Interest earned on fund contributions will be able to be spent on the rehabilitation of legacy abandoned mines. The Mining Rehabilitation Fund Act 2012, which provides the framework for the MRF, was enacted in 2012. All tenement holders operating on Mining Act 1978 tenure (with the exception of tenements covered by State Agreements not listed in the regulations), are required to report disturbance data and contribute annually to the fund. Tenements with a rehabilitation liability estimate below A$50,000 will report disturbance data but will not be required to contribute to the fund. As the MRF is a special purpose account under the Financial Management Act 2006, funds must be spent in accordance with the purpose stated in the MRF legislation.

Figure 19 Greenbushes Lithium Operations—Tenement Plan



Royalties

In Western Australia, a royalty of 5% of the royalty value of concentrate sales is payable for lithium mineral production as prescribed under the Mining Act 1978 (WA). The royalty value is the difference between the gross invoice value of the sale and the allowable deductions on the sale. The gross invoice value of the sale is the Australian dollar value obtained by multiplying the amount of the mineral sold by the price of the mineral as shown in the invoice. Allowable deductions are any costs in Australian dollars incurred for transport of the mineral quantity by the seller after the shipment date. For minerals exported from Australia, the shipment date is deemed to be the date on which the ship or aircraft transporting the minerals first leaves port in WA.

Talison has advised BDA that no private royalties apply to the Greenbushes property.

Regulatory Approvals

Mining and mineral processing activities at the Greenbushes lithium project operate under a number of State government approvals and approved variations under the WA Environmental Protection Act 1986 (WA) ("Environmental Protection Act") and Mining Act 1978 (WA) ("Mining Act").

The mining Notice of Intent ("NOI") dated April 1991 (Gwalia Consolidated, 1991) is the main development approval which provides for current lithium and tantalum production activities at Greenbushes. A subsequent mining NOI dated August 2000 (Department of Minerals and Energy, 2000) was approved for underground mining on Mining Lease M01/06.

In April 2014 Talison submitted a revised Mining Proposal covering the continuation of hard rock mining at Greenbushes from 2014 to 2035 for both the lithium and tantalum businesses which was approved by the DMP on April 23, 2014. The proposal was based on a 22 year mine life from current lithium reserves taking into account plant expansion to 3.3Mtpa.

Various Works Approvals under the Environmental Protection Act 1986 have also been granted over time to provide for various process plant upgrades. Greenbushes also operates under Environment Protection Licenses Nos. L4247/1991/13 (Talison) and L8501/2010/2 (GAM) which were issued by the Department of Environment and Conservation ("DEC") under the Environmental Protection Act. A list of the more recent Mining Proposals since 2005 which were previously termed Works Approvals is provided in Table 4.12.

Talison has achieved accreditation by Bureau Veritas for International Standards ISO 9001:2015 Quality Management System Requirements and ISO 14001:2015 Environmental Management System Requirements.

Table 4.12

Regulatory Approvals Since 2005

Year	Regulatory Approvals
2005	Greenbushes Tailings New Cell Approval October 2005
2006	Greenbushes Tailings Facility at 3Cs Approval April 2006
2008	Greenbushes Lithium Mineral Plant Upgrade Approval May 2008
2011	Works Approval 4927-2011-1 DEC Project 640 Aug 1 2011 REG ID 30733 UPB LETTER_20110624104326_DMP
2014	Greenbushes Operation 2013_Mining Proposal ID 45382
2016	Greenbushes Tailings Storage Facility Expansion 2015, Mining Proposal ID 56542
2016	Greenbushes Operations Expansion of Mine Waste Rock Dump Commonwealth EPBC Act 2013/6904

Note: DEC Operating Licenses are now issued by Department of Water and Environmental Regulation (DER)

Mining Proposal

The Mining Proposal is required to detail all matters relating to the environmental management of the proposed project as set out in the Department's environmental approval guidelines. The Mining Proposal must provide a detailed description of both the proposed project and the existing environment in which it will take place. Besides the natural environment, the description should include relevant aspects of the social environment such as Aboriginal sites, heritage issues, community values and other existing land uses. Using this information, the Mining Proposal must then assess the environmental impacts arising from the project, determine which are likely to be significant, and then present the environmental management commitments the company will undertake to manage and ameliorate all these significant effects.

Other Regulatory Approvals and Licenses

In addition to the DMP's written approval to commence mining under the Mining Act, other statutory environmental approvals or licenses may also be required by other Government agencies. For example, Talison operates under various Permit to Clear Native Vegetation and a DEC Operating License No. L4247/1991/11 (Talison) which are issued by the WA Department of Environment and Conservation.

Talison received Commonwealth EPBC Act approval (Referral 2013/6904) for the Greenbushes expansion of mine waste dump in November 2016.

Talison currently operates under a WA Department of Environment Regulation License (No. L4247/1991/13. This license was last amended in May 2017 and includes several improvement requirements to be completed as part of the license amendment in July 2016 to raise the embankment for TSF 2 to RL1,280m.

Talison has an approved Mine Closure Plan in-place, "Talison Lithium Australia Pty Ltd— Greenbushes Operations Mine Closure Plan 2016" approved by Department of Mines and Petroleum (DMP).

Chemical Grade Plant CGP3 & CGP4 Expansion Approvals

Talison will require environmental approvals for the proposed Chemical Grade Lithium Production Plant (CGP3 and CGP4) expansion. These approvals will be similar to those applied for and received for the CGP 2 expansion.

The consulting firm GHD Pty Ltd ("GHD") has been engaged to support Talison in gaining the environmental approvals required for the expansion of the Greenbushes Mine.

Conclusions

BDA has not undertaken a title search or legal due diligence on the status of the tenements or regulatory approvals held by Talison. Talison has advised BDA that there are no material tenement issues relating to title to any of Greenbushes' assets.

BDA has completed a review of tenements and approvals. The approvals process for gaining variations to the original development approvals at Greenbushes appears relatively straightforward and all necessary approvals appear valid and appropriate for the operations. BDA can foresee no reason why any future development approval applications or variations would not be forthcoming.

Talison has engaged consulting firm GHD to support the company in gaining the necessary environmental approvals required for expansion of the Greenbushes Lithium Mine.

4.9 Environmental and Community

BDA has reviewed those environmental aspects and social/community issues which are considered a material part of the project and which may have significant implications for the ongoing viability of the operation. The issues discussed below cover the main environmental and social risk areas identified from BDA's review of the project's documentation and site visit to the Greenbushes project area.

Biophysical Setting

The Greenbushes site is situated at approximately 300m above mean sea level ("AMSL") (or 1300mRL). The operations area lies on the Darling Plateau and is dominated by a broad ridgeline which runs from the Greenbushes township (310m AMSL) towards the southeast (270m AMSL) with the open pits located along this ridgeline (300m AMSL). The current operating waste rock dump is located on an east facing hill slope which descends to 266m AMSL and adjoins the South Western Highway, whilst the process plant area is located on the west facing hill slope which descends to 245m AMSL. The tailings storage areas are located south of the mining and plant areas at 265m AMSL.

The Greenbushes area has a temperate Mediterranean climate, with distinct summer and winter seasons. The mean minimum temperatures range from 4°C to 12°C, whilst the mean maximum temperatures range from 16°C to 30°C. The hottest month is January (mean maximum temperature 30ºC), whilst the coldest month is August (mean minimum temperature 4ºC).

There is a distinct rainfall pattern, with most of the rain occurring between May and October. The area averages about 970mm per annum with a range of about 610mm to 1,680mm. The evaporation rate for the area is calculated at approximately 1,190mm per annum.

The area is surrounded by vegetation broadly described as open jarrah/marri forest with a comparatively open understorey.

Mining and processing operations at Greenbushes operate throughout the year.

Environmental Liabilities

Mine Closure Cost

Talison's Greenbushes mining leases cover State Forest (administered by DBCA) and privately owned land. Mining in the area has been carried out for over 100 years leaving a legacy of areas that current operators are required to rehabilitate. Rehabilitation programs for historical and inactive mining sites are being managed with the assistance of local regulators. Relinquishment of rehabilitation liability criteria have been established with regulators and require that Talison re-establishes a self-sustaining native forest whilst maintaining recreation, conservation, landscape and hydrology objectives.

In 2015 Talison submitted a revised Mine Closure Plan to the DMP which was approved in February 2017. On the basis of this plan, the closure (rehabilitation liability) cost estimate for 2016 has been estimated at A$32.1M (Talison 82%, GAM 18%) based on the current disturbed areas totalling 1,590ha covering infrastructure areas, tailings storage facilities, overburden and waste rock dumps and open pits. This estimated closure cost does not include the expected estimated asset recovery value of around A$4M.

Land Disturbance

The active mine site area has been highly disturbed by over 100 years of mining and forestry activity. The mining tenement conditions define the area as "totally disturbed by mining" by reference to an agreed map. The ongoing mine development is contained within this envelope, except for 28.82ha of remnant vegetation being in Good to Very Good condition that is required to be cleared for the expansion of Floyds waste dump. The clearing of this remnant vegetation enables the storage of waste on the nearby disturbed areas to be maximized, thus reducing the need for further clearing.

Under the current Mining Proposal, ongoing mine development which entails changes in mine pit development and waste dump expansion compared to the earlier land disturbance includes 130.7ha of current operational areas being used for alternate purposes, re-disturbance of 36.4ha of previously rehabilitated land, 52.7ha of land previously disturbed by mining (as per tenement condition #9) but currently not utilized and 31.5ha of forest that require compensation to be paid to DBCA (as per tenement condition #9).

Waste Rock Storage

The site's main waste rock dump is located immediately east of the open pits (Figure 4) and is an approved facility. Under a recent approval Talison has commenced three 10m lifts to the existing Floyd waste dump which will provide a further 11Mbcm storage.

The Floyds dump was to reach the current approved extent in 2014. A development plan for the ongoing expansion of this dump has been produced which involves a further 30m vertical height on the current footprint plus an extension to the south (Figure 4) through an area that has predominately been disturbed by previous mining activity. The projected LOM volume of waste rock will require approximately an 85ha extension to the dump, which requires the disturbance of up to 75.2ha of remnant and regrowth vegetation over the next 11 years. This will require approval for clearing and access to DBCA land, however a large portion of this area has previously been disturbed by mining. A Mining Proposal for the proposed plant expansions to cover both the increased height on the existing dump and the waste rock dump extension of 85ha has been submitted and approved.

On commencement of any tantalum operations by GAM, Talison and GAM will agree on the allocation of the cost of any waste dump expansions to meet joint future requirements taking into account any expenditure by Talison in relation to the waste dumps that exists at the time of the GAM restart.

Tailing Storage Facilities

Tailings are stored on site in tailings storage facilities TSF1, TSF2 and TSF3 (Figure 4). These three TSFs are located to the south of the plant with subaerial deposition from the peripheral embankments; water released from the tailings is returned to the plant through a centrally located pump-out decant.

TSF construction has been carried out under a mining approval and in accordance with DMP guidelines.

TSF1 remains inactive and there are no plans for it to be reinstated at present, a covering of grassy weeds ensures that TSF1 is not a source of dust during summer. TSF3, the tailings rehabilitation trial area, has been rehabilitated and can no longer receive tailings; the rehabilitation is well-established and no dust is generated from TSF3. TSF2 is the only facility currently accepting tailings and occupies an area of about 35ha.

Water from tailings is returned to the processing circuit via the Clear Water Pond. A series of toe drains and sumps are maintained to collect TSF seepage which is also returned to the water circuit. GHD is commissioned to undertake an independent inspection of tailings facilities and the 2017 annual inspection found all three TSFs and clear water pond to be in a satisfactory condition.

Environmental Management

Talison's Greenbushes operation has stringent environmental operating conditions which are managed through an Environmental Management System ("EMS") which is certified under ISO 14001:2015 Environmental Management Standards.

Water Management

Water for processing is sourced from rainfall and stored in several site process dams, with the majority of the water used being recovered and recycled throughout the site. Surface water quality is measured and reported on a monthly basis. Water quality monitoring bores located around the process plant and tailing dams are monitored quarterly to ensure the operation has minimal impact on ground water quality.

Water management on site aims to recycle and reuse as much water as possible. The main process water flows circulate between the tantalum primary processing plant (on care and maintenance since 2006) and lithium plants, the TSF and Austin's/Southampton Dams. Additional flows exist between other constructed water storage facilities (including Cowan Brook Dam, the site's largest water storage), the tantalum secondary plant and the mining pits.

Talison is proactively managing the water quality leaving the site and is currently constructing a water treatment plant to reduce lithium levels in the discharge waters. While the levels are not considered to impact deleteriously on the environment, Talison consider that reducing the levels is prudent.

Social and Community

Talison maintains a close and co-operative relationship with the local community. This includes the provision of financial and other support to community groups and participation in local community activities which includes community programs and projects, tourism, environmental activities, schools and educational programs. These proactive community relations programs help provide additional economic and social benefits for the communities and regions surrounding Talison's lithium operations.

Conclusions

BDA has reviewed those environmental aspects which are considered a material part of the project and which may have significant implications for ongoing mine operations, costs and timing, with particular reference to the TSFs and mine closure and rehabilitation estimates.

Based on the information provided by Talison and from site visits, BDA considers that the strategies for environmental protection, pollution control and monitoring are appropriate. The ISO 14001 Environmental Management Systems deployed at Greenbushes provide an excellent environmental management base, setting out the numerous statutory obligations, policy statements and management objectives and targets, and standard operating procedures. The socio-economic benefits which positively impact on the Greenbushes community are an important driver to ensuring continuing community support for mining in the area.

4.10 Central Lode Production Schedule

The production schedule summarized in Table 4.12 is based on the financial model provided by Talison and reflects proposed expansion of the Greenbushes lithium production. Production is planned to be expanded from the current two plants, TGP and CGP1, crushing around 2Mtpa, up to 9.5Mtpa with the construction of three additional CG plants over the period to 2025.

The Greenbushes LOM production plan is based on a life of just over 17 years under the assumption of expanded production to 9.5Mtpa (which includes CGP3 and CGP4), based on the current Ore Reserves. The LOM average grade of ore mined is 2.08% Li_2O based on a cut-off grade of 0.7% Li_2O. The LOM strip ratio is projected to average 3.5:1 (waste:ore). The LOM production plan is prepared from April 1, 2018.

The total material moved under the proposed mine production schedule will increase from around 3Mtpa of ore to a peak of 13.7Mtpa. The current fleet uses two 100t excavators and a fleet of haul trucks and is conducted by mine contractors. The increase in production will necessitate higher mining rates which will be achieved with the introduction of a 200t excavator with a fleet of trucks initially in 2019, with larger 300t excavators introduced during peak material movements in 2021. Talison plans to manage the equipment and production requirements with revisions to the mining contract.

The main production source is the C3 pit; CG ore can be mined from both C1, C2 and C3 pits while the TG ore type is presently limited to the C3 pit. The schedule leads to a stockpile of around 16Mt as the four CG plants achieve full production of approximately 9Mtpa. With these stockpiles there is generally a low risk in maintaining ore feed to the crushers.

The current Measured and Indicated resources total around 170Mt at 2.0% Li_2O at the Central Lode and the current Ore Reserves total 133.1Mt at 2.1% Li_2O at March 31, 2018. Additional Inferred resources total around 9Mt at 1.3% Li_2O.

Table 4.13 provides a forecast production schedule based on the Proven and Probable Ore Reserves contained within the current pit designs. The orebody is already exposed in the C1, C2 and C3 pits and the current LOM strip ratio of waste to ore is 3.5:1. The ore and waste volumes mined on an annual basis are shown in Figure 17.

Table 4.13

Forecast Production Schedule

Year	Ore Mined (Mt)	Mined Ore Grade % Li_2O	Crushed/Processed (Mt)	Lithium concentrate (Mt)
2018*	2.3	2.6	1.6	0.52
2019	6.2	2.7	3.6	1.11
2020	6.2	2.3	4.6	1.36
2021	8.3	2.4	6.1	1.65
2022	10.9	2.2	7.7	1.99
2023	13.7	2.3	7.9	2.08
2024	5.9	2.1	8.3	2.16
2025	7.5	2.1	8.7	2.25
2026	5.4	2.2	9.2	2.36
2027	7.5	2.0	9.5	2.42
2028	6.0	1.5	9.5	2.42
2029	8.1	1.7	9.5	2.42
2030	8.9	1.8	9.5	2.42
31-34	33.4	1.9	37.6	8.91
Total	**130.4**	**2.1**	**133.2**	**34.08**

Note: 2018 production is for a nine month period (April to December); figures in the table may not sum due to rounding;

The annual tonnage of ore milled and concentrates produced is projected to continue to increase from the 2017 level of 2.0Mt of ore and 0.65Mt of concentrates in response to an anticipated increase in demand for lithium chemicals. Note that the ore grade specified in Table 4.13 is the mined ore grade and that some ore processed in the period 2024-2034 is higher grade ore, mined in the period 2018-2023, which has had to be stockpiled. Talison plans to bring CGP2 online in 2019, to ramp it up to design production and to use CGP1 for processing of higher grade ore as projected demand for the product increases. These two treatment plants are scheduled to operate at maximum capacity by 2020 producing around 1.4Mt of lithium concentrate. CGP3 and CGP4 are scheduled to commence production in 2021 and 2023. By 2027, when both these plants are scheduled to be operating at full capacity, production of concentrate is forecast to reach around 2.4Mt. The production rate increase proposed for the period 2018-2025 is dependent on increased demand for lithium, and the rate at which production increases may change if market demand differs from the assumptions in the LOM model.

The forecast range and tonnage of products from the TGP and the four CGPs have been determined by Talison based on projected demands; however, a range of different products is achievable from processing the ore reserves through the various plant circuits. Market conditions are the critical input to future production; BDA is not a specialist in lithium marketing but notes that

Roskill has assessed that the market demand for lithium concentrates in the period 2018-2030 will expand at a rate which will enable Talison to deliver the proposed tonnages.

BDA considers that the proposed production schedule is achievable but will rely on increased the forecast increases in the demand for concentrates over the next thirteen years, as well as the progressive conversion of additional resources to reserves. BDA is of the view that applying the marketing assumptions based on Roskill's forecast into the valuation model is a reasonable approach but notes that there is a marketing risk inherent in the forecast.

Conclusions

BDA considers that the mine contractor has the capacity to meet the planned production schedule in the short term, if equipment performance is maintained. Overall planned material movements are considered achievable with increases in the mine equipment fleet provided by the mining contractors with reasonable pit advance rates commensurate to the planned equipment. Contract management during the various changes will be critical in ensuring step increases in mine production are achieved.

Talison plans to ramp up production from the 2017 level of 650kt of concentrates to 1.36Mt in 2020 when CGP2 reaches full production, and then to increase concentrate production to over the period to 2027 when concentrate production will reach around 2.4Mt.

BDA considers the production schedule provides a reasonable basis for assessment of future performance but notes that it relies on rapid expansion in the market for chemical grade concentrates.

4.11 Capital Costs

Total capital expenditure in 2017 was A$116M and A$343M is estimated to be spent in 2018, of which A$261M is estimated to be spent on the current expansion (CGP2), A$33M is estimated to be spent on water treatment and A$21M is estimated to be spent on studies and engineering works for further expansion of processing capacity.

Capital expenditure of A$1,388M is forecast to be expended over the LOM from 2018 as significant expansion capacity is constructed. Significant capital items, apart from the current CGP2 expansion, include additional process plants CGP3 and CGP4, an associated crushing plant, an expanded tailings storage facility ("TSF") and expanded storage facilities at the port. Allowances are included for sustaining capital which is generally the cost of replacement of fixed equipment, mobile equipment and service vehicles. A breakdown of the proposed capital expenditure is presented in Table 4.14.

Table 4.14

Forecast Capital Expenditure

Activity	LOM Total (A$M)
Mine Development and R&D	17
Exploration	42
Expansion -Plants, TSF expansion, etc	1,149
Water Treatment Plant	36
Port Facility Expansion	25
Sustaining Capital	119
Total	**1,388**

Talison has recently announced that the Board has approved the CGP3 expansion of the project, commencing Q1 2019 and with the start of commissioning scheduled for Q4 2020. This will add 520,000tpa of Li concentrate production. In conjunction with de-bottlenecking of existing operations, this will increase Li concentrate by 608,000tpa to a total capacity of approximately 1.95Mtpa, or around 260,000tpa lithium carbonate equivalent. The capital cost of the CGP3 expansion and associated works has been estimated at A$516M.

Mine development capital costs have been estimated by Talison management from the mine plan, historical unit costs and supplier and contractor quotations. The estimate includes around A$1.5M of research and development ("R&D") costs directly associated with the expansion projects which Talison proposes to capitalize. The estimates of exploration capital costs have been prepared by Talison management based on the exploration program, historical unit costs and supplier and contractor quotations.

The expansion capital includes the forecast costs to complete the current CGP2 construction capital project derived from the project cost control system and estimates of costs for further expansion with the construction of Crusher 3 and CGP3/4. The estimates for the CGP3 and CGP4 expansions and the associated crushing facility are based on conceptual and scoping studies carried out by consultants and contractors with experience and expertise gained from previous expansions and include contingency allowances consistent with industry standards for such studies.

The estimates of port facility expansion (Port Shed 8-8), water supply facilities including a water treatment plant and clear water dam, crusher earthworks and conveyor capital costs have been prepared by Talison management based on preliminary engineering and budget prices from prospective contractors. The Talison monthly operations reports indicate that the costs to date are generally in line with budget.

Talison has estimated an allowance of around A$7M per year over the LOM for sustaining capital to meet the requirements of the operation.

Conclusions—Capital Costs

In BDA's opinion the estimates of capital costs for mine development, research and development and exploration, being based on Talison's work plans, historical costs and quotations are reasonable and appropriate.

Similarly, the estimates for the costs of water treatment plant and port expansion, being based on preliminary engineering and contractor quotations are considered by BDA to be reasonable and appropriate.

BDA considers the cost control methodology and data used to prepare the forecasts of capital costs for the CGP2 Project to be generally reasonable and appropriate. Cost estimates for further expansions are based on conceptual and scoping studies carried out by consultants and contractors with experience and expertise gained from previous expansions and include contingency allowances consistent with industry standards for such studies. For those reasons, in BDA's opinion, the estimates are reasonable and appropriate for budgeting purposes. Talison has a proven record of achieving construction within the budgetary and schedule constraints.

4.12 Operating Costs

Table 4.15 shows the actual costs for the last three years, 2015-2017, by department at the Greenbushes site. The unit operating cost over the last three years has averaged US$241/t of concentrate.

Table 4.15

Operating Costs for the Greenbushes Lithium Project—Actual 2015-2017

Item	Unit	2015 Act	2016 Act	2017 Act
Operating Costs				
Mining	A$M	29.03	30.98	38.81
Processing	A$M	34.74	43.27	49.75
G&A	A$M	7.08	7.39	8.32
Total Site Operating Costs	A$M	70.85	81.65	96.88
Product Transport & Marketing	A$M	24.73	26.76	32.64
Royalty	A$M	11.70	14.83	20.91
Total Operating Cash Cost	A$M	107.28	123.24	150.43

A summary of the estimated LOM operating costs is shown in Table 4.16. The forecast costs are in real 2017 dollar terms operating costs.

Table 4.16

Projected LOM Operating Costs

Activity	Unit	Unit Cost
Mining Cost		
Workforce Employment	A$/t Ore	1.86
Consumables	A$/t Ore	2.51
Fuel, Electricity and Water	A$/t Ore	1.69
Repair and Maintenance	A$/t Ore	0.68
Mine Contractor	A$/t Ore	20.17
Subtotal Unit Mining Cost	*A$/t Ore*	*26.92*
Processing Cost		
Workforce Employment	A$/t Ore	4.68
Consumables	A$/t Ore	4.92
Fuel, Electricity and Water	A$/t Ore	2.65
Repair and Maintenance	A$/t Ore	6.63
Subtotal Unit Processing Cost	*A$/t Ore*	*18.87*
G&A Cost		
On and Off-site Management	A$/t Ore	1.11
Environmental	A$/t Ore	0.26
Subtotal Unit G&A Cost	*A$/t Ore*	*1.37*
Total Site Operating Unit Costs	**A$/t Ore**	**47.17**
Total Site Operating Unit Costs	A$/t Conc	184
Product Transport & Marketing	A$/t Conc	42
Royalty	A$/t Conc	48
Total Operating Cash Cost	**A$/t Conc**	**275**

Projected mine unit operating costs over the LOM are forecast to increase incrementally as the mining gets deeper over the life of mine and haul cycle times increase. The annual mining strip ratio varies significantly over the life of the mine and the mining unit costs per ton of ore also vary with the strip ratio. Processing and G&A unit costs decrease as the processing rates increases and fixed costs are distributed over a higher tonnage.

Estimated average annual mining costs for the next five years are between A$19-31/t of ore processed which reflects the variable stripping rates in various cutbacks; these are consistent with the current costs, with LOM unit mining costs averaging around A$27/t. The recent costs have varied depending on the quantities of weathered rock being mined which reduces drilling and blasting requirements, strip ratio, drilling and blasting costs as well as haulage cost increases with depth. Major mine operating costs comprise Mine Contractor costs, including drill and blast and load and haul activities; other significant costs are fuel and explosives (included in Consumables) as well as Talison mine management (Workforce Employment costs). Waste dump management and increasing haulage distance to the dumping area as it extends south is allowed for in the LOM operating costs.

While BDA considers there is some risk from cost input increases including fuel and labor costs, overall the estimates are considered a reasonable guide to likely mine costs. Other mine costs reflect recent historical costs and BDA considers they have been appropriately prepared.

Greenbushes process operating costs are inclusive of crushing costs and are forecast to average approximately A$18.90/t of ore processed over the life of mine. Process operating costs are made up of costs for labor, power, consumables such as grinding media and ferrosilicon (used in the heavy media plant), reagents and chemicals and maintenance consumables. CGP processing costs have ranged from

US$21-23/t processed over the last three operating years at throughputs in the range 1.2-1.75Mtpa. BDA considers that the forecast average operating cost is reasonable; limited opportunity for economy of scale exists given that the throughput increase will be generated by the construction of three additional processing plants, each with similar capacities to that of CGP1. There are expected savings in crushing costs with construction of a new crusher replacing the existing contract hire crusher which impacts on the overall processing costs.

Talison is forecasting a constant general and administration (G&A) cost over the LOM, as it is assumed the costs are effectively all fixed. Site administration costs, on a cost per ton processed, have been in the range A$4-6/t ore processed over the last three years and are projected to fall from approximately A$4.20/t in 2018 to around A$1.20/t as production increases with an average of A$1.40/t over the LOM. This level of cost and the generally fixed nature of G&A is reasonably consistent with comparable Australian mining operations. There appears to be some potential for higher administration costs, although Administration costs are generally low due to the location of the operation in a rural area reasonably close to Perth.

Sales costs and royalties increase as production and prices received for lithium products increase over the life of the operation. Selling expenses include packaging, land transport, storage, ship loading, and marketing development costs as well as shipping freight costs. Shipping costs to China, Europe and the USA are projected to increase relatively slowly from about 2020. If there are any domestic sales in the future, it would be expected that transport costs would be relatively lower than for export. Overall selling expenses are projected to increase slowly on a unit basis for the LOM. BDA considers that the allowances for the proposed administration, selling and royalty costs are reasonable with some potential for slight increase in administration cost.

Talison has entered into an agreement with GAM on the costs of operating the additional circuit that recovers tantalum from the existing processing plants. The payment from GAM is treated as 'other revenue' in the financial model and is not deducted from the processing operating costs.

Conclusions

Operating Costs

Unit mining cost estimates reflect the current cost structure and the contract mining unit rates with unit costs increasing marginally with depth. BDA considers this is a reasonable approach but notes there is some potential for escalation of cost inputs, including fuel and labor costs.

The contract renewal in mid-2019, when there will be an increase in the mining fleet, may see the cost structure change but the rates should remain similar or better than current rates unless there is a substantial increase in activity within the contract mining market at the time of renewal. BDA notes that Talison has a record of managing contract mining costs and considers this is a reasonable approach but notes there is some potential for escalation of contract cost inputs.

Unit process operating costs are forecast to remain relatively constant over the projected LOM despite the increased production because the production increase is generated by duplication of the processing plants. The process operating costs are considered generally reasonable but rely on a ramp-up in tonnage as global lithium demand is projected to increase.

Total operating costs are projected to increase as production ramps upwards, but the unit site operating cost of concentrate production is also projected to remain relatively stable.

BDA considers that the projections for total operating costs over the LOM, and the assumptions from which these are derived, are generally reasonable, but are subject to some uncertainty given the 20 year time period and the potential variability in cost items over an extended period.

4.13 Greenbushes Tailings Storage Facility 1 ("TSF1")

Background and Summary of Status

Tailings storage facility TSF1 was used for tantalum plant tailings deposition for approximately 30 years before the tantalum primary plant was placed on care and maintenance in 2006. During this period, the process plant recovered tantalum and tin, and the lithium grade of the tailings was relatively high compared to the current grade of tailings being deposited in TSF2. Under current market conditions, the TSF1 tailings grade could be considered commercially viable when compared to other lithium deposits, particularly since the material lies at surface, and has already undergone comminution. Consequently, Talison embarked on a drilling program in 2016/17, leading to resource modeling, metallurgical testing and a preliminary feasibility study completed in 2018.

The drilling program and bulk sample testing of the tailings has defined a Mineral Resource for TSF1. Preliminary feasibility work has been undertaken on mining and treatment of the tailings resulting in generation of an Ore Reserve. It is proposed that the tailings be processed in a separate treatment plant constructed specifically for the tailings, at a throughput of 2Mtpa.

Geology, Exploration and Data Acquisition

TSF1 is situated in a central part of the Greenbushes property, adjacent to CGP2 and the C2 open pit (Figure 4). The structure is a horizontal body approximately 1000m long by 700m wide, extending to an average depth of approximately 20m. Sediments within TSF1 were deposited over many years up to 2006. The grade and geological continuity of the deposit is a function of the ore types processed through the processing plants that generated the tailings and the method of disposal into the TSF. Tailings slurry was discharged at the walls, flowing towards the center, with the heavier spodumene settling out first.

Preliminary aircore drilling in 2016 confirmed the presence of >1% Li_2O material in the upper part of TSF1, and a 34 hole 759m resource drilling program was undertaken in February/March 2017 using a sonic drill rig to provide continuous core samples through to the base of the tailings dam, from a 3 inch diameter hole with 1.5m individual core runs. All holes were photographed in their entirety, providing a visual record of recovery, which was high.

Each sample interval was placed in PVC half-pipes or gutters, and geologically logged by a Talison site geologist. Geological observations, combined with analytical work, demonstrated that an upper zone of white to gray fine sand and silt tailings carried more or less continuous >1% Li_2O grades typically over the top 5-10m (the Enriched Zone—"EZ"), underlain by a similar thickness of lower grade (typically 0.4-0.9%) gray fine sand and silt sediments (Depleted Zone—"DZ"), which was underlain in turn by a basal brown to orange clayey layer with very much lower lithium grades. Holes were completed in natural ground beneath the TSF.

Drill collars were nominally at 200m separation across the TSF (Figure 20), which Talison considered to be sufficient to establish geological and grade continuity appropriate for Mineral

Resource and Ore Reserve estimation. Collars were surveyed by differential GPS to an accuracy of 10cm, while the dam structure had been surveyed by airborne and ground survey methods with 1m accuracy. Down-hole surveys were not undertaken as all holes were vertical and very short.

Sampling, Sample Preparation and Analysis

The site geologist undertook all sampling, under the supervision of the site Geology Superintendent who is a Competent Person under the JORC code. Continuous half core samples were scooped or cut as appropriate over each 1.5m drilling interval and submitted by the geologist direct to the on-site laboratory for analysis by AAS for Li_2O and XRF for a 36-element suite. The sample size averaged approximately 5kg and is appropriate for the fine grain size and homogenous nature of the plant tailings product.

The remaining half core was utilized for metallurgical testing.

Assay procedures were as described in Section 4.3, although coarse crushing was obviously not required.

All of the above geological and sampling information was acquired electronically and captured in the site acQuire database, as described in Section 4.3.

Assay Quality Control

No field duplicates were collected as the remaining half cores were required for metallurgical testing. Assay quality was monitored by submission of two samples of reference materials of known value with each batch of samples, and by internal laboratory quality control protocols (see Section 4.3, including data from TSF1 in Figure 12).

Figure 20—TSF1 Sonic Drilling

A review of standard reference material results confirmed high quality laboratory performance in terms of accuracy, with no results approaching the error thresholds (Figure 12).

Data Security

All geological, survey and sampling data was collected electronically and imported into an SQL geological database via proprietary software acQuire. The software has inbuilt data integrity and validation controls and strict user import formats to restrict erroneous data entry. The site geologist compared planned drill sites with survey data to validate drill collar position information.

Drill samples were delivered directly to the laboratory by the site geologist. Assay data was received electronically from the laboratory and imported into the database.

Geological logging and assay results were reviewed on screen by the site geologist to provide validation between field logging and analytical data.

Density

Samples were collected from five sites across TSF1 (Figure 20) using a 1621 cubic centimeter cylinder to provide bulk density measurements. Values ranged from 1.55 to 1.71 t/m^3 (dry) with little variation across the TSF, and the average value of 1.67 t/m^3 was used globally for resource tonnage estimation.

Conclusions

BDA has not undertaken an audit of the geological, assay and density data as part of this review. However, BDA has reviewed the geology, data acquisition and quality control procedures and QA/QC results presented by Talison and concludes that the drilling and sampling procedures are appropriate for this type of deposit, and that database quality provides an adequate basis for estimation of Mineral Resources and Ore Reserves under the JORC Code.

Resource Modeling and Estimation Procedures

The approach was based on three-dimensional interpretations of the three geological and grade domains as defined by drilling and assaying. Grade modeling of Li_2O within the individual domains was by the Inverse Distance Squared technique ("ID2"), using industry standard Surpac software. The resource modeling work was supervised and reviewed on site by the Talison Geology Superintendent, a Competent Person under the JORC Code, with over 5 years of experience at Greenbushes.

In more detail, resource modeling comprised the following steps:

- all drill data related to 1.5m intervals, therefore no compositing was undertaken
- geological domains were defined using a combination of geological and analytical data (Figure 21) to distinguish between:
  - white to gray-white fine sand and silt of the upper EZ with grades almost universally above 0.7% Li_2O and averaging 1.47% Li_2O;
  - an underlying zone of typically greyer fine sand and silt generally grading between 0.4% and 0.9% Li_2O, averaging 0.67% Li_2O, and referred to as the Depleted Zone ("DZ"), and
  - the basal clayey layer with very low lithium values.

The domains were reviewed in Surpac with the drill holes loaded on screen and were found to honor the geology and be correctly snapped to drill hole traces

- the three domains were wire-framed and Li_2O data selected. The histograms of the EZ and DZ domains were approximately normal (Figures 21 (lower) and 22 (upper)) and suggest each contains a single data population valid for estimation without imposing restrictions on high grades
- variographic analysis using Surpac software indicated the lithium grade data to be omnidirectional with a nugget of 8% for the EZ and 25% for the DZ. In light of this and the fact that the drill hole spacings approximated a regular grid, it was deemed appropriate to use ID2 (which does not use variography) for Li_2O grade estimation. No other method was investigated
- an 80m x 80m x 1.5m cell block model was created, with 10m x 10m x 0.75m sub-cells to improve definition at the boundaries of the TSF
- one grade estimation pass was completed with horizontal search axes of 200m by 50m vertical. This allowed access to data from a minimum of two holes
- a minimum of 3 and a maximum of 16 composites were used within the search ellipse for grade estimation
- approximately 2% of the total volume lying on the margins of the TSF received no grade estimate; such blocks were ascribed the mean grade of the composites of the relevant domain
- dry bulk density of $1.67t/m^3$ was assigned to each block
- the resultant resource model was validated visually and statistically against the input drill data

Figure 21—TSF1 Zones and Grade Domaining

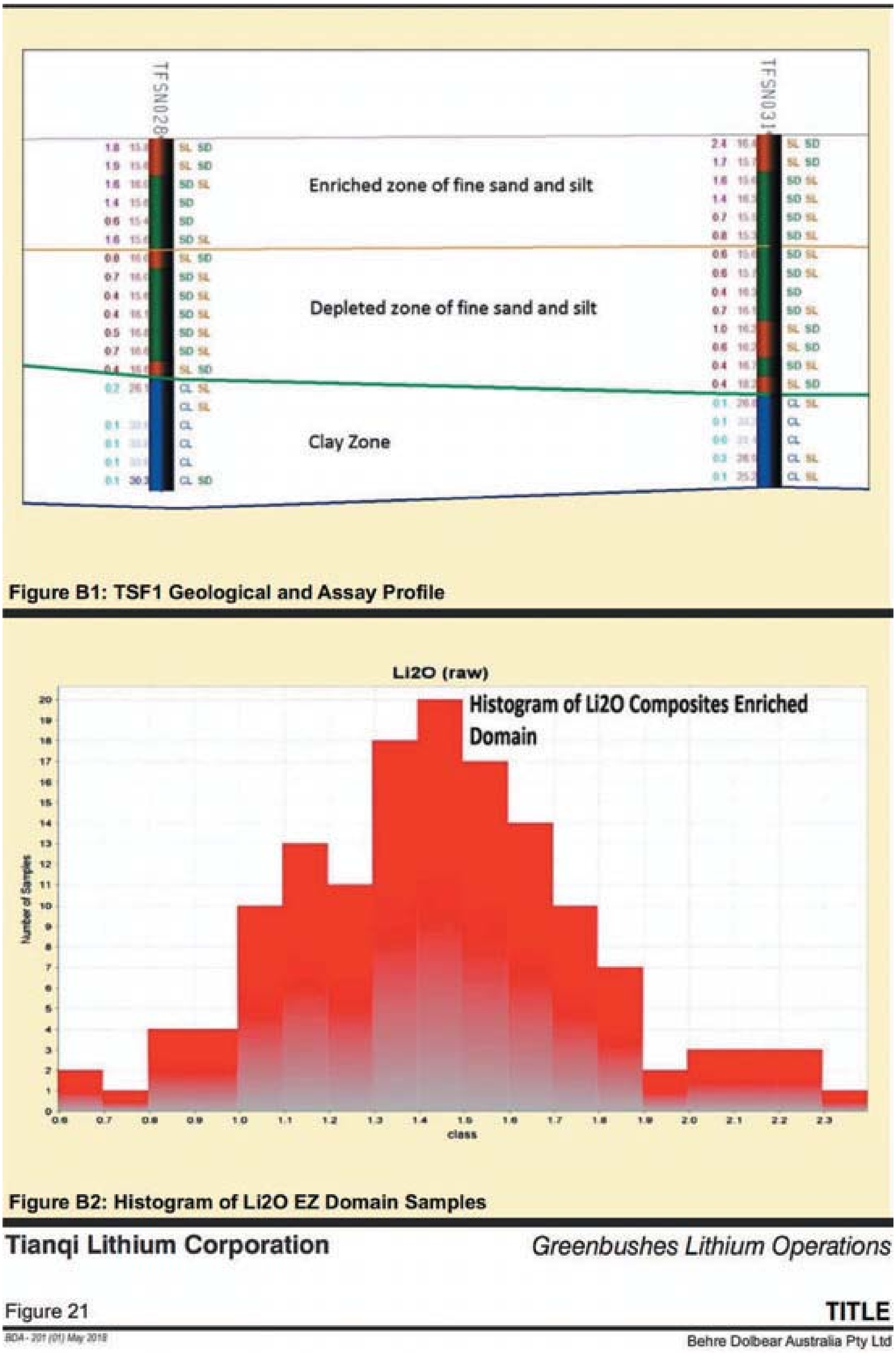


Figure 22—TSFI Grade Composites and Plan View

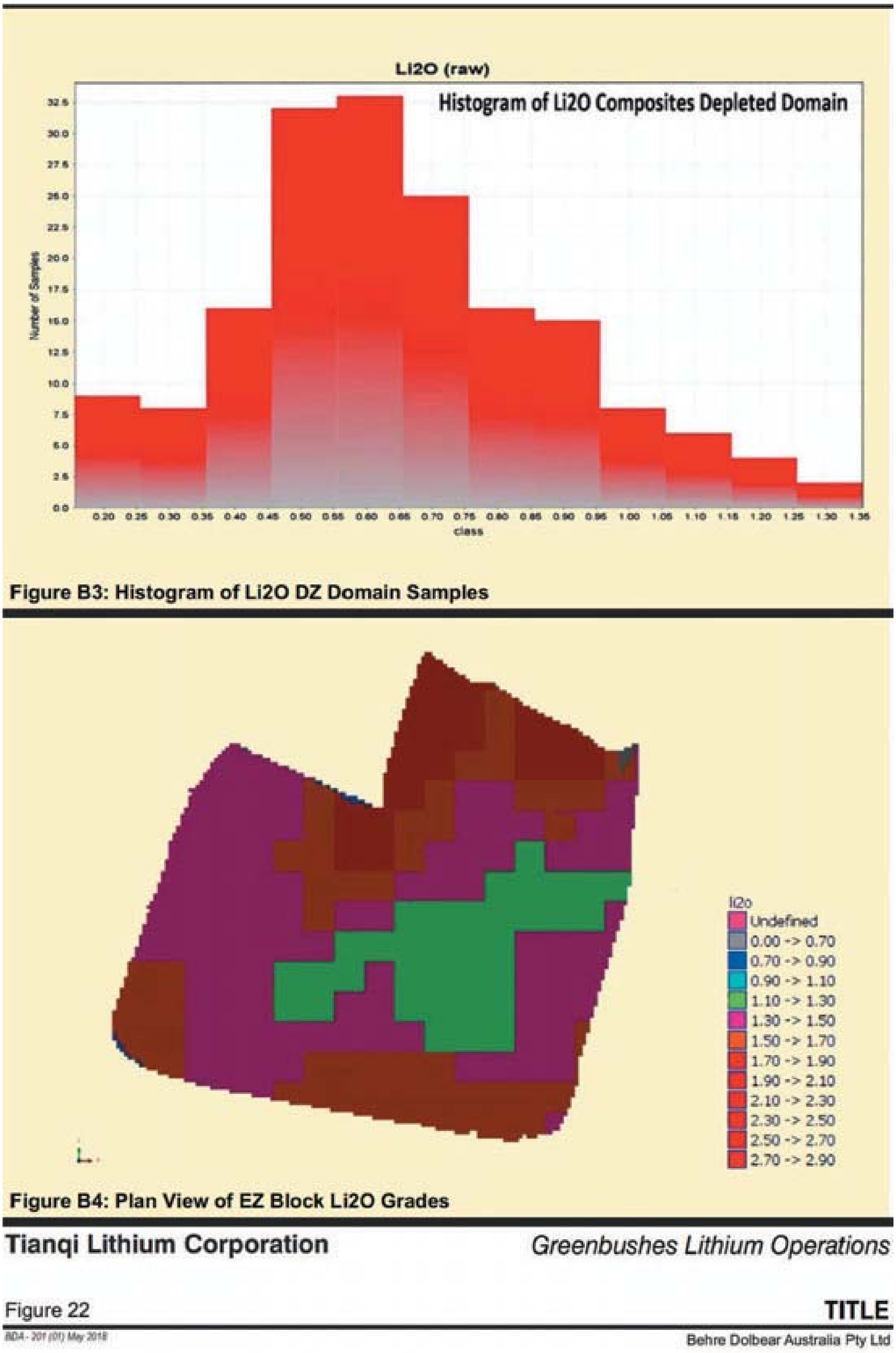


Figure B3: Histogram of Li2O DZ Domain Samples

Figure B4: Plan View of EZ Block Li2O Grades

- Figure 22 (lower) shows a plan view of the average grade of blocks over the total thickness of the EZ domain, confirming that higher than average grades are concentrated towards the flanks of the TSF.
- all blocks within the EZ and DZ were classified by Talison as Indicated, as the geology is straightforward, the database is sound, composites display relatively low variability and predictable behavior in both domains, and spatial extents are well constrained by topographical survey information.

TSF1 Mineral Resource Reporting

Talison reported an Indicated Resource in the EZ of 13.5Mt at 1.46% Li2O at a 0.7% cut-off, with an additional Indicated Resource of 4.9Mt at 0.78% Li2O in the DZ. However, BDA considers it prudent to reclassify the DZ material as Inferred (Table 4.19) since the average grade of all DZ blocks (0.68% Li2O) is marginally below the cut-off grade and it is BDA's opinion that the current drill spacing is too wide for accurate definition of above cut-off grade DZ material which would form the basis of any preliminary mine plan. This approach has no impact on the Ore Reserves which are restricted to EZ material.

The cut-off grade is based on recoveries from preliminary metallurgical testwork and is considered to represent an economic cut-off at current market settings. All tonnages are quoted on a dry basis; no moisture measurements have been made.

Table 4.19

TSF1 Indicated & Inferred Mineral Resources—March 2018

Domain	Tonnage (Mt)	Li_2O Grade (%)	LCE (Mt)
Enriched Zone–Indicated	13.5	1.46	0.49
Depleted Zone–Inferred	4.9	0.78	0.09
Total	**18.3**	**1.28**	**0.58**

Note: cut-off grade 0.7% Li2O; Talison classified all resources as Indicated, but BDA has downgraded the DZ resource to Inferred due to uncertainties in the location of above cut-off material; resources are inclusive of reserves

Talison considered the tonnage of the Mineral Resource estimate to be accurate to +/- 10% globally given the simplicity of the deposit in a geological sense, its clearly defined dimensions and the uniformity of bulk density measurements. There may be small volumes of unrecorded and unknown rock fill within TSF1 that reduce the tonnage, but that volume is expected to be much less than 10%. A similar accuracy is ascribed by Talison to the grade of the Mineral Resources in both domains, but BDA considers there to be less certainty regarding the location of DZ resources above cut-off and recommends these be reclassified as Inferred

Ore Reserve Reporting

The Ore Reserve estimation process was overseen by the Talison Manager Mining and Environment, a Competent Person under the JORC Code, with over 12 years of experience on the site.

Commencing with the resource block model, the following factors were considered:

- only tailings within the EZ domain and within 7m of the surface of the TSF were considered for mining. The depth limit reflects increasing moisture and slimes content in deeper sediments
- mining would be essentially an earth-moving exercise, undertaken as a bulk mining operation from surface
- a batter of 3:1 was applied at the limit of the mining area
- a mining recovery of 97% was applied to the resource tonnage, due to removal of the vegetation at surface. No other mining loss was deemed appropriate
- a grade dilution factor of 3% was applied with a diluting grade of 0.8% Li_2O from the DZ below the mined area, where appropriate
- tenders were received from four qualified mining contractors to provide an outline of proposed operations and associated mining costs for a 2Mtpa (dry) operation
- Process testwork on Sonic drill cores confirmed that approximately 70% recoveries of spodumene could be achieved from flotation of de-slimed EZ material in a saleable product
- No environmental or infrastructure problems are anticipated. There is minimal overburden to be disposed of, and tailings from the re-treatment plant will be placed in the current tailings dam TSF2. On completion of mining, tailings from on-going operations will be deposited back into TSF1. Expansion of power and water supplies for TSF1 tailings retreatment will be implemented as part of the overall plant expansion program
- Talison completed a preliminary feasibility study, including high-level process design; contractor mining, processing, administration and selling costs; and a preliminary capital cost estimate for the new plant. Evaluation of financial results indicated that construction of a stand-alone plant to treat 2Mtpa of tailings for five years would be economic and a more attractive option than blending with ROM ore in existing or future CGP plants
- Further details regarding mining and processing studies and economic analysis are provided in the following sections.

The TSF1 Probable Ore Reserves are reported by Talison at a 0.7% Li_2O cut-off which is an economic grade under current market conditions. Ore Reserves are shown in Table 4.20. Tonnages are on a dry basis, and the Reserves are a sub-set of the reported Mineral Resources.

Table 4.20

TSF1 Ore Reserves—March 2018

Category	Tonnage (Mt)	Li_2O Grade (%)	LCE (Mt)
Probable	10.13	1.42	0.36
Total	**10.13**	**1.42**	**0.36**

Conclusions

BDA considers that TSF1 Mineral Resource modeling has been undertaken professionally by experienced Talison staff. Data validation has been completed, confirming acceptable database quality, and the geological/grade domain definition within the deposit is considered to be well-founded. The drill data gives wide-spaced but acceptable coverage of the deposit and provides a suitable basis for Mineral Resource estimation. The resource modeling approach is considered appropriate, in accordance with industry standards, and in compliance with the JORC Code. BDA considers that the classification of Indicated as applied to the EZ domain resource is acceptable, since virtually the entire zone is above cut-off grade and will be bulk mined in its entirety, and therefore that part of the May 2018 Mineral Resource model forms an acceptable basis for mine planning and generation of Ore Reserves. As noted earlier, BDA has reservations about classifying DZ resources as Indicated, despite the similar drill coverage. In this domain, the average grade of all blocks is marginally below the mining cut-off grade, and a significant degree of selective mining would be required. In view of this, BDA considers that the drill spacing is too wide for accurate definition of above cut-off grade material which would form the basis of any preliminary mine plan. It must be noted, however, that this view has no impact on the TSF1 Ore Reserves which are restricted to the EZ domain.

BDA has reviewed the 2018 Ore Reserve and considers it to have been completed by competent persons, in accordance with industry standards, and in compliance with the JORC Code. BDA has assessed the preliminary mine design for ore extraction to be appropriate and the mining schedule achievable. The estimated mine recovery and dilution factors appear reasonable. Process testwork indicates that acceptable recoveries to saleable product can be achieved. Financial evaluation indicates a sound economic case for re-treating the TSF1 tailings in a stand-alone plant. BDA considers the Ore Reserves will not be materially affected by foreseeable permitting, title, environmental, or metallurgical issues, based on the information supplied by Talison.

Overall, BDA considers the 2018 TSF1 Probable Ore Reserves to be an appropriate representation of the recoverable tons and grade, and suitable for use in financial modeling of the project.

Mining

The mining of the tailings is relatively simple, with no selective mining, as the tailings form a continuous body to be extracted. Initially the vegetation layer of approximately 0.3m will be stripped off the surface of the tailings prior to the extraction of the tailings. The depth of mining is limited to around 7m; this depth has been determined by grade as well as an increase in moisture and slimes encountered during the drilling program.

Four potential mining contractors with tailings mining experience provided budget pricing and a proposed mining method. Each contractor suggested similar mining methods, using excavators and trucks, with the trucks being kept on dry tailings material. Dozers would be used to push material to the excavators to keep road footprints to a minimum. The planned mining rate of 5,500t/day was considered achievable with the proposed equipment on a 7 days/week operation, with sufficient plant and equipment redundancy to accommodate scheduled maintenance and downtime. The full production will be 2Mtpa; as there is no waste within the defined reserves, no wasting mining is required.

During mining it is expected dewatering of the tails will be needed in some areas of TSF1 to lower moisture levels to ensure maintenance of the proposed mining rate. Dust control will also be an important part of the mining operation.

Conclusions

Mining of the tailings is a relatively straightforward operation, provided the planned mining area is kept appropriately drained. BDA considers the planned approach is reasonable and practical and that the proposed mining rate should be achievable.

Processing

Preliminary testwork has been carried out on samples from TSF1 using a similar flowsheet to that used in CGP1 on the finer fraction of the ore processed. Initial results indicate that a lithium recovery of around 70% can be achieved on the material tested and the results are considered appropriate and reliable for use in the economic analysis. On material with a head grade of 1.5-1.6% Li_2O, a yield of around 17% of the tonnage, containing 70% of the Li_2O, was achieved to a product equivalent in quality to an SC6.0 concentrate.

It is planned to construct a separate plant to process the tailings, to be commissioned in 2020. Given the plant adopts established technology already in use at site, it is expected the design and capacity will reflect current experience, with the plant planned to ramp up within 12 months, achieving nameplate capacity by 2021. In terms of processing requirements and considering that the tails have already been milled and will be recovered by hydraulic mining, the grain sizing of the tailings means that no crushing or grinding processes are required in the flowsheet.

Conclusions

Initial process testwork on TSF 1 tailings indicates that similar processing techniques to those used in CGP1 can be used to recover about 70% of the contained Li_2O. BDA considers the current planning around the proposed tailings treatment plant is based on existing knowledge, experience and testwork and that the work to date, subject to more detailed design before commissioning, provides a reasonable basis for valuation.

5.0 CUOLA PROJECT

5.1 Project Overview

Location

The Cuola Project is located in the mountainous area of western Sichuan, within the administration area of the Xinwei Village, Murong Township, Yajiang County, Ganzi Tibetan Autonomous Prefecture ("Ganzi Prefecture"), Sichuan Province in China (Figures 1 and 3). The geographic location of the project site is defined by longitudes from 101°13'15"E to 101°15'00"E and latitudes from 30°15'15"N to 30°18'00"N.

The Cuola Project site is located a linear distance of approximately 38km from the Yajiang County seat in a north-northeast direction. However, the current primary access to the project site is from the east, with a 4km dirt-and-gravel road to the Jiajika Mine owned and operated by a third party and within the administration area of Kangding City, and a further 33km of dirt-and-gravel road east to the town of Tagong in Kangding City (Figure 3). Tagong is located on the sealed provisional highway S215, which connects to the national highway G318 in the south. The road distance from Tagong to Kangding (also the location for the Ganzi Prefecture government) is 108km, and the road distance from Tagong to Chengdu located further east is 477km. A new expressway is being constructed approximately parallel to G318 and there is also a parallel railroad currently under construction. It currently takes approximately seven hours to drive from Chengdu to the Cuola Project site, but the distance and driving time will be shortened when the new expressway system is completed and overall transportation facilities will be significantly improved.

The Cuola Project is located at the south-eastern edge of the Qinghai-Tibet plateau at an altitude ranging from 4,100m to 4,900m. The primary spodumene pegmatite veins outcrop at elevations ranging from 4,200m to 4,550m. The site is relatively flat, consisting of glacially eroded rolling hills and lakes, surrounded by high glacial mountains in most directions. The ground surface in the area is covered by high-altitude bushes and grasses and is considered as grassland.

The climatic conditions at the Cuola Project site are relatively severe, with a large temperature difference from day to night and thin air and low oxygen content. Temperatures range from a summer high of 23ºC to a winter low of minus 24ºC. The rainy season is from May to October, when the climate is generally mild, with temperatures generally ranging from 5ºC to 22ºC; the summer months (June to August) are also associated with significant thunder and lightning storms, which can cause damage to humans and livestock. The snow and frost season is from November to April, with temperatures generally ranging from -3ºC to -24ºC with a frost depth of 1-2m. Annual precipitation averages approximately 770mm while the annual evaporation rate averages approximately 1,135mm.

Yajiang County has a land area of 7,855km^2 with a population of approximately 50,200 in 2016. Residents in Yajiang as well as in Kangding City in at the east and other surrounding areas are mostly Tibetan and are commonly living in towns and river valleys. The surrounding area of the Cuola Project site is sparsely populated by nomads, conducting mostly grazing and collecting Chinese caterpillar fungus and other valuable Chinese medicines. The local economy is relatively under-developed and there is surplus labor in the area that can be employed by mining projects. Supplies for the Cuola Project can be obtained from Tagong (population several thousand), Yajiang County Seat (population more than ten thousand), Kangding (population more than a hundred thousand) and Chengdu (population more than ten million).

Water resources and mineral resources are abundant in the area. The Cuola Project is part of the larger Jiajika lithium mineralisation district ("Jiajika District"), which is believed to be the largest hard-rock lithium mineralisation district in China, as well as in Asia. Within the Jiajika District, the Phase I operation of the Jiajika Mine at a production rate of 240ktpa started operation in 2010, but its production was suspended due to an alleged environmental incident on October 13, 2013 (refer to Section 5.8). A second alleged environmental incident related to the Jiajika Mine occurred again on 4 May 2016. Production at the Jiajika Mine had not resumed at the time of BDA's site visit to the Cuola Project. In addition to the Jiajika Mine and the Cuola Project, there are several other lithium exploration projects in the surrounding areas.

History and Ownership

Lithium mineralisation hosted by granitic pegmatite veins in the Jiajika District was first found in the early 1960s by the Ganzi Geological Exploration Brigade of the Geology Bureau of Sichuan

Province. Initial systematic exploration work for the Jiajika District was conducted by the No.404 Geological Exploration Brigade ("No.404 Brigade") of the Bureau of Geology and Mineral Resources of Sichuan Province from 1965 to 1974. A total of 498 granitic pegmatite veins were identified distributed around a granite intrusive, of which 114 veins contains significant lithium mineralisation. The Jiajika District was divided into five sections. The Cuola Project area contains most of the West and Central Sections as well as part of the South Section, North Section and East Section (Figure 23). The suspended Jiajika Mine is located in the East Section. The early exploration work was generally focused on the East Section and only limited work was conducted on other sections.

Tianqi Shenghe acquired the exploration license for the Cuola Project through auction in October 2008. The license number was T51320081203021204 with an area of 23.77km^2. The license area was defined by six inflection points. Tianqi Shenghe engaged the No.108 Geological Exploration Brigade ("No.108 Brigade") of the Geology and Mineral Resource Exploration and Development Bureau of Sichuan Province to conduct systematic exploration work for the Cuola Project from 2009 to 2011. The No.108 Brigade is independent from Tianqi and holds a Class A exploration qualification certificate for solid minerals issued by the Ministry of Land and Mineral Resources of China. A total of 142 diamond drill holes with a total drilled length of 17,575m and a total of 136 surface trenches with a total excavated volume of 28,407m^3 were completed during the period. An exploration geology report with mineral resource estimates was completed based on the work conducted by the No.108 Brigade in September 2011.

After the exploration work, Tianqi Shenghe engaged the Lanzhou Engineering & Research Institute of Nonferrous Metallurgy ("Lanzhou Institute"), an independent third party holding a Class A qualification certificate for engineering design in the metallurgical industry issued by the Ministry of Housing and Urban-Rural Construction of China, to conduct a feasibility study and an initial engineering design study for the Phase I 600ktpa open pit/underground mining operation of the Cuola Project. The feasibility study was completed in February 2012 with a positive outcome and an initial engineering design study was completed in July 2012.

Sichuan Academy of Environmental Protection Science completed an environmental impact assessment report for the Phase I mining operation of the Cuola Project in December 2012, and the project was approved for construction for the Phase I 600ktpa mining operation by Environmental Protection Department of Sichuan Province on February 26, 2013.

Construction of the Phase I 600ktpa mining operation of the Cuola Project was approved by the Development and Reform Commission of Sichuan Province on July 16, 2013.

BDA was informed that the local government was very supportive of the development of the Cuola Project and asked Tianqi Shenghe to start development of the Cuola Project when some of the construction approvals were still pending. Construction of the Phase I Cuola Project started in August 2012. The Lanzhou Institute engineered the mine, processing plant and other related facilities; construction work was contracted to China MCC5 Group Corporation Limited, which holds a Class A qualification certificate for construction of metallurgical operations and has good experience for project construction in high-altitude Tibetan residence area, such as the Jiama Mine in Tibet; Gansu Lanye Construction Supervision Company Limited supervised the construction. However, the construction was suspended by the Department of Land and Resources of Ganzi Prefecture in October 2013 due to an alleged environmental incident related to the neighboring Jiajika Mine (refer to Section 5.8). At the time of the construction suspension, approximately 80% of the construction work for the mill and other related facilities was completed. As at the date of this report, regulatory approval to recommence construction/production has not been granted for any of the lithium operations in the Jiajika District and therefore the development of Cuola Project is currently on hold.

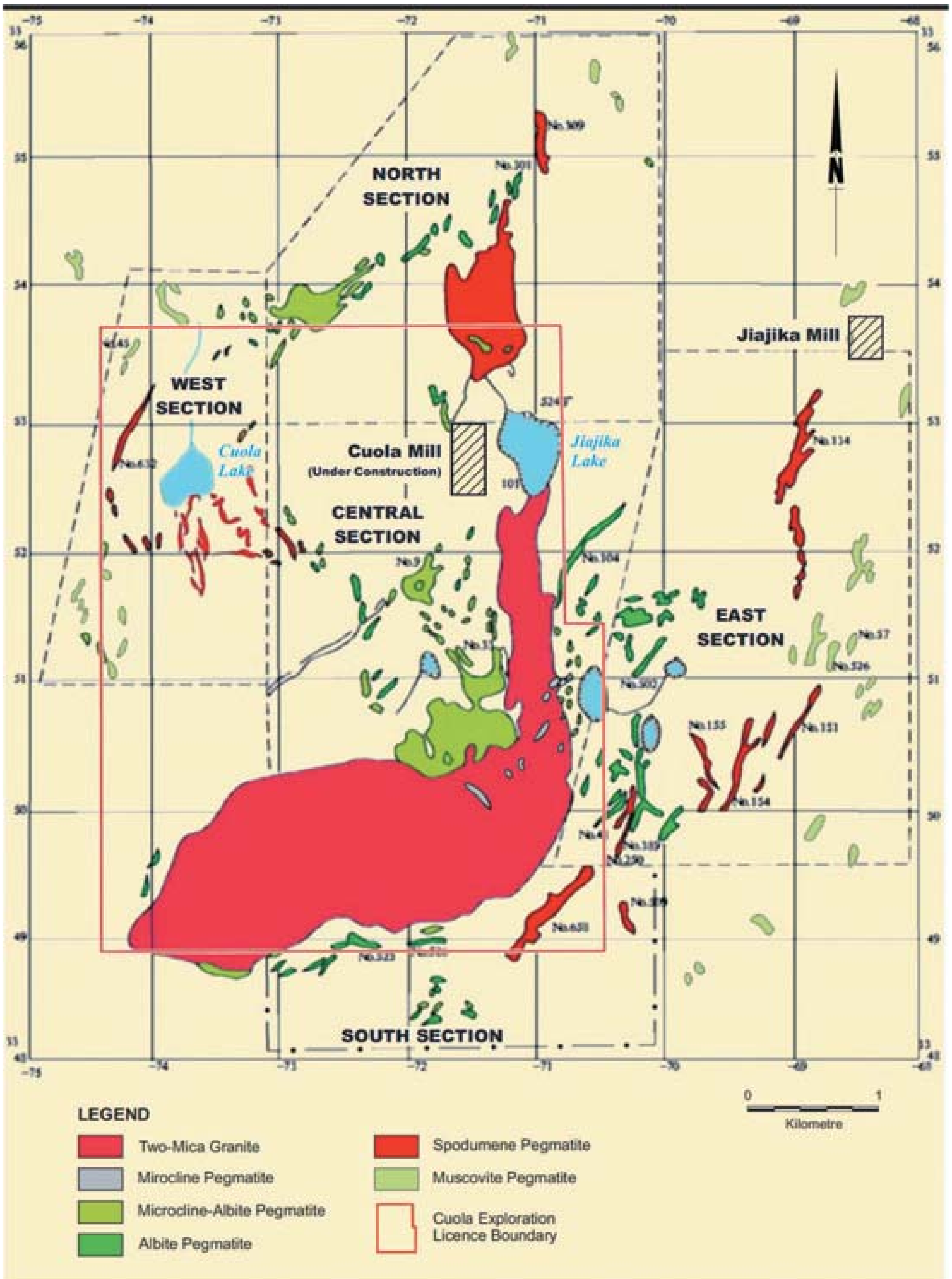
Tianqi Shenghe received a mining license with an area of 2.069km^2 for the Cuola Project on April 6, 2012. The license number is C5100002012045210124005 and is valid until April 6, 2032; the license is extendable afterwards. The license area is separated into four zones with a total of 44 inflection points; these four zones cover all the identified spodumene pegmatite veins with lithium mineral resources within the original exploration license boundary (Figure 24). The elevation range for the permitted mining area is from 4,100m to 4,580m. The license allows Tianqi Shenghe to conduct a mining operation at a production rate of 1.2Mtpa. After receiving the mining license, the original exploration license for the Cuola Project was relinquished.

As a Chinese mining license only covers the area of the identified Mineral Resources, surface land used for mine facilities needs to be acquired and/or leased for a mining operation. The surface land for permanent structures, including the mill and the TSF dam for the Cuola Project was approved by the Sichuan Provisional Government in November 2015. Surface land acquisition for the mill and the TSF dam was completed in December 2017. Surface land used for open-pit mining, the TSF and other short-term and/or temporary mining facilities will be leased by the Cuola Project.

Project Status

Tianqi considers the Cuola Project as an important reserve lithium asset for the Company, as currently the spodumene concentrate used by the Company is sourced from the Greenbushes Mine in Western Australia. Tianqi is planning to resume the construction of the Cuola Project as soon as regulatory approval to recommence construction is granted.

Figure 23 Distribution of Granitic Rocks in the Jiajika District



Tianqi Lithium Corporation

Cuola Lithium Project

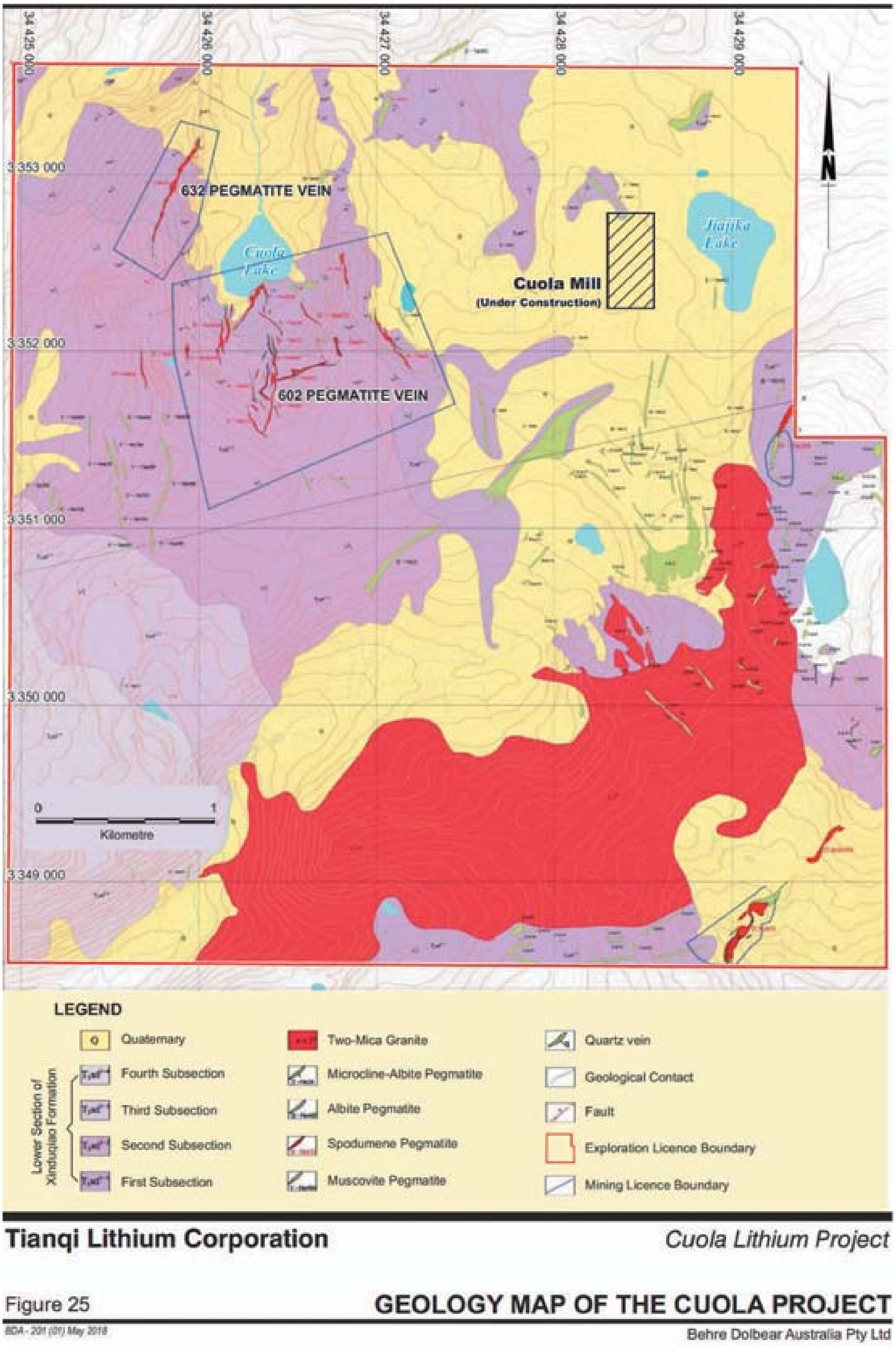
SCHEMATIC DISTRIBUTION OF GRANITIC ROCKS IN THE JIAJIKA DISTRICT

Figure 24

BDA - 201 (01) May 2018

Behre Dolbear Australia Pty Ltd

Figure 24 Geology Map of the Cuola Project



5.2 Geology and Mineralisation

Regional Geology

The Qinghai-Tibet Plateau is the youngest orogenic belt in the world. Subduction and collision between the Indian Plate and Eurasian Plate in Cenozoic time, commonly referred to as the Himalayan Orogeny, has created the world's youngest and highest mountain ranges. The complicated tectonic evolution during this period as well as during the preceding Indosinian Orogeny (late Permian to Triassic) and Yanshanian Orogeny (Jurassic to Cretaceous) has created a complicated structure pattern in the plateau, with associated multiple-stage magmatism and related mineralisation.

The Jiajika District is located at the south-eastern edge of the Qinghai-Tibet Plateau. Stratigraphy outcropped in the region consists of late Triassic Zhuwo Formation (T_3zh) siltstones and fine-grained sandstones with some tuffaceous and calcareous siltstone and basaltic tuff interbeds, late Triassic Xinduqiao Formation (T_3xd) mudstones with some sandstone interbeds, and Quaternary (Q) glacial sediments. The Xinduqiao Formation overlays the Zhuwo Formation with a conformable contact. The Triassic rocks in the region have undergone regional metamorphism with the Xinduqiao Formation rocks mostly converted to sericite-quartz schists.

The Triassic metamorphic rocks have been folded with folding axis direction bending from near north-south in the north to northeast then to near east-west in the south. There is dome-shaped anticline at the Jiajika District area.

The Triassic rocks at the Jiajika District area were intruded by a late Indosinian (isotope age 212Ma) Jiajika two-mica granite stock ("Jiajika Granite"). There are a series of later-stage granitic pegmatite veins and quartz veins associated with the granite. The Xinduqiao Formation schists near the intrusive were also overlapped by some thermal contact metamorphism with the formation of some typical thermal metamorphic minerals such as staurolite, andalusite and garnet. The Jiajika Granite outcrop is pan-shaped with the smaller pan-handle pointing to the north and the larger pan-basin pointing to the west-northwest direction. The intrusive outcrop is 3-4km long, 0.4-1.2km wide, with an outcrop area of approximately 4.8km^2. The contact of the Jiajika Granite is steep in the south and shallow in the north, indicating that magma may have intruded from the south to the north.

The granitic pegmatite veins and quartz veins formed concentric zones around the Jiajika Granite, especially to the northern side of the intrusive: from the microcline pegmatite (Type I) zone generally within or nearby the granite, outward to the microcline-albite pegmatite (Type II) zone, the albite pegmatite (Type III) zone, the spodumene pegmatite (Type IV) zone, the muscovite pegmatite (Type V) zone and the quartz vein zone. Figure 23 shows the distribution of the Jiajika Granite stock and various types of associated granitic pegmatite veins in the Jiajika District. The pegmatite veins can occur as single veins or vein groups. The size of individual pegmatite veins is generally not very large, typically ranging from a few meters to several tens of meters wide, from several tens of meters to several hundreds of meters long. A total of 498 granitic pegmatite veins were identified and numbered at Jiajika District by the No.404 Brigade during its 1965-1974 exploration work, and 114 of the pegmatite veins were considered as Type IV spodumene pegmatite veins that contain significant lithium mineralisation. The No.404 Brigade pegmatite vein numbering system was kept by the No.108 Brigade in its 2009-2011 exploration work. The No.632 vein and the No.602 vein group in the West Section of the Jiajika District are the most important spodumene pegmatite veins of the Cuola Project; they are primary mining targets for the planned Phase I mining operation. The No.134 spodumene pegmatite vein is the most important in the East Section and was developed into the Jiajika Mine (production is currently suspended).

The muscovite in the pegmatite veins has been dated with an isotopic age of 1.81-1.88Ma. The locations for the sections of the Jiajika District and the Cuola Project exploration license area are also shown in Figure 24.

Local Geology

The local geology within the original Cuola exploration license boundary is shown in Figure 23. The boundaries of the four areas comprising the current Cuola Project mining license that contain all the defined spodumene pegmatite veins with mineral resources are also shown in the figure.

The lower section of the late Triassic Xinduqiao Formation (T_3xd) outcrops in the area and is divided into four sub-sections.

The lowest sub-section (T_3xd^{1-1}) is composed of mostly fine- to medium-grained staurolite-bearing sericite-quartz schists with some local silty schists and metamorphosed siltstones interbeds. Total thickness of the sub-section is more than 210m. This sub-section is distributed in the northern and eastern parts of the Cuola Project area.

The second sub-section (T_3xd^{1-2}) consists mostly of medium- to coarse-grained staurolite-bearing sericite-quartz schists. Its thickness is more than 180m and it is located southwest of T_3xd^{1-1}.

The third sub-section (T_3xd^{1-3}) consists mostly of medium- to coarse-grained staurolite- and andalusite-bearing sericite-quarts schists. Its thickness is more than 150m and it is located in the southwestern portion of the Cuola Project area.

The fourth sub-section (T_3xd^{1-4}) consists mostly of fine- to medium-grained staurolite-bearing sericite-quartz schists with some thin siltstone interbeds. Its thickness is more than 210m and it is located in the southwestern corner of the Cuola Project area.

The Xinduqiao Formation schists outcropping in the Cuola Project area generally have a gray to dark gray color that become grayish black with weathering. The schists have a gentle dip generally toward the southwest and the west, but generally dip to the south within the eastern portion of the project area.

Late Triassic Zhuwo Formation (T_3zh) siltstones and fine-grained sandstones and basaltic tuffs do not outcrop in the Cuola Project area.

The Quaternary (Q) cover rocks comprise glacial sediments which commonly contain boulders of various underlying rocks and have a thickness of 3 to 25m. Quaternary rocks cover approximately 40% of the Cuola Project area with numerous glacial erosion lakes, including the Jiajika Lake next to the Jiajika Mine and the Cuola Lake in the Cuola Project area, which can provide sufficient water for mining operations in the area. Some of the spodumene pegmatite veins are covered by the glacial sediments and became blind mineralised bodies. These blind mineralised bodies provide further exploration potential for the Cuola Project and the surrounding areas.

The Cuola Project area is located on the western limb of the Jiajika dome-shaped anticline and near to the anticlinal core. Fault structures are generally not well developed in the area, but fractures in the north-eastern and north-western directions (X-shaped steep-dipping shear fractures) are well developed and control the distribution of the Type IV and Type V pegmatite veins in the project area.

The Type I pegmatite veins are generally controlled by cooling fractures within the two-mica granite intrusive body; the Type II and Type III pegmatite veins are generally controlled by bedding fractures in the Xinduqiao Formation schists near the intrusive contact. The Type IV spodumene pegmatite veins are generally controlled by the steep-dipping north-eastern and north-western fractures, located at the upper portion of T_3xd^{1-1} and lower portion of T_3xd^{1-2}, slightly away from the intrusive contact in the Cuola Project area.

The Jiajika Granite intruded into the southwest portion of the Jiajika dome-shaped anticline core. The erosion depth is relatively shallow and only the fine-grained boundary phase rock is exposed. The rock consists of mostly microcline, albite-oligoclase and quartz with smaller amounts of muscovite and biotite and trace amounts of tourmaline, apatite, spodumene, garnet, zircon, titanite, rutile, diopside, epidote, hornblende, pyrite, magnetite, ilmenite and molybdenite. The rock is high in silica (more than 70%), low in Ca, Mg and Fe, and rich in rare metals and volatile elements, with Li content up to 0.06-0.15%.

The pegmatite veins in the Cuola Project area are believed to be the product of crystallization differentiation of the Jiajika Granite. Different types of pegmatite veins are distributed in concentric zones surrounding the granite intrusion with Type I microcline pegmatite veins generally within the intrusive body, Type II microcline-albite pegmatite veins and Type III albite pegmatite veins in schists near the intrusive contact zone, and Type IV spodumene pegmatite veins, Type V muscovite pegmatite veins and quartz veins further out from the contact zone. The pegmatite veins generally have similar chemical composition as the granite, with higher rare-metal and volatile contents, indicating that the pegmatite veins and the granite might have developed from the same magma source.

Geophysically, the apparent polarisability of pegmatite and schist in the area does not differ significantly, but the resistivity of the two rock types are sufficiently different (high for pegmatite and low for schist) that resistivity survey results can be used as a general guide for exploration of the pegmatite veins at depth and underneath the Quaternary glacial sediments.

Geology of Spodumene Pegmatite Veins

A total of 148 pegmatite veins have been identified within the Cuola Project exploration license area by the No.108 Brigade, of which 20 are Type IV spodumene pegmatite veins.

The relatively large No.632, No.602, No.603, No.593 and No.60 pegmatite veins and No.594 pegmatite vein group occur in the west portion of the Jiajika District, around the Cuola Lake, at a distance of 2,000-3,000m from the Jiajika Granite intrusion; these spodumene pegmatite veins form the West Section of the Jiajika District.

The No.104 vein is located south of the Jiajika Lake and east of the Jiajika Granite at a distance of about 70m from the intrusive contact; this pegmatite vein is part of the Central Section of the Jiajika District.

The No.668 vein is located at the outer contact zone southeast of the Jiajika Granite at a distance of 600-700m from the contact. It is parallel to the intrusive contact and is an important spodumene pegmatite vein in the South Section of the Jiajika District.

Other smaller spodumene pegmatite veins identified by the No.108 Brigade are mostly located within the West Section of the Jiajika District.

The spodumene pegmatite veins occur as single veins or vein groups. Individual spodumene pegmatite veins can be shaped as regular or irregular veins or lenses, beaded veins, branching and composite veins and tuberculiform veins. They generally infill fractures in the schists and are 2-35m wide and 85-760m long. The pegmatite veins generally dip to the west and northwest; but some of the veins also dip to the east, southeast and south. The veins generally have a high dip angle, but this varies along the dip direction and is locally overturned. The larger spodumene pegmatite veins in the Cuola Project area include the No.632, No.594 (separated into No.594W, No.594M and No.594E), No.60, No.602, No.603, No.593, No.668 and No.104 veins. Table 5.1 shows the characteristics of the main spodumene pegmatite veins.

Table 5.1

Characteristics of the Main Spodumene Pegmatite Veins of the Cuola Project

Pegmatite Vein	Shape	Length (m)	Width (m)
No.632	regular vein	750	3.0-30.5
No.594E	branching vein	332	3.3-26.2
No.594M	branching vein	195	2.4-17.4
No.594W	lenticular	258	1.4-20.3
No.60	irregular vein	412	1.3-22.9
No.602	branching vein	565	0.8-59.4
No.603	irregular vein	217	3-18
No.593	irregular vein	305	1.1-34.0
No.668	regular vein	960	2-98
No.104	lenticular vein	496	3-12

The Type IV spodumene pegmatite veins generally consist of 35-40% quartz, approximately 5% microcline, 35% albite, 10-20% spodumene, and 2-3% muscovite, with minor amounts of accessory minerals such as garnet, pyrite, aphrizite, apatite, and cassiterite. Spodumene is generally gray or grayish white, occasionally light green in color. Its shape is platy, plate-columnar or acicular. The mineral generally occurs as fine crystals (1-4cm long and 0.2-0.5cm wide) with small amounts of smaller and larger crystals. The spodumene crystals generally occur perpendicular to the pegmatite vein walls with small amount at an angle to the walls.

Based on sampling and analysis results, the average Li_2O grade of the Type IV spodumene pegmatite veins ranges from 1.21% to 1.47% Li_2O. These veins also contain some beryllium, niobium, tantalum and tin, but the grades are generally not high enough to warrant economic recovery at current technical and economic conditions. The Li_2O grade in the pegmatite veins is generally stable, but it can decrease to below the resource estimation cut-off grade of 0.5% Li_2O towards the ends of the veins along strike. There is commonly a thin low grade shell at the contact with the schist wall rock. The Li_2O grade also often decreases to below cut-off grade at depth.

For each individual spodumene pegmatite vein, at the schist-wall rock contact, there is commonly a 3-5cm wide fine-grained greisenisation zone (consisting of mostly quartz, muscovite and a small amount of feldspar) with very low lithium grade, followed by a 0.5-5m wide fine-grained pegmatite zone (consisting of mostly quartz, feldspar and a small amount of muscovite) with a low lithium grade. The middle zone of the vein is generally the fine- to medium-grained quartz-albite-spodumene pegmatite with a small amount of muscovite and tourmaline and good lithium grade.

The following are the characteristics of some of the main mineralised pegmatite veins.

The No.632 pegmatite vein is located at the western portion of the Cuola Project area. It is a single regularly-shaped vein with a strike direction of N30ºE, a surface strike length of approximately 750m and a width of 3.0m to 30.5m. The vein has a steep dip to the southeast, but it is locally overturned. There are 16 surface trenches and 18 drill holes completed, of which 11 trenches and 15 holes have intersected the pegmatite vein. The maximum explored depth of the vein is approximately 180m. The vein is thick in the middle and pinches out at both ends on the surface. The mineralised middle zone of the pegmatite vein with Li_2O grade above 0.5% is approximately 690m long, 0.5-30.5m wide with an average of 11.8m, and 60-120m deep. Its thickness and lithium grade are generally consistent with Li_2O grade ranging from 0.58% to 2.27%, averaging 1.14% Li_2O (Figures 25 and 26).

The No.602 spodumene pegmatite vein is located south of the Cuola Lake with a nearly north-south strike. It is a lenticular vein with some branching in the middle; part of the vein in the middle section is not exposed at surface. The vein is approximately 565m long and 0.8-59.4m wide, averaging 15.5m; it dips steeply to the west with an average angle of 79º and is locally overturned; its down-dip length ranges from 73m to 377m. The spodumene pegmatite vein is almost entirely mineralised with a total of 11 surface trenches and 42 drill holes intersecting the mineralised zone. The vein is thick in the middle and pinches at both ends. The mineralised middle zone of the pegmatite vein with Li_2O grade above 0.5% has a Li_2O grade from 0.58% to 1.71%, averaging 1.46% Li_2O (Figures 25 and 27).

The No.593 spodumene pegmatite vein occurs east of the No.602 pegmatite vein with a strike of N73ºE. The vein is controlled by two nearly parallel fractures. It dips to the southeast with a shallow dip near surface and steeper dip at depth. It is a branching vein, approximately 305m long and 1.1-34.0m wide, averaging 14.6m; its down-dip length ranges from 80m to 135m. The vein is almost entirely mineralised. A total of 10 surface trenches and 14 drill holes have been completed, of which 10 trenches and 12 drill holes intersected the mineralised zone of the vein. The mineralised middle zone of the pegmatite vein with Li_2O grade above 0.5% has a Li_2O grade from 0.53% to 1.54%, averaging 1.18% Li_2O.

The No.594 vein is a spodumene pegmatite vein group, consisting of three sub-parallel veins (No.594E, No.594M and No.594W) located southeast of the Cuola Lake. The veins strike north-south or NNE and dip to the west at steep angles. They are relatively regular veins with some branching at the ends. There is a total of 15 surface trenches and 13 drill holes completed for the No.594 vein group and only two holes did not intersect the pegmatite veins. The mineralised zone of the No.594E vein is 332m long, 3.3-26.2m wide, averaging 11.9m, with a maximum depth of approximately 80m; the mineralised zone of the No.594M vein is 195m long, 2.4-17.4m wide, averaging 8.6m, with a down-dip length of 120m; the mineralised zone of the No.594W is 258m long and 1.4-20.3m wide, averaging 7.3m, with a down-dip length of 75m. Average Li_2O grade is 1.02% for No.594E, 1.22% for No.594M and 1.16% for No.594W.

Conclusions

BDA considers the Cuola Project geology and mineralisation to be generally straightforward, and reasonably well defined and understood based on systematic detailed exploration work completed to date. The clear distinction between schist wall rock and lithium-bearing pegmatite veins makes the exploration and mining work relatively easy as the mineralization and waste can be readily identified by the naked eye.

Figure 25 Geology of the No.632 vein and No.602 vein group area

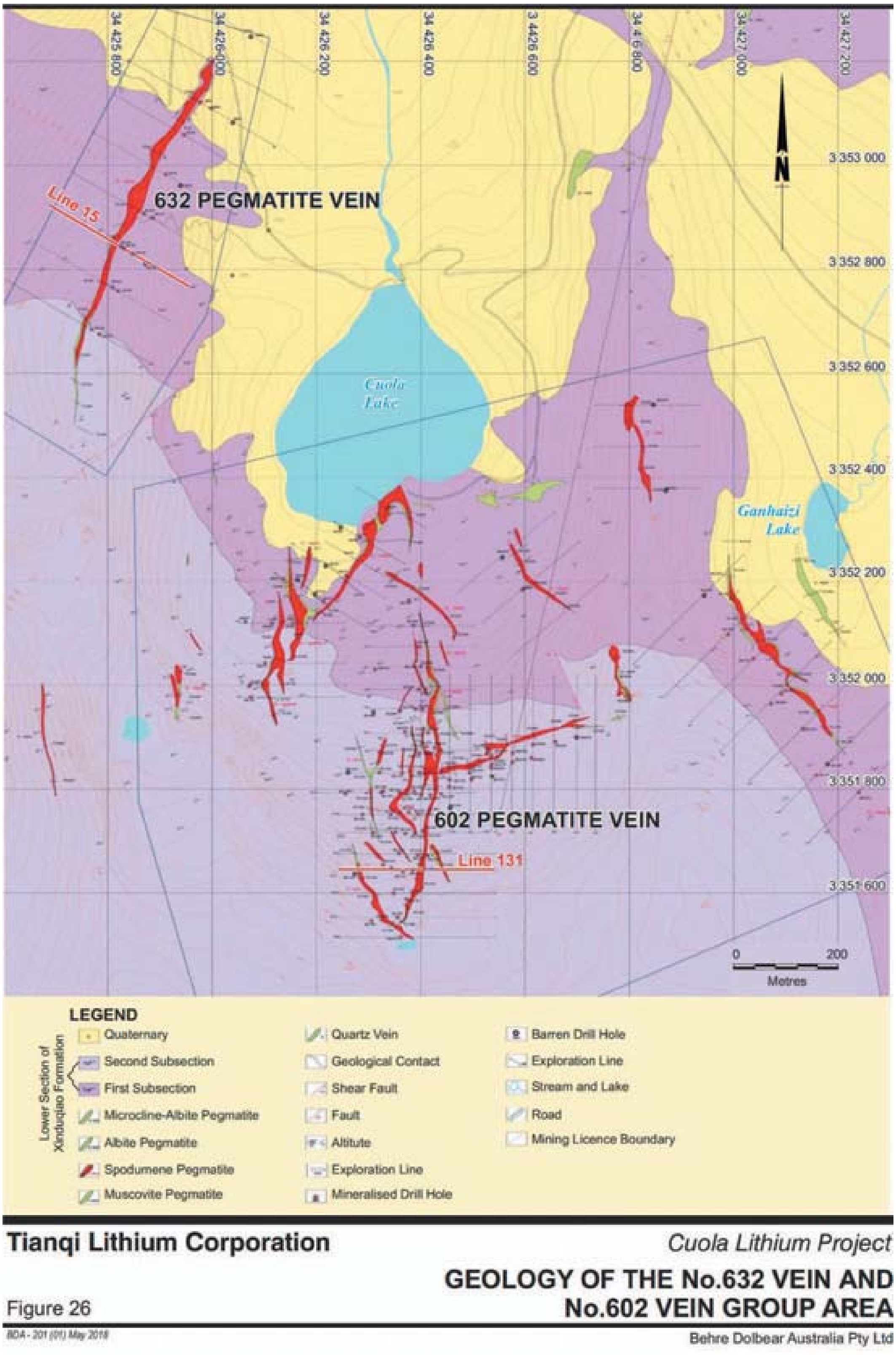


Figure 26 Cross Section of No.632 Pegmatite Vein on Exploration Line 15

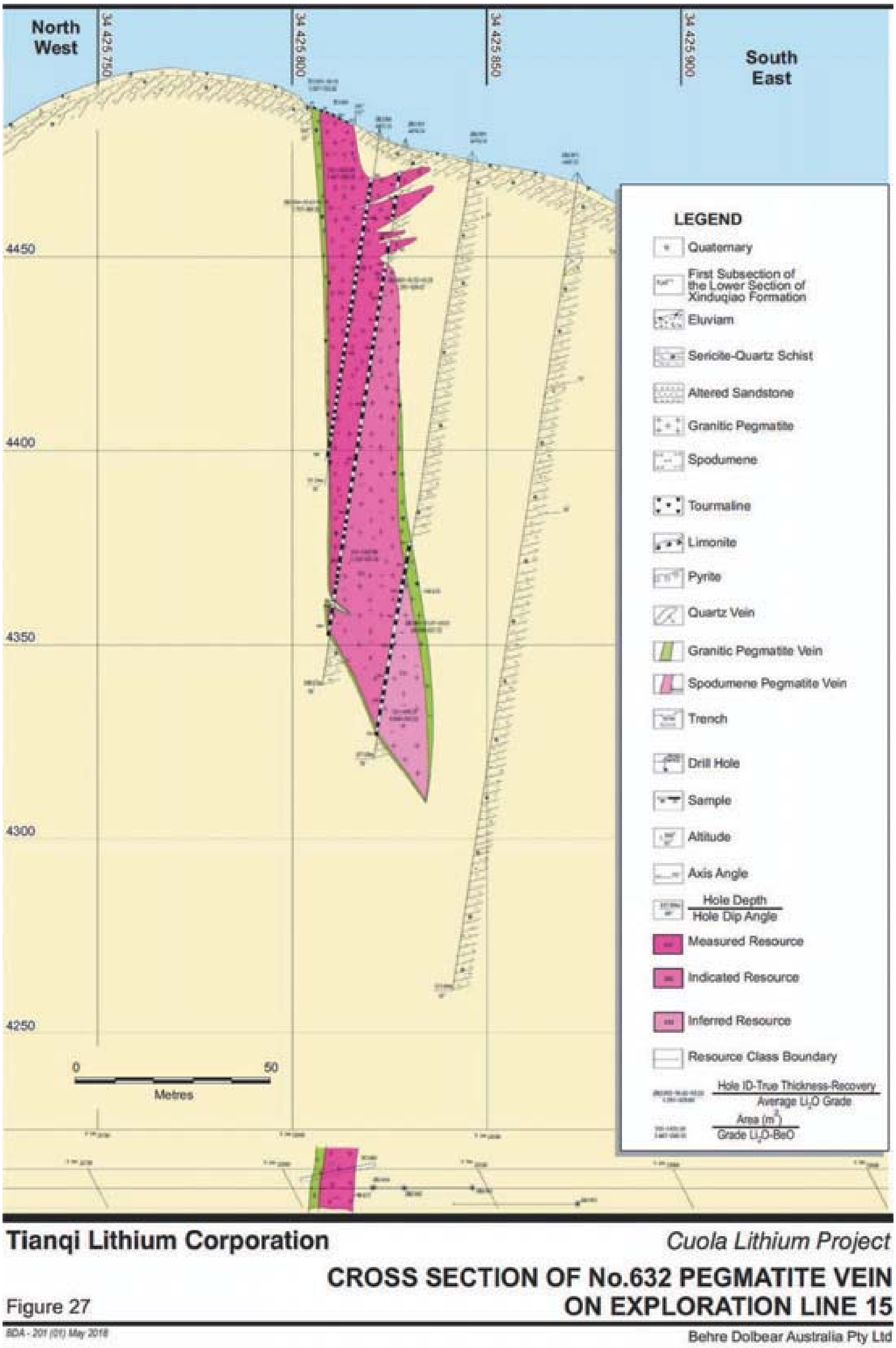
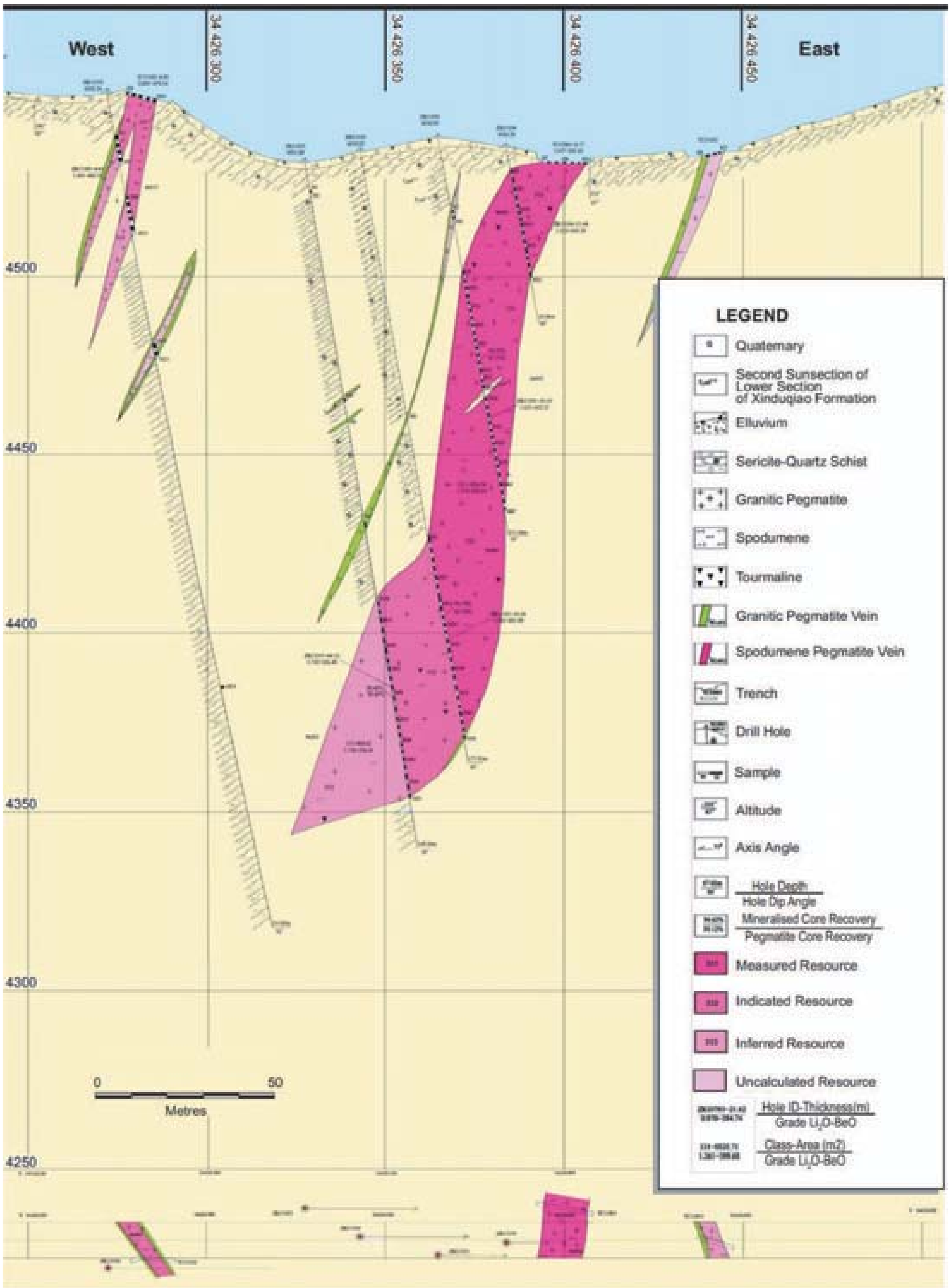


Figure 27 Cross Section of the No.602 Pegmatite Vein on Exploration Line 131



Tianqi Lithium Corporation

Cuola Lithium Project

CROSS SECTION OF THE No.602 PEGMATITE VEIN ON EXPLORATION LINE 131

Figure 28

BDA - 201 (01) May 2018

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5.3 Exploration, Geological and Resource Data

Exploration

The exploration work completed in the 1960s and 1970s by the No.404 Brigade is considered not reliable because of the limitation of technologies for drilling, sampling and sample analysis at that time. The geological database used for current mineral resource estimation was all generated by systematic detailed exploration work completed from 2009 to 2011 by the No.108 Brigade.

The No.108 Brigade completed a 1:10,000 scale surface geological map for the entire Cuola Project exploration license area; they also completed a more detailed 1:2,000 scale geological map for the north-western portion of the Cuola Project exploration license area, where the majority of the Type IV spodumene pegmatite veins are located. The topography was also resurveyed in detail and all geological mapping, drilling and trenching activities were conducted based on the new topographic maps.

Surface trenching and drilling was conducted along exploration lines approximately perpendicular to the pegmatite vein strike designed for each individual pegmatite vein or vein group. The exploration line spacing is 80m for the larger and more regularly-shaped No.632 pegmatite vein and 40m for other smaller and/or less regularly-shaped pegmatite veins or vein groups. A total of 142 diamond drill holes with a total drilled length of 17,575m and a total of 136 surface trenches with a total excavated volume of 28,407m^3 were completed during the period, of which 132 drill holes and 125 trenches intercepted the spodumene pegmatite veins. Drill hole and trench spacing on cross sections were generally 20m to 60m.

The No.108 Brigade has also completed some geophysical surveys in order to geophysically characterize the spodumene pegmatite veins and provide a guide for locating possible blind pegmatite veins covered by the Quaternary glacial sediments. Geotechnical, hydrogeological, and environmental geology studies have also been carried out in order to collect basic data for mine planning and project development.

Geological Data Acquisition

The database used for resource estimation of the Cuola Project consists of 7,490 samples collected from 6,668m of sampled drill cores and 1,890m of sampled surface trenches. In general, only the pegmatite intercepts were sampled for grade analysis.

Diamond core drilling was conducted by Chinese made drill rigs. The drill hole size is mostly 75mm in diameter with a recovered drill core size of 56mm, which is considered a reasonable core size to collect a good sample for grade analysis. Core recoveries were generally reasonably good, with a range from 80.3% to 99.8%, averaging 91.7%, for the entire hole and a range of 82.1% to 100.0%, averaging 92.3%, for the pegmatite intervals.

Drill core for each hole was logged by a geologist on site. Drilled length, drill core length, remaining unrecovered core length, and core recovery for each drill run was recorded; lithology and mineralisation of the core were logged and recorded in detail. Each individual core box was photographed and the photos were kept in a digital database for future reference and verification.

Drill hole collar location was surveyed after drilling; drill hole down-hole deviation was also surveyed by a down-hole survey instrument at an interval of approximately 50m as well as at the bottom of the drill hole; drill hole length recorded by the driller was verified by actual measurement at the same time as the down-hole deviation survey. The drill holes were generally backfilled after drilling and the drill hole collar location was marked by a cement hole monument at the surface.

BDA notes that because of the limitation of drill rigs used for the exploration work by the No.108 Brigade, most of the holes were drilled at an angle of 80º, which is less than ideal for the generally steep-dipping spodumene pegmatite veins in the Cuola Project as the location and thickness of the veins may not be determined accurately when the intersection angle of drill hole with the pegmatite veins is relatively small.

The drill hole collar location and down hole deviation have been accurately surveyed and the down hole deviation survey results generally show that the drill hole dip at various depths is consistent with the original designed drilling angle; the pegmatite veins are generally several meters to several tens of meters wide; these thicknesses can partially compensate for the effect of the relatively small intersection angle. BDA recommends the use of more modern drill rigs capable of drilling lower angles for any further drilling for the Cuola Project.

The surface trenches were dug by excavators (about 80%) or by hand (about 20%). The trenches were generally dug to the depth of the fresh bedrock to reveal the contact of pegmatite veins with schist wall rocks. Each trench was mapped in detail at a scale of 1:100; geology and mineralisation in the trench were recorded in detail. Trench locations were surveyed.

Sampling, Sample Preparation and Analysis

Sampling has followed accepted industry practice in China.

Diamond drill core sample intervals were determined by the geologist logging the core, generally for all the pegmatite intercepts. Sampling length varies from 0.5m to 2.0m, averaging around 1m, honoring the geology. Core samples were collected by a mechanical core splitter by splitting the core in the middle to separate the core into two halves. One half of the core was collected for grade analysis, and the other half was stored in the original core box for future verification, check sampling, metallurgical test sampling, and any other relevant studies.

Channel samples from the surface trenches were collected generally from the trench bottom; sample channels were generally 10cm wide and 5cm deep; sample interval was generally 1-2m, honoring the geology.

A total of 7,490 samples were trucked by the No.108 Brigade to the primary analytical laboratory, the West-South Metallurgical Geology Analytical and Test Center ("West-South Test Center") located in Pi County, Sichuan Province, which is authenticated in metrology by Certification and Accreditation Administration of China and also holds a Class A qualification certificate issued by the Land and Resource Ministry of China, for grade analysis.

Sample preparation was conducted by the West-South Test Center. All samples were crushed, ground and split according to a standard procedure. A 50g pulp sample was produced for grade analysis. A duplicate pulp sample and the coarse rejects were sent back to Tianqi Shenghe for future verification grade analysis and metallurgical testing work.

Samples were dissolved by a mixture of nitric acid, hydrofluoric acid and perchloric acid, and were analyzed by the Inductively Coupled Plasma-Atomic Emission Spectrometry ("ICP-AES") method for Li_2O, Nb_2O_5, Ta_2O_5, and BeO. Each sample was also analyzed for Sn by the oscillopolarography method.

Assay Quality Control

Quality assurance/quality control (QA/QC) for sample analysis was carried out by internal check analysis (duplicate sample analysis by the original analytical laboratory), external check analysis (check sample analysis by an independent secondary analytical laboratory) and inserting analytical standards in each batch of the samples.

Three blind standard samples were included in each butch of 10 samples to monitor the accuracy of the analytic results. The analytical results of the standards show the analyzes are within an acceptable variation range of the standard sample grades.

A total of 311 samples, or about 4.2% of the total number of analyzed samples, were randomly selected for internal check analysis. The internal check samples have different sample numbers from the original sample number and the analysis was conducted by a different operator. The analytical results of more than 99.5% of the check samples are within an acceptable variation range of the analytical results of the original samples.

A total of 229 samples, or about 3.1% of the total number of analyzed samples, with high, medium or low grades, were selected from the duplicate pulp samples for external check analysis. The external check analytical laboratory used by the No.108 Brigade was the Analytical and Test Center of the Bureau of Geology and Mineral Resource Exploration and Development of Sichuan Province in Chengdu, Sichuan, which is authenticated in metrology by Certification and Accreditation Administration of China, in 2009 and 2010, and the Analytical and Test Center of the Institute of Multipurpose Utilization of Mineral Resources of Chinese Academy of Geological Sciences in Chengdu, Sichuan, which is International Organization for Standardization, ISO:9001 authenticated, in 2011. The average Li_2O grade of 0.8968% for the external check samples is very close to the average Li_2O grade of 0.8998% for the original samples; approximately 95% of the check sample Li_2O grades are within the acceptable variation range of the original sample Li_2O grades.

In order to independently verify the reliability of Tianqi Shenghe's sample Li_2O grade, BDA took 20 randomly-selected check samples from the duplicate pulp samples from Tianqi Shenghe's warehouse. These samples were given new BDA sample numbers and were submitted to the West-South Test Center for Li_2O grade analysis. Analytical results show that the average Li_2O grade of the BDA check samples is 0.933%, which is only approximately 1% below the average Li_2O grade of the original samples of 0.942%. Figure 28 is a scatter plot comparing the BDA check sample grade and the original sample grade. BDA considers that the BDA check samples generally confirm the original sample grades.

The QA/QC data shows that the Li_2O analytical results for the Cuola Project are of good quality and are appropriate for mineral resource estimation.

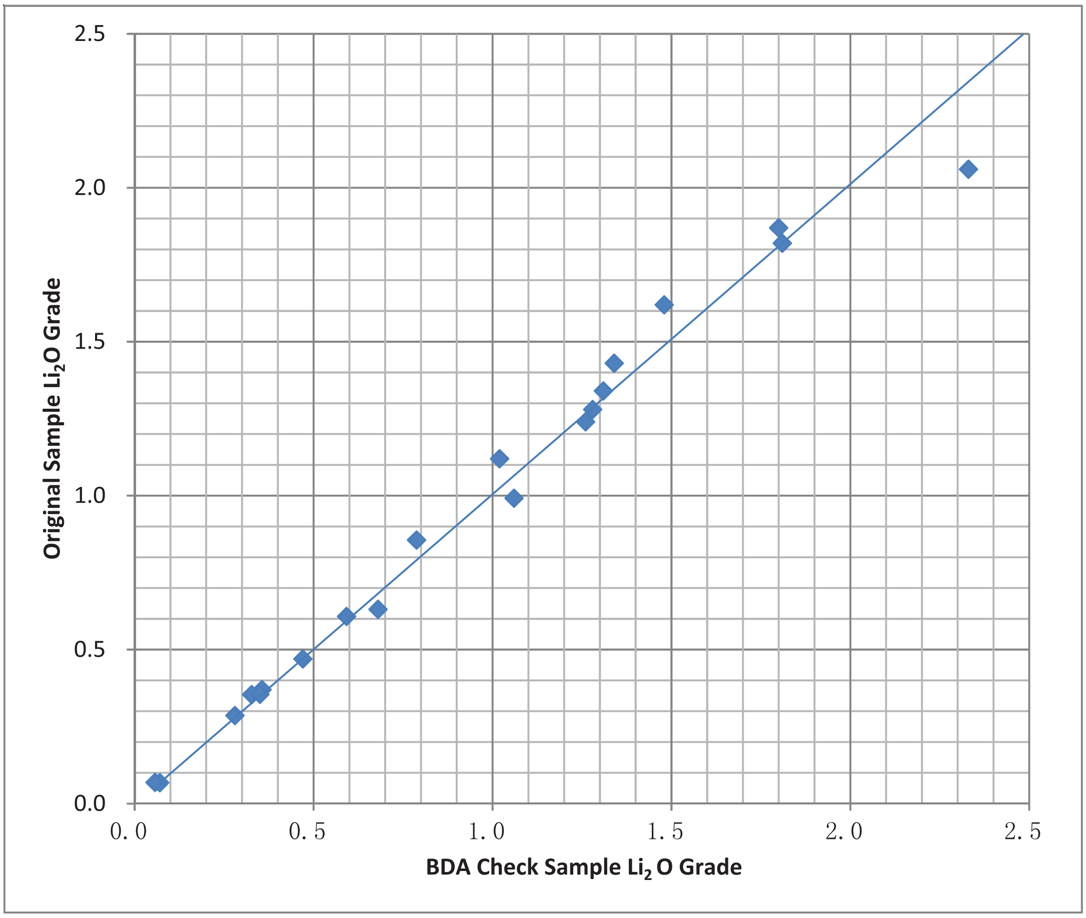


Figure 28 Scatter Plot Comparing BDA Check Samples with Original Samples

Bulk Density

A total of 238 spodumene pegmatite bulk density measurement samples were collected from drill cores and surface trenches by the No.108 Brigade for the Cuola Project. Bulk density of the samples was determined by the wax-coating, water-immersion method. The measurement results show that the bulk density ranges from 2.5t/m^3 to 2.8t/m^3, with an average of 2.71t/m^3. The measurement results also show the bulk density of the spodumene pegmatite is slightly positively correlated with the sample Li_2O grades.

Based on the measurement results, the average bulk density is 2.68t/m^3 for the No.632 pegmatite vein (37 samples), 2.73t/m^3 for the No.602 vein (50 samples), 2.71t/m^3 for the No.594 vein (52 samples), and 2.68t/m^3 for the No.668 vein (35 samples). The average bulk density of these veins was used for mineral resource estimation for each of the veins. For other spodumene pegmatite veins without sufficient number of bulk density measurements, the average density of 2.71t/m^3 for all the spodumene pegmatite vein samples for the entire Cuola Project area was used for resource estimation. BDA considers these bulk densities are reasonable considering the mineralogy of the spodumene pegmatite in the Cuola Project area.

Independent Due Diligence Performed by BDA

In order to verify the reliability of the Cuola Project Mineral Resource estimates, BDA performed some independent due diligence checks in the process of preparing this CPR.

A site visit was conducted by BDA's Project Geologist and Competent Person to the Cuola Project in Yajiang County Sichuan Province and to the head office of Tianqi Shenghe in Chengdu, Sichuan.

During the visit to the Cuola Project, BDA selectively checked the surface geology, located some of the drill holes and surface sample trenches for some of the primary spodumene pegmatite veins. BDA inspected the core storage facility and checked the stored core for some of the drill holes. BDA also visited the incomplete construction work at the project site.

In Tianqi Shenghe's head office in Chengdu, BDA discussed the Cuola Project with Tianqi Shenghe's management and technical staff, interviewed the primary technical staff of the No.108 Brigade involved in the 2009-2011 Cuola Project exploration work and confirmed that the No.108 Brigade did complete the exploration work described in their exploration geology report.

BDA also reviewed all the drill hole logs, photographs for all the drill core, analytical certificates for all the analytic samples, the No.108 Brigade exploration geology report with mineral resource estimation and all the attached maps and tables.

BDA took 20 check samples from duplicate pulp samples in Tianqi Shenghe's warehouse and analyzed the Li_2O grade for these samples in order to independently verify the reliability of the original sample Li_2O grade (Figure 28).

BDA also reviewed the No.108 Brigade's mineral resource estimation procedure and checked some of the calculation results.

All BDA's independent due diligence work indicates that the exploration work conducted by the No.108 Brigade was generally conducted according to industry standards; the database generated from the exploration work is considered generally appropriate for mineral resource estimation; BDA considers that the resource estimation was generally completed in an acceptable manner under the JORC Code.

Conclusions

BDA has not undertaken a detailed audit of the geological and analytical data as part of this review. However, BDA has reviewed data acquisition, quality control procedures and QA/QC results presented by the No.108 Brigade and also performed some independent due diligence checks on the database and resource estimation. BDA concludes that the database quality is appropriate and adequate for estimation of Mineral Resources and Ore Reserves under the JORC Code.

BDA notes that most of drill holes were drilled at an inclined angle of 80° because of the limitation of the drill rigs used for the Cuola Project; this is less than ideal for the steeply-dipping pegmatite veins in the Cuola Project as the small interception angle between drill holes and the pegmatite vein may not accurately determine the location and the true thickness of the mineralisation. The No.108 Brigade surveyed the collar location and down hole deviation of all the drill holes and the *down hole deviation measurement results show that the actual drill hole dips at depth are generally close to the originally designed drill angles. Also, the spodumene pegmatite veins are generally several meters to several tens of meters wide. All these factors can partially offset the effect of the high drill hole angle. BDA recommends that all the future drilling for the Cuola Project should be conducted using more advanced drill rigs with the capability of drilling lower angle holes.*

5.4 Mineral Resources and Ore Reserve Estimation

Resource Estimation Procedures and Parameters

In China, the methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant Chinese government authorities. The mineral resource estimates are based on strictly defined parameters, which include minimum grades and minimum thicknesses. The mineral resources for a deposit are generally estimated by an independent engineering entity with a government-issued license.

Current mineral resource estimation for the Cuola Project was completed by the No.108 Brigade as the most important part of its exploration work for the project from 2009 to 2011. The exploration work with mineral resource estimate was summarized in the report "Exploration Geology Report of the Cuola Spodumene Mining District in Yajiang County, Sichuan Province" dated September 22, 2011. As there has been no additional exploration work and no mining activities since completion of the report, the mineral resource for the Cuola Project remains the same at the effective date of this BDA CPR.

The drill hole and/or channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the mineralised body size and complexity, under Chinese procedures a deposit is classified into certain exploration types before mineral resource estimation. The No.632 pegmatite vein is a relatively large, regularly-shaped single vein with a controlled length of 750m with good continuity in both grade and thickness, therefore, it was categorized as exploration type II. All other pegmatite veins are smaller and less regular in shape compared with the No.632 vein but still have good grade continuity and reasonable thickness continuity, these veins are categorized as type II-III and type III.

For the purpose of mineral resource estimation, all drilling and sampling data, along with other relevant geological information, were digitized into the MAPGIS software system by the No.108 Brigade. MAPGIS is a computer software system widely used in China for preparation of plans and sections for mineral resource estimation. Sections and plans used for the September 2011 mineral resource estimation of the Cuola Project were produced by MAPGIS.

The parallel section method, a polygonal method based on projected cross sections, was used for the mineral resource estimation of the larger, more important spodumene pegmatite veins in the Cuola Project by the No.108 Brigade. Mineral resource estimation for other smaller and/or less important veins was estimated by the polygonal method on projected long sections. Based on information provided by the No.108 Brigade and discussions with the No.108 Brigade technical personnel, the general procedures and parameters used in the mineral resource estimation of the larger, more important pegmatite veins are described as follows.

Determination of "Deposit Industrial Parameters"

The economic parameters for mineral resource estimation are referred to as "deposit industrial parameters" ("DIP") in Chinese literature or technical reports and are normally approved by government authorities for each deposit or based on the government's industry specification. These parameters generally include the cut-off grades (separated into boundary cut-off grade and block cut-off grade), minimum mining width, and minimum waste exclusion width. The DIPs used for the mineral resource estimates of the spodumene pegmatite veins in the Cuola Project reviewed in this report are summarized as follows:

Boundary Cut-off Grade:	0.5% Li2O
Block Cut-off Grade:	0.7% Li2O
Deposit Cut-off Grade:	1.0% Li2O
Minimum Mining Width:	1m
Minimum Waste Exclusion Width:	2m

BDA notes that the boundary cut-off grade of 0.5% Li_2O used by the No.108 Brigade is the same as the reporting cut-off used by Talison for the Mineral Resource estimate for the Greenbushes Mine in Australia, indicating the boundary cut-off used for the Cuola Project is generally reasonable for Mineral Resource estimates under the JORC Code.

Determination of Block Boundaries and Confidence Level

In the parallel section mineral resource estimation, the mineralised body on a cross section was separated into a number of blocks, with each block assigned a mineral resource confidence level based on the type, density and quality of available geological data. For the No.632 pegmatite vein, a Measured block was defined by surface drilling and surface trench channel sampling, with a data spacing of no more than 80m × 40-60m. An Indicated block is defined by a drill hole/channel spacing of no more than 160m × 60-80m. No extrapolation is allowed from a data point for the Measured and Indicated blocks. An Inferred block is generally defined by a wider drill hole spacing or extrapolated 40m from the Measured/Indicated blocks. Figure 29 shows the resource classification on a projected long section for the No.632 pegmatite vein in the Cuola Project.

For other pegmatite veins with an exploration type II-III or III, a Measured block is defined by surface drilling and surface trench channel sampling, with a data spacing of no more than 40m × 15-20m. An Indicated block is defined by a drill hole/channel spacing of no more than 80m × 30-40m. No extrapolation is allowed from a data point for the Measured and Indicated blocks. An Inferred block is generally defined by a wider drill holes spacing or extrapolated no more than 40m from the Measured/Indicated blocks. Figure 30 shows the resource classification on a projected long section for the No.602 pegmatite vein in the Cuola Project by the No.108 Brigade.

Mineral Resource Estimation

In the mineral resource estimation process, the corresponding two-dimensional blocks on two neighboring parallel cross sections were used to define a three-dimensional block. The area of the three-dimensional block (S) is calculated from the areas of the two-dimensional blocks on the two cross sections (S_1 and S_2). When the area difference for the two blocks on cross sections is less than 40%, the following trapezoid formula is used for the three-dimensional block area calculation:

$$S = \frac{S_1 + S_2}{2}$$

When the area difference for the two blocks on cross sections is more than 40%, the following frustum formula is used for the three-dimensional block area calculation:

When a block on a cross section pinches out, the three-dimensional block area is half the two-dimensional block area if the block pinches out to a line or one third of the two-dimensional block area if the block pinches out to a point.

The volume of the three-dimensional block is determined by multiplying the area (S) with the sectional distance (L). The block mineral resource tonnage is determined by multiplying the volume by the average bulk density of the pegmatite vein. The mineralised body and deposit tonnages are based on the sum of the block tonnages.

Average drill hole or channel sample Li_2O grades were calculated using the length-weighted average of all the drill hole or channel samples within the block boundary. The block average grade is calculated using the length-weighted average of all drill hole or channel intersections inside the block. The mineralised body grade is calculated using the tonnage-weighted average of all blocks inside the mineralised body. The deposit grade is calculated using the tonnage weighted average of all the mineralised bodies in the deposit.

Based on our review, BDA considers the mineral resource estimation procedures and parameters applied by the No.108 Brigade for the Cuola Project to be generally reasonable and appropriate. The deposits are relatively large spodumene pegmatite veins or vein groups generally with good or reasonable spatial and grade continuity. The Measured blocks were defined by drill holes and surface trench channel samples at a data spacing of no more than 80m × 40-60m (type II, the No.632 vein only) or 40m × 15-20m (type II-III or III) and have a relatively high level of geological control. The Indicated category blocks were also reasonably defined based on drill holes and surface trench channel samples at a data spacing of no more than 160m × 60-80m (type II, the No.632 vein only) or 80m × 30-40m (type II-III or III). There was no extrapolation from data points for the Measured and Indicated category mineral resource blocks. The Inferred category blocks were defined by wider-spaced sampling or by limited extrapolation from Measured and Indicated resource blocks.

BDA considers that traditional parallel section method and polygonal method are acceptable resource estimation methods under the JORC Code although the estimation results may be difficult to be used directly for further Ore Reserve estimation and mine planning, especially for an open-pit mining operation. Tianqi Shenghe will need to convert the parallel section/polygonal resource model to a three-dimensional computer block model in order to conduct Ore Reserve estimation and mine planning, especially for an open-pit mining operation.

As the Cuola Project is still at the development stage. No actual production data is available for reconciliation of the actual mine production with the resource estimation.

Figure 29 Block Mineral Resource Classification for the No.632 Pegmatite Vein by the No.108 Brigade

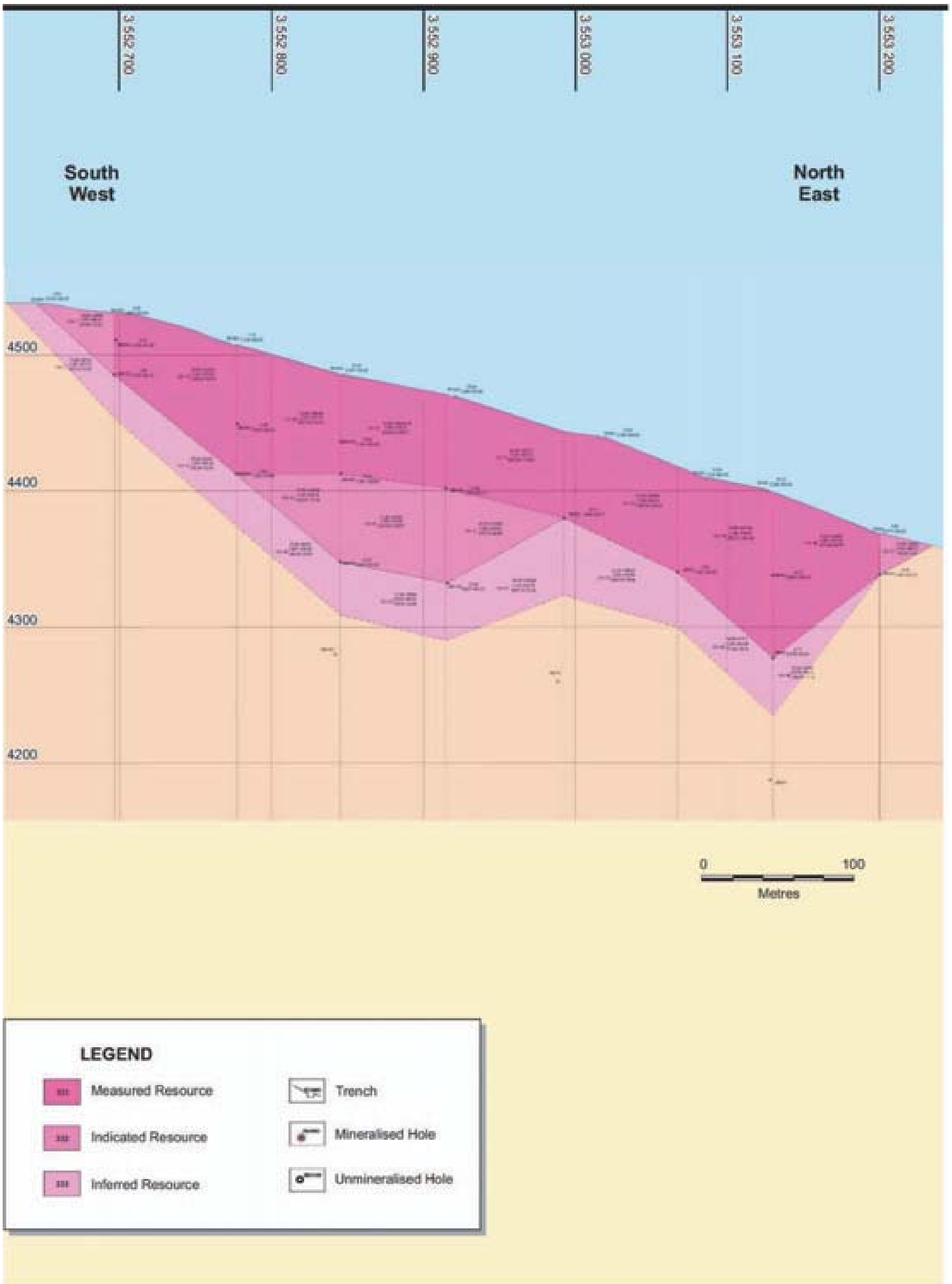
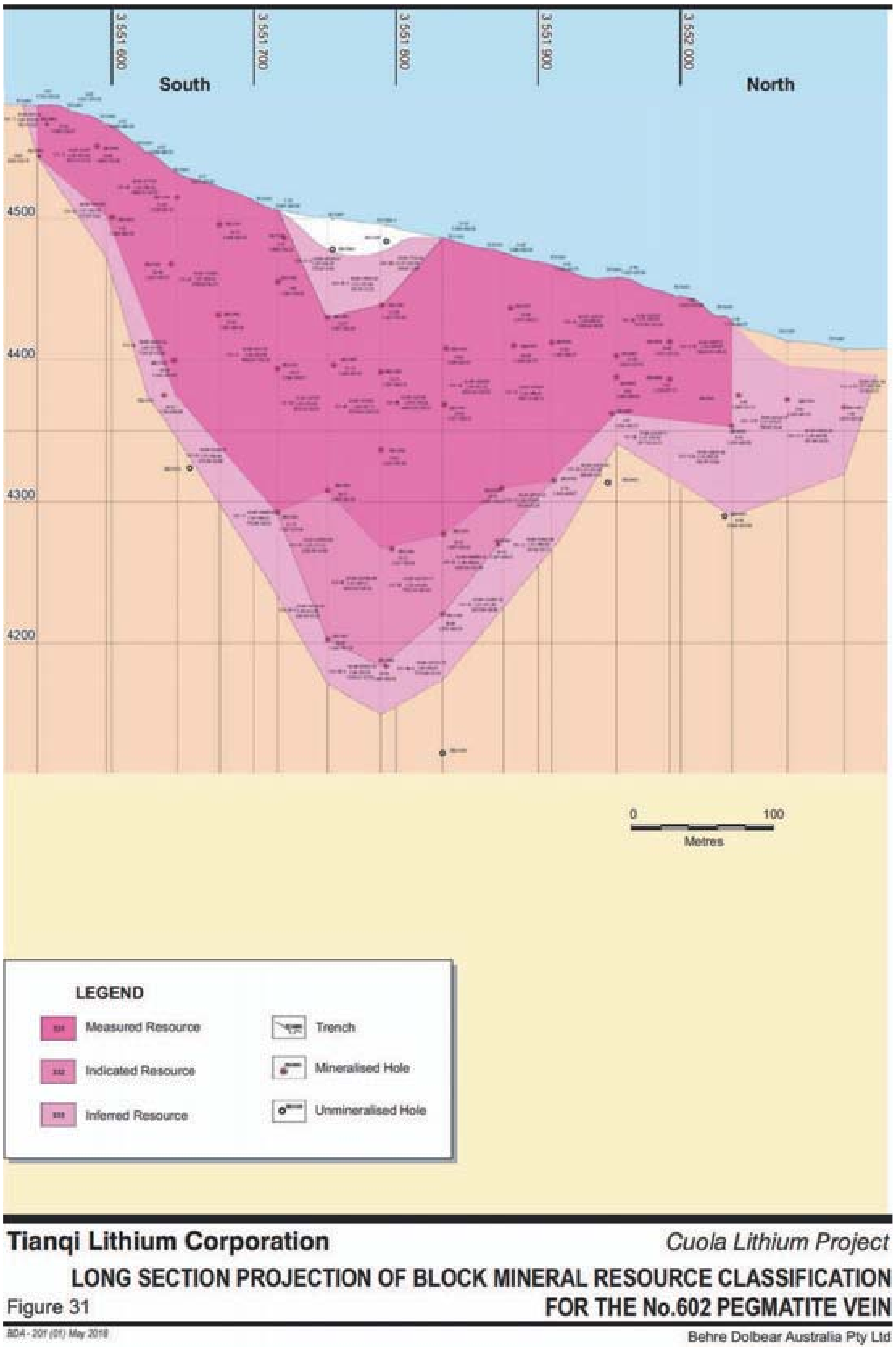


Figure 30 Block Resource Classification for the No.602 Pegmatite Vein by the No.108 Brigade



As discussed previously, the surface drill holes were mostly drilled at a high angle of 80º, which is less than ideal for the steep-dipping spodumene pegmatite veins in the Cuola Project, as the thickness and location of the veins may not be determined accurately. Because of this limitation, plus the fact that some of the drill hole spacing for the No.108 Brigade's Measured Resource blocks is relatively wide, BDA considers the Measured resource blocks would be more appropriately classified as Indicated. For the purposes of this CPR, BDA has therefore reduced the confidence level of all the Measured Resource blocks in the No.108 Brigade resource estimation and has reclassified them as Indicated Resources.

Based on its review of the deposit geology, drilling and sampling data, and procedures and parameters used for the estimation of mineral resources, BDA is of the opinion that the Mineral Resources estimated by the No.108 Brigade under the 1999 Chinese mineral resource system for the Cuola Project, after reclassifying the Measured Resources to Indicated Resources, conforms appropriately to the equivalent JORC Mineral Resource categories. The economic portion of the Indicated Resources can accordingly be used to estimate the Probable Ore Reserves for the Cuola Project.

Mineral Resource Statement

The Mineral Resource estimates under the JORC Code as of March 31, 2018 for the Cuola Project, as reviewed by BDA, are summarized in Table 5.2. The mineral resources estimated by the No.108 Brigade for the Cuola Project were dated September 22, 2011. As there have been no additional exploration and/or mining activities for the property since the No.108 Brigade resource estimation, the Mineral Resources as of March 31, 2018 remains the same as that on September 22, 2011. BBA considers that under the JORC Code both the Measured and Indicated resource blocks defined by the No 108 Brigade should be categorized as Indicated. The Mineral Resource estimates are inclusive of mineralisation potentially comprising the Ore Reserves.

Table 5.2

Cuola Project Mineral Resources as of March 31, 2018

Resource Category	Tonnage (Mt)	Li_2O%	Li_2O (kt)	LCE (kt)
Indicate Resources	14.19	1.31	186	461
Inferred Resources	5.52	1.26	69	171
Total Mineral Resources	19.71	1.30	256	632

Note: there may be some rounding errors in totals; a cut-off grade of 0.5% Li_2O was used for reporting resources; the derivation of lithium carbonate equivalent is tons × (%Li_2O/100) × 2.473 = tons LCE.

BDA notes that the No.108 Brigade also estimated grades for BeO (406ppm), Nb_2O_5 (116ppm), and Ta_2O_5 (49ppm) for the mineral resources in Table 5.2. These grades are sub-economic under current technical and economic conditions; therefore, no further discussion is conducted for these elements in this CPR.

Mineral Resource Upside Potential

There is some additional resource upside potential for the Cuola Project, as summarized below:

- approximately 28% of the estimated Mineral Resource is classified as Inferred; this resource can potentially be upgraded to Measured and Indicated categories with additional drilling;

- some of the pegmatite veins remain open in the down dip direction; further drilling could define additional resources in these areas; and
- a large portion of the original project exploration license area was covered by Quaternary glacial sediments; there is a possibility that some of the spodumene pegmatite veins are covered by the glacial sediments and have not been discovered to date, which could provide additional targets for further exploration in the area.

Ore Reserve Estimation

Tianqi Shenghe completed a feasibility study and an initial project engineering design study for the Cuola Project in 2012. BDA's preliminary review indicates that some of the methodologies and parameters used in these studies do not conform with the JORC Code requirements as the Inferred Resources were used along with the Measured and Indicated Resources for mine planning and reserve estimation and some of the economic parameters used for the studies are now out of date. Tianqi Shenghe has not updated the feasibility study or the initial engineering design study by the date of this report and therefore, BDA considers that Ore Reserves under the JORC Code are currently not defined for the Cuola Project; and as a consequence, mining operations, processing operations, production plans, capital and operating cost of the Cuola Project have not been reviewed by BDA as part of this CPR. However, BDA believes that Ore Reserves under the JORC Code could be defined in the future if a feasibility study or an initial project engineering design study conforming with the JORC Code and based on up to date economic conditions were completed.

Conclusions

BDA considers that Mineral Resource estimated by the No.108 Brigade using the traditional parallel section/polygonal section has generally been undertaken professionally. BDA has lowered the confidence level for the Measured Resources of the No.108 Brigade estimate principally because of the high drill hole angle. After reclassifying the Measured Resources into Indicated Resources, BDA believes that the Mineral Resource estimates for the Cuola Project as summarized above are in compliance with the JORC Code. However, this resource model produced by the No.108 Brigade may need be converted to a three-dimensional computer block model in order to conduct Ore Reserve estimation and mine planning, especially for an open-pit mining operation.

Ore Reserve estimation has not been reviewed by BDA in this CPR as the feasibility study and the initial engineering design study completed for the Cuola Project used some methods and parameters that do not conform with the JORC Code requirements. BDA believes that Ore Reserves in compliance with the JORC Code could be defined for the Cuola Project under current technical and economic conditions should a feasibility study and/or an initial engineering design study in compliance with the JORC Code be completed.

5.5 Mining, Processing, Development Plan and Production Schedule, etc.

Mining, processing, development plan and production schedule, capital costs and operating costs, project implementation and project economic analysis will not be reviewed in this CPR as a feasibility study or an initial engineering design study conforming with the JORC Code has not been completed by Tianqi Shenghe for the Cuola Project to date.

5.6 Infrastructure

Primary access to the Cuola Project site is via a dirt-and-gravel road from the east. The project site is approximately 4km from the Jiajika Mine and 37km from the town of Tagong, which is located on sealed provisional highway S215 (Figure 3). This highway connects to the national highway G318 in the south. The road distance via S215 then G318 is approximately 108km to Kangding and 477km to Chengdu. The Ganzi Prefecture government is planning to upgrade the access road from Tagong to the Jiajika District, which will significantly improve the access to the Cuola Project as well as other lithium projects in the Jiajika District.

Electricity at the Cuola Project site is currently supplied by a 10kV line connected to the Jiajika Mine substation. This power supply is sufficient for the construction of the Cuola Project, but will not be sufficient for the planned mine production. Power supply for the entire Jiajika District is being coordinated by the Ganzi Prefecture government, and it is planned that a new 110kV line will be constructed from an existing substation in Tagong. This new power line will supply sufficient electricity for the Phase I mining operation and the planned Phase II expansion of the Cuola Project as well as the Jiajika Mine and other possible mining operations in the district.

There are several glacial erosion lakes in the Jiajika District. The Cuola Lake located north of the No.594 spodumene pegmatite vein and/or the Jiajika Lake located east of the Cuola Project area are planned to be the water sources for production and domestic water uses of the Cuola Project. The Cuola Lake has a surface area of approximately 0.12km^2 with a water depth of 0.3-30.5m and a static water storage volume of approximately 2.0Mm^3; the Jiajika Lake has a surface area of approximately 0.20km^2 with a water depth of up to 15m or more, and a static water storage volume of approximately 1.5Mm^3. These lakes are recharged by surface precipitation water, especially during the rainy season. Tianqi Shenghe consider that these two lakes will supply sufficient water for planned production.

Conclusions

The existing and proposed infrastructure is generally adequate and appropriate to support the planned mining operation

5.7 Mineral Tenements, Taxes and Land Reclamation

Mineral Tenure

Under the "Mineral Resource Law of China", all mineral resources in China are owned by the state. A mining or exploration enterprise may obtain a license for the right to conduct mining or exploration activities in a specific area during a specified period of validity. The licenses are generally extendable at the expiration of their period of validity. The renewal application should be submitted to the relevant state or local authorities at least 30 days before the expiration date of a license. To renew an exploration license, all exploration license fees must be paid and the minimum exploration expenditure should have been made for the area designated under the exploration license. To renew a mining license, all mining license fees, resource taxes, and resource compensation levy must be paid to the state for the area designated under the mining license. A mining license has both horizontal limits and elevation limits, but an exploration license has only horizontal limits.

As stated previously in this CPR, Tianqi Shenghe currently holds a mining license with an area of 2.069km^2 for the Cuola Project with a license number of C5100002012045210124005. The license was issued by the Department of Land and Mineral Resources of Sichuan Province on April 6, 2012 and is valid until April 6, 2032; it is extendable afterwards. The license area is separated into four zones with a total of 44 inflection points that cover all the identified spodumene pegmatite veins with lithium mineral resources within the original exploration license boundary (Figure 23). The elevation range for the permitted mining area is from 4,100m to 4,580m. The license permits Tianqi Shenghe to conduct a mining operation at a production rate of 1.2Mtpa.

After receiving the mining license, the original exploration license held by Tianqi Shenghe for the Cuola Project was relinquished.

BDA notes that a mining license in China generally only covers the identified mineral resources for a mining project; mine facilities can be located inside or outside the mining license boundary, but the land used for the mine facilities will generally need to be acquired or leased before mine construction and production. This is different from most western countries such as Australia where all the mine facilities are located within the mineral tenements or miscellaneous licenses of a mining project.

BDA notes that all currently defined Mineral Resources reviewed by this CPR for the Cuola Project are contained within the limits of the above mining license.

BDA has not undertaken a legal due diligence review of the property control documents or the mining license under which the Cuola Project operates as such work is outside the scope of BDA's independent technical review. BDA has relied upon Tianqi Shenghe's advice as to the validity of the property control documents and the mining license. BDA understands that the legal due diligence review of the property control documents and the mining license has been undertaken by Tianqi's Chinese legal advisers.

Taxes

A mining company in China is generally required to pay a resource tax based on the sales revenue of its products. The resource tax rate is commonly 5%, but is determined by the relevant government agency for each mining company and/or each mining project. As Tianqi Shenghe is not in production at this stage, the resource tax rate for spodumene concentrate produced from the Cuola Project has not been determined.

According to information provided by Tianqi Shenghe, all concentrate sales from the Cuola Project will be subject to a value added tax ("VAT") of 17%, and there is also a city-maintenance-and-construction levy of 5% of the VAT and an education levy of 3% of the VAT. The corporate income tax rate for Tianqi Shenghe is currently at 25%.

Land Reclamation

A reclamation plan report for the Phase I 600ktpa mining operation of the Cuola Project was completed by Sichuan Changqing Land Management Company Limited in Chengdu, Sichuan in December 2013. The reclamation plan report was reviewed and approved by a panel of specialists organized by the Department of Land and Resources of Ganzi Prefecture on December 2, 2013. According to the reclamation plan report, the total disturbed area for the Phase I Cuola Project is approximately 181ha, of which approximately 47ha, which will be temporally disturbed by mining and living facilities, waste dumps, internal roads, open pits, water intake facility, will be subject to reclamation. The TSF dam and the permanent construction will not be subject to reclamation. It was estimated that the total reclamation cost for the 47ha temporally disturbed area is approximately RMB6.1M. Tianqi Shenghe has provided a reclamation guarantee to the Department of Land and Resources of Ganzi Prefecture. BDA was informed by Tianqi Shenghe that a reclamation bond was not required by the government for the Cuola Project.

Conclusions

BDA has not conducted legal due diligence on the property control documents and mining license for the Cuola Project. BDA is advised by Tianqi Shenghe that there are no material tenement issues for these documents and license. BDA has completed a review of the mining license data for the Cuola Project and finds no reason to suspect that the information provided by Tianqi Shenghe is not accurate or factual.

5.8 Environmental and Community Issues

BDA has not completed a systematic review of the environmental and community issues of the Cuola Project as a feasibility study and/or an initial engineering design study in compliance with the JORC Code has not been completed.

BDA understands that an environmental impact assessment report for the Phase I 600ktpa open-pit mining operation of the Cuola Project was completed by Sichuan Academy of Environmental Protection Science in December 2012, and the Cuola Phase I open-pit mining operation project was approved by Environmental Protection Department of Sichuan Province on February 26, 2013.

BDA was informed by Tianqi Shenghe that government at various levels is supportive of the development of the Cuola Project.

The Cuola Project site is located at the south-eastern edge of the Qinghai-Tibet plateau at an elevation of over 4,000m and is in an environmentally sensitive area. It is important for Tianqi Shenghe to take appropriate measures for ecological conservation and to avoid any environmental pollution.

Tianqi Shenghe's management and staff are all aware of the importance of environmental protection and ecological conservation.

During the 2009-2011 exploration period, all exploration work, including drilling and trench excavation, were conducted in accordance with requirements of the relevant regulations. The relevant government agency was entrusted to arrange an appropriate party to conduct the reclamation work for the areas disturbed by exploration. Some of the drilling roads located within the planned open-pit limits were not reclaimed, but appropriate compensation was paid by Tianqi Shenghe.

The Cuola Project construction work in 2012-2013 was also conducted in accordance with the environmental protection plan for the construction stage and the requirements of the relevant regulations. Dust was controlled at an appropriate level by water sprinkling, and garbage was properly disposed of, generally by deep burial.

Tianqi Shenghe has maintained a close and co-operative relationship with the local community from the beginning of the project. This includes the provision of financial and other support to community groups.

However, some of the local residents are sensitive to the possible environmental effects caused by mining activities in the district. On October 13, 2013, some local residents alleged that a leak from the TSF from the neighboring Jiajika Mine resulted in an environmental incident (including a large number of dead fish) in a downstream river. Some of the local residents demanded that the operation of the Jiajika Mine be shut down. In order to maintain the safety of property and personnel, the Department of Land and Resources of the local Ganzi Prefecture issued a directive on October 16, 2013 to suspend all activities at lithium projects in the Jiajika District including the mine production activities of the Jiajika Mine, all the construction activities of the Cuola Project and all the exploration activities of another third party. It was reported that a further similar environmental incident related to the Jiajika Mine occurred on 4 May 2016. As at the date of this report, regulatory approval to recommence construction/production has not been granted for any of the lithium operations in the Jiajika District.

The Directive from the Department of Land and Resources of the Ganzi Prefecture resulted in the suspension of all construction activities for the Cuola Project, and all ordered equipment was returned to the manufacturers after paying some penalties in accordance with the purchase contracts. Since that time, Tianqi Shenghe has only kept a few company employees and police station personnel on site to maintain the safety of properties and personnel. Only limited domestic garbage is generated in this stage and it has all been properly disposed.

The local government understands the importance of developing the Jiajika District, especially given that lithium demand and price have both increased significantly in recent years. However, the government is also concerned to protect the sensitive environment, conserve the ecological system, and respect the wishes of local Tibetan residents. Therefore, the government has only allowed the resumption of exploration activities in the Jiajika District to date; the development of Cuola Project is currently on hold.

Conclusions

Tianqi Shenghe obtained the necessary environmental approvals to construct the Phase I 600ktpa mining operation of the Cuola Project, and is sensitive to the requirements to protect the environment and maintain a good relationship with the local residents. However, alleged environmental incidents related to an adjacent third-party mining property have resulted in the cessation of construction activities. No definite timeframe has been provided to BDA for the resumption of activities. BDA considers that environment and community issues will be key area of focus for the resumption of activities at the Cuola Project.

6.0 RISK SUMMARY

6.1 Project Risk Summary

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be wholly predicted.

Estimations of the tons and grade of a deposit are not precise calculations but are based on interpretation and on samples from drilling which, even at close drill hole spacing, remain a very small sample of the whole orebody. There is always a potential error in the projection of drill hole data when estimating the tons and grade of the surrounding rock. Even with close-spaced drilling, significant variations may occur. Comprehensive metallurgical testwork can reduce the processing risks, but the questions of representivity and scale-up remain. Estimations of project capital and operating costs have variable levels of accuracy, depending on the status of the estimates, as reflected in the sensitivities applied to the financial models. Mining project revenues are subject to variations in commodity prices and exchange rates.

6.2 Greenbushes Mine

The Talison Greenbushes lithium project is an established operation, and thus many of these risks are moderated by historical and ongoing experience. Nevertheless, mining will proceed to greater depths and significant expansions in throughput and concentrate output are planned. BDA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified from low through to high. In the following section, BDA has considered factors which may ameliorate some of these risks.

Risk Component	Comments
Resources/Reserves *Low to Low/Medium Risk*	At Greenbushes the bulk of the resource drilling grid is irregular, varying from approximately 25 x 25m to 50 x 50m, although additional grade control drilling has been incorporated. This spacing is relatively wide for detailed definition of the mineralisation at the highest confidence level, and accordingly, the in-situ resources have been classified as Indicated and Inferred, which BDA considers appropriate. Sample data is based on both diamond and RC percussion drilling. Although the audit trail is incomplete for older data, BDA considers that the data quality is generally good, and that the geology and mineralisation controls are well understood. The 2018 resource model has been prepared by Talison, based on earlier models developed by QG, an independent consulting group. Mineralogical and grade domains have been re-defined with the addition of recent drilling data, and these have controlled the preparation of the resource model, outlining the principal pegmatite domains, lithium mineralisation domains, and waste zones. An Ordinary Kriging resource block model has been prepared. Statistical and visual validation of the resource model has been undertaken. Resources have been classified as Indicated or Inferred depending on the number of kriging passes required to inform each resource block. BDA considers the resource modeling and resource classification approaches to be appropriate. An open pit mineable reserve has been estimated based on Indicated Resources within the 2018 resource model, with the resultant reserves classified as Probable, which BDA considers appropriate. Mining dilution and mining recovery figures used in the reserve estimate appear generally acceptable, based on reconciliation data for the last two years. Stripping ratios are low.

Risk Component	Comments
	There is potential to define additional, albeit generally less profitable, mineable reserves within extensions along strike and at depth, including known Inferred Mineral Resources and currently marginally economic Indicated Mineral Resources that are excluded from the current mine plan. Additional resources and reserves have been identified within TSF1, while potential exists at outlying prospects, and, while these may not be particularly large or high grade, they do occupy areas required for future waste and tailings storage, and, thus, will be further evaluated as a matter of priority. As a generalization, BDA would rarely rate resource/reserve risk as less than low/medium. However, there is a long history of mining at Greenbushes to support the understanding of the controls and distribution of the mineralisation, and reconciliation between the 2018 resource model and overall mine production over a three year period is close. Consequently, resource and reserve risks are both considered to be low to low/medium.
Open Pit Mining *Low/ Medium Risk*	In open pit mining there is commonly a risk of localized or significant pit wall failure that will reduce the quantity of ore available. The Greenbushes mine design has taken into account the geotechnical consultant's recommendations and the results from ongoing geotechnical reviews. BDA considers that the mine design has been completed with a relatively conservative approach to minimize geotechnical risk which is considered low/medium. Some localized batter failures have occurred but adjustments to the batter design have reduced future risks. Talison has installed piezometers to better understand groundwater pressures and plans to extend installations as the pits deepen. There is some risk of high rainfall events affecting short term mine production. Talison has appropriate plans in place to mitigate the effects of such an event with the drain hole into the underground workings. During the planned cutbacks, ore will be sourced from various levels within the pit. There is considered to be negligible risk from seismicity. The overall risk component within the open pit operation is considered to be low/medium.
Processing *Low Risk*	The design of CGP2, 3 and 4 is based on operating experience with CGP1. The changes implemented from CGP1 are not considered high risk. TG ore will continue to be processed through the dedicated TGP. Talison has over twenty years of experience in the processing of spodumene lithium ores on the site and the requirements for efficient processing of these ores are well understood.

Risk Component	Comments
	The ore is high grade and is amenable to the processes used, provided that high and low iron ores can be selectively mined and processed.
Services and Utilities *Low Risk*	The power supply to site is considered secure. It is vulnerable to short term outages such as lightning strikes but disruptions have had minimal impact. There is some risk to the supply of power to the lithium plants if the tantalum operation is re-started. BDA considers these risks to be low.
Infrastructure, Roads, Transport *Low Risk*	Greenbushes operations are well established in close proximity to the South Western Highway. Port access is well established although bulk shipments may be constrained by more stringent environmental regulations. No specific regulations are foreseen but maximum allowable levels of dust and noise have reduced over time. The overall infrastructure risk is considered low.
Tenement and Title *Low Risk*	BDA has not undertaken a title search or legal due diligence on the status of the tenements or regulatory approvals held by Talison. BDA is advised by Talison that there are no material tenement issues relating to title to any of Greenbushes' assets. The approvals process for gaining variations to the original development approvals at Greenbushes appears relatively straightforward and all necessary approvals appear valid and appropriate for the operations. BDA can foresee no reason why future development approval applications or variations would not be forthcoming.
Social Issues *Low Risk*	The main social risk area relates to local communities becoming disenchanted from impacts associated with dust, noise, traffic and other issues associated with Talison's mining activities. The Greenbushes mine has a long history of operations, and the local community are generally strong supporters of continued mining. The socio-economic benefits which positively impact on the Greenbushes community are an important driver to ensuring continuing community support for mining in the area.
Environmental Issues *Low Risk*	Site environmental procedures and ongoing monitoring and data collection programs continue to be well planned and implemented. Based on the information provided by Talison and previous site visits, BDA considers that the strategies for environmental protection, pollution control and monitoring are appropriate for the site and current operations. The Environmental Management System (EMS) deployed at Greenbushes provides an excellent environmental management base, setting out the numerous statutory obligations, policy statements and management objectives and targets, and standard operating procedures. The

Risk Component	Comments
	Greenbushes EMS is certified under ISO 9001:2015 Quality Management System Requirements and ISO 14001:2015 Environmental Management System. The strategies for environmental protection, pollution control and monitoring on-site are appropriate. Based on the mitigation measures implemented, the risk associated with the potential for off-site impacts, including noise, dust and disturbance to surrounding ecosystems, is low. Although lithium levels are elevated in site water dams and some groundwater monitoring bores, eco-toxicity studies conducted by the University of Western Australia support the suggestion that substances contained in the mine effluent, even at their maximum concentrations immediately below Cowan Dam, have not had any significant ecological consequences. The understanding gained from these eco-toxicity studies provide the rationale to the agreed targets and limits for discharges from the site with the DER. BDA has examined the LOM Mine Closure Plan and associated cost estimation and considers it appropriate for the current LOM planning. The determination of closure costs is consistent with the LOM Business Plan. BDA is of the opinion that Talison has all the necessary approvals, permits and licenses required to continue operating the Greenbushes Mine. Talison has engaged consulting firm GHD to support Talison in gaining the necessary environmental approvals required for the expansion of the Greenbushes Lithium Mine.
Project Implementation *Low Risk*	The majority of the project development and expansion is being implemented by an EPC Contractor with appropriate experience and expertise in accordance with a standard form of EPC contract for design and construction. The contract is an open-book cost-reimbursable target estimate contract under which the contractor is to share in any cost savings or overruns. The EPC Contractor fulfilled a similar role in the design and construction of the previous similar project completed in 2012. The proposed project team is considered adequate. BDA considers the 26-month duration for the EPC Contract scope design and construction to be achievable, subject to a reasonable level of project management by the Talison Owner's project team.
Production *Medium Risk*	The current mine contractor has been operating at site for an extended period and planned production levels have been met but future growth in production will require a change in the size of the production units. There may be short fall in achieving targets

Risk Component	Comments
	during transition to higher production rates but these are expected to be short term impacts that can be made up with significant ore stockpiles planned over the majority of years. The increase in ore treatment rate is not considered to be high risk given that the design of the three new plants is based on that of the existing CGP1 unit and that Talison's procedures for ore assessment are well established. The proposed increases in output rely on significant expansion of lithium demand for which the Greenbushes concentrate is a feedstock. This is dependent upon increased world-wide usage of lithium batteries due to increased reliance on electric vehicles, electricity grid storage and renewable sources of energy.
Capital Cost *Low/Medium Risk*	The forecast cost at completion is based on forecasts prepared by the CGP2 EPC Contractor for that contract scope and by Talison for costs outside of the CGP2 contract scope. BDA considers the methodology and data used to prepare the forecasts to be generally reasonable. The risk to Talison of overrun in the majority of the cost centers is reduced because any overrun will be shared with the EPC Contractor. In BDA's experience, the risk of overrun in capital costs in the design and construction of resource projects, even with a standard level of contingency, is always significant and generally rated as medium. In this case, because of the contracting strategy proposed by Talison, and the previous experience of the contractor, in BDA's opinion, the risk is reduced to low/medium.
Operating Cost *Low/Medium Risk*	Major mine operating costs are contract mining costs for drill and blast and load and haul activities. Cost estimates reflect the contractual unit rates. BDA considers there is some risk of unit cost escalation particularly during expansion of production. Unit process operating costs are projected to remain relatively constant over the LOM with CG annual plant operating cost expenditure increasing in line with the proposed increase in production levels apart from crushing costs the are projected to reduce as a new crushing unit is built replacing the hired crushers. BDA considers that the methodology used for the development of future processing costs is reasonable. Administration costs are a relatively minor proportion of total operating costs and are projected to remain relatively constant over the LOM with the unit cost reducing as the throughput increases. Overall operating costs are considered a low/medium risk.

Risk Mitigation Factors

A number of factors tend to reduce some of the risks identified above. Principal amongst these are:

- The pegmatite geology is relatively straightforward, and the mineralisation controls are generally well understood (although individual contacts can be complex). Geological and grade information gained from mining since 1983 greatly increases confidence in the geological interpretation and resource modeling.
- Reconciliation between the relevant part of the 2018 resource model and mine production figures for calendar years 2015 to 2017 shows close agreement in total ore tonnages and grade.
- There are known additional resources and additional resource potential both adjacent to the currently designed pits and elsewhere on the property, increasing the likelihood for additions to mineable reserves, although such additional material is generally likely to have lower economic value.
- The mining of lithium ore at Greenbushes is well established and the staff at site have significant experience in the operation, including the mining of the Cornwall (tantalum) pit where production was at similar levels to those planned in the short to medium term.
- The Cornwall pit north of the C3 pit has been mined to a depth of 270m and there have been no major wall failures. The C3 pit is planned to a depth of 450m and wall slopes are planned to be similar to the existing pit.
- The increase in production is based on construction of three plants each of which is similar in design to the existing CGP1, which has an established production record, having been commissioned in 2012. Changes in the flow sheet and plant design are relatively minor and are based on improvements identified with the CGP1 design.
- The operation has developed a history of successful application of new technologies in the processing area with the optimisation of the coarse particle flotation stages and the more recent commissioning of the WHIMS.
- The favorable location of the operation from a life-style perspective means that many personnel have over ten years of service and have developed high skill levels specific to the operation.
- The letting of an EPC Contract to the contractor who performed a similar role in the most recent process plant construction project at the Greenbushes site is likely to reduce the risk of cost and schedule overruns.
- Talison has engaged consulting firm GHD to support Talison in gaining the necessary environmental approvals required for the expansion of the Greenbushes Mine.

6.3 Greenbushes TSF1 Project

The Greenbushes TSF1 Project is at the planning and development stage. BDA has considered areas where there is perceived technical risk to the project, particularly where the risk component could materially impact the projected cashflows. The assessment is necessarily subjective and qualitative.

Risk has been classified from low through to high. In the following section, BDA has considered factors which may ameliorate some of these risks.

Risk Component	Comments
Resources/ Reserves *Low to Low/Medium Risk*	The limits of the TSF are clearly defined, and the stratification and grade distribution within it are well understood even at the drill spacing of 200x175m. The sonic drilling method is ideally suited to this type of deposit, supplying high quality samples, while the quality of the analytical results has been confirmed by QA/QC. The 2018 resource model prepared by Talison utilized the inverse distance squared algorithm for grade estimation into large (80x80x1.5m) blocks; this method is an industry standard method applicable to such deposit, and BDA considers that the model provides results suitable for mining studies based on bulk extraction. Talison classified resources as Indicated within both the EZ and DZ units, although mining is contemplated only for the EZ. However, while agreeing that the Indicated classification is suitable for resources within the EZ under a bulk mining scenario at the proposed 0.7% Li_2O cut-off, BDA considers that location of above cut-off resources in the significantly lower grade DZ is inadequately defined by current wide-spaced drilling and therefore the DZ resources should be considered as Inferred, ie. not suited to evaluation of the selective mining that would be required. The Probable Ore Reserve has been estimated based on Indicated Resources in the EZ only, with mining restricted to a maximum depth of 7m. Provision has been made for basal dilution by lower grade DZ material where appropriate, while allowance has been made for minor losses due to removal of the top 0.3m containing vegetation. Given the simplicity of the TSF1 deposit and the fact that bulk mining proposed only for the EZ zone, resource and reserve risks for this unit are both considered to be low to low/medium.
Mining *Low Risk*	Mining operation is a simple operation with all material ripped by dozers and loaded to trucks by excavator. Some dewatering of tails will be needed to ensure the water level does not encroach the 7m depth of operation and hamper equipment movement.
Processing *Low/ Medium Risk*	Processing would use the same techniques as those employed in the existing plants, except that no size reduction would be necessary. The techniques employed are well understood on the site.
Production *Low Risk*	The proposed mining rate of 2Mtpa should be achievable with the planned equipment. Multiple mining areas can be used if required to meet production targets. Processing throughput should be relatively low risk given the processes are known to Talison management.

Risk Component	Comments
Capital and Operating Costs *Medium Risk*	The capital costs are preliminary and further detailed engineering is required on the plant design. The operation is relatively straight forward but there is potential for escalation of operating costs.

Risk Mitigation Factors

A number of factors tend to reduce some of the risks identified above. Principal amongst these are:

- The tailings mineralisation is clearly defined and of a simple style. The uppermost unit (EZ) contains economic grades throughout its extent, vertically and laterally, and is thus suited to bulk mining in its entirety. Consequently, it is considered likely that the estimated average grade of the deposit based on regular drilling will match closely to the mined grade, reducing resource and reserve risk to relatively low levels.
- The mining of the tailings is relatively straightforward and the work is a small addition to the planned mining operations in the Central Lode pits. In the initial stages there is flexibility in mining locations reducing production risks.
- Processing uses technology which has been developed on the site and which is well understood.

6.4 Cuola Project

The Cuola Project is at the planning and development stage. Only Mineral Resource estimates were reviewed in this CPR as a feasibility study and/or an initial engineering design study conforming with the JORC Code has not been completed for the Cuola Project at the date of this report. Therefore, Ore Reserves, mining operations, processing operations, production, capital costs and operating costs, etc., were not reviewed by BDA in this CPR. BDA has considered areas where there is perceived technical risk to the project. The assessment is necessarily subjective and qualitative. Risk has been classified from low through to high. In the following section, BDA has considered factors which may ameliorate some of these risks.

Risk Component	Comments
Resources *Low/Medium Risk*	Geology for the Cuola Project is well understood through systematic exploration programs carried out by the No.108 Brigade from 2009 to 2011. The spodumene pegmatite veins and vein groups have been delineated by systematic diamond core drilling and surface trenching. The larger, regularly-shaped No.632 vein was explored by exploration lines 80m apart; and other smaller, less regular pegmatite veins or vein groups were explored by exploration lines 40m apart. Drill hole/trench spacing on the exploration lines range from 20m to 60m. However, most of the drill holes were drilled at an inclined angle of 80º because of the limitation of the drill rigs used by the No.108 Brigade, which is less than ideal for the steep dipping spodumene pegmatite veins in the Cuola Project. The No.108

Risk Component	Comments
	Brigade has surveyed all the drill hole collar and down-hole deviation (showing limited dip variation for all the drill holes) and the pegmatite veins are generally several meters to several tens of meters wide; these factors will reduce the impact of the smaller interception angle between drill holes and the pegmatite veins. However, because of this limitation and some wider spaced drilling in some areas, BDA considers that the confidence level of the Measured Resource estimated by the No.108 Brigade should be lowered to the Indicated Resource category. Sampling, sample preparation and analysis, and QA/QC at the Cuola Project have all followed acceptable industry practices. Resource estimation is conducted by the traditional parallel section method and the polygonal method and was completed diligently by the No.108 Brigade. BDA's review indicates that the resource estimate, after reclassifying the Measured Resource to the Indicated Resource category conforms to the requirements under the JORC Code. BDA considers that the resource estimate model produced by the parallel section method and/or polygonal method will be difficult to be used for follow-up mine planning and Ore Reserve estimation. This resource estimation model will need to be converted to a three-dimensional block model before being used for follow-up mine planning and Ore Reserve estimation, especially for an open-pit operation.
Infrastructure, Roads, Transport *Low Risk*	The current access to the project site is via a dirt-and-gravel road from the east from the town of Tagong; this road is planned to be upgraded by the local government. The G318 highway from Chengdu is being upgraded to an expressway system and there is also a new railroad under construction parallel to the highway. The transport conditions will be improved significantly when these upgrades are completed. Currently, there is a 10kV power line connecting the project site with a substation at the Jiajika Mine, which provides sufficient electricity for the construction of the Phase I operation at Cuola. The local government is planning to construct a 110kV power line from Tagong to supply electricity for all mining operations in the Jiajika District. Water in the glacial erosion lakes at the Jiajika District will provide sufficient good quality water for production and domestic usage.
Tenement and Title *Low Risk*	BDA has not undertaken a legal due diligence on the property control documents or the mining licence for the Cuola Project, but BDA is advised by Tianqi Shenghe that there are no material tenement issues relating to property control documents and the mining licence.

Risk Component	Comments
Environmental and Social Issues *Medium/High Risk*	An environmental impact assessment report for the Phase I 600ktpa open-pit mining operation of the Cuola Project has been approved by the relevant governmental agency. Tianqi Shenghe has been taken appropriate actions to date in relation to environmental protection and ecological conservation and in maintaining good relationships with local residents. However, the project site is at the south-eastern edge of the Qinghai-Tibet plateau at an elevation above 4,000m. The natural conditions at the project site are fragile and some of the local residents are sensitive about any potential environmental damage that might be caused by mining operations within the Jiajika District. An alleged environmental incident related to the neighbouring Jiajika Mine resulted in the suspension of the construction work of the Phase I mining operation of the Cuola Project as well as the mining operation of the Jiajika Mine. Therefore the development of Cuola Project is currently on hold. The risk rating of High/Medium indicates that BDA considers this risk is material.

Risk Mitigation Factors

A number of factors tend to reduce some of the risks identified above. Principal amongst these are:

- The geology is relatively straightforward, and the mineralisation controls are generally well understood. The mineralised body and grade continuity appears generally good or reasonable.
- There are significant Inferred Resources, generally defined over the lower portions of the spodumene pegmatite veins; these resource could be upgraded into Measured and Indicated Resources with additional drilling and sampling, and thus, subject to economic factors, and appropriate planning and approvals, available for conversion into reserves.
- Tianqi Shenghe's management and staff are all aware of the importance of environmental protection and ecological conservation.
- Tianqi Shenghe has maintained a close and co-operative relationship with the local community from the beginning of the project. This includes the provision of financial and other support to community groups.

7.0 VALUATION

7.1 Valuation Methodology, Standards and Procedures

This report has been prepared in keeping with the VALMIN Code for the Technical Assessment and Valuation of Mineral Assets and Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and as amended and updated in 2005 and 2015. Resource and reserve estimation procedures and categorisations have been reviewed in terms of the JORC Code, 2012.

7.1.2 Effective Date

The effective date for the valuation is April 1, 2018.

7.1.3 Valuation Principles

As a general principle, the fair market value of a property as stated in the VALMIN Code is the amount a willing buyer would pay a willing seller in an arm's length transaction, wherein each party acted knowledgeably, prudently and without compulsion.

7.1.4 Valuation Methods

There is no single method of valuation which is appropriate for all situations. Rather, there is a variety of valuation methods, all of which have some merit and are more or less applicable depending on the circumstances. The following are appropriate items to be considered:

- discounted cash flow
- amount an alternative acquirer might be willing to offer
- the amount which could be distributed in an orderly realization of assets
- the most recent quoted price of listed securities
- the current market price of the asset, securities or company.

The ***discounted cash flow*** or net present value method is generally regarded as the most appropriate primary valuation tool for operating mines or mining projects close to development. Valuing properties at an earlier stage of exploration where ore reserves, mining and processing methods, and capital and operating costs, are yet to be fully defined, involves the application of alternative methods. The methods generally applied to exploration properties are the ***related transaction*** or real estate method, the value indicated by ***alternative offers*** or by ***joint venture terms,*** and the ***past expenditure*** method. ***Rules of thumb or yardstick values*** based on certain industry ratios can be used for both mining and exploration properties. Under appropriate circumstances, values indicated by ***stock market valuation*** should be taken into account as should any ***previous independent valuations*** of the property.

The valuation methods considered are briefly described below.

7.2 Net Present Value ("NPV")

If a project is in operation, under development, or at a final feasibility study stage and reserves, mining and processing recoveries, and capital and operating costs are well defined, it is generally accepted that the net present value of the project cash flows is a primary component of any valuation study. This does not imply that the fair market value of the project necessarily is the NPV, but rather that the value should bear some defined relationship to the NPV.

If a project is at the feasibility study stage, additional weight has to be given to the risks related to uncertainties in costs and operational performance, risks related to the ability to achieve the necessary finance for the project, risks related to granting of licenses or permits, environmental and community aspects, political or sovereign risk and sometimes a lower degree of confidence in the reserves and recoveries. In an ongoing operation, many of these items are relatively well defined.

The NPV provides a technical value as defined by the VALMIN Code. The market value could be determined to be at a discount or a premium to the NPV due to other market or risk factors.

The Greenbushes lithium project has been in operation for many years and has a record of reliable production; it is the largest hard rock lithium producer worldwide, with an established customer base and a strong reputation in the market; resources and reserves have been estimated and reconciliations indicate a strong correlation between estimates and results in practice; mine plans and production schedules have been developed; the processing technology is conventional, proven and demonstrated to be effective; environmental conditions have been maintained at high standards and all necessary approvals for current operations are in place; estimates of forecast capital and operating costs are consistent with historical performances and are considered appropriate; Talison has prepared feasibility studies for proposed expansions.

In these circumstances, BDA considers that, for the Greenbushes operation, a reasonable determination can be made of likely cash flows and therefore the discounted cashflow or NPV method is both applicable and appropriate.

7.3 Alternative Valuation Methods

Previous Transactions, Alternative Offers and Joint Venture Terms

If discussions have been held with other parties and offers have been made on the projects or tenements under review, then these values are certainly relevant and worthy of consideration. Similarly, joint venture terms where one party pays to acquire an interest in a project, or spends exploration funds in order to earn an interest, may also provide an indication of value.

BDA has inquired of Tianqi whether any recent transactions, joint venture arrangements or discussions have been held which might provide a guide to possible value. BDA considers the purchase of a 49% interest in Talison in 2014 is the most relevant previous transaction that could be used.

Comparable Transactions

Recent comparable transactions on other lithium properties or involving other lithium-producing companies can be relevant to the valuation of the Tianqi projects and tenements. While it is acknowledged that it can be difficult to determine to what extent the properties and transactions are indeed comparable, this method can provide a useful benchmark for valuation purposes. The timing of such transactions must be considered as there can be substantial change in value with time.

BDA has considered whether, in recent years, there have been any comparable relevant transactions that could be used as a basis for estimation of value of the Greenbushes project, but considers that the 2014 Albemarle acquisition of a 49% equity interest in Talison referred to above is the only truly relevant comparable transaction.

Market Valuation

On the fundamental definition of value being the amount that a knowledgeable and willing buyer would pay a knowledgeable and willing seller in an arm's length transaction, it is clear that, for listed companies, due consideration has to be given to market capitalization. In the case of a one-project company or a company with one major asset, the market capitalization gives some guide to the value that the market places on that asset at that point in time, although certain sectors may trade at premiums or discounts to net assets, reflecting a view of future risk or earnings potential. Commonly however, a company has several projects at various stages of development, together with a range of assets and liabilities, and in such cases it is not possible to accurately define the value of individual projects or separate components of the assets in terms of the share price and market capitalization.

Talison is not a listed company and therefore there is not a readily available market valuation of the Greenbushes asset. Tianqi and Albermarle hold numerous assets, and therefore their market capitalization does not give a direct guide to the market value of the Greenbushes operation.

Rules of Thumb or Yardsticks

Certain industry ratios are commonly applied to mining projects to derive an approximate indication of value. The most commonly used ratios relate to gold projects and comprise dollars per ounce of gold in resources, dollars per ounce of gold in reserves, or dollars per ounce of annual production, but similar yardsticks can be derived for lithium projects.

BDA has reviewed listed companies with comparable lithium projects to assess the value ascribed to prospective hard rock lithium producers and to determine potential yardstick values. BDA has identified several entities as companies with lithium production projects that could be considered comparable, although of variable capacity and at different stages of development. BDA has used the market capitalization and the forecast performances as a basis for derivation of yardstick values ($/t of annual lithium production and $/t of contained lithium in resource) to allow a meaningful comparison with Talison.

Past Expenditure

Past expenditure, or the amount spent on exploration of a tenement is commonly used as a guide in determining the value of exploration tenements, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectivity enhancement multiplier' (PEM), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement. PEM >3.0 A resource has been defined but a (recent) pre-feasibility study has not yet been completed.

BDA does not consider exploration expenditure is a relevant method of determining value for the Greenbushes project, but considers it is potentially relevant in terms of the Cuola exploration and development project.

Prospectivity

Over-riding any mechanical or technical valuation method for exploration ground must be recognition of prospectivity and potential, which is the fundamental value in relation to exploration properties. BDA has considered the future prospectivity and development potential of the Greenbushes project.

Other Expert Valuations

Where other independent experts or analysts have made recent valuations of the same or comparable properties these opinions clearly need to be reviewed and to be taken into consideration. We have inquired of Tianqi whether any other recent valuations of the Company or its assets have been undertaken and these have been considered and discussed. The 2014 purchase of 49% of Talison is considered a reasonable benchmark for valuation, even though there have been significant increases in production and lithium prices since then.

7.4 Special Circumstances

Special circumstances of relevance to mining projects or properties can have a significant impact on value and modify valuations which might otherwise apply. Examples could be:

- ***environmental risks***—which can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals
- ***indigenous peoples/land rights issues—***projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto
- ***country issues***—the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk
- ***technical—***issues peculiar to an area or orebody such as geotechnical or hydrological conditions, or metallurgical difficulties could affect a project's economics.

We have considered, and have inquired of Tianqi, whether any such factors apply to the project under review. We consider that there are special circumstances of the nature described above under ***"environmental risks"*** that would have a material effect on the valuation of the Cuola project.

7.5 Greenbushes Central Lode Economic Analysis

Talison has developed a detailed LOM cash flow forecast model for the Greenbushes lithium operations using only Proven and Probable Ore Reserves based on the following macroeconomic assumptions.

Exchange Rates

The product prices in US$ have been converted into A$ using an exchange rate of US$/A$0.75 for the life of the mine. This rate is consistent with recent exchange rates and is considered a reasonably appropriate level to apply to long-term forecasts.

Lithium Pricing

BDA is not a marketing expert and has used the lithium price forecast provided by Roskill Information Services Limited ("Roskill"), a reputable international marketing research group, for the economic analysis. BDA considers this an appropriate approach and notes it is common to use the price forecast produced by a reputable research institution in valuing mining assets and projects. Roskill forecasts are also used by Tianqi in the company forecasts.

In relation to the chemical grade spodumene concentrate pricing, Roskill projects all contracts to peak in 2018, within a range of US$610-1,050/t 6.0% Li_2O. Contracts such as Greenbushes sales (including shipments) are used as the benchmark average to 2032, peaking, according to Roskill's projections in 2018 at approximately US$830/t in real terms but falling to US$450/t by 2022, before gradually increasing to around US$480/t at the end of the forecast period of 2032. This generates a tonnage weighted average price for SC6.0 of US$490/t (A$653/t) to 2034.

As a comparison, a recent (3 August 2018) Pilbara Minerals Limited ("Pilbara Minerals") press release, which uses consensus pricing based on "price forecasts from leading independent commodity forecasters, leading investment banks and brokers", derives a chemical grade spodumene SC6.0 concentrate average price of US$633/t CIF (cost, insurance and freight) to 2027, below Roskill's peak projection but significantly higher than the Roskill long-term estimates.

Tax and Royalty

In WA, a royalty of 5% is paid to the State Government for lithium mineral production. Royalties are included in Talison's estimated Operating Expenditure in Table 4.11.

The Australian tax system is controlled by the Australian Taxation Office. Corporate income tax is applied at a rate of 30%. The economic analysis of the Greenbushes Lithium Operations has been prepared on a pre-tax and after tax basis based on the taxation calculations from the Talison modeling.

Discount Rates

In determining an appropriate real discount rate for the cash flows, BDA has taken into consideration the long production history of the Greenbushes lithium project, the status of existing operations, the planned expansions and the market projections, both in price and volume. From a technical perspective, Greenbushes is a low risk operation. There are current and planned commitments for significant capital expenditure, with some of these still subject to final Board approval.

BDA considers that it is not unreasonable to assume that these expenditures would be funded through a combination of equity and debt, with the latter of the order of 30% of estimated cost. On that basis, BDA has assessed that the weighted average cost of capital ("WACC") would be of the order of 8% real or 10% nominal. This recognizes that there are alternative funding scenarios and that there is risk inherent in both price and volume forecasts. BDA has adopted the Roskill forecasts as a reasonable estimate of pricing.

Forecast Cashflows and Valuation (NPV)—Greenbushes Central Lode Operations

BDA conducted a base case economic analysis of the Greenbushes lithium project using the technical and economic parameters discussed in this CPR. The forecast lithium concentrate price for spodumene concentrate 6% Li_2O, SC6.0, adopted in this analysis is the forecast price from Roskill; taking this forecast, the average price (real) is US$490/t over the LOM or A$653/t. The pricing has been assumed to apply to all the concentrate products from Greenbushes and does not include any allowance for the premiums that are received for the higher quality products. A discount rate of 8% was used to calculate the net present value ("NPV"); the NPV is based on real values. Greenbushes Mine is an established operation so that a discount rate of 8% (real) discount rate is considered appropriate; sensitivity to reasonably broad variations in the discount rate of -20% to +20% is provided in the Sensitivity Analysis.

Based on this analysis, the Greenbushes Lithium Project has an after-tax NPV of A$4,231M and a pre-tax NPV of A$6,222M (Table 4.17) as of April 1, 2018. The start of the year discount method was used in calculation of the NPV; for the nine months of 2018, no discount was applied. BDA notes that Talison's standing debts and cash position have not been factored into this NPV calculation. The project valuation is calculated on 100% basis for the Greenbushes Mine; Tianqi has a 51% interest in the mine through its 51% ownership of Talison.

Table 7.1

Base Case Economic Analysis for the Greenbushes Lithium (Central Lode) Project at April 1, 2018

Item	Unit	2018	2019	2020	2021	2022	2023	2024	2025	26-34	Total
Lithium Conc Production	kt	681	1,108	1,365	1,650	1,991	2,084	2,160	2,247	20,958	34,244
Average Concentrate Price	A$/t	1,108	1,021	876	736	600	600	600	599	619	653*
Total Income	A$M	588	1,144	1,190	1,224	1,207	1,240	1,297	1,355	13,056	22,300
Total Cash Costs	A$M	164	306	409	507	558	556	592	602	5,283	8,977
Depreciation	A$M	31	62	79	154	174	153	135	120	917	1,824
Taxable Income	A$M	393	776	703	563	474	530	571	633	6,856	11,499
Income Tax	A$M	100	266	295	234	157	132	192	181	1,927	3,483
After-Tax Income	A$M	293	510	408	329	317	398	379	453	4,929	8,015
Total Capital Costs	A$M	275	387	278	155	117	6	6	10	126	1,360
After-Tax Cash Flow	A$M	49	185	210	327	374	545	508	562	5,719	8,480
Pre-Tax Cash Flow	A$M	148	451	504	561	531	678	700	743	7,646	11,963
Discount Factor	@8%	1.00	0.93	0.86	0.79	0.74	0.68	0.63	0.58		
Pre-Tax NPV	A$M	148	418	432	446	391	461	441	434	3,052	6,222
After-Tax NPV	A$M	49	172	180	260	275	371	320	328	2,276	4,231

*Note: 2018 is only nine months (April to December); Total Income includes a small income for tantalum concentrate production from the Talison Processing Plants * tonnage weighted average*

Sensitivity Analysis

A sensitivity analysis was conducted for the April 1, 2018 after-tax NPV for variations in the operating costs, lithium concentrate price, processing yield rate, total capital costs and discount rate. The NPV is most sensitive to variations in the operating costs, lithium concentrate price and discount rate and slightly less sensitive to variations in processing yield and capital costs (Table 4.18 and Figure 31).

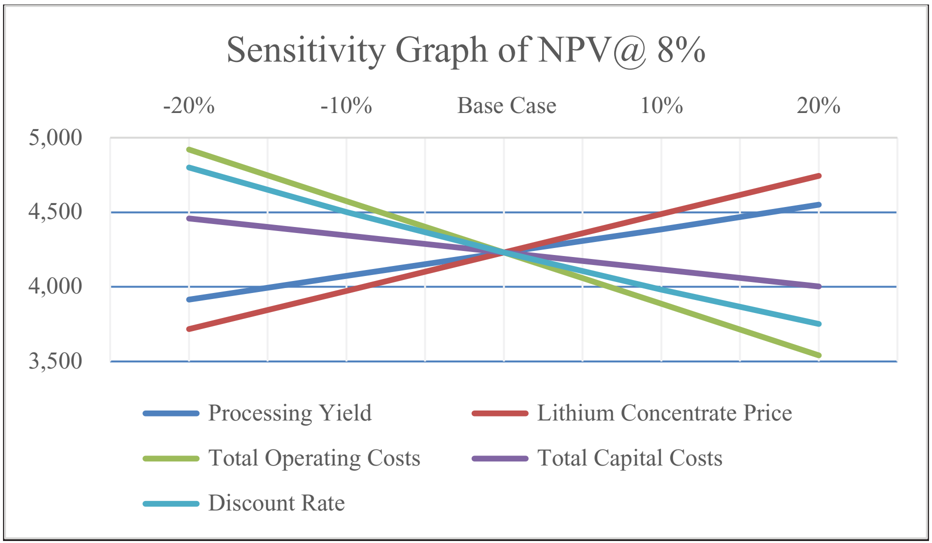
Table 7.2

Sensitivity Analysis for After Tax NPV as of April 1, 2018 (A$M)

Sensitivity Item Variation	After Tax NPV Variation (A$M)				
	-20%	-10%	Base Case	+10%	+20%
Lithium Concentrate Price	3,718	3,974	4,231	4,487	4,744
Processing Yield	3,916	4,075	4,231	4,385	4,550
Total Cash Costs	4,919	4,575	4,231	3,887	3,543
Total Capital Costs	4,459	4,345	4,231	4,117	4,003
Discount Rate	4,799	4,502	4,231	3,982	3,753

Figure 31

After-Tax NPV Sensitivity Analysis for the Greenbushes Lithium (Central Lode) Project (A$M)



7.6 Other Methodologies—Relevant Transactions Valuations

Albemarle Acquisition of 49% of Talison

While the NPV method of valuation is considered the most appropriate for an established operating mine, BDA has also reviewed alternate forms of valuation. BDA considers that the Albemarle Corporation (NYSE: ALB) purchase of a 49% interest in Talison in 2014 is the most appropriate relevant transaction available. In that transaction, completed in May 2014, Rockwood Lithium GmbH, a wholly-owned German subsidiary of Albemarle, purchased 49% of Talison Lithium for a consideration of US$475M. At that time, the US$:AUD$ exchange rate was 0.936, which notionally valued 100% of Talison at A$1.04 billion (A$1.04B).

Roskill has indicated that in 2014, Talison's realized lithium prices were around US$400-430/t SC6 concentrate (A$430-460/t), with relatively flat forward projections in terms of price and volume. In the preceding 2013 calendar year, the Greenbushes mine produced approximately 380,000t of Li_2O SC6 concentrate.

To compare the 2014 transaction with current conditions, the Greenbushes mine in 2017 produced approximately 646,000t of SC6 concentrate, with 2018 projected to be around 680,000t of concentrate, or approximately 1.8x the output in 2013/14. Current prices are in excess of US$850/t SC6 concentrate and the US$:AUD$ exchange rate is around 0.73, giving concentrate prices of around A$1,100/t, approximately 2.4x the A$ price in 2013/14. BDA notes that the lithium production for Talison is projected to increase to an average of more than 1.6Mtpa or around 210,000tpa of LCE over the next five years. Roskill's current outlook for concentrate sales volumes is generally positive, although projections have prices coming off the current high levels, dropping back to an average of around A$870 over the next five years.

Production increased by around 67% between 2014 and 2018, and further significant increases of more than 100% of current levels are projected; A$ prices have increased over the same period by around 100%, and the tailings retreatment plant is now included in current plans. BDA considers that these factors indicate that, on a similar basis of current pricing and production, the 2014 value of 100% of Talison indicated by the Albemarle acquisition would imply a value of:

a) $1.04B x 1.67 (current production increase) x 2.0 (current price increase), or A$3.4B, and

b) A$1.04B x 2.4 (planned production increase, 400ktpa to 1.6Mtpa) x 1.4 (forecast average price to 2034), or A$5.8B

BDA considers that the 2014 purchase price appropriately adjusted to today's circumstances in relation to production, exchange rate and price provides an appropriate relevant transaction, with the factored estimate having a range of values of from A$3.4B to A$5.8B, with a most likely value of A$4.6B.

Comparable Projects—Yardsticks

BDA has examined a number of first tier lithium producers and developing producers, as set out in Table 7.3, to estimate a range of yardstick values. There are several projects of a scale potentially similar to Greenbushes in Australia, including Pilgangoora (Pilbara Minerals), Wodgina (Mineral Resources), Mount Marion (Neometals 13.8%) and Mount Holland (Kidman Resources 50%), and several other smaller-scale projects that may provide reasonable scope for comparison. However, several companies that would appear to offer likely comparisons have been excluded because it is not possible to separate the market value attributed to the lithium operations and other assets or projects. Mineral Resources, for example, is a diversified group with material non-lithium assets; Galaxy Resources has several assets in Canada and Argentina where there are materially different technical and regional considerations, with potentially three lithium projects at various stages of development, and no real guide as to the relative merits (and value contribution) of each.

In reviewing comparable projects where there are considered to be sufficient similarities for the determination of a yardstick value, BDA has examined five producing or advanced hard-rock lithium projects in Western Australia: Pilgangoora—Pilbara Mines; Pilgangoora—Altura Mining; , Mount Holland—Kidman Resources; Mount Marion—Reed International/Neometals; and Bald Hill—Tawana Resources. The projects have been compared on the basis of market capitalization per annual ton of SC6.0 concentrate and per ton of contained Li_2O in Measured and Indicated resources, as tabulated in Table 7.3.

Table 7.3

Australian Lithium Projects

Project	Owner	Ownership /JV	Resources Mt	Grade % Li_2O	Contained Li_2O Mt	Production SC6.0 ktpa	Market Cap (MC) A$M	MC/tpa Li_2O conc Production	MC/t Contained Li_2O
Pilgangoora	Pilbara Mins	PLS 100%	156	1.25	1.95	180ktpa 2019 850ktpa 2020	1,440	1,690	740
Mt Holland	Kidman Resources	Kidman 50%	189	1.50	2.84	290ktpa	770	5,310	540
Wodgina	Mineral Resources	MRE 100%	195	1.18	2.31	NA	3,200	NA Wide range of assets	NA
Mt Marion	Reed Int. Minerals	Neometals 13.8%	78	1.37	1.07	400kpa 2018	170	3,080	1,150
Pilgangoora	Altura Mining	Altura 100%	48	0.99	0.47	230k	750	3,260	1,600
Mt Cattlin	Galaxy Resources	Galaxy 100%	16	1.08	0.18	180ktpa	1,190	NA Diverse projects	NA
Bald Hill	Bald Hill Resources	Tawana Resources 50%	19	1.18	0.22	155ktpa	270	3,480	1,230

Sources: Dept. of Mines, Government of Western Australia and corporate presentations; Market Capital as at April 1, 2018

In terms of existing production and current expansion projects, Greenbushes is the most advanced of the all projects assessed in Table 7.3, with a long history of operations. However, all the projects selected have similarities to Greenbushes, all are hard-rock, open cut operations in Western Australia and all are producing a similar suite of products, with similar transport accosts and market geography.

Yardstick—Market Capitalization per Annual Ton of SC6.0 Production

For the projects considered, the range of values implied on the basis of market capitalization per annual ton of SC6.0 concentrate (current or planned), the range of values is from A$1,690 to A$5,310/t, with a production-weighted average of A$3,068/t. Using these yardstick figures and Greenbushes' average production over the next 5 years (1,640ktpa 2019-2023) to reach the 2023 target of 2Mtpa, this implies a value of from A$2.8B to A$8.7B. BDA considers that the figure for Greenbushes would be weighted 15% below the average to reflect the uncertainty of consistently achieving the significantly higher production levels during an extended ramp-up, with new plants being commissioned, and would ascribe a most likely valuation of A$4.9B.

Yardstick—Market Capitalization per Ton of Resources of Contained Li_2O

For the projects considered, the range of values implied on the basis of market capitalization per contained ton of Li_2O in resource, the range of values is from A$540/t to A$1,600/t, with a resource-weighted average of A$940/t. Using these yardstick figures gives an implied value to Greenbushes' contained Li_2O resource of 3,550Mt in the range of A$1.9B to A$5.7B, or A$3.7B based on the weighted average. BDA considers that the valuation figure for Greenbushes would be weighted towards the higher end of this range to reflect the significantly higher grade of the resources; on this basis, BDA suggests that a minimum 20% premium would apply, giving a most likely valuation of A$4.0B.

Yardstick—Pilgangoora Valuation

While Stage 1 of the Pilgangoora Project is in commissioning, Pilbara Minerals has recently announced the completion of the Stage 2 definitive feasibility study and has released details of the economic studies to determine a NPV at a 10% discount. Pilgangoora is considered a sufficiently advanced project to provide a realistic comparison in terms of its market capitalization compared to Talison's NPV. This is a project that, within a similar timeframe as the Greenbushes expansion, is planning to produce around 850,000tpa of SP6.0 concentrate, with a projected mine life of approximately 17 years. While the Pilgangoora ore grades are lower than Greenbushes, there is a material tantalum by-product credit that results in comparable operating costs per concentrate unit. Based on similar pricing projections over the same period, a two-year ramp-up to full production by 2021 and detailed capital and operating cost estimates, this project has an estimated post tax NPV of A$2.2B. The Greenbushes operation is planned to be 2.4x the size of Pilgangoora, and economies of scale will apply, with significantly lower fixed costs per unit of product at higher levels of production. BDA considers that, on an equivalent production basis, the values of the two projects would be similar and that the 2018 valuation of Pilgangoora provides a reasonable guide to a comparable project, on the basis of which the Greenbushes project would have an implied range of values of from A$3.8B to A$5.2B, with a most likely value of A$4.5B. This view is broadly supported by the Talison NPV of A$4.2B, which is around 2.4x the current Pilbara market capitalization of A$1.74B.

Comparison of Valuations

BDA has derived a range of valuations based on the various methods of valuation outlined above. These are presented in Table 7.4.

Table 7.4

Comparison of Valuations Greenbushes Mine

Valuation Method	Low Valuation A$B	Most Likely A$B	High Valuation A$B
NPV @ 8%	3.5	4.2	4.9
Albemarle Acquisition 49%	3.4	4.6	5.8
Yardstick—Market Cap/t SC6.0 Production	2.8	4.9	8.7
Yardstick—Market Cap/t Contained Li_2O in Resource	1.9	4.0	5.7
Yardstick—Pilgangoora Valuation	3.8	5.2	4.5
Average Valuation Assessed	3.1	4.3	5.8

Overall, the valuation of the existing and proposed Greenbushes Central Lode hard-rock mining and processing operations (excluding the proposed tailings recovery operation) lies within the range of A$3.1B to A$5.8B, with a most likely value of A$4.3B. Overall, BDA considers that range and most likely valuation to be a fair and reasonable valuation of the Greenbushes mining and processing operations.

Conclusions

BDA has assessed the various inputs to the Greenbushes Central Lode valuation and has found that the economic analysis based on the parameters applied to the resources shows that with the estimated capital and operating costs the Ore Reserves are viable and meet the requirement for reserves; this is based on the forecast lithium prices for spodumene concentrates provided by Roskill for related parties transactions. The economic analysis takes into account the planned expansion of the *operations at Greenbushes from a processing rate of around 2Mtpa to 9Mtpa over a nine year period. It is based on BDA's review of the production schedules, capital and operating costs, and commodity pricing provided by Roskill. The economic analysis is based on the Ore Reserves within the Central Lode and indicates that the project is relatively robust over a range of concentrate prices and operating costs.*

Further to the NPV analysis, BDA has considered alternative valuations that could be derived from recent relevant transactions and yardstick assessments based on other hard-rock lithium producers or projects. Based on BDA's NPV analysis, relevant transactions and yardstick methods, BDA considers that the Greenbushes Central Lode mining and processing operations can be valued in a range of A$3.1B to A$5.8B with a most likely value of A$4.3B.

7.6 Greenbushes Tailings Economic Analysis

The economic analysis notes that the tailings in TSF1 are planned to be mined and separately processed in conjunction with the main operations at Greenbushes of open pit mining and processing of the Central Lode. It is assumed that the G&A costs will be covered by the current operations at Greenbushes.

Production

The production rate is planned at 2Mtpa with commencement of mining in 2020 with 1.5Mt mined in Year 1 during the ramp up stage (see Table 7.4). Subsequent years will be mined and processed at 2Mtpa. Completion of mining is planned for the first half of 2025, giving a five year life. The tailings from the process plant will be placed in the planned TSF4, after which TSF1 will be available for further tailings impoundment.

Table 7.4

Forecast Production Schedule for TSF1

Year	Ore Mined (Mt)	Plant Feed (Mt)	Lithium concentrate (Mt)
2020	1.5	1.5	0.21
2021	2.0	2.0	0.28
2022	2.0	2.0	0.28
2023	2.0	2.0	0.28
2024	2.0	2.0	0.28
2025	1.5	1.5	0.07
Total	10.0	10.0	1.42

The spodumene product will be SC6.0 but it will be a finer product compared to the products from the open pit ore; Talison anticipates it will be blended with other products when shipped.

Capital and Operating Costs

The preliminary estimate for the capital cost for the tailings treatment plant and associated works has been estimated by Talison to be A$120M. BDA has included an additional 25% contingency on the capital estimate for the economic analysis due to the preliminary nature of the estimate.

The mine operating costs are based on analysis of four budget prices received by mining contractors for the extraction of the tailings. The processing costs are based on a preliminary estimate by the engineering group, Lycopodium Minerals Pty Ltd.

As the treatment plant will be an additional operation to the existing operations at Greenbushes, only the variable G&A and product transport and marketing costs were applied to the economic analysis of the project. A summary of the LOM unit costs is shown in Table 7.5.

Table 7.5

Projected Operating Costs for TSF1

Activity	Unit	Unit Cost
Mining Cost	A$/t Ore	6.50
Processing Cost	A$/t Ore	6.70
G&A cost	A$/t Ore	0.14
Total Site Operating Unit Costs	A$/t Ore	13.34
Total Operating Cash Cost	A$/t Conc	395

Forecast Cashflows

BDA conducted a base case economic analysis for the Greenbushes tailings retreatment project using the technical and economic parameters discussed in this CPR. The forecast lithium concentrate price adopted in this analysis has been provided by Roskill and reflects the pricing for a related party pricing for the various concentrate products with an average of A$635/t over the six years of production. A discount rate of 8% was used to calculate the net present value ("NPV"); the NPV is based on real values. BDA considers that the operation at Greenbushes Mine is well established and the tailings retreatment should be considered as an extension of the current operation, so that a rate of 8% discount rate is considered appropriate; sensitivity of the discount factor of +20% to -20% is provided in the Sensitivity Analysis. Other cashflow parameters, such as exchange rates and tax rate, are the same as for the economic analysis for the Central Lode reserves.

Based on this analysis, the Greenbushes TSF1 Project has an after-tax NPV of A$230M and a pre-tax NPV of A$342M (Table 7.6) as of April 1, 2018. The start of the year discount method was used in calculation of the NPV with no discount applied to the initial nine month period. The project valuation is calculated on 100% basis for the Greenbushes Mine; Tianqi has a 51% interest in the mine through its 51% ownership of Talison.

Table 7.6

Base Case Economic Analysis for the Greenbushes TSF1 Project at April 1, 2018

Item	Unit	2018	2019	2020	2021	2022	2023	2024	2025	Total
Lithium Conc Production	kt			213	285	285	285	285	71	1,423
Average Concentrate Price	AS$/t			876	736	600	600	600	599	668
Total Income	A$M			187	209	171	171	171	43	951
Total Cash Costs	A$M			38	49	47	47	47	12	240
Depreciation	A$M			25	26	27	29	31	28	165
Taxable Income	A$M			124	135	97	95	93	3	546
Income Tax	A$M			37	40	29	29	28	1	164
After-Tax Income	A$M			87	94	68	67	65	2	382
Total Capital Costs	A$M	32	95	24	4	4	4	4	0	165
After-Tax Cash Flow	A$M	-32	-95	88	116	91	91	92	30	382
Pre-Tax Cash Flow	A$M	-32	-95	125	157	120	120	120	31	546
Discount Factor	@8%	1	0.93	0.86	0.79	0.74	0.68	0.63	0.58	
Pre-Tax NPV	A$M	-32	-88	107	124	88	82	76	18	376
After-Tax NPV	A$M	-32	-88	75	92	67	62	58	17	253

Sensitivity Analysis

A sensitivity analysis was conducted for the April 1, 2018 after-tax NPV for variations in the lithium concentrate price, processing yield rate, total operating costs, total capital costs and discount rate. The NPV is highly sensitive to variations in the lithium concentrate price and processing yield rate, and only moderately sensitive to variations in the discount rate and total cash and capital costs (Table 7.7 and Figure 32).

Figure 32

After-Tax NPV Sensitivity Analysis for the Greenbushes TSF1 Project (A$M)

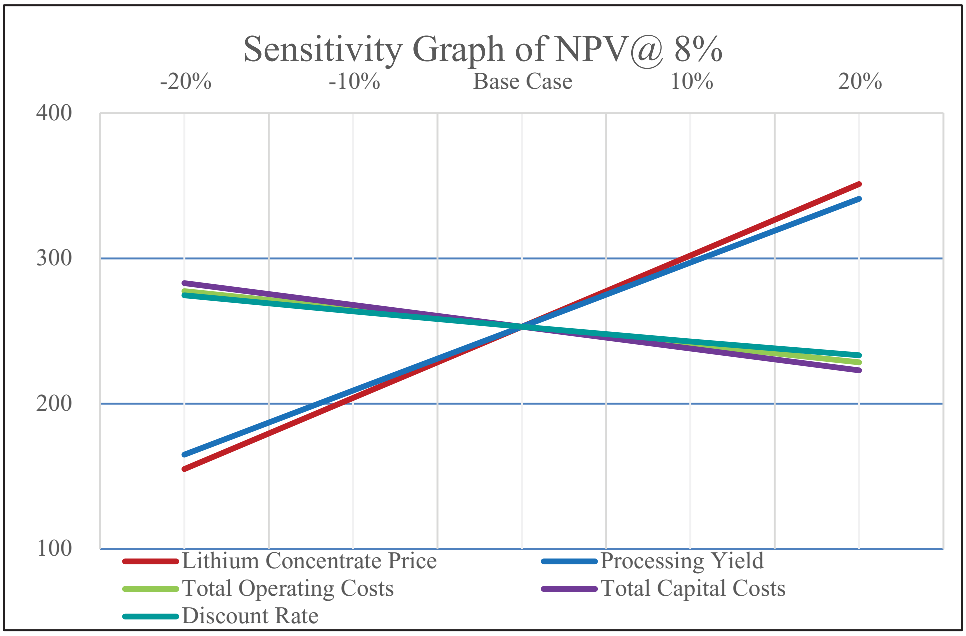


Table 7.7

Sensitivity Analysis for After Tax NPV as of April 1, 2018 (A$M)

Sensitivity Item Variation	After Tax NPV Variation (A$M)				
	-20%	-10%	Base Case	+10%	+20%
Lithium Concentrate Price	155	204	253	302	351
Processing Yield	165	209	253	297	341
Total Cash Operating Costs	277	265	253	241	229
Total Capital Costs	283	268	253	238	223
Discount Rate (8%)	275	264	253	243	233

Conclusions

BDA examined alternative valuation assessment methods but was unable to identify any transactions or operations that it considered sufficiently comparable with the Greenbushes tailings retreatment project, as there are no known lithium projects currently proposing to retreat tailings from former operations. This assessment is based on the forecast lithium prices for spodumene concentrates provided by Roskill for related parties transactions. The economic analysis takes into account the planned development of the tailings reclamation project at Greenbushes, with a steady-state processing rate of around 2Mtpa over a six-year period. It is based on the production schedules, capital and operating costs and commodity pricing provided by Talison and, under the same discount factors, this analysis would be expected to be reasonably consistent with the Company's view. The economic analysis is based on the Probable Ore Reserves within the TSF1 and indicates that the project is relatively robust over a range of concentrate prices and operating costs.

Further to the NPV analysis, BDA considers that a fair and reasonable valuation of the Greenbushes Central Lode Mining and processing operations of A$253M would be appropriate, in the range of from A$155M to A$351M.

7.7 Summary of Talison Valuation

Based on the valuation of the various assets owned by Tianqi, including the Central Lode hard-rock mining and processing operation, and the Greenbushes TSF1 tailings retreatment project, BDA has prepared the summary shown in Table 7.8.

Table 7.8

Combination of Tianqi Mining & Processing Assets Valuations

Project	Low Valuation A$M	Most Likely A$M	High Valuation A$M
Central Lode Lithium Mining & Processing	3,100	4,400	6,100
Greenbushes TSF1 Tailings Retreatment Project	155	253	351
Total Tianqi Mining & Processing Assets	3,255	4,653	6,451

8.0 SOURCES OF INFORMATION

BDA has undertaken site visits to the Greenbushes Mine in March 2018 and previously in April 2017 and has undertaken a site visit to the Cuola Project in April 2018. BDA has held discussions on

Greenbushes Mine have been held with Talison technical and management staff on site and with Tianqi and representatives of the consulting groups for the Cuola Project.

The principal technical reports and documents reviewed are listed below:

Greenbushes Mine Technical Data

- Greenbushes Lithium Operations: NI43-101 Technical Report, 21st December, 2012—Talison Lithium Limited, December 2012
- Greenbushes Water Dams Inspection Report 2014—GHD Pty Ltd, October 2014
- Mining Proposal 2015 Tailings Storage Expansion—Talison Lithium Australia Pty Ltd, December 21, 2015
- Annual Environmental Monitoring Report 2015-2016—Talison and GAM, June 2016
- Summary Report of Rehabilitation Liability Calculation—Talison, June 2016
- Annual Environmental Report and Annual Audit Compliance Report 2015-2016—Talison and GAM, September 2016
- Talison Lithium Onsite Testing Report July—August 2016 Greenbushes Operations, Western Australia—Veolia Water Solutions & Technologies (Australia) Pty Ltd, November 2016
- Talison Lithium Pty Ltd, Chemical Grade Plant 2 (CGP2) Project Pre-Feasibility Report—MSP Resource Development Consultants, January 2017
- Mine Closure Plan 2016—Talison, February 2017
- Mining Rehabilitation Fund Assessment Notice MF101857 for 2016/2017, Government of Western Australia Department of Mines and Petroleum, July 2017
- Talison Lithium Monthly Reports—Talison Lithium Pty Ltd, December 2015, December 2016, December 2017, January, February and March 2018
- MSP Engineering Monthly Construction Reports December 2017, January, February and March 2018
- Greenbushes Monthly Cost Reports December 2017, January, February and March 2018
- Greenbushes CGP3 (Chemical Grade Plant No 3) Concept Study, Lycopodium Limited, January 2018
- Chemical Grade Plant Number 2 Feasibility Study—Talison Lithium Pty Ltd, February 2017
- Talison Greenbushes Project Tenements List at February 15, 2017—Talison, February 2017
- Greenbushes Central Lode Pegmatite: Li_2O Estimate—Talison Lithium Pty Ltd, March 2018
- Talison Greenbushes Project Tenements List at April 17, 2018—Talison, April 2018

- Greenbushes Central Lode Pegmatite: Li_2O Estimate—Talison Lithium Pty Ltd, March 2018
- Mineral Resources and Ore Reserves Update for the Central Lode, March 31, 2018—Talison Lithium Pty Ltd, June 2018
- Greenbushes Tailings Facility 1 Reprocessing—Mineral Resource and Ore Reserve for March 2018—Talison Lithium Pty Ltd, June 2018
- Report on TSF1 Tails Drilling Program—Talison Lithium Pty Ltd, March 2018
- Financial Model *"TLL Group High Level Budget 2018 V3 Expansion V2.xlxm"*—Talison Lithium Pty Ltd, June 2018

Cuola Project Technical Data

- Exploration Geology Report of Cuola Spodumene Mining District in Yajiang County, Sichuan Province—No.108 Geological Exploration Brigade of Geology and Mineral Resource Exploration and Development Bureau of Sichuan Province, September 22, 2011
- Feasibility Study Report for the Phase I Mining and Processing Operation of the Yajiang Spodumene Mine of Sichuan Tianqi Shenghe Lithium Company Limited—Lanzhou Engineering & Research Institute of Nonferrous Metallurgy, February 2012
- Initial Engineering Design Study Report for the Phase I Mining and Processing Operation of the Yajiang Spodumene Mine of Sichuan Tianqi Shenghe Lithium Company Limited—Lanzhou Engineering & Research Institute of Nonferrous Metallurgy, July 2012
- Environmental Impact Assessment Report for the Phase I Mining and Processing Operation of Yajiang Spodumene Mine of Sichuan Tianqi Shenghe Lithium Company Limited—Sichuan Academy of Environmental Protection Science, December 2012
- Approval of the Environmental Impact Study Report for the Phase I Mining and Processing Operation of Yajiang Spodumene Mine of Sichuan Tianqi Shenghe Lithium Company Limited—Environmental Protection Department of Sichuan Province, February 26, 2013
- Land Reclamation Plan Report for the Phase I Mining and Processing Operation of Yajiang Spodumene Mine—Sichuan Changqing Land Management Company Limited in Chengdu, December 2013
- Directive for Immediately Suspend Production for Mining Operations in Tagong District—Land and Mineral Resources Department of Ganzi Tibetan Autonomous Prefecture, October 16, 2013
- Information Regarding the Mining and Processing Project of the Cuola Spodumene Mine in Yajiang County—Tianqi Shenghe Lithium Company Limited, April 2018

General Data

- Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves—Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia—December 2004

- Australasian Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports—The VALMIN Code—Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia—2005
- Hong Kong Stock Exchange—Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Chapter 18, Mineral Companies—Disclosure Requirements and Continuing Obligations for Mineral Companies.—June 2010

APPENDIX I

GLOSSARY

Term/Abbreviation	Description
acQuire	acQuire Technology Solutions Pty Limited
ADB	Action Drill and Blast Pty Ltd
Albermarle	Albermarle Corporation Inc.
AMSL	Above Mean Sea Level
AusIMM	Australasian Institute of Mining and Metallurgy
A$	Australian Dollar
BeO	Beryllium Oxide
bcm	Bank Cubic Meter (in situ volume)
BDA	Behre Dolbear Australia Pty Limited
BD	Bulk Density
BMB	Balingup Metamorphic Belt
C1 Pit	Central Lode 1 Open Pit
C3 Pit	Central Lode 3 Open Pit
CG	Chemical Grade
CGP 1, 2, 3 and 4	Chemical Grade Plants 1, 2, 3, and 4
China	People's Republic of China
CIF	Cost, Insurance and Freight
CPR	Competent Persons Report
CSIRO	Commonwealth Scientific and Industrial Research Organization
Cuola Project	Cuola Lithium (Spodumene) Project
DBCA	WA Department of Biodiversity, Conservation and Attractions
DEC	WA Department of Environment and Conservation
DER	WA Department of Water and Environmental Regulations
dia	Diameter
DIP	Deposit Industrial Parameters
DMP	WA Department of Minerals and Petroleum
EMS	Environmental Management System
Environmental Protection Act	Environmental Protection Act 1986 (WA)
EPA	WA Environmental Protection Authority
EPC	Engineering, Procurement and Construction
Fe_2O_3	Ferric Oxide
GAM	Global Advanced Metals Ltd
GAMG	Global Advanced Metals Greenbushes Pty Limited
Ganzi Prefecture	Ganzi Tibetan Autonomous Prefecture
GHD	GHD Pty Limited
Greenbushes Mine	Greenbushes Lithium Mine
ha	Hectare
HMS	Heavy Medium Separation
HPGR	High Pressure Grinding Rolls
ICP-AES	Inductively Coupled Plasma-Atomic Emission Spectrometry
ISO	International Standards Organization
Jiajika District	Jiajika Lithium Mineralisation District
Jiajika Granite	Jiajika Two-Mica Granite Stock

Term/Abbreviation	Description
Jiajika Mine	Jiajika Lithium (Spodumene) Mine
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" as Prepared by the Joint Ore Reserves Committee of the AusIMM, AIG, and the MCA
kg	Kilogram
km	Kilometer
km^2	Square Kilometer
kt	Thousand Tons
ktpa	Thousand Tons per annum
kV	Kilovolts
Lanzhou Institute	Lanzhou Engineering & Research Institute of Nonferrous Metallurgy
LCE	Lithium Carbonate Equivalent
Li_2O	Lithium Oxide
LOM	Life of Mine
L/s	Liters per Second
LPG	Liquefied Petroleum Gas
m	Meter
M	Million
m^3	Cubic Meter
Ma	Million Years
Mbcmpa	Million Bank Cubic Meters Per Annum
Mining Act	Mining Act 1978 (WA)
MSP	MSP Engineering Pty Ltd
µm	Micron (m x 10^{-6})
MnO	Manganese Oxide
mm	Millimeter
MRF	Mining Rehabilitation Fund
MSP	MSP Engineering Pty Ltd
Mt	Million Tons
Mtpa	Million Tons Per Annum
MW	Megawatt
Na_2O	Sodium Oxide
Nb	Niobium
Nb_2O_5	Niobium Oxide
NI 43-101	Canadian Securities Administrators' National Instrument 43-101—Standards of Disclosure for Mineral Projects
NOI	Mining Notice of Intent
No.108 Brigade	No.108 Geological Exploration Brigade
No.404 Brigade	No.404 Geological Exploration Brigade
NPV	Net Present Value
OK	Ordinary Kriging
PEP	Project Execution Plan
ppm	Parts Per Million
QA/QC	Quality Assurance/ Quality Control

Term/Abbreviation	Description
QG	Quantitative Group Pty Limited
RC	Reverse Circulation
RL	Reduced Level
Roskill	Roskill Consulting Group Limited
ROM	Run of Mine
SC	Spodumene Concentrate
SG	Specific Gravity
SGM	SG Mining Pty Ltd
Sn	Tin
t	Ton
t/m^3	Tons per Cubic Meter
Ta	Tantalum
Ta_2O_5	Tantalum Oxide
Talison	Talison Lithium Limited
TG	Technical Grade
TGP	Technical Grade Plant
The Listing Rules	The Stock Exchange of Hong Kong Listing Rules
Tianqi	Tianqi Lithium Corporation
Tianqi Shenghe	Tianqi Shenghe Lithium Company Ltd
TLA	Talison Lithium (Australia) Pty Limited
tpa	Tons Per Annum
tph	Tons Per Hour
T_3xd	Triassic Xinduqiao Formation
T_3zh	Triassic Zhuwo Formation
TSF 1, 2, 3 and 4	Tailings Storage Facility 1, 2, 3 and 4
U	Uranium
US$/t	US Dollar Per Ton
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
VAT	Value Added Tax
WA	Western Australia
West-South Test Center	West-South Metallurgical Geology Analytical and Test Center
WHIMS	Wet High Intensity Magnetic Separation
XRF	X-Ray Fluorescence

Chinese Taxes

Taxes applicable to the Company

Corporate income tax

As per the *Law of the People's Republic of China on Corporate Income Tax* (hereinafter referred to as "*Law on Corporate Income Tax*") promulgated on March 16, 2007 by the Standing Commitee of the National People's Congress and its latest revision made on February 24, 2017 and the *Regulation on Implementation of the Law of the People's Republic of China on Corporate Income Tax* (hereinafter referred to as the *"Regulation on Corporate Income Tax"*) promulgated by the State Council on December 6, 2007, enterprises incorporated within the territory of the People's Republic of China in accordance with Chinese laws or in accordance with laws of foreign countries (regions) but with actual management institutions in China shall pay corporate income tax on their incomes generated within China as well as from broad at a rate of 25%. Industries and projects under key support and encouraged to be developed are entitled to preferential treatment on corporate income tax.

As per the *Notice on Taxation Policy Issues Related with In-depth Implementation of the West Development Strategy* and *the Announcement of the State Administration of Taxation about Issues Concerning Corporate Income Tax Related with In-depth Implementation of West Development Strategy*, from January 1, 2011 to December 31, 2020, the corporate income tax levied on enterprises of encouraged industries in the western region is reduced to the rate of 15%. Enterprises of encouraged industries refer to any enterprise running a business in any industry specified in the *Catalogue of Encouraged Industries in Western Region* as its main business and the income of the such main business accounts for more than 70% of the total income of the enterprise. *"Catalogue of Encouragement-Type Industries of Western Region",* promulgated on August 20, 2014, includes development and production of such new carbon materials in Sichuan province as grapheme and carbon nanomaterial, minor structure graphite, biochar, and lithium battery cathode.

Value Added Tax (VAT)

As per the *Provisional Regulations of the People's Republic of China on Value Added Tax* promulgated on December 13, 1993 by the State Council and the latest revision made on November 19, 2017 and the *Detailed Rules for the Implementation of the Provisional Rules of the People's Republic of China on Value Added Tax* promulgated on December 25, 1993 by the Ministry of Finance and the latest revision made on October 28, 2011, all units and individuals engaged in the sales of goods, provision of processing, repairing and replacement services (hereinafter referred to as "services") as well as sales of services, intangible assets and immovable properties and the importation of goods within the territory of the People's Republic of China are the taxpayers of Value-Added Tax and shall pay VAT in accordance with the regulations.

As per the *Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensive Launching of the Trial of Replacing Business Tax with Value-Added Tax* (Cai Shui [2016]No.36) promulgated on March 23, 2016, from May 1, 2016, comprehensive trial of replacing business tax with VAT has been launched across the country. As per the *Decision of the State Council on Revocation of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional Regulations of the People's Republic of China on Value-Added Tax* published and taking effect on November 19, 2017, the tax rates of VAT are respectively 17%, 11%, 6%, and 0%. As per the *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Rates of Value Added Tax* (Cai Shui [2018] No.32) promulgated on April 4,2018, since

May 1, 2018, the VAT rates on taxable sales activities performed and goods imported by tax payers, have been adjusted respectively to 16% and 10% from 17% and 11%.

Taxes applicable to the shareholders of the Company

Dividend-related taxes

Individual investors

As per the *Individual Income Tax Law of the People's Republic of China* (hereinafter referred to as the "***Individual Income Tax Law***") promulgated on September 10, 1980 by the Standing Committee of the National People's Congress and latest revision made on June 30, 2011 and the *Regulations on Implementation of the Individual Income Tax Law of the People's Republic of China* (hereinafter referred to as the "***Regulations on Individual Income Tax***") promulgated on January 28, 1994 and the latest revision made on July 19, 2011, individuals who have domicile in China, or though without domicile but have resided for one year or more in China shall pay individual income tax on their income derived from sources within and outside China; individuals who are neither domiciled nor resident in China, or who are not domiciled and have resided for less than one year in China shall pay individual income tax on income derived from sources within China. The proportional tax rate on interest, dividends, bonuses is applicable and the rate is 20%.

As per the *Notice of the Ministry of Finance, the State Administration of Taxation, and China Securities Regulatory Commission about Issues Related with Differentiated Individual Income Tax Policy for Dividends and Bonuses of Listed Companies* (Cai Shui [2015] No. 101), dividends and bonuses for stocks of listed companies obtained by an individual from public offering and transfer market and held by such individual for more than 1 year are temporarily exempted from individual income tax. The dividends and bonuses are calculated in full as the taxable amount for stocks of listed companies obtained by an individual from the public offering and transfer market and held by such individual for less than 1 month (included); the taxable amount is reduced to 50% of the above dividends and bonuses if the said stocks are held for more than 1 month and less than 1 year (included); the tax rate of the individual income tax for the above incomes is 20%.

To clarify issues related with collection of individual income tax payable by foreign residents on dividends and bonuses distributed from H share after the *Circular on the Question Concerning Tax on the Profits Earned by Enterprise with Foreign Investment, Foreign Enterprises and Individual Foreigners From the Transfer of Stocks (Stock Rights) and on Dividend Income* (Guo Shui Fa [1993] No.045) was revoked, the State Administration of Taxation released the *Notice of the State Administration of Taxation on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045* (Guo Shui Han [2011] No.348), which specifies that, where foreign resident individual shareholders obtain dividends and bonuses from stocks issued by domestic non-enterprises with foreign investment listed on the Hong Kong Stock Exchange, the individual income tax will be withheld in line with the "interest, dividends and bonuses" account by the withholding agent. For stocks issued by non-enterprises with foreign investment in China listed on Hong Kong Stock Exchange, its foreign resident individual shareholders may enjoy relevant preferential tax policies in accordance with the tax treaties signed between the countries of the residents and China and the provisions of the taxation arrangement between Mainland China and Hong Kong (Macao). In view of the fact that dividend tax rate specified in tax treaties and tax arrangements is generally 10% and that the amount of shareholders are large, to simplify tax collection, the individual income tax for dividends and bonuses distributed by any non-enterprise with foreign investment in China that is listed on the Hong Kong Stock Exchange will be withheld or paid at a tax rate of 10% without going through any application formalities. For any condition where the tax rate of 10% on dividends is not applicable, the following provisions prevail: (1) where an individual receiving the dividends and bonuses is a resident of a county enjoying tax treaty of which the tax rate is lower than 10%, the withholding agent may, in line with the provisions of the *Notice*, go through the application for enjoying the treaty treatment on behalf of such individual and the taxation authority will refund the part exceeding the payable tax amount after such authority reviews and approves such application; (2) where an individual receiving dividends and bonuses is a resident of a country enjoying tax treaty of which the tax rate is higher than 10% and lower than 20%, the withholding agent may withhold the individual income tax in accordance with the actual treaty rate when the dividends and bonuses are distributed without going through any application formality; (3) where an individual receiving dividends and bonuses is a resident of a country that has not reached any tax treaty with China or in other conditions, the withholding agent will withhold the individual income tax at a rate of 20% when the dividends and bonuses are distributed. As per *the Announcement on Issuance of the Management Method for Non-resident Taxpayers to Enjoy Tax Treaty Treatment* promulgated by the State Administration of Taxation on August 27, 2015 (SAT Announcement 2015 NO. 60), where a non-resident taxpayer enjoys any treatment specified in dividend provisions of a tax treaty, the taxpayer shall, at the first time of tax declaration of the taxable year, or the withholding agent shall, at the first time of withholding declaration of the taxable year, submit relevant reporting forms and documents.

Enterprise investors

In accordance with the *Law on Corporate Income Tax* and *Regulations* on *Corporate Income Tax*, non-resident enterprises refer to enterprises that are established in accordance with laws of foreign countries or regions, without actual management institutions in China, but have set up institutions or business outlets in China, or have income generated in China though without institutions or outlets in China. Non-resident enterprises that have not established agencies or outlets in China, or have set up agencies or outlets in China, but the incomes generated have no actual connection with the agencies or outlets set up , shall pay corporate income tax on the incomes generated in China at the tax rate of 10%. Such corporate income tax may be deducted or exempted in accordance with the double tax avoidance provisions.

As per the *Notice of the State Administration of Taxation on Issues Related with Withholding Corporate Income Tax for Chinese Resident's Enterprises Distributing Dividends to Foreign Non-resident Enterprise Shareholders of H Shares* (Guo Shui Han [2008] No. 897) promulgated on November 6, 2011, when Chinese resident enterprises distribute dividends to foreign non-resident enterprise shareholders of H shares for the year of 2008 and subsequent years, the corporate income tax will be withheld at a rate of 10%. After receiving the dividends, a non-resident enterprise shareholder may, or through its commissioned person or the withholding agent, submit the application for enjoying tax treaty (arrangement) treatment to competent taxation authority, and provide documents proving that the non-resident enterprise shareholder is an actual beneficial owner in compliance with the provisions of such tax treaty (arrangement). After such documents are reviewed by the competent taxation authority, such authority will refund the difference between the collected tax and the payable tax calculated in accordance with the tax rate specified in the tax treaty (arrangement).

As per the *Reply of the State Administration of Taxation on Issues Related with Collection of Corporate Income Tax for Non-Resident Enterprises Obtaining Dividends of B Shares and Other*

Types of Shares (Guo Shui Han [2009] No.394) when a Chinese resident enterprise publically issuing shares (A shares, B shares and overseas shares) within the territory of China or overseas distributes dividends to non-resident enterprise shareholders for the year of 2008 and subsequent years, the corporate income tax will be withheld at a rate of 10%. To enjoy tax treaty treatment, the non-resident enterprise shareholder shall go through formalities in accordance with the provisions related with the implementation of tax treaty. As per the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Tax Evasion*, for the dividend distributed by a resident company of one party to a resident of the other party, the tax may be collected by the other party. However, such tax on such dividends may also be collected by the party of which the dividend-paying company is a resident in accordance with the laws of the party. Nevertheless, if the beneficial owner of the dividend is a resident of the other party, the collected tax shall not exceed: 5% of the total amount of the dividend if the beneficial owner is a company directly holding at least 25% of the assets of the dividend-paying company; 10% of the total amount of the dividend in other circumstances.

Taxes related with income from share transfer

Individual investors

As per the *Law on Individual Income Tax* and *Regulations on Individual Income Tax*, the tax rate for income derived from property transfer is 20%. The method for collecting individual income tax on income derived from share transfer is otherwise formulated by the finance department of the State Council and reported to the State Council for approval and enforcement.

As per the *Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission about Issues Related with Collection of Individual Income Tax on Income from Transfer of Restricted Shares of Listed Companies by Individuals* (Cai Shui [2009] No.167) issued on December 31, 2009, the *Notice of the State Administration of Taxation on Well Performing the Management on Collection of Individual income Tax on Income from Transfer of Restricted Shares* (Guo Shui Fa [2010] No.8) issued on January 15, 2010, the *Notice of the State Administration of Taxation on Issues Related with Collection of individual Income Tax on Income from Transfer of Restricted Shares* (Guo Shui Han [2010] No.23) issued on January 18, 2010, and the *Supplemental Notice of the Ministry of Finance, the State Administration of Taxation, and China Securities Regulatory Commission on Issues Related with Collection of Individual Income Tax on Income from Transfer of Restricted Shares of Listed Companies by Individuals (*Cai Shui [2010] No.70) issued on November 10, 2010, since January 1, 2010, the individual income tax on income from transfer of restricted shares by individuals will be collected at the rate of 20%, which is applicable to "income of property transfer". For income generated from transfer of the shares of listed companies acquired from public offering of the companies and transfer market in the Shanghai Stock Exchange and Shenzhen Stock Exchange, the individual income tax remains exempted. The above provisions do not clarify whether individual income tax is collected for individuals to transfer shares of Chinese resident enterprises listed on overseas stock exchanges.

Enterprise investors

In accordance with the *Law on Corporate Income Tax and Regulations on Corporate Income Tax*, non-resident enterprises that have not established agencies or outlets inside China, or have set up agencies or outlets inside China but the incomes generated have no actual connection with the agencies or outlets set up, shall pay corporate income tax on the incomes generated from inside China. The rate of corporate income tax of this income is reduced to 10%.

Foreign exchange administration of China

Early administration

Before 1978, China implemented a strict centralized foreign exchange control. The country implemented unified operation for foreign trade and foreign exchange and adopted mandatory planning administration for foreign exchange receipts and payments. All income in foreign exchange must be sold to the country and use of foreign exchange was subject to planned allocation. There were basically no foreign debts and investment from foreign parties was not accepted; RMB exchange rate was only used as a calculating tool. From 1978 to today, the reform of foreign exchange administration have undergone generally three stages.

Between 1978 and 1993

The system reform for foreign exchange administration started. This stage is featured by enhancing enterprise autonomy on foreign exchange and implementation of a dual exchange rate system. In order to motivate activities of exporting enterprises in generating foreign exchange and ensure that the limited foreign exchange resources were used for the economic development in a centralized manner, China started implementing the foreign exchange retention system in the year of 1979. On the basis of centralized management of foreign exchange, keeping unification and balancing, and ensuring key areas, the country allocated a certain proportion of foreign exchange to local governments and enterprises generating foreign exchange and allowed entities holding the retained foreign exchange to transfer the excessive foreign exchange to entities in short of foreign exchange. The official exchange rate and swap market exchange rate coexisted.

Between 1994 and 2000

In early 1994, the state foreign exchange system experienced a major reform. The foreign exchange retention system was cancelled and bank foreign exchange settlement and selling system was launched. China started implementing a single floating exchange rate system oriented by market demand and supply under supervision. A unified and regulated foreign exchange market was established. Thereafter, China further improved its foreign exchange administration system. In 1996, China relieved all limits on regular international payments and transfer, realizing convertibility of RMB current account.

Relevant provisions

As per the *Notice on Further Reform of the Foreign Exchange Administrative System* (Guo Fa [1993] No. 89, currently annulled) promulgated by the State Council, since January 1, 1994, the conditional convertibility of RMB under current accounts and exchange rate integration were realized, whereby, the official and market RMB exchange rates were unified. The former RMB dual exchange rate system was revoked and a single floating exchange rate system oriented by market demand and supply under supervision was implemented. The People's Bank of China publishes the exchange rate of RMB against the U.S. dollar on a daily basis and, by referring to the changes in the international exchange market, publishes simultaneously the exchange rate of RMB against other currencies. Foreign exchange transactions are allowed to fluctuate within a certain range.

On January 29, 1996, the State Council promulgated the *Foreign Exchange Regulations of the People's Republic of China* (hereinafter referred to as "Foreign Exchange Regulations"), which took effect on April 1, 1996. Foreign Exchange Regulations divides all international payment and transfer into current accounts and capital accounts. Most of the current accounts do not need to be examined and approved by State Administration of Foreign Exchanges, while capital accounts still need to be examined and approved by State Administration of Foreign Exchanges.

On June 20, 1996, People's Bank of China issued *Administrative Regulations for Exchange Settlement, Sale, and Payment* (hereinafter referred to as "Exchange Settlement Regulations"), which took effect on July 1, 1996. While cancelling the remaining limit in foreign exchange swap of current accounts, Exchange Settlement Regulations conserved the current limit of foreign exchange transaction of capital account. On January 14, 1997, Foreign Exchange Administrative Regulations revised by State Council clarified that, the state exercised no limit upon current-account international payment and transfer.

Since 2001

The foreign exchange administration system mainly based on market adjustment has been further improved. In 2001, an investment benchmark operation and management mode and a risk management framework were established in relation with foreign exchange reserves. In 2005 with reform of RMB exchange rate forming mechanism, the policies for the enterprises and individuals to hold and use foreign exchanges became more convenient. At the same time, foreign exchange management accelerated its transformation from focusing upon foreign exchange outflows to balanced management of foreign exchange outflows and inflows, with a system framework for double-way balanced management being gradually established. In Foreign Exchange Administrative Regulations newly revised in 2008, the balanced supervision principle was set up, and in terms of administrative regulations the system of mandatory settlement and sales of exchanges was cancelled. Since 2009, there have been five transformations in terms of foreign exchange management, namely, from paying attention to examination and approval to monitoring and analysis, from paying attention to proactive supervision to emphasizing after-event management, from paying attention to behaviour management to subject management, from "guilt presumption" to "innocence presumption", and from "positive list" (cannot do unless there is written law authorization) to "negative list" (can do as long as there is no written law forbiddance).

Related current effective regulations

In accordance with *Bulletin of People's Bank of China on Improving the Reform of RMB Exchange Rate Forming Mechanism* issued on July 21, 2005 (Bulletin of People's Bank of China No. 16 [2005]), as of July 21, 2005, China implemented a floating exchange rate system under supervision, which is adjusted based upon market supply and demand with a basket of currencies taken into consideration. While RMB exchange rate is not pegged to a single US dollar, a more elastic RMB exchange rate mechanism is taking shape. On each workday after market closing, People's Bank of China published on the inter-bank foreign exchange market of the same day the exchange closing price of such transaction currencies as US dollar to RMB, which is taken as the middle price of the transaction currency to RMB on the next work day.

Later on, the foreign exchange market has been constantly improved in accordance with *Bulletin on Further Improving Inter-Bank Spot Foreign Exchange Market* issued on January 3, 2006 by People's Bank of China (Bulletin of People's Bank of China No.1 [2006]), *Bulletin on Raising* *the Transaction Price Floating Margin of RMB to US Dollar on Inter-Bank Spot Foreign Exchange Market* issued on May 18, 2007 (Bulletin of People's Bank of China No. 9 [2007]), a bulletin issued on April 12, 2012 (Bulletin of People's Bank of China No.4 [2012]) and a bulletin issued on March 14, 2014 (Bulletin of People's Bank of China No.5 [2014]).

In accordance with *A Notice on Related Issues on Management of Transaction Conversion Rate and Bank Listing Conversion Rate on Inter-Bank Foreign Exchange Market* issued on July 1, 2014 (No. 188 [2014]), with a view to further improve RMB exchange rate marketization forming mechanism, People's Bank of China authorized China Foreign Exchange Trade System to publish at 9:15 of each work day the exchange rate middle prices of the same day of RMB to U.S. dollar, Euro, Yen, Hong Kong dollar, Pound, Malaysian Ringgit, Russian Rouble, AUD, Canadian dollar, and NZD, which are taken as the middle prices of transaction exchange rates of inter-bank spot foreign exchange market of the same day (including inquiry transaction way and bringing-together way). In accordance with *A Statement of People's Bank of China on Improving Middle Price Quotation of Exchange Rate of RMB to US Dollar* issued on August 11, 2015, in order to enhance marketization degree and benchmark nature of the exchange rate middle price of RMB to US Dollar, People's Bank of China decided to improve the middle price quotation of exchange rate of RMB to US Dollar. As August 11, 2015, before opening of inter-bank foreign exchange market each day, the market maker refers to closing rate of inter-bank foreign exchange market, and comprehensively considers foreign exchange supply-demand and exchange change of major international currencies to provide middle price quotation for the China Foreign Exchange Trade System.

On August 5, 2008, the State Council issued the newly revised Foreign Exchange Administrative Regulations, and due to fundamental change of Chinese international payment balance circumstance, China's foreign exchange reserve has grown rapidly. While the previous Foreign Exchange Administrative Regulations emphasized management of foreign exchange outflows, the newly revised Foreign Exchange Administrative Regulations exercises balanced and standard regulations upon both inflows and outflows.

The revision of the new Foreign Exchange Administrative Regulations is as follows: first, the application scope of Foreign Exchange Administrative Regulations expands to foreign exchange receipts and payments or foreign exchange operations of overseas entities and individuals in China. Second, the regulation that the current account foreign income of a domestic body must be brought back to China has been cancelled, and the overseas foreign income may be brought back to China or saved overseas. Third, to expand capital outflow channels and allow domestic bodies to provide commercial loans overseas in accordance with Foreign Exchange Administrative Regulations. Fourth, with foreign exchange management of financial institutions being improved, the financial institutions that operate foreign exchange business must report to the foreign exchange administration the foreign exchange receipts and payments and account change of the clients in accordance with law. Fifth, strengthen monitoring of cross-border foreign exchange funds flow, in the case that serious imbalance occurs or possibly occurs to international receipts and payments and serous risk occurs or possibly occurs to national economy, the administration can take necessary guaranteeing and control measures upon international receipts and payments. Sixth, strengthen supervision and management of foreign exchange transaction, and grant wide scope of power to State Administration of Foreign Exchange so that the supervising and managing capability can be improved. Finally, continue to improve RMB exchange rate forming mechanism.

According to the Foreign Exchange Administrative Regulations, current account foreign exchange income may be retained or sold to financial institutions that engage in exchange settlement and sale business. In the case that capital account foreign exchange income is retained or sold to the financial institutions that engage in exchange settlement and sale business, it should be approved by the foreign exchange regulator, except the case where it is exempted from approval by the regulator. Capital account foreign exchange and exchange settlement funds should be used for the purpose that is approved by related regulator or foreign exchange regulator. Foreign exchange regulator has the right to exercise supervision and examination upon the use and account change of capital account foreign exchange and exchange settlement funds.

Current account foreign exchange should be paid in accordance with the administration regulations of State Council foreign exchange regulator on exchange paying and purchasing. The payment must be made in the proprietary foreign exchange or in exchange purchasing form to the financial institutions that engage in exchange settlement and sale business with effective documents. Capital account foreign exchange should be paid in accordance with the administration regulations of State Council foreign exchange regulator on exchange paying and purchasing. And the payment must be made in the proprietary foreign exchange or in exchange purchasing form to the financial institutions that engage in exchange settlement and sale business with effective documents. In the case that it is provided that approval by the foreign exchange regulator is necessary, the approval procedures must be completed before foreign exchange payment.

In accordance with *A Notice of State Administration of Foreign Exchange on Improving Trueness Verification to Further Facilitate Trade and Investment* issued on April 26, 2016(No. 7 [2016], State Administration of Foreign Exchange), the lower limit of the comprehensive position of bank exchange settlement and sale has been extended; forward exchange settlement delivery methods have been diversified; external debt exchange settlement management policies for Chinese and foreign enterprises have been unified; foreign payment management in merchandise trade offshore resale has been regulated; direct investment foreign exchange profit outflow management has been regulated.

In accordance with *A Notice of State Administration of Foreign Exchange on Improving Trueness and Compliance Verification in Further Push of Foreign Management Reform* issued on January the 26th, 2017 (No. 3, [2017], State Administration of Foreign Exchange), the following measures have been taken to further push forward foreign exchange management reform and administration streamlining and power delegating: to increase the domestic foreign exchange loan settlement scope; to allow funds to be brought home for use under the insourcing foreign loan account; to further regulate merchandize trade foreign exchange management; to improve statistics of the current account foreign exchange income saved overseas; to continue to implement and improve direct investment foreign profit outflow management policies; to strengthen the authenticity and compliance verification of overseas direct investment; to implement overall overseas credit management of the domestic and foreign currencies.

Foreign exchanged management related to funds raising

In accordance with *A Decision of State Council on the Issues of Cancelling and Adjusting a Group of Administrative Approval Items* issued on October 23, 2014(No. 50, [2014], State Council), the approval by the State Administration of Foreign Exchange and its branches for overseas-raised funds transferred back from foreign investment shares listed on overseas exchanges has been cancelled.

In accordance with *A Notice of State Administration of Foreign Exchange on Issues of Overseas Listing Foreign Management* issued and implemented on December 26, 2014 (No. 54, [2014], State Administration of Foreign Exchange), domestic issuers shall go through overseas listing registration at the foreign exchange administration at the registration place within 15 days after the close of selling of overseas listing shares. The funds raised by Chinese companies listed overseas can be brought back home or saved overseas, and the funds purpose should be in line with such openly disclosed documents such as the prospectus bond raising description documents, shareholder circular letters, and the resolutions of the board of directors or shareholders' conference. Chinese companies (except bank-type financial institutions) should open corresponding exchange settlement payment accounts at the overseas listing special account opening banks (RMB accounts, hereinafter referred to as "**payment accounts**"), which are used to deposit RMB funds gained by overseas listing special account funds exchange settlement, overseas listing raised funds that are brought home in the form of RMB, and the funds that are remitted in RMB to counter purchase overseas shares and the remaining funds after bringing home and counter purchase. According to its needs, a domestic corporation may hold overseas listing registration receipts to apply to the opening bank to internally transfer or pay overseas listing special account funds, or to transfer the exchange settlement to the payment account.

In accordance with *A Notice of State Administration of Foreign Exchange on Reforming and Normalizing Capital Account Exchange Settlement Management Policies* issued on June 9, 2016 [No. 16, [2016], State Administration of Foreign Exchange], the domestic bodies capital account foreign exchange income willingness exchange settlement policies are unified. Capital account foreign exchange income willingness exchange settlement refers to the capital account foreign exchange income whose willingness exchange settlement has been clarified by related policies (including foreign exchange capital funds, foreign debt funds and overseas listing recalled funds), and exchange settlement can be conducted at the bank according to the real needs of domestic bodies. The proportion of domestic body capital account foreign exchange income willingness settlement is temporarily set to be 100%. State Administration of Foreign Exchange may promptly adjust the above-mentioned proportion according to the situation of the international balance of payment. The domestic body capital account foreign exchange income and the RMB funds gained by its exchange settlement can be used in current account expenditure within its own operation scope, and in the capital account expenditure allowed by law and regulations.

Chinese Legal System

The PRC legal system is based on the *Constitution of the People's Republic of China* (hereinafter referred to as the *Constitution*) and composed of written laws, administrative regulations, local laws, autonomous regulations, separate regulations, rules of the State Council, rules of local governments, laws of Special Administrative Regions, international treaties entered into by the PRC Government, and other normative documents. Court case verdicts do not constitute binding precedents. However, they may be used for the purposes of judicial reference and guidance.

Laws

Legislative Competence

The National People's Congress of the People's Republic of China (hereinafter referred to as "NPC") is the highest organ of state power. Its permanent body is the Standing Committee of the National People's Congress (hereinafter referred to as the "Standing Committee of NPC").

According to the *Constitution* and the *Legislation Law of the People's Republic of China* (hereinafter referred to as the *Legislation Law*), NPC and the Standing Committee of NPC exercise the legislative power of the state. NPC develop and amend the basic laws on criminal matters, civil matters, and state authorities, among others. The Standing Committee of NPC develop and amend laws other than those developed by NPC; and when NPC is not in session, partially supplement and amend laws developed by NPC, provided that the basic principles in such laws are not violated.

Administrative Regulations

The State Council, that is, the Central People's Government, of the People's Republic of China is the executive body of the highest organ of state power and the highest organ of state administration. It has the power to develop administrative regulations according to the *Constitution* and other laws.

Local Regulations, Autonomous Regulations, and Separate Regulations

The people's congresses of provinces, autonomous regions, and municipalities directly under the Central Government and their standing committees may develop local regulations, which must not contravene the *Constitution* and the law and administrative rules and regulations, according to their specific conditions and actual needs. The people's congress and its standing committee of a districted city may, according to the city's specific circumstances and actual needs, develop local regulations on urban and rural development and administration, environmental protection, and historical cultural protection, among others, provided that they do not contravene the *Constitution*, laws, administrative regulations, and the local regulations of the province or autonomous region where the city is located, unless a law provides otherwise for the development of local regulations by a districted city.

Except for a city where the people's government of a province or autonomous region is located, a city where a special economic zone is located, and a relatively large city as approved by the State Council, the specific procedures and time for districted cities to begin developing local regulations shall be determined by the standing committee of the people's congress of the province or autonomous region upon their comprehensive consideration on the population, territorial area, economic and social development, legislative demand, legislative capacity, and other factors of the districted cities of the province or autonomous region, and be reported to the Standing Committee of the National People's Congress and the State Council for record.

The people's congress and its standing committee of an autonomous prefecture may exercise a districted city's power to develop local regulations according to provisions.

The people's congress and its standing committee of the province or city where a special economic zone is located shall, according to the empowerment decision of the National People's Congress, develop regulations.

The people's congress of an ethnic autonomous area shall have the power to develop autonomous regulations and separate regulations based on the political, economic, and cultural characteristics of the local ethnicities.

Rules

The ministries and commissions of the State Council, the People's Bank of China, the State Audit Administration, and other divisions with administrative functions directly under the State Council may, in accordance with the laws and the administrative regulations, decisions, and orders of the State Council, develop rules within their respective power.

Application of Laws

The *Constitution* has the supreme legal effect, and no laws, administrative regulations, local regulations, autonomous regulations, separate regulations, or rules may contravene the *Constitution*. The effect of laws shall be higher than that of administrative regulations, local regulations or rules. The effect of administrative regulations shall be higher than local regulations and rules. The effect of local regulations shall be higher than that of the rules of local governments at the same level and at a lower level. The effect of the rules developed by the people's government of a province or autonomous region is higher than that of the rules developed by the people's government of a districted city or an autonomous prefecture within the administrative region of the province or autonomous regions.

Where certain provisions of laws, administrative regulations or local regulations are legally adapted in the autonomous regulations or separate regulations of an autonomous area, the provisions of the autonomous regulations or separate regulations shall apply only in this autonomous area. Where, according to empowerment, certain provisions of laws, administrative regulations, or local regulations are adapted in the regulations of a special economic zone, the provisions of the regulations of the special economic zone shall apply only in this special economic zone. Equally effective are the rules of different departments, as well as the department rules and the rules of local governments, and these rules shall be implemented within their respective power.

NPC has the authority to amend or cancel any inappropriate national law enacted by its Standing Committee, and to cancel any autonomous regulation or separate regulation approved by its Standing Committee in violation of the *Constitution* or the *Legislation Law*; The Standing Committee of NPC has the authority to cancel any administrative regulation which contravenes the *Constitution* or any national law, to cancel any local regulation which contravenes the *Constitution* or any national law or administrative regulation, and to cancel any autonomous regulation or separate regulation approved by the standing committee of the people's congress of any province, autonomous region, or municipality directly under the central government in violation of the *Constitution* or the *Legislation Law*; the State Council has the authority to amend or cancel any inappropriate department rule or local government rule; the people's congress of a province, autonomous region, or municipality directly under the central government has the authority to amend or cancel any inappropriate local regulation enacted and approved by its standing Committee; the standing committee of a local people's congress has the authority to cancel any inappropriate rule enacted by the local government; the people's government of a province or an autonomous region has the authority to amend or cancel any inappropriate local rule enacted by a people's government at lower level; the enabling body has the authority to cancel any regulation which has been enacted by the enabled organ acting beyond its scope of authority or in violation of the objective of the enabling decision, and where necessary, the enabling body may revoke the authorization.

Legal Construction

According to the *Constitution* and the *Legislation Law*, the power of legal interpretation belongs to the Standing Committee of NPC. According to the *Resolution of the Standing Committee of the National People's Congress Providing an Improved Interpretation of the Law* approved on June 10, 1981, in cases where the limits of articles of laws and decrees need to be further defined or additional stipulations need to be made for the same, the Standing Committee of the National People's Congress shall provide interpretations or make stipulations by means of decrees.

Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the National People's Congress for interpretation or decision.

Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and the competent departments.

In cases where the limits of locally enacted rules and regulations need to be further defined or additional stipulations need to be made for the same, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the Central Government which have formulated these rules and regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local rules and regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government.

Chinese Judicial System

Trial Organization

According to the *Constitution* and the *Organic Law of the People's Courts of the People's Republic of China*, the Chinese judicial system is composed of the Supreme People's Court, local people's courts at various levels, military courts and other special people's courts.

The local people's courts at various levels are divided into basic people's courts, intermediate people's courts and higher people's courts.

Basic people's courts include: county people's courts and municipal people's courts; people's courts of autonomous counties; and people's courts of municipal districts. A basic people's court may set up a criminal division, a civil division and an economic division. A basic people's court may set up a number of people's tribunals according to the conditions of the locality, population and cases. A people's tribunal is a component part of the basic people's court, and its judgments and orders are judgments and orders of the basic people's courts.

Intermediate people's courts include: intermediate people's courts established in prefectures of a province or autonomous region; intermediate people's courts established in municipalities directly under the Central Government; intermediate people's courts of municipalities directly under the jurisdiction of a province or autonomous region; and intermediate people's courts of autonomous prefectures. Each intermediate people's court shall set up a criminal division, a civil division, an economic division, and such other divisions as are deemed necessary.

Higher people's courts include: higher people's courts of provinces; higher people's courts of autonomous regions; and higher people's courts of municipalities directly under the Central Government. A higher people's court shall set up a criminal division, a civil division, an economic division, and such other divisions as are deemed necessary.

The organization, functions and powers of special people's courts shall be prescribed separately by the Standing Committee of the National People's Congress.

The Supreme People's Court is the highest judicial organ of the State. The Supreme People's Court supervises the administration of justice by the local people's courts at various levels and by the special people's courts. The Supreme People's Court shall set up a criminal division, a civil division, an economic division, and such other divisions as are deemed necessary. The Supreme People's Court gives interpretation on questions concerning specific application of laws and decrees in judicial proceeding.

Trial System

In the administration of justice, the people's courts adopt the system whereby the second instance is the last instance. For a judgment or order of first instance of a local people's court, a party may bring an appeal to the people's court at the next higher level in accordance with the procedure prescribed by law, and the people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedure prescribed by law. Judgments and orders of first instance of the local people's courts at various levels become legally effective judgments and orders, if, within the period for appeal, none of the parties has appealed and the procuratorate has not protested. Judgments and orders of second instance of intermediate courts, higher people's courts and the Supreme People's Court and judgments and orders of first instance of the Supreme People's Court are all judgments and orders of last instance, that is, legally effective judgments and orders.

If the president of a people's court finds, in a legally effective judgment or order of his court, some definite error in the determination of facts or application of law, he must submit the judgment or order to the judicial committee for disposal. If the Supreme People's Court finds some definite error in a legally effective judgment or order of a People's Court at any lower level, or if a People's Court at a higher level finds some definite error in a legally effective judgment or order of a People's Court at a lower level, it shall have the power to bring the case up for trial itself or may direct a People's Court at a lower level to conduct a retrial. If the Supreme People's Procuratorate finds some definite error in a legally effective judgment or order of a people's court at any level or if the people's procuratorate at a higher level finds such error in a legally effective judgment or order of any people's court at a lower level, it has the authority to lodge a protest in accordance with the procedure of judicial supervision. The people's courts at all levels shall hold themselves responsible for seriously handling a petition lodged by a party to a case against a legally effective judgment or order.

Civil Litigation

The *Civil Procedure Law of the People's Republic of China* (hereinafter referred to as the *Civil Procedure Law*), as issued on April 9, 1991 and latest revised on June 27, 2017, sets forth the procedures to be followed in lodging a civil litigation, performing judicial jurisdiction by people's courts, conducting civil litigation and the procedures for enforcing civil judgments or orders. For civil actions conducted within the territory of the People's Republic of China, all parties involved shall comply with the *Civil Procedure Law*.

The power to try civil cases shall be exercised by a people's court where the defendant concerned is located according to regional jurisdiction. Parties to a dispute over a contract or any other right or interest in property may, by a written agreement, choose the people's court at the place where the defendant holds domicile, where the contract is performed or signed, where the plaintiff holds domicile, where the object of the case is located or other locations which have substantial connections with the dispute to exercise jurisdiction over the case, provided that the provisions of the *Civil Procedure Law* regarding hierarchical jurisdiction and exclusive jurisdiction shall not be violated.

Foreign nationals, stateless persons and foreign enterprises and organizations which institute or respond to actions in the people's courts shall have equal procedural rights and obligations as citizens, legal persons and other organizations of the People's Republic of China. Where the courts of a foreign country impose any restrictions on the civil procedural rights of citizens, legal persons and other organizations of the People's Republic of China, the people's courts of the People's Republic of China shall apply the principle of reciprocity to the civil procedural rights of citizens, enterprises and organizations of such a foreign country.

Civil judgments or orders that become legally effective shall be performed by the parties involved. If a party refuses to do so, the other party may apply to the people's court to request enforcement of the judgment or order, or the judge may refer the matter to the execution officer for enforcement. The parties concerned must comply with the conciliation statement and other legal documents that are to be executed by the people's court. If a party refuses to do so, the other party may apply to the people's court for enforcement. The right to apply for enforcement may be exercised within two years.

The execution officer shall, after receiving the application for execution or the writ of referral directing execution, send an execution notice to the person subjected to execution, and may conduct compulsory execution measures immediately. If the person subjected to execution fails to perform acts specified in a judgment or written order or any other legal document according to the execution notice, the people's court may carry out compulsory execution or entrust the task to a relevant unit or other persons, and the person subjected to execution shall bear the expenses thus incurred.

If a party applies for enforcement of a legally effective judgment or written order made by the people's court, and the opposite party or his property is not within the territory of the People's Republic of China, the applicant may directly apply for recognition and enforcement to the foreign court which has jurisdiction. The people's court may also, in accordance with the relevant provisions of the international treaty concluded or acceded to by the People's Republic of China, or with the principle of reciprocity, request recognition and enforcement by the foreign court.

If a legally effective judgment or written order made by a foreign court requires recognition and enforcement by the people's court of the People's Republic of China, the party may directly apply for recognition and enforcement to the intermediate people's court of the People's Republic of China which has jurisdiction. The foreign court may also, in accordance with the provisions of the international treaties concluded or acceded to by both the foreign country and the People's Republic of China or with the principle of reciprocity, request recognition and enforcement by the people's court. In the case of an application or request for recognition and enforcement of a legally effective judgment or written order of a foreign court, the people's court shall, after examining it in accordance with the international treaty concluded or acceded to by the People's Republic of China or with the principle of reciprocity and arriving at the conclusion that it does not contradict the basic principles of the law of the People's Republic of China nor violates State sovereignty, security and social and public interest of the country, recognize the validity of the judgment or written order, and if required, issue a writ of execution to enforce it in accordance with the relevant provisions of this Law. If the application or request contradicts the basic principles of the law of the People's Republic of China or violates State sovereignty, security and social and public interest of the country, the people's court shall not recognize and enforce it.

The *Company Law*, the *Special Provisions*, and the *Prerequisite Clauses*

The companies limited by shares that are incorporated in China and intending to list in Hong Kong Stock Exchange shall mainly comply with the following three Chinese laws and regulations:

The *Company Law of the People's Republic of China* (hereinafter referred to as the *Company Law*) was issued on December 29, 1993 and took effect on July 1, 1994, and revised respectively on December 25, 1999, August 28, 2004, October 27, 2005, and December 28, 2013. The *Company Law* revised at the latest was put into force on March 1, 2014.

According to Article 85 of the *Company Law* (1993) "With the approval of the securities administration of the State Council, a joint stock company limited may make public offering abroad; the specific method for the public offering shall be formulated by the State Council" and Article 155 "With the approval of the State Council authorized securities administration department, a joint stock company limited may have its stocks listed abroad. The special regulations thereof shall be formulated by the State Council", the State Council issued the *Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Stocks by Limited Stock Companies* (hereinafter referred to as the *Special Provisions*) on August 4, 1994 which is applicable to the shares subscription and listing abroad of stocks by limited stock companies.

According to Article 13 of the *Special Provisions,* "the Securities Commission of the State Council, together with the departments authorized by the State Council, may develop regulations concerning the *Prerequisite Clauses* in companies' articles of association", the former Securities

Commission of the State Council and the State Commission for Restructuring Economy issued the *Articles of Association of Companies Listing outside the PRC Mainland—Prerequisite Clauses* (hereinafter referred to as the *Prerequisite Clauses*) on August 27, 1994 setting forth the prerequisite clauses in the articles of association of a company limited by shares intending to seek a listing outside PRC Mainland. Therefore, the *Prerequisite Clauses* have been incorporated into the Articles of Association of the Company (the summary is attached at Exhibit VIII hereto).

Main provisions in the *Company Law*, the *Special Provisions*, and the *Prerequisite Clauses* that are applicable to the Company are summarized and listed below.

General Provisions

A company limited by shares is an enterprise legal person incorporated according to the *Company Law*, which has independent legal person property and enjoys the right to legal person property. The company shall bear the liabilities for its debts with all its property and a shareholder shall be liable for the company to the extent of the shares it has subscribed.

Incorporation

Companies limited by shares may be established by means of promotion or by means of share offer. The term "establishment by means of promotion" means establishment of a company by means of subscription by the promoters for all the shares to be issued by the company. The term "establishment by means of share offer" means establishment of a company by means of subscription by the promoters for a portion of the shares to be issued by the company, and offer of the balance to the public or to the specified targets. For the establishment of a company limited by shares, there shall be more than two and less than two hundred promoters, of which more than half shall have their domiciles in the PRC mainland.

Where a company limited by shares is established by means of promotion, the registered capital shall be the total share capital subscribed for by all promoters as registered with the company registration authority. The said company is not allowed to offer shares to others for subscription before the shares subscribed to by its promoters are fully paid up. Where a company limited by shares is established by means of share offer, the registered capital shall be the total paid-up capital as registered with the company registration authority. The provisions otherwise prescribed by laws, administrative regulations and the decisions of the State Council on the actual payment of registered capital and the minimum registered capital of a company limited by shares shall prevail. According to the *Securities Law of the People's Republic of China* (hereinafter referred to as the *Securities Law*), to apply for listing of stocks, the total amount of capital stock of a company limited by shares shall be no less than RMB 30 million.

Where a company limited by shares is established by means of promotion, the promoters shall subscribe in writing for all the shares for which they subscribe as specified in the company's articles of association, and pay the capital contribution according to the articles of association of the company. In the case of making capital contributions in non-monetary properties, procedures for the transfer of property rights shall be handled according to law. In the event of a promoter's failure to make capital contributions in accordance with the preceding paragraph, such promoter shall bear the liabilities for breach of contract pursuant to the promoters' agreement. Where a company limited by shares is established by means of share offer, the promoters shall subscribe for no less than thirty five percent of the total shares of the company unless otherwise specified by laws or administrative regulations.

The payments for the issued shares shall, after being fully made, be subject to capital verification and issuance of a certification by a lawfully-established capital verification institution. The promoters shall convene a meeting to found the company within thirty days after the payments for the shares are fully made. The attendees at the inaugural meeting shall comprise the promoters and subscribers. The promoters shall give notice to all subscribers fifteen days in advance of the date of the founding meeting or make an announcement. The quorum of the founding meeting shall be promoters and subscribers holding more than half of the total number of shares. At the founding meeting, issues to be handled include the approval of the articles of association, and the election of the board of directors' members and the board of supervisors' members. A resolution of the founding meeting on any of the matters shall be passed by subscribers who represent more than half of the voting rights of all subscribers present at the meeting.

The board of directors shall apply for incorporation of the company limited by shares with the registration authority within thirty days from conclusion of the founding meeting. Upon issuance of the business license by the company registration authority, the company limited by shares should beis immediately founded officially and have corporate capacity. A company limited by shares established by share offer shall submit the approval document issued by the securities regulatory authorities of the State Council to the company registration authority if it proposes to offer shares to the public.

The promoters of companies limited by shares shall bear: 1. joint and several liabilities for the debts and expenses resulting from the activities for establishment of the company, in the event of failure to establish the company; 2. joint and several liabilities for refunding the subscribers' payments for shares plus interest calculated according to the bank deposit interest rate for the corresponding period, in the event of failure to establish the company; and 3. the liability for compensation to the company, in the event that the interests of the company are prejudiced due to the negligence of the promoter during the course of establishment of the company.

Share Capital

According to the *Company Law*, Shares shall be issued in accordance with the principles of fairness and impartiality. Each share of the same class shall be entitled to the same rights. With regard to the shares of the same class that are issued at the same time, the issuing conditions and price for each share shall be the same. Any entity or individual shall pay the same price for each of the shares subscribed for. The issuing price of a share may be at or above the par value, but shall not be below the par value.

According to the *Special Provisions* and the *Prerequisite Clauses*, a company shall obtain the approval of the CSRC before offering its shares to the public abroad outside China mainland. The shares issued offered to investors and listed abroad outside China mainland (hereinafter referred to as "foreign capital share listed abroad") by limited share companies (foreign capital share listed outside China mainland) shall be in the form of registered stocks, with par value indicated in RMB and subscribed to in foreign currencies. The shares issued to overseas investors outside China mainland (including those of in Hong Kong, Macao, and Taiwan) and listed in Hong Kong are H shares, while the shares issued to investors in China mainland subscribed in RMB are domestic shares. According to the *Special Provisions*, upon approval by the CSRC, an agreement may be made with the underwriters in their underwriting contracts that beyond the underwriting amount, the shares may be reserved at a rate of no more than 15% of the foreign shares listed outside China mainland to be offered.

According to the *Company Law*, a company that issues registered stocks shall prepare and make available a shareholder register to record the following matters:

(1) Names and domiciles of the shareholders;

(2) Number of shares held by each shareholder;

(3) Serial numbers of the stocks held by each shareholder; and

(4) Date on which each shareholder obtains the shares.

Increase of Share Capital

According to the *Company Law*, where a company issues new shares, a resolution on the following matters shall be made by the general meeting: (1) Type and number of the new shares; (2) Issuing price of the new shares; (3) Commencement and ending dates for the issuance of the new shares; and (4) Class and number of the new shares to be issued to the existing shareholders.

Where any company issues new shares to the public upon verification and approval of the securities regulatory authority of the State Council, the company shall release the prospectus for the new shares and its financial and accounting reports, and prepare a share subscription form. A company that issues new shares may, according to its operational and financial conditions, determine a plan for the pricing of the shares. A company shall, upon receipt of all the payments for its newly issued shares, go through the formalities for change of registration with the relevant company registration authority and make public the same.

Reduction of Share Capital

According to the *Company Law*, where it is necessary for a company to reduce its registered capital, it shall prepare the balance sheet and a list of property. The reduction shall be approved by the shareholders representing more than two thirds of the voting rights of all shareholders present at the general meeting. The company shall notify its creditors within ten days after the resolution on the reduction of the registered capital is made, and shall publish an announcement in newspapers within thirty days. The creditors shall, within thirty days upon receipt of the written notice, or in the case of the failure to receive the written notice, within forty five days after the public announcement, be entitled to request the company to repay the debts or provide the corresponding guaranty. For reduction of the registered capital, the company shall register such reduction with the company's registration authority according to law.

Redemption of Shares

According to the *Company Law*, a company shall be prohibited from acquiring its own shares, except as under any of the following circumstances: (1) The company reduces the registered capital thereof; (2) The company merges with another company that holds its shares; (3) The company rewards its staff members with shares; or (4) Any shareholder of the company raises objections to a resolution made by the general meeting on the merger or division of the company, and therefore requests the company to acquire its holdings of shares.

The acquisition of its own shares by the company under Item (1) through to Item (3) of the preceding Paragraph shall be subject to a resolution of the general meeting. After the company has acquired its own shares in accordance with the preceding Paragraph, it shall deregister such shares within ten days of the date of acquisition, if the acquisition falls under Item (1); or transfer or deregister such shares within six months, if the acquisition falls under Item (2) or Item (4).

Where a company acquires its own shares under Item (3) aforesaid, the shares to be acquired shall not exceed five percent of the total outstanding shares of the company. The funds for the acquisition shall be sourced from the after-tax profit of the company. The shares so acquired shall be transferred to its staff members within one year.

Transfer of Shares

According to the *Company Law*, the shares held by shareholders are transferrable under the law. Shareholders shall transfer their shares at lawfully-established securities exchanges or by other means provided for by the State Council. Registered stocks shall be transferred through endorsement by the relevant shareholder or by any other means specified in laws or administrative regulations. After the transfer, the company concerned shall record the transferee's name and domicile in the shareholder register. No change registration shall be carried out in respect of the register of shareholders specified in the preceding paragraph within twenty days prior to convening a shareholders' general meeting or within five days prior to the reference date determined by the company for the distribution of dividends. However, where the law has stipulated otherwise on the change registration of the register of shareholders of listed companies, such stipulations shall prevail. According to the *Prerequisite Clauses*, within 30 days before the general meeting is held, or within 5 days prior to the benchmark date determined by the company for dividend distribution, the formalities for change of registration of the shareholder register due to stock transfer shall not be carried out. The transfer of bearer stocks shall become valid upon the delivery of the said stocks to the transferee by the relevant shareholder.

The shares of a company by the promoters thereof shall not be transferred within one year of the date of establishment of the company. The shares issued before the public offering of shares by the company shall not be transferred within one year of the date on which the stocks of the company are listed and traded on a securities exchange. The directors, supervisors, and senior management personnel of the company shall declare, to the company, information on their holdings of the shares of the company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed twenty five percent of their total holdings of the shares of the company. The shares that they held in the company shall not be transferred within one year of the date on which the stocks of the company are listed and traded. The aforesaid persons shall not transfer their shares of the company within six months of their departure from the company. The company's articles of association may set forth other restrictive provisions on the transfer of the shares of the company held by the directors, supervisors, and senior management personnel.

Shareholders

Under the *Company Law* and *Prerequisite Clauses*, a shareholder of ordinary shares of a company shall have the rights:

(1) to receive the distribution of dividends and other forms of profits in proportion to the shares it holds in the company;

(2) to attend or entrust an agent to attend general meetings and to exercise the voting right;

(3) to supervise and manage business operations of the company and to raise proposals or inquiries;

(4) to transfer the shares under laws, administrative regulations and the articles of association;

(5) to be informed under articles of association, and particularly to be given the articles of association subject to payment of costs and access and duplicate the articles of association provided that the reasonable payment has been made;

(6) when the company is terminated or liquidated, to receive distribution of remaining property of the company in proportion to the shares the shareholder holds in the company;

(7) to exercise other rights granted under laws, administrative regulations and the articles of association.

A shareholder of ordinary shares of a company shall have the obligations:

(1) to comply with articles of association;

(2) to pay for the shares the shareholder has subscribed for according to its subscription mode;

(3) to fulfill other obligations imposed under laws, administrative regulations and the articles of association.

A shareholder is not required to be liable for any additional capital other than the condition agreed upon by the subscriber at the time of subscription.

General Meeting

Under the *Company Law* and *Prerequisite Clauses*, the general meeting of a company shall exercise the following powers:

(1) to determine the company's operation guidelines and investment plans;

(2) to elect and replace the directors, and decide the remuneration for the directors;

(3) to elect and replace the supervisors who also serve as shareholders, and decide the remuneration for such supervisors;

(4) to approve the reports of the board of directors through deliberation;

(5) to approve the reports of the board of supervisors through deliberation;

(6) to approve annual financial budget plans and final settlement plans of the company through deliberation;

(7) to approve profit allocation plans and loss recovery plans of the company through deliberation;

(8) to decide on resolutions concerning increase or decrease of registered capital of the company;

(9) to decide on resolutions concerning matters such as company merger, division, dissolution or liquidation;

(10) to decide on resolutions concerning the issuance of bonds of the company;

(11) to decide on resolutions concerning appointment, removal or discontinuation of further service of an accounting firm for the company;

(12) to amend the articles of association;

(13) to deliberate on any proposal made by the shareholders representing at least 5% of voting shares of the company;

(14) other issues on which the general meeting shall make resolutions according to laws, administrative regulations and articles of association.

General meetings include annual general meetings and extraordinary general meetings, and shall be called upon by the directors. Annual general meetings shall be held annually within 6 months after the end of the prior accounting year. An extraordinary general meeting shall be held within two months in the event of any of the following circumstances:

(1) Where the number of directors is less than two thirds of the number specified in *Company Law* or the company's articles of association;

(2) Where the unrecovered losses of the company amount to one third of the total share capital;

(3) Where the shareholders holding at least 10% of the outstanding voting shares in the company request in writing to hold the extraordinary general meeting;

(4) where the extraordinary general meeting is held as the directors deems necessary or the supervisors so require;

(5) in any other circumstance specified in articles of association.

Under the *Company Law*, the general meeting of a company shall be convened by the board directors and presided over by the chairman of the board directors. If the chairman is unable to or fails to perform his/her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is unable to or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors.

If the directors are unable to or fail to perform the duty of convening the general meeting, the supervisors shall convene and preside over the meeting in a timely manner. If the supervisors fail to convene or preside over the meeting, one shareholder holding, or several shareholders jointly holding, at least 10% of the shares in the company for at least 90 consecutive days may convene and preside over the meeting at their own discretion.

Under the *Company Law*, to convene a general meeting of a company, each shareholder shall be notified, twenty days before the date of meeting, of the time and venue of the meeting and the matters to be deliberated. To convene an extraordinary general meeting, each shareholder shall be notified fifteen days before the meeting is held. Under the *Special Provisions* and the *Prerequisite Clauses*, to convene a general meeting of a company, each registered shareholder shall be notified in writing, 45 days before the date of meeting, of the matters to be deliberated and the time and venue of the meeting. Each shareholder who intends to attend the general meeting shall return a written reply of attendance to the company 20 days before the date of meeting.

The *Company Law* does not provide for the quorum of a general meeting. Under the *Special Provisions* and the *Prerequisite Clauses*, should the voting shares held by the shareholders who intend to attend a general meeting be at least half of the total voting shares of the company, the company may hold the general meeting; otherwise, the company shall again notify the shareholders within five days of the matters to be deliberated and the time and venue of the meeting in an announcement form. The company may hold the general meeting after notification through announcement.

Under the *Special Provisions* and the *Prerequisite Clauses*, where a company holds an annual general meeting, the shareholders holding at least 5% of the total voting shares in the company shall be entitled to come up with new proposals to the company in writing, and the company shall incorporate the matters, as described in the proposals, which fall within the scope required to be decided by the general meeting, into the agenda of the meeting.

Under the *Company Law*, each shareholder present at the general meeting shall have one vote to cast at the meeting for each share it holds; however, no voting right is attached to the shares held by the company itself.

The general meeting of a company shall elect directors and supervisors and may, in accordance with the company's articles of association or a resolution of the general meeting, adopt a cumulative voting system. The cumulative voting system shall mean that, in the election of directors or supervisors at the general meeting, the number of voting rights under each share is the same as the number of directors or supervisors to be elected, and that the shareholders may cast all of their votes for a single candidate.

Under the *Company Law* and the *Prerequisite Clauses*, resolutions of a general meeting include ordinary resolutions and special resolutions. An ordinary resolution shall be passed with more than 1/2 of the voting rights held by the shareholders (including the proxies of shareholders) present at the meeting. A special resolution shall be passed with more than 2/3 of the voting rights held by the shareholders (including the proxies of shareholders) present at the meeting.

Ordinary resolutions of a general meeting shall be made on: (1) work reports of the board of directors and the board of supervisors; (2) proposed profit distribution plans and loss recovery plans by the board of directors; (3) dismissal of directors and supervisors and their remuneration and payment; (4) annual budgets and final settlement reports, balance sheets, profit statements and other financial statements of the company; (5) other matters except those required to be determined in special resolutions under laws, administrative regulations or the articles of association.

Special resolutions of a general meeting shall be made on: (1) increase and decrease of capital, and issuance of any stock, warrant and other similar securities, of the company; (2) issuance of bonds of the company; (3) split-up, merge, dissolution and liquidation of the company; (4) amendments to the articles of association; (5) other matters that, as determined in ordinary resolutions of a general meeting, have material impact on the company that they need to be determined in special resolutions.

According to the *Company Law*, the minutes of meeting shall be prepared for the decisions on the matters discussed at each of the general meetings. The chairman of the meeting and the directors present at the meeting shall affix their signatures thereto. The minutes shall be kept together with the book of signatures of the shareholders present as well as the documents of the power of attorney for the proxies present.

Under the *Prerequisite Clauses*, shareholders holding different classes of shares are classified shareholders. The classified shareholders shall have corresponding rights and obligations according to laws, administrative regulations and the articles of association. To change or remove any right of classified shareholders, such change or removal shall be approved by a special resolution at a general meeting or approved at a shareholders' meeting convened by the affected classified shareholders according to the *Prerequisite Clauses*. To this end, domestic capital shareholders and H shareholders shall be deemed as different classified shareholders.

Board of Directors

According to the *Company Law*, a company limited by shares shall have a board of directors that is to be composed of 5 to 19 members. The board of directors may include representatives of the staff members of the company. These representatives shall be elected democratically through a general meeting of the representatives of the staff members, a general meeting of staff members, or in other forms.

The term of office of a director shall be specified in the company's articles of association, each subject to a maximum of three years. The term of office of a director may be renewed upon expiry thereof in case of successful re-election. Where a new election is not held in a timely manner upon expiry of the term of office of a director, or where the number of the members of the board of directors is less than the quorum due to the resignation of one or more directors during their term of office, such former director(s) shall continue to perform the director's duties in accordance with laws, administrative regulations and the company's articles of association until the newly-elected director(s) take(s) office.

According to the *Company Law* and the *Prerequisite Clauses*, the board of directors shall be responsible for the general meeting and exercise the following functions:

(1) to convene general meetings and report to the meetings;

(2) to implement resolutions adopted by general meetings;

(3) to determine operation plans and investment plans of the company;

(4) to work out annual financial budget plans and final account settlement plans of the company;

(5) to work out profit distribution plans and plans for covering the deficit of the company;

(6) to draft the plans for increase or decrease of registered capital and issuance of company bonds;

(7) to draw up plans for the company's merger, division and dissolution;

(8) to determine the establishment of internal administrative organizations of the company;

(9) to appoint or dismiss general manager of the company; appoint or dismiss, upon the general manager's recommendation, deputy general managers of the company and financial principal; and determine their remunerations;

(10) to establish the company's basic management system; and

(11) to work out plans on amending the articles of association.

Where a board of directors decides the abovementioned matters, except that the matters in Items (6), (7) and (11) shall be decided by more than 2/3 of the directors, the matters may be determined by more than half of the directors.

Under the *Company Law* and the *Prerequisite Clauses*, meetings of the board of directors of a company limited by shares shall be held at least twice a year, and shall be notified to all directors and supervisors ten days before the date of each meeting. An extraordinary meeting of board of directors may be proposed by shareholders representing more than 10% of the voting rights or more than one third of the directors or supervisors. The chairman of the board shall convene and preside over the meeting of the board of directors within ten days upon receipt of the notice. The notification method and time limit for giving notice of the convening of extraordinary meetings of the board of directors may be decided separately.

A meeting of the board of directors may be held only when more than half of all the directors are present. A resolution of the board of directors shall be passed by more than half of all the directors. Should there be a tie between negative and affirmative votes on a matter, the chairman of the board of directors shall have the casting vote. The one-person one-vote system shall be practiced when resolutions of the board of directors are put to the vote. The directors shall attend the meetings of the board of directors in person. Any director who is unable to attend a meeting for a certain reason may authorize, in writing, another director to attend the meeting as a proxy, and the scope of authority shall be stated in the power of attorney.

Minutes of meeting shall be prepared for the decisions on the matters discussed at each of the meetings of the board of directors. The directors present at the meeting shall affix their signatures thereto. The directors shall be liable for the resolutions of the board of directors. If a resolution of the board of directors is in violation of laws, administrative regulations, or the company's articles of association and causes heavy losses to the company, the directors who participate in adopting the resolution shall be liable for compensation; however, a director may be exempted from liabilities if it is proved that he/she has expressed objections at the time of voting and such objections are recorded in the meeting minutes.

Eligibility of Directors

Under the *Company Law* and the *Prerequisite Clauses*, whoever is under any of the following circumstances is not allowed to assume the post of a director:

(1) The person has no or limited civil capacity;

(2) The person has been sentenced to criminal punishments due to corruption, bribery, embezzlement of property, misappropriation of property, or disrupting the order of the socialist market economy, and less than five years have elapsed since the punishments are fully executed; or he/she has been deprived of political rights due to any criminal offense, and less than five years have elapsed since the punishment is fully executed;;

(3) The person has served as a director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of mismanagement and is personally liable for the bankruptcy of the company or enterprise, and less than three years have elapsed since the date of completion of the bankruptcy liquidation of the company or enterprise;

(4) The person has served as the legal representative of a company or enterprise that has its business license revoked and is ordered to close down due to violations of the law, and is personally liable for such punishment, and less than three years have elapsed since the date of revocation of the business license of the company or enterprise; or

(5) The persons has a relatively large amount of overdue debts;

(6) The person is under juridical investigation for any violation of criminal law, which is pending;

(7) The person cannot hold the post of company leader under laws or administrative regulations;

(8) The person is non-natural person;

(9) The person, as confirmed by competent authorities, has committed the crime of violating securities regulations or any other fraud or dishonesty behavior, where less than five years have elapsed since the date of confirmation.

The validity of an action taken with regard to a bona fides third party by a director for and on behalf of a company will not be affected by any noncompliance in his or her capacity, election or eligibility.

Board of Supervisors

According to the *Company Law* and the *Prerequisite Clauses*, a company limited by shares shall have a board of supervisors that is to be composed of at least three members. The board of supervisors shall include representatives of the shareholders and an appropriate proportion of representatives of the staff members of the company. The specific proportion of the representatives of the staff members shall be specified in the company's articles of association, subject to a minimum of one third. The representatives of the shareholders shall be elected and dismissed by a general meeting, and the representatives of the staff members shall be elected and dismissed democratically through a general meeting of the representatives of the staff members, a general meeting of staff members, or in other forms.

The directors, managers, CFO and other senior executives shall not concurrently serve as supervisors in a company.

The board of supervisors shall have one chairman and one or more vice chairmen. The chairman and vice chairmen of the board of supervisors shall be elected by more than half of all the supervisors. According to the *Letter on Supplements and Amendments to Articles of Association for Companies Listed in Hong Kong of CSRC Overseas Listing Department and SCRES Production System Office* (ZJHH [1995] No.1), appointment and dismissal of the chairman of board of supervisors shall be determined by more than two thirds of the supervisors.

The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. If the chairman of the board of supervisors is unable to or fails to perform his/her duties, the meeting may be convened and presided over by a vice chairman. If the vice chairman is unable to or fails to perform his/her duties, the meeting may be convened and presided over by a supervisor jointly elected by more than half of all the supervisors.

The term of office for supervisors shall be three years. The term of office of a supervisor may be renewed upon expiry thereof in the case of successful re-election. If a new election is not held in a timely manner upon the expiry of the term of office of a supervisor, or if the number of the members of the board of supervisors is less than the quorum due to the resignation of one or more supervisors during their term of office, such former supervisor(s) shall continue to perform supervisor's duties in accordance with laws, administrative regulations, and the company's articles of association until the newly elected supervisor(s) take(s) office.

The board of supervisors which is responsible for the general meeting shall exercise the following functions according to law:

(1) to examine financial affairs of the company;

(2) to supervise the duty-related acts of the directors, managers and other executives in violation of the laws, administrative regulations and the articles of association;

(3) to require directors, managers and other executives to rectify their acts damaging interests of the company;

(4) to check financial materials such as accounting reports, business reports and plans for profit distribution that the board of directors plans to submit to the general meeting, and appoint certified public accountants and auditors to provide assistance to recheck on behalf of the company in case of any problem;

(5) to propose to hold extraordinary meetings;

(6) to negotiate with directors or bring an action against directors for and on behalf of the company;

(7) to exercise other functions and powers stipulated in articles of association.

Supervisors will be present without voting right at the meetings of board of directors.

The supervisors of a company may attend the meetings of the board of directors as non-voting participants, and may raise questions or suggestions on the matters decided by the board of directors. The investigation can be conducted in case of any abnormalities found by the board of supervisors in business operation. The expenses incurred due to employment of lawyers, certified public accountants, auditors and other professionals when the board of supervisors exercises its power shall be assumed by the company.

Manager and Executives

According to the *Company Law* and the *Prerequisite Clauses*, a company shall have one manager who shall be appointed or dismissed by the board of directors. The manager is responsible for the board of directors and exercises the following functions:

(1) to direct the production and operation management of the company and organize the implementation of the resolutions made by the board of directors;

(2) to organize the implementation of annual business plans and investment proposals of the company;

(3) to draw up plans for the establishment of internal management departments of the company;

(4) to draft basic management system of the company;

(5) to formulate basic regulations of the company;

(6) to make a proposal for appointment or dismissal of the deputy manager and financial principal of the company;

(7) to employ or dismiss other administrative personnel except for those who should be duly employed or dismissed by the board of directors;

(8) to perform other functions and powers granted by the articles of association and the board of directors.

The manager shall attend meetings of the board of directors as a non-voting participant. The board of directors of a company may decide to appoint a member of the board of directors to concurrently hold the post of the manager of the company. The manager who is not a director shall have no voting right at the meeting. The manager shall persist in honesty and good faith, and perform assiduous obligations as per provisions of laws, administrative regulations and the articles of association, when exercising duties and powers.

According to the *Company Law*, an executive shall mean any of the manager, vice manager and the person in charge of financial matters of a company, the secretary of the board of directors of a listed company, and any other personnel specified in the articles of association of a company.

Obligations of Directors, Supervisors and Executives

According to the *Company Law*, directors, supervisors and executives of a company shall abide by laws, administrative regulations and the company's articles of association. They shall be faithful and diligent to the company.

Directors, supervisors and executives may not take advantage of their positions and powers to collect or accept bribes or other illegal income, and may not encroach upon the property of the company. No directors and executives shall:

(1) misappropriate funds of the company;

(2) deposit company funds in his/her own personal account or in the personal account of other individuals;

(3) without the consent of the board of shareholders, general meeting or board of directors, loan the company's fund to others or provide any guaranty to any other person by using the company's property in violation of the articles of association;

(4) sign a contract or trade with the company by violating the articles of association or without the consent of the board of shareholders or general meeting;

(5) without the consent of the board of shareholders or general meeting, seek business opportunities for himself or any other person by taking advantages of his authorities, or operate for himself or for any other person any business similar to that of the company he works for;

(6) take commissions from the transactions between the company and others in their own possession;

(7) disclose any secrets of the company without permission;

(8) take other acts that are inconsistent with the obligation of fidelity to the company.

The income received by a director or executive from violating the provisions of the preceding paragraph shall belong to the company.

Where any director, supervisor or executive causes damages to the company by violating laws, administrative regulations or the articles of association while performing duties, such director, supervisor or executive shall be held liable for compensation.

Where a director, supervisor or executive of a company is required to attend a meeting as non-voting participant, the director, supervisor or executive shall do the same and accept the inquiries from shareholders.

Where a director or executive violates laws, administrative regulations or the articles of association while performing duties, the shareholder who holds, or the shareholders who jointly hold, more than one tenth of the shares in the company limited by shares for more than 180 consecutive days, may request in writing to the board of supervisors to bring an action against such person before a people's court; provided that if a supervisor violates laws, administrative regulations or the articles of association while performing duties, the abovementioned shareholder(s) may request in writing to the board of directors to bring an action against such person before a people's court.

Finance and Accounting

As per the *Company Law* and the *Prerequisite Clauses*, the financial accounting system of a company shall be formulated in accordance with provisions of laws, administrative regulations and Chinese accounting standards formulated by the competent financial department of the State Council. Financial statements shall be prepared at the end of each accounting year and reviewed in accordance with law. The board of directors shall, at the annual general meeting, submit to shareholders the financial reports prepared by the company as required by relevant laws, administrative regulations, and regulatory documents enacted by local governments and competent departments.

The financial and accounting reports shall be maintained in the company 20 days before the annual general meeting is held for inspection by shareholders. Every shareholder of the company shall have access to the financial reports as mentioned in this Chapter. A company limited by shares that publicly issues shares shall announce its financial and accounting report. A company listed in Hong Kong shall at least send the said report to all shareholders of foreign-funded shares listed outside China mainland by prepaid post. The recipient address shall be the one recorded in the shareholder register.

Financial statements of a company shall be prepared in accordance with the Chinese accounting standards and regulations as well as the international accounting standards or the accounting standards of the country or region outside China mainland where the company is listed. Any significant discrepancy between the financial statements prepared respectively pursuant to the two aforementioned standards shall be specified in the notes of the financial statements. The company distributes its after-tax profit of the current accounting year based on the after-tax profit of the two statements, whichever is smaller. The company shall announce or disclose the interim performance or financial materials prepared in accordance with the Chinese accounting standards and regulations as well as the international accounting standards or the accounting standards of the country or region outside China mainland where the company is listed.

When a company distributes its after-tax profit of the current year, 10 percent of the profit shall be allocated to its statutory common reserve fund. The company is not required to do so once the cumulative amount of the statutory common reserve fund reaches 50 percent or more of the company's registered capital. If the statutory common reverse fund of the company is not sufficient to cover its losses in previous years, the company shall use the profit of the current year to cover the losses before accruing the statutory common reserve fund in accordance with the preceding provision. After the company has accrued the statutory common reserve fund from its after-tax profit, it may, subject to a resolution of the shareholders' meeting or the general meeting, accrue discretionary common reserve fund from the after-tax profit. After having been used to cover the losses and make allocation to the common reserve fund, the remaining after-tax profit of a company limited by shares shall be distributed in proportion to the shares held by each shareholder, unless otherwise specified in its articles of association. Where the shareholders' meeting or the general meeting or board of directors violates the proceeding provision and distributes profit to shareholders before the company covers the losses and accrues the statutory common reserve fund, the shareholders shall return to the company the profit distributed in violation. A company shall not distribute profits to its holdings of its own shares.

Both the premium obtained by a company limited by shares from issuing shares at a price above the par value thereof, and other incomes that shall be included in the capital reserve fund of the company as required by the finance department of the State Council shall be included in the capital reserve fund of the company.

The common reserve fund of a company shall be used to cover the losses of the company, expand the production operations of the company, or be converted to increase the company's capital. The capital reserve fund shall not be used to cover the losses of the company. Where the statutory common reserve fund is converted into capital, the amount thereof remaining after the conversion shall not be less than 25 percent of the registered capital of the company before the increase.

A company shall not establish any account books other than the statutory ones. No company assets may be deposited under any account opened in any individual's name.

Engagement with Accounting Firms and Termination of Engagement

The *Company Law* provides that the engagement of any accounting firm undertaking the audit of a company, and the termination of the engagement shall, pursuant to the company's articles of association, be decided by the general meeting or the board of directors. Where the general meeting or board of directors votes on the termination of the engagement of an accounting firm, the accounting firm shall be allowed to present its opinions. A company shall provide the accounting firm engaged with truthful and complete accounting proofs, account books, financial and accounting reports and other accounting materials, and may not refuse to provide or conceal any required information or make any false statements.

As per the *Special provisions* and the *Prerequisite Clauses*, a company shall engage an independent accounting firm that complies with relevant regulations of the state to audit the annual report of the company and review other financial reports of the company. The term of engagement shall begin at the closing of the company's annual general meeting of the current year, and end at the closing of the annual general meeting of next year.

Profit Allocation

As per the *Company Law*, a company shall not distribute profit before covering losses and accruing statutory common reserve fund. The *Special Provisions* requires the payment of dividends and other allocations to the shareholders of foreign-funded shares listed outside China mainland shall be distributed and calculated in RMB, and paid in a foreign currency. The company shall delegate an agent of collection for the shareholders of foreign-funded shares listed outside China mainland in accordance with the *Prerequisite Clauses*.

Amendment of Articles of Association

As per the *Company Law*, any resolution made at a general meeting on the amendment to the company's articles of association shall be adopted by the shareholders representing more than two thirds of the voting rights at the meeting. The *Prerequisite Clauses* provides that the company may modify the company's articles of association in accordance with provisions of law, administrative regulations and the company's articles of association. Any amendment to the articles of association, in the case of concerning the *Prerequisite Clauses*, shall come into force as of the approval of the company's auditing department authorized by the State Council and Securities Committee of the State Council; and, in the case of concerning company registration, shall register the modification in accordance with law.

Dissolution and Liquidation

As per the *Company Law* and the *Prerequisite Clauses*, when a company should be dissolved for any of the following reasons: (1) the term of operation expires; (2) the general meeting makes a resolution to dissolve the company; (3) dissolution is required by a merger or division of the company; (4) the company is declared bankrupt in accordance with law for inability to pay off the debts due; (5) the company is ordered to close down in accordance with law for violation of laws and administrative regulations; or (6) where a company faces material difficulty in operation and management such that the interests of its shareholders will suffer heavy losses if the company continues to exist, and there is no other way to resolve the problem, the shareholders representing more than ten percent of the voting rights of all the shareholders of the company may file a request with the competent people's court to dissolve the company.

In the case of reason (1), the company may continue to exist by modifying the company's articles of association. As per the preceding regulation, any amendment to the articles of association shall be adopted by shareholders representing more than two thirds of voting rights at the general meeting.

Where the company is dissolved for reason (1), (2) or (6), a liquidation group shall be formed to commence liquidation within 15 days after a cause of dissolution occurs. Where a liquidation group is not formed to carry out liquidation within the specified time limit, the creditors may apply to the competent people's court to designate relevant personnel to form a liquidation group for liquidation. The people's court shall accept the application and promptly organize a liquidation group to carry out liquidation.

Where the company is dissolved for reason (4), the competent people's court shall, in accordance with relevant laws, organize the shareholders, relevant authorities and relevant professionals to form a liquidation group for liquidation. Where the company is dissolved for reason (5), the competent authorities shall organize the shareholders, relevant authorities and relevant professionals to form a liquidation group for liquidation.

The liquidation group of a company may exercise the following powers during liquidation:

(1) Liquidating the property of the company, and preparing the balance sheet and a list of property;

(2) Informing the creditors of the company by notice or public announcement;

(3) Handling the outstanding liquidation-related business of the company;

(4) Paying off the due and payable taxes and the taxes incurred during the liquidation;

(5) Liquidating the claims and the debts of the company;

(6) Handling the property remaining after the full repayment of the debts of the company; and

(7) Participating in civil litigation on behalf of the company.

The liquidation group of a company shall notify the creditors within 10 days upon its formation, and publish an announcement on newspapers within 60 days. The creditors shall declare their claims to the liquidation group within 30 days upon receipt of the written notice or in the case of the failure to receive the written notice, within 45 days of the public announcement. When declaring the claims, the creditors shall clarify the matters related thereto and provide supporting materials. The liquidation group shall register the claims. During the period for declaration of claims, the liquidation group shall not make any repayment to any of the creditors.

The liquidation group of a company shall, after having liquidated the property of the company and prepared the balance sheet and a list of property, formulate a liquidation plan which shall be submitted to the general meeting or the competent people's court (or competent authorities in accordance with the *Prerequisite Clauses*) for confirmation.

After the liquidation expenses, the salaries, social insurance premiums and the statutory compensations of the staff members, the due and payable taxes and the debts of the company are paid off, the remaining property shall be distributed in proportion to the shares and by type of shares held by each shareholder.

During the liquidation, the company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of the company shall not be distributed to any shareholder before full payments have been made out of the property in accordance with the preceding regulation.

Where the liquidation group of a company discovers, after having liquidated the property of the company and prepared the balance sheet and a list of property, that the property of the company is not sufficient to repay debts in full, it shall apply to the competent people's court for bankruptcy declaration in accordance with the law. After the people's court rules to declare the company bankrupt, the liquidation group shall hand over the liquidation matters to the people's court.

After the completion of the liquidation of a company, the liquidation group shall prepare a liquidation report which shall be submitted to the general meeting or the competent people's court for confirmation, and to the company registration authority for the purpose of applying for the deregistration of the company and the public announcement on the termination of the company. As per the *Prerequisite Clauses*, after the completion of the liquidation of a company, the liquidation group shall prepare a liquidation report as well as the statement and financial account book of receipts and disbursements during the period of liquidation. The said report, statement and account book shall be submitted to the general meeting or competent authorities for confirmation upon review by certified public accountants of China. The liquidation group shall, within 30 days from the confirmation of general meeting and competent authorities, deliver the aforementioned documents to the company registration authority for the purpose of applying for the deregistration of the company and the public announcement on the termination of the company.

Listing Outside China Mainland

As per the *Special Provisions*, a company limited by shares may offer shares to specific or nonspecific investors outside China mainland, and its shares may be listed outside China mainland. The board of directors of the company may make separate arrangements for the plan of issuing foreign-funded shares and Chinese-funded shares outside China mainland approved by the Securities Committee of the State Council. The plan for issuing foreign-funded shares and Chinese-funded shares outside China mainland in pursuance of the preceding provision may be executed separately within 15 months as of the approval by the Securities Committee of the State Council.

Lost Stocks

Where any registered stocks are stolen, lost or damaged, the shareholder concerned may, pursuant to the procedures of public notice for assertion of claim provided for in the *Civil Procedure Law of the People's Republic of China*, request a competent people's court to declare the stocks invalid. After the people's court has so declared, the said shareholder may apply to the company concerned for re-issuance of the stocks.

The *Prerequisite Clauses* set forth special provisions on the loss of stocks by shareholders of foreign-funded shares listed outside China mainland and H stocks, and those provisions are incorporated into the company's articles of association.

Merger and Division

As per the *Company Law* and the *Prerequisite Clauses*, the board of directors of a company shall propose a plan on merger or division of the company and proceed with relevant review formalities in accordance with law if the plan is approved pursuant to the company's articles of association. Shareholders against the plan shall be entitled to request the company or shareholders for the plan to buy their shares at a fair price. The content of the resolution on merger or division shall be incorporated in a special document available for the shareholders. The said document shall also be sent, by post, to shareholders of foreign-funded shares listed outside China mainland of a company listed in Hong Kong.

Merger of companies may either be merger by consolidation or merger by incorporation. In the case of a merger of companies, the parties thereto shall conclude a merger agreement and prepare the balance sheet and a list of property. The companies shall notify their creditors within 10 days after the resolution on merger is made, and shall publish at least 3 announcements in newspapers within 30 days. The creditors may, within 30 days upon receipt of the written notice or, in the case of failure to receive the written notice, within 45 days of the public announcement, request the company to repay the debts or provide the corresponding guaranty. After the merger, the claims and debts of each of the companies thereto shall be succeeded to by the company continuing to exist after the merger or the newly incorporated company.

In the case of division of a company, the property thereof shall be divided accordingly. The parties thereto shall conclude a merger agreement and prepare the balance sheet and a list of property. The company shall notify its creditors within 10 days after the resolution on division is made, and shall publish at least 3 announcements in newspapers within 30 days. The companies after the division shall bear joint and several liabilities for the debts of the company prior to the division, unless otherwise agreed upon prior to the division by the company and its creditors in a written agreement concerning the settlement of debts.

In the event of merger or division of a company, the formalities for change of registration shall be completed in accordance with law with the relevant company registration authority for changes of any registered item; the company deregistration formalities shall be completed in accordance with law if the company is dissolved; and the company establishment registration formalities shall be completed in accordance with law if a new company is established.

Laws and Regulations on Securities

China has enacted several laws and regulations on the issuing and trading of shares and disclosure of information. In October 1992, the State Council established Securities Committee and China Securities Regulatory Commission (CSCR). The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the future of security market, instructing, coordinating and supervising all security-related authorities, and managing the CSCR. The CSCR is the executive body of the Securities Committee. It fulfills its function to draft regulatory rules on security market, to supervise securities companies, public offering of securities of Chinese companies in and outside China mainland, and trade of securities, to compile statistics material related to securities, and to conduct relevant research and analysis. The State Council merged the two departments and reshuffled the CSCR in April 1998.

The State Council enacted the *Interim Provisions on the Management of the Issuing and Trading of Stocks* on April 22, 1993 to regulate the issuing and trading of stocks, acquisition of listed company, preservation, liquidation and transfer of listed stocks, and information disclosure, investigation, punishment and dispute arbitration of the listed company.

The State Council enacted the *Regulations of the State Council on Domestic Listing of Foreign-funded Stocks by Companies Limited by Shares* on 25 December 1995 mainly for the purpose of regulating the issuing and trading of foreign-funded shares listed in China by companies limited by shares.

On December 29, 1998, the Standing Committee of NPC promulgated the *Securities Law* which became effective as of July 1, 1999 and was amended on August 28, 2004, October 27, 2005, June 29, 2013, and August 31, 2014. It is the first national securities law in China, and is composed of 12 chapters and 240 articles covering the regulation of issuing and trading of securities, acquisition of listed companies, obligation and responsibility of stock exchanges, security companies and the security regulatory authorities of the State Council, etc. The *Securities Law* regulates the activities of the Chinese securities market from all aspects. Article 238 of the *Securities Law* stipulates that any domestic enterprise that directly or indirectly issues any securities outside China mainland or lists its securities outside China mainland for trading shall be subject to the approval of the securities regulatory authority under the State Council according to the relevant provisions of the State Council. At present, the issuing and trading of shares issued outside China mainland (H shares included) is principally subject to the regulations and rules enacted by the State Council and the CSCR.

Arbitration and Enforcement of Arbitration Awards

The *Arbitration Law of the People's Republic of China* (hereinafter referred to as *the Arbitration Law*) was adopted by the Standing Committee of NPC on August 31, 1994, came into effect on September 1, 1995, and was respectively revised on August 27, 2009 and September 1, 2017. The Arbitration Commission may formulate provisional arbitration rules in accordance with *the Arbitration Law* and the relevant provisions of *the Civil Procedure Law* before the formulation of the arbitration rules by China Arbitration Association. The parties settling any dispute by arbitration shall reach an arbitration agreement on a mutually voluntary basis. An arbitration commission shall not accept an application for arbitration submitted by one of the parties in the absence of an arbitration agreement. A people's court shall not accept an action initiated by one of the parties if the parties have concluded an arbitration agreement, unless the arbitration agreement is invalid.

The arbitration clauses shall be included in the issuer's articles of association pursuant to *the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (*the Hong Kong Listing Rules*) and *the Prerequisite Clauses*, and in the contract between the issuer and each director and supervisor pursuant to the former so that an arbitration is available in case of any dispute and claim between a H-share holder and: (1) the issuer; (2) the directors, supervisors, managers or other senior management members of the issuer; and (3) holders of domestic shares. The arbitration matter refers to any dispute or claim of rights that is related to company affairs and arises from the rights and obligations stipulated in the articles of association, *the Company Law*, and other applicable laws and administrative regulations.

When the aforesaid dispute or claim of rights is submitted for arbitration, it shall constitute the entire claim or dispute, and all persons who have a cause of action based on the same facts giving rise to such dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is a company or any shareholder, director, supervisor, or other senior management member of a company, submit to the arbitration.

Dispute in respect of the definition of shareholders and dispute in relation to the register of shareholders may not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at China International Economic and Trade Arbitration Commission (the CIETAC) in accordance with its Rules or the Hong Kong International Arbitration Center (the HKIAC) in accordance with its Securities Arbitration Rules. Once a claimant submits a dispute or claim to arbitration, the other party must submit to the arbitrary body selected by the claimant. If a claimant refers the arbitration to HKIAC, any party involved in the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Pursuant to *the Arbitration Law* and *the Civil Procedure Law*, the arbitration award shall be final and conclusive and binding on all parties. The parties shall execute the arbitration award. If one of the parties refuses to execute the award, the other party may apply for enforcement with the people's court according to the relevant provisions of *the Civil Procedure Law*. The people's court requested shall enforce the award.

Where a respondent adduces evidence that an arbitration award falls under any of the following circumstances, a people's court shall, upon examination and verification by a collegial bench, issue a ruling not to enforce the award: (1) The contract between the parties has no arbitration clause or the parties have not reached any written arbitration agreement after a dispute arose; (2) the matters of the award are beyond the extent of the arbitration agreement or not within the jurisdiction of the arbitration commission; (3) the composition of the arbitration tribunal or the arbitration procedure is in violation of the legal procedure; (4) the evidence on which the award is based is falsified; (5) the other party has concealed evidence which is sufficient to affect the impartiality of the award from the arbitrary body; and 6) the arbitrator(s) has (have) demanded or accepted bribes, committed graft or perverted the law in making the arbitrary award.

On December 2, 1986, the Standing Committee of NPC passed a resolution to accede to the Convention on the Recognition and Enforcement of Foreign arbitrary Awards (hereinafter referred to as the New York Convention) adopted on June 10, 1958. The New York Convention stipulates that each Contracting State shall recognize arbitrary awards as binding and enforce them in accordance with the rules of procedure of the territory where the award is relied upon, under the conditions laid down in the following articles. There shall be no substantially more onerous conditions or higher fees or charges imposed on the recognition or enforcement of arbitrary awards to which this Convention applies than those imposed on the recognition or enforcement of domestic arbitrary awards. Recognition and enforcement of an arbitrary award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that: (1) the subject matter of the difference cannot be settled by arbitration under the law of that country; or (2) the recognition or enforcement of the award would be against the public policy of that country.

The Standing Committee of NPC passed a resolution to accede to the *New York Convention* and announced: (1) China applies the Convention on the basis of reciprocity to the recognition and enforcement of awards made only in the territory of another party to the Convention; and (2) China applies the Convention only to disputes arising out of legal relationships, whether contractual or not, which are considered as commercial under Chinese law making such declaration.

The representatives of Hong Kong and the Supreme People's Court of China reached an agreement on the mutual enforcement of arbitrary awards. The *Arrangements of the Supreme People's Court on the Mutual Enforcement of arbitrary Awards between the Mainland and the Hong Kong Special Administrative Region* was issued on January 24, 2000 and came into force on February 1, 2000. Pursuant to the Arrangement, the courts of the Hong Kong SAR agree to enforce the arbitrary awards made by mainland arbitrary bodies in accordance with *the Arbitration Law* (a name list of mainland arbitrary organs shall be provided by the Legislative Affairs Office of the State Council through the Hong Kong and Macao Affairs Office of the State Council), and the people's courts in the Mainland agree to enforce the arbitrary awards made in the Hong Kong SAR in accordance with *the Arbitration Ordinance of the Hong Kong SAR*.

Regulations on Overseas Investment

In accordance with *the Measures for the Administration of Overseas Investment of Enterprises* issued by the National Development and Reform Commission on December 26, 2017 and coming into force on March 1, 2018, an enterprise shall, in the investment activities where an enterprise in the territory of the People's Republic of China, directly or through an enterprise outside China mainland controlled by it, acquires outside China mainland any ownership, right of control, right of business management, or other relevant rights and interests, by contributing assets or rights and interests, providing financing or security, or any other means, undergo the formalities for the confirmation or recordation, among others, of an investment project outside China mainland, report the relevant information, and cooperate in supervisory inspection.

Pursuant to *the Measures for the Administration of Overseas Investment* issued on September 6, 2014 by the Ministry of Commerce and coming into force on October 6, 2014, the Ministry of Commerce and the provincial departments of commerce shall subject to the overseas investment of enterprises to recordation or confirmation, depending on the actual circumstances of such investment. Where the enterprise outside China mainland which an enterprise invests in makes overseas reinvestment, after undergoing the overseas legal procedures, the enterprise shall report it to the competent department of commerce.

In accordance with *the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions* issued on July 13, 2009 by the State Administration of Foreign Exchange and implemented on August 1, 2009, a Chinese enterprise that has been approved to invest overseas must handle the foreign exchange procedures for overseas direct investment with the foreign exchange administration. The foreign exchange authorities shall apply a foreign exchange registration and filing system to the overseas direct investment of domestic institutions as well as the assets and relevant equities formed by the overseas direct investment.

Summary of Major Differences in Company Laws for Hong Kong

The Laws of Hong Kong applicable to companies incorporated in Hong Kong are mainly *Companies Ordinance*, *Companies (Winding Up and Miscellaneous Provisions) Ordinance* and other Hong Kong Legislation (hereinafter collectively referred to as *the Hong Kong Legislation*), which are supplemented by the common law and equity rules applicable in Hong Kong. The Company, as a joint stock limited company established in the PRC and seeking to list H-shares on the Hong Kong Stock Exchange, is subject to *the Company Law* and other rules and regulations promulgated under *the Company Law*.

A summary of the major differences in the laws and regulations respectively applicable to the companies incorporated in Hong Kong and the company limited by shares incorporated and existing under *the Company Law* is carried out as follows. However, this summary is not an exhaustive comparison.

Incorporation of a Company

Pursuant to *the Hong Kong Legislation*, a company with share capital becomes an independent legal entity upon its registration with the head of the Companies Registry. A company can be incorporated as a public company or a private company. Pursuant to *the Hong Kong Legislation*, provisions of pre-emptive rights shall be included in the articles of association of a private company incorporated in Hong Kong, but are not required in that of a public company.

In accordance with *the Company Law*, a company limited by shares may be established through promotion or stock flotation.

In the Laws of Hong Kong, there is no provision on the minimum share capital of a Hong Kong company.

The latest amendment to *the Company Law*, which came into effect on March 1, 2014, does not provide for a minimum registered capital of a company limited by shares unless otherwise prescribed by laws, administrative regulations and the decisions of the State Council on the actual payment of registered capital and the minimum registered capital of a company limited by shares.

Share Capital

In accordance with *the Hong Kong Legislation*, a company may specify in its articles of association the maximum number of shares that it may issue. Once such maximum number is declared, the company does not need to issue shares in full. Therefore, the maximum number of shares that the company may issue may be larger than the issued share capital. Under this circumstance, the directors of a Hong Kong company may, with the prior approval of the shareholders (if necessary), issue new shares of the company. *The Company Law* does not specify the maximum number of shares to be issued. Our registered capital is the amount of our issued share capital. If we want to increase our registered capital, we must obtain the approval at the general meeting of stockholders and abide by applicable regulations of relevant governments and regulatory authorities in China.

Pursuant to *the Securities Law*, the total registered capital of a company whose shares are approved by relevant securities regulatory authorities to be listed on the stock exchange shall not be less than RMB 30 million. The Laws of Hong Kong does not specify the minimum capital for a company incorporated in Hong Kong.

In accordance with *the Company Law*, shares may be in the form of monetary or non-monetary assets (except for property that cannot be contributed as specified by laws and administrative regulations). Where a subscription is made in non-monetary property, the transfer formalities of its property rights shall be handled in accordance with the law. After the establishment of a company limited by shares, if the actual value of the non-monetary property used as capital contribution for the establishment of the company is found to be significantly lower than the value specified in the company's articles of association, the promoter who has made the said capital contribution shall pay up the difference, and the other promoters shall bear joint and several liabilities. However, pursuant to *the Hong Kong Legislation*, a company incorporated in Hong Kong is not subject to such restrictions.

Equity and Restrictions on Transfer

In general, a company's A-shares, which are denominated and subscribed in RMB, can be subscribed for and traded by Chinese investors, qualified foreign institutional investors or qualified overseas strategic investors. In addition, the company's A-shares, as qualified Shenzhen-Stock-Connect securities, can be, in a limited number, subscribed for and traded by Hong Kong investors and other foreign investors in accordance with the rules of Shenzhen-Hong Kong Stock Connect. Shares listed outside China mainland denominated in RMB but subscribed for in a currency other than RMB may only be subscribed for and traded by investors in Hong Kong, Macao and Taiwan or any country or territory outside China mainland or qualified domestic institutional investors. If the H-shares are qualified Hong Kong Stock Connect securities, they may also be subscribed for and traded by Chinese investors in accordance with the rules of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Pursuant to *the Company Law*, the shares of a company by the promoters thereof shall not be transferred within one year from the date of establishment of the company. Shares issued by a company prior to the public offer of its shares may not be transferred within one year from the date of listing of its shares on a stock exchange.

The directors, supervisors, and senior management personnel of the company shall declare, to the company, information on their holdings of the shares of the company and the changes thereto. The shares transferrable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the shares of the company. The shares that they held in the company shall not be transferred within one year of the date on which the stocks of the company are listed and traded. The aforesaid persons shall not transfer their shares of the company within six months of their departure from the company. The company's articles of association may set forth other restrictive provisions on the transfer of the shares of the company held by the directors, supervisors, and senior management personnel.

Although there are certain restrictions on the above situation under *the Hong Kong Listing Rules*, *the Hong Kong Legislation* does not stipulate any restriction on the shareholding and transfer of shares of relevant persons.

Financial Assistance for Acquisition of Shares

While *the Company Law* does not prohibit or restrict a company or its subsidiaries from providing financial assistance for the purpose of purchasing shares in the company, *the Prerequisite Clauses* contain several restrictions similar to those in *the Hong Kong Legislation* on such financial assistance provided by the company and its subsidiaries. In accordance with *the Prerequisite Clauses*, a company or its subsidiaries shall not at any time provide any financial assistance in any form to purchasers or prospective purchasers of the shares in the company. Purchasers of shares in the company as referred to above shall include persons that directly or indirectly undertake obligations for the purpose of purchasing shares in the company. The company or its subsidiaries shall not at any time provide any financial assistance in any form to the above obligators in order to reduce or discharge their obligations.

Changes in Rights Over Classified Shares

While there is no specific provision in *the Company Law* for changes in rights over classified shares, *the Prerequisite Clauses* provide for special rules for the voting procedures of shareholders holding different classes of shares. These rules have been incorporated into the articles of association of the Company, and relevant summary is set out in Exhibit VIII hereto.

In accordance with *the Hong Kong Legislation*, the rights attached to any class of shares may only be changed if (1) the written consent of the holder representing at least 75% of the total voting rights of the holders of the relevant class of shares is obtained, (2) such change is approved by the holders of the relevant class of shares through a special resolution at an independent general meeting, or (3) there is any provision for changing such rights in the articles of association of the company.

The Company (as required in *the Hong Kong Listing Rules* and *the Prerequisite Clauses*) has provided protection for class shareholders' rights in the Company's articles of association in a manner similar to the Laws of Hong Kong. Holders of domestic shares and foreign shares listed outside China mainland are defined as different classes in the articles of association, but the special procedures for voting by classified shareholders are not applicable to the following cases.

(1) With the approval of the special resolution at the general meeting, the company issues domestic shares and foreign shares listed outside China mainland separately or simultaneously every 12 months, and the number of domestic shares to be issued and that of foreign shares listed outside China mainland to be issued do not exceed 20% of the number of the issued shares of their own class; and

(2) The plan for issuing domestic shares and foreign shares listed outside China mainland at the time of establishment of the company shall be completed within 15 months from the date of approval by the Securities Commission of the State Council.

The Prerequisite Clauses also contain detailed provisions on what is considered as change or revoking of the rights of class classified shareholders.

Director

Unlike *the Hong Kong Legislation*, *the Company Law* has no provision on the report of the interests of directors in major contracts, restrictions on certain benefits and guarantees for the directors' debts provided by the company to directors, and prohibition of compensation for resignation without the approval of shareholders. However, *the Prerequisite Clauses* impose certain restrictions on the contract of interest, as well as the provisions for directors to receive compensation for losing their positions. These provisions are included in the Company's articles of association and summarized in Exhibit VIII hereto.

Board of Supervisors

The directors and senior management of the company are subject to the supervision of the Board of Supervisors under *the Company Law*, but a Board of Supervisors is not required for a company incorporated in Hong Kong under *the Hong Kong Legislation*. In accordance with *the Prerequisite Clauses*, the supervisors shall, in exercising their powers, act in good faith in the best interests of the company, and perform their due acts with care, diligence and skill as a reasonable and prudent person should do under similar circumstances.

Derivative Action by Minority Shareholders

Where a director violates the fiduciary duty to the company and controls the majority voting rights of the general meeting, thereby effectively preventing the company from suing the director for breach of liability in its own name, the minority shareholders may file a derivative action against such director as per the Laws of Hong Kong. Where any director, supervisor or senior management personnel of the company violates laws, administrative regulations or the company's articles of association during the performance of duties, causing damage to the company, where the procedures for convening or voting at a meeting of the board of directors are in violation of laws, administrative regulations or the company's articles of association, or where a resolution is in violation of the articles of association, shareholders are entitled to file a lawsuit in the people's court to investigate such person's liability for compensation and revoke the resolution in accordance with *the Company Law*. However, *the Prerequisite Clauses* provide that the company may take measures when any director, supervisor and senior management personnel violates his/her duties to the company.

In addition, as a condition for the listing of H-shares on the Hong Kong Stock Exchange, each director and supervisor of the company (as an agent of each shareholder) must make a commitment to the company to allow minority shareholders to take action against directors and supervisors who fail to fulfill their respective duties.

Protection of Minority Shareholders' Rights

In accordance with the Laws of Hong Kong, where a shareholder complains about the unfair conduct of a company incorporated in Hong Kong and damage to his/her interests, he/she may apply to the court for winding up the company or applying for an appropriate decree governing the affairs of the company. In addition, where the number of such applications of shareholders reaches a specific value, the Financial Secretary may appoint an inspector and grant him/her a broad statutory power to investigate the affairs of the company incorporated in Hong Kong. Pursuant to *the Company Law*, where a company faces material difficulty in operations and management such that the interests of its shareholders will suffer heavy losses if the company continues to exist, and there is no other way to resolve the problem, the shareholders representing more than ten percent of the voting rights of all the shareholders of the company may file a request with the competent people's court to dissolve the company. Pursuant to *the Prerequisite Clauses*, controlling shareholders may not, in the exercise of their shareholders' powers, make decisions prejudicial to the interests of all or part of the shareholders as a result of the exercise of their voting rights on the issues set forth below: (1) relieving a director or supervisor from the responsibility to act honestly in the best interest of the company; (2) permitting a director or supervisor (for his/her own or another person's benefit) to deprive the company of its property in any way, including (but not limited to) any opportunities that are favourable to the company; or (3) permitting a director or supervisor (for his/her own or another person's benefit) to deprive other shareholders of their rights or interests, including (but not limited to) rights to distributions and voting rights, unless pursuant to a restructuring of the company submitted to and adopted by the shareholders' general meeting in accordance with the articles of association of the company.

Notice of General Meetings

Pursuant to *the Company Law*, the notice of an annual general meeting and that of an extraordinary general meeting shall be issued no less than 20 days and 15 days prior to the meeting respectively. Pursuant to *the Special Provisions* and *the Prerequisite Clauses*, the company shall send a written notice 45 days prior to the meeting to all shareholders, and shareholders that intend to attend the shareholders' general meeting shall, within 20 days prior to the meeting, deliver a written reply to the company on the meeting attendance. A limited company incorporated in Hong Kong shall send a notice of an annual general meeting at least 21 days in advance and of other meetings 14 days in advance.

Quorum of General Meetings

In accordance with the Laws of Hong Kong, the quorum for a general meeting shall be not less than two shareholders, except as otherwise provided in the articles of association. For a company with only one shareholder, the quorum shall be a one shareholder. *The Company Law* has no stipulation on the quorum of the a general meeting, but *the Special Provisions* and *the Prerequisite Clauses* stipulate that the company shall receive the reply on the meeting of shareholders representing at least 50% of the voting rights at least 20 days prior to the scheduled date of the meeting, and then convene a general meeting. Where the above percentage is less than 50%, the company shall notify shareholders of by notice within five days and then can convene a general meeting.

Voting Rights

Pursuant to the Laws of Hong Kong, an ordinary resolution shall be approved by half of the shareholders attending the general meeting in person or by proxy, while a special resolution shall be approved by no less than three-quarters. Pursuant to *the Company Law*, any resolution of the general meeting shall be passed by the shareholders representing more than half of the voting rights of all shareholders present at the meeting. However, a resolution of the general meeting on modification of the articles of association, increase or reduction of the registered capital, merger, division or dissolution, or the conversion of the company shall be passed by the shareholders representing more than two thirds of the voting rights of all shareholders present at the meeting.

Financial Disclosure

Pursuant to *the Company Law*, the financial and accounting report of a company limited by shares shall be maintained in the company 20 days prior to the annual general meeting for inspection by shareholders. A company limited by shares that publicly offers shares shall announce its financial and accounting report, and shall, at the end of each accounting year, prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the law. Pursuant to *the Hong Kong Legislation*, a company incorporated in Hong Kong shall send copies of financial statements, director's reports and auditor's reports to be used by shareholders at the annual general meeting at least 21 days prior to the meeting.

In accordance with Chinese law, we shall prepare financial statements pursuant to China's accounting standards. Pursuant to *the Prerequisite Clauses*, the financial statements of the company shall be prepared not only in accordance with China's accounting standards, laws and regulations but also in accordance with international accounting standards or the accounting standards of the place(s) outside China mainland where shares of the company are listed. If there are major differences in the financial statements prepared in accordance with these two sets of accounting standards, such differences shall be stated in notes appended to such financial statements. The company shall publish two financial reports each fiscal year, namely an interim financial report within 60 days upon the end of the first six months of the fiscal year and an annual financial report within 120 days upon the end of the fiscal year.

Pursuant to *the Special Provisions*, the documents of information compiled by a company for disclosure at home and abroad shall not contradict each other. Where there are differences between the information disclosed at home, abroad or in different countries and regions, the company shall disclose the differences simultaneously at relevant stock exchanges respectively in accordance with the domestic and foreign laws, regulations and rules of stock exchanges.

Information about Directors and Shareholders

Pursuant to *the Company Law*, shareholders are entitled to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Pursuant to *the Prerequisite Clauses*, shareholders are entitled to inspect and copy (subject to cost or reasonable fees) information about the shareholders and directors, which is similar to the rights of shareholders of a Hong Kong company under the Laws of Hong Kong.

Receiving Agents

Pursuant to *the Company Law* and the Laws of Hong Kong, dividends become debts payable to shareholders upon declaration. Pursuant to *the Prerequisite Clauses*, the company shall appoint receiving agents to collect on behalf of the relevant shareholders the dividends distributed and other funds payable in respect of foreign investment shares listed outside China mainland.

Pursuant to *the Hong Kong Legislation*, a registered trust company is a receiving agent who, on behalf of H-share shareholders, collects dividends declared and other unpaid payments related to the shares owned by the company.

Company Reorganization

A company incorporated in Hong Kong may be reorganized in multiple manners, including transferring all or part of the business or property of the company to another company in the voluntary liquidation process or reaching a compromise or arrangement between the company and its creditors or members in accordance with *the Hong Kong Legislation*; provided that the aforesaid shall be subject to a court decision. The merger, division or dissolution, or the conversion of a Chinese company shall be approved at the general meeting. At the same time, the existence of the dissolution and liquidation plan requires administrative consideration and judgment in accordance with *the Company Law* and *the Prerequisite Clauses*.

Dispute and Arbitration

In Hong Kong, disputes between a shareholder (a party) and a company incorporated in Hong Kong or its director (the other party) may be settled by a court. Pursuant to *the Prerequisite Clauses*, disputes shall be submitted to China International Economic and Trade Arbitration Commission or Hong Kong International Arbitration Centre for arbitration (the one elected by the claimant) and be arbitrated in accordance with its securities arbitration rules.

Compulsory Withdrawal

Pursuant to *the Company Law*, when a company distributes its after-tax profit to shareholders, it shall first allocate the amount stipulated by itself to its statutory common reserve fund. There is no relevant provision in *the Hong Kong Legislation*.

Remedies

Pursuant to *the Company Law*, where any director, supervisor or senior management personnel of a company violates laws, administrative regulations or the company's articles of association during the performance of duties, he/she shall be liable for compensation if any loss is caused to the company.

In addition, pursuant to *the Hong Kong Listing Rules*, the company shall include remedies similar to those provided in the Laws of Hong Kong (including cancellation of contracts and claiming profits from directors, supervisors or senior management personnel) in the articles of association.

Dividends

Pursuant to the articles of association, the company may, in accordance with Chinese laws, make tax withholdings in respect of any dividend or other distribution to shareholders and pay taxes payable to the relevant tax authorities. The time limit for filing a claim for debt repayment (including the recovery of dividends) is six years under the Laws of Hong Kong and three years under the Chinese law. The company shall not exercise any right to confiscate any unclaimed H-share dividends until the applicable time limit expires.

Fiduciary Duty

The common law of Hong Kong defined the directors' fiduciary responsibility. Pursuant to *the Company Law*, the directors, supervisors and senior management personnel of a company shall be faithful and diligent to the company. Pursuant to *the Special Provisions*, directors, supervisors and senior management personnel shall abide by the principle of good faith, safeguard the interests of the company, and shall not take advantage of their positions and powers in the company to seek personal gain.

Suspension of Shareholder Registration

Pursuant to *the Hong Kong Legislation*, the full registration suspension of the transfer of shareholders' registered shares within one year shall not exceed 30 days (or 60 days under special circumstances); while pursuant to *the Prerequisite Clauses*, no share transfer may be registered within 30 days prior to a shareholders' general meeting or 5 days prior to the reference date set by the company for the purpose of distribution of dividends.

Summary of Certain Differences in Listing Rules

As our A-shares are listed on the Shenzhen Stock Exchange, we shall comply with *the Listing Rules of Shenzhen Stock Exchange* (hereinafter referred to as *the Shenzhen Listing Rules*). The summary of certain differences between *the Hong Kong Listing Rules* and *the Shenzhen Listing Rules* is set forth below.

(1) Periodic financial report

There are significant differences in financial reporting standards and practices, such as industry-specific financial reporting requirements, preliminary results announcements, forms and content of periodic financial reports, and subsequent examination and approval of periodic financial reports.

(2) Provisions on the classification and disclosure of notifiable transactions

The provisions on the classification and disclosure of notifiable transactions in *the Hong Kong Listing Rules* are different from those in *the Shenzhen Listing Rules*.

(3) Related/connected transactions

The connected persons as defined in *the Hong Kong Listing Rules* are different from the related parties as defined in *the Shenzhen Listing Rules*. In addition, the provisions on the disclosure of connected transactions and the shareholders' approval are different from those on the disclosure of related transactions and shareholders' approval, and their respective exemptions are also different.

(4) Disclosure of insider information

The scope, time and method of disclosure of insider information in *the Hong Kong Listing Rules* and *the Shenzhen Listing Rules* are different.

This Appendix contains a summary of the Articles of Association of our Company with the primary purpose of providing an overview of the Articles of Association of the Company to potential investors. Since the following information herein is in summary form, it is impossible for it to contain any and all information that may be important to potential **[REDACTED]**. *Please refer to the address specified in Appendix [ ] for the Articles of Association of our Company.*

The Articles of Association of the Company and the amendments thereto are adopted or approved by shareholders at the General Meetings in accordance with applicable laws and regulations (including the Company Law of the PRC, the Securities Law of the PRC, the Special Provisions of the State Council on Companies Limited by Shares Issuing Shares and Seeking a Listing Outside the P.R.C, the Prerequisite Clauses of Articles of Association of Companies Seeking a Listing Outside the PRC, the Guidelines on the Articles of Association of Listed Companies, and Hong Kong Listing Rules) and will take effect on the [ ] date.

Shares

The Company's shares shall take the form of stock. The Company shall set up ordinary shares at any time. The ordinary shares issued by the Company include domestic shares and foreign shares. The Company may, subject to the needs of the company approval authorities authorized by the State Council, set up other types of shares in accordance with relevant laws and administrative regulations.

With the approval of the securities regulatory authority under the State Council, the Company may issue shares to Domestic Investors and Overseas Investors.

The Overseas Investors referred to in the preceding paragraph shall mean investors from any foreign country or from Hong Kong, Macao and Taiwan who subscribe for shares issued by the Company; Domestic Investors refer to investors within the territory of the People's Republic of China other than the aforementioned regions.

Increase and Decrease in Shares and Repurchase

The Company may, upon resolution made by a Shareholders' General Meeting, adopt the following methods to increase its capital according to the needs of operation and development and pursuant to the provisions of laws and regulations:

(1) Offer of new shares to non-specific investors;

(2) Private Offering of shares;

(3) Placement of new shares to existing shareholders;

(4) Allotment of new shares to existing shareholders;

(5) Share capital increase from accumulation fund;

(6) Any other methods stipulated by laws and administrative regulations and approved by China Securities Regulatory Commission.

The Company's increase of its capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant laws, administrative regulations, departmental rules and the listing rules of the place where the Company is listed after having been approved in accordance with the provisions of the Articles of Association of the Company and the listing rules of the place where the Company is listed.

The Company may reduce its registered capital. The Company's reduction of registered capital shall be handled pursuant to the Company Law and other relevant provisions and the procedures stipulated in the Articles of Association of the Company.

Under the following circumstances, the Company may, through the procedures stipulated in the Articles of Association of the Company, report to the relevant state authorities for approval to buy back its outstanding shares:

(1) Cancel shares due to the reduction of the Company's registered capital;

(2) Merge with other companies that hold shares of the Company;

(3) Award of the Company's shares to its employees;

(4) A shareholder objecting to the resolution on the Company's merger or division passed by the Shareholders' General Meeting requests that the Company buy back his/her shares;

(5) Other circumstances permitted by laws and administrative regulations.

Except for the above, the Company shall not carry out activities to buy or sell its own shares.

The Company may, with the approval of the relevant national authorities, purchase the shares, in one of the following ways:

(1) Issuing a repurchase offer to all shareholders in the same proportion;

(2) Repurchasing through a public transaction at the stock exchange;

(3) Repurchasing by agreement outside the stock exchange;

(4) Other circumstances as permitted by laws, administrative regulations and relevant competent authorities.

Transfer of Shares

All H shares that have been paid up in the share capital are freely transferable under this Articles of Association; however, the Board of Directors may refuse to recognize any transfer instrument without claiming any reason unless the following conditions are met:

(1) The transfer instrument and other documents relating to the ownership of any shares or affecting the ownership of the shares shall be registered and shall be paid to the Company in accordance with the fee standards stipulated in the Hong Kong Listing Rules, but such fees shall not exceed the maximum fee as set out by Hong Kong Stock Exchange from time to time in the Hong Kong Listing Rules;

(2) The transfer instrument only covers H shares listed in Hong Kong;

(3) The stamp duty payable of the transfer instrument has been paid;

(4) Relevant share certificates and other evidence reasonably required by the Board of Directors certifying that the transferors have the right to transfer such shares have been submitted;

(5) If the shares are intended to be transferred to joint holders, the number of registered joint shareholders shall not exceed four;

(6) There is no lien of the Company attached to the relevant shares.

The Company shall not accept its shares as the subject matter of pledge rights.

The Company or its subsidiaries shall not, at any time, provide any financial assistance to anyone who purchases or intends to purchase shares of the Company in any way. The aforementioned persons who purchase shares of the Company include those who directly or indirectly assume obligations due to the purchase of shares of the Company.

Neither the Company nor its subsidiaries shall, at any time, provide financial assistance in any way to reduce or relieve the obligations of the aforementioned obligors.

The provisions of this Article shall not apply to the circumstances described in Article 41 of this Articles of Association.

The financial assistance referred to in this chapter includes, but is not limited to, the following forms:

(1) Grants;

(2) Guarantees (including assuming liability or providing property by the guarantor to ensure that the obligor fulfills the obligation), compensation (but does not include compensation caused by the Company's own fault), the relinquishment or waiver of rights;

(3) Providing a loan or entering into a contract for the Company to perform its obligations prior to the other party, as well as the change of the parties to the loan or the contract, and the transfer of the rights in the loan or the contract, etc.;

(4) Financial assistance provided by the Company in any other way in the event that the Company is unable to repay its debts, has no net assets or will result in a substantial reduction in net assets.

The obligations referred to in this Article include the obligations that shall be undertaken by the obligor due to entering into a contract or making arrangements (no matter whether the contract or arrangement is enforceable, whether the contract or arrangement shall be undertaken by the obligor alone or jointly with any other person) or changing its financial situation in any other way.

The following actions shall not be deemed as financial assistance:

(1) The relevant financial assistances provided by the Company which is honestly for the benefit of the Company, and the main purpose of which is not to purchase shares of the Company, or which is an attachment part of a master plan of the Company;

(2) Distribution of the Company's property as a dividend pursuant to law;

(3) Distribution of dividends in the form of shares;

(4) Reduction of registered capital, buyback shares, and adjustment of the shareholding structure, etc., in accordance with the Articles of Association of the Company;

(5) The Company provides loans for its normal business activities within its business scope (but this shall not result in a decrease in the Company's net assets, or even if it constitutes a decrease, the financial assistance is paid out of the Company's distributable profits);

(6) The Company provides funds for the Employee Stock Ownership Plan (but this shall not result in a decrease in the Company's net assets, or even if it constitutes a decrease, the financial assistance is paid out of the Company's distributable profits).

Stock and Register of Shareholders

The Company's stock is registered.

Matters that shall be stated in the Company's stock shall include, in addition to the provisions stipulated in the Company Law, other matters required by the stock exchange where the Company is listed.

The Company shall maintain a Register of Shareholders to register the following items:

(1) the name, address (residence), occupation or nature of each shareholder;

(2) the types and quantities of shares held by each shareholder;

(3) the amount paid or payable with respect to the shares held by each shareholder;

(4) the number of shares held by each shareholder;

(5) the date on which each shareholder is registered as a shareholder;

(6) the date on which each shareholder ceases to be a shareholder.

The Register of Shareholders shall be the sufficient evidence to prove that the shareholder holds the shares of the Company; except where there is any evidence to the contrary.

Subject to the Articles of Association and other applicable regulations, once the shares of the Company are transferred, the name of the transferee of the shares shall be included in the Register of Shareholders as the holder of such shares.

The assignment and transfer of shares must be registered in the Register of Shareholders.

The Company may, according to the understanding and agreement reached by the securities competent authority of the State Council and the overseas securities regulatory agency, deposit the register of overseas listed foreign shareholders abroad and entrust an overseas agency to manage it.

The original of the Register of Shareholders relating to the holders of shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong. The Company shall keep a copy of the Register of Shareholders of overseas listed foreign shares in the domicile of the Company; the entrusted overseas agency shall at any time ensure the consistency of the original and duplicate copies of the Register of Shareholders of overseas listed foreign shares.

In case of any discrepancy between the original and duplicate copies, the original copy shall prevail.

Within thirty (30) days prior to the Shareholders' General Meeting, or within five days before the date of the Company's decision to distribute dividends, the registration of changes in the Register of Shareholders due to the transfer of shares shall not be carried out.

Where the securities regulatory body of the place where the Company's stock is listed has other provisions, such provisions shall prevail.

When the Company convenes a Shareholders' General Meeting, distributes dividends, liquidates and engages in other acts that need to confirm the identity of shareholders, the Board of

Directors or the convener of the Shareholders' General Meeting shall determine the Date of Record, and the shareholders registered by the end of the Date of Record shall be the shareholders enjoying the relevant rights.

Anyone who has objection to the register of shareholders and requests that his or her name be registered on or removed from the Register of Shareholders, may apply to the court of competent jurisdiction to correct the Register of Shareholders.

Shareholders and the Shareholders' General Meetings

Shareholders

A shareholder of the Company is a person who legally holds shares of the Company and whose name is registered on the Register of Shareholders.

Shareholders shall enjoy rights and assume obligations depending on the types of shares they hold; shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

The common shareholders of the Company shall enjoy the following rights:

(1) Obtain dividends and other forms of distribution of gains based on the number of shares held by them;

(2) Request, convene, preside over, participate in or appoint an agent of the shareholders to attend Shareholders' General Meetings and exercise the corresponding voting rights;

(3) Supervise the operation of the Company, propose recommendations or present inquiries;

(4) Transfer, donate or pledge the shares held by him or her in accordance with the provisions of laws, administrative regulations and the Articles of Association;

(5) Obtain relevant information in accordance with the provisions of the Articles of Association, including:

 1. Obtaining a copy of the Articles of Association subject to payment of nominal cost;

 2. Having the right to access and copy the following items after paying a reasonable fee:

  (1) A copy of the register of all shareholders;

  (2) Personal data of the Company's directors, supervisors, presidents and other senior officers, including:

   (a) Current and previous names and aliases;

   (b) Primary address (residence);

   (c) Nationality;

   (d) Full-time and all other part-time occupations and positions;

   (e) Identification documents and their numbers.

  (3) A report on the status of the issued share capital of the Company;

  (4) The total face value, quantity, maximum and minimum repurchase price of each category of its own shares repurchased by the Company ever since the previous fiscal year, and the report of the Company's full payment for this purpose (subdivided as domestic shares and H-shares);

(5) Counterfoils of corporate bonds;

(6) Minutes of the Shareholders' General Meetings (for shareholders' reference only) and copies of special resolutions of the Company, resolutions of the Board of Directors and the Board of Supervisors;

(7) The latest audited financial statements of the Company, the reports issued by the Board of Directors, the accounting firm and the Board of Supervisors;

(8) A copy of the latest annual report submitted to the Chinese industry and commerce administration or other competent authority for filing;

The Company must place the above documents (1) to (8) except (2) and any other applicable documents at the Company's Hong Kong address as required by the Hong Kong Listing Rules for inspection by the public and shareholders free of charge (except for the minutes of the Shareholders' Meeting, which are only available to shareholders). The shareholders of the Company may also access to the resolutions of the Board of Directors and the Board of Supervisors of the Company.

(6) Participate in the distribution of the Company's remaining assets according to the shares it holds when the Company terminates or liquidates;

(7) Shareholders who object to resolutions on the merger and division of the Company made at the Shareholders' General Meetings may request the Company to buy back its shares;

(8) For independent directors who do not have the qualifications or abilities of independent directors, fail to perform their duties independently or fail to safeguard the legitimate rights and interests of the Company and minority shareholders, shareholders who individually or collectively hold more than 1% of the Company's shares may submit proposal to the Board of Directors of the Company to question or recall such independent directors.

(9) Other rights as stipulated in laws, administrative regulations, departmental rules, the listing rules of the place where the Company is listed or the Articles of Association of the Company.

Where a shareholder requests to inspect the relevant information or obtain information mentioned in the preceding article, it shall provide the Company with a written document proving the class and quantity of his or her shares. The Company shall provide such information after verifying the shareholder's identity as required.

The common shareholders of the Company shall undertake the following obligations:

(1) Comply with laws, administrative regulations and the Articles of Association of the Company;

(2) Make payment for shares subscribed pursuant to the equity participation method;

(3) Shall not divest except for the circumstances stipulated by laws and regulations;

(4) Shall not abuse the rights of shareholders to harm the interests of the Company or other shareholders; shall not abuse the independent status of the Company's legal person and the limited liability of the shareholders to damage the interests of the Company's creditors;

Shareholders of the Company may publicly solicit other shareholders' rights to convene, propose, nominate, and vote on the Shareholders' General Meetings, however, such solicitation shall not be conducted in a paid or disguised paid form.

If any shareholder abuses his or her shareholder rights to cause losses to the Company or other shareholders, it shall be liable for compensation according to law.

If any shareholder abuses the independent status of the Company's legal person and the limited liability of the shareholders to evade debt, and seriously damages the interests of the Company's creditors, it shall bear joint and several liabilities towards the Company's debts.

Shareholders shall not be liable for the subsequent addition of any share capital other than the conditions agreed by the subscribers of the shares at the time of subscription.

General provisions on Shareholders' General Meetings

The Shareholders' General Meeting shall be the power organ of the Company and shall exercise the following functions and powers pursuant to the law:

(1) Decide on the business policies and investment plans of the Company;

(2) Elect and replace directors and supervisors who are not employee representatives, and determine the remuneration of such directors and supervisors;

(3) Review and approve reports of the Board of Directors;

(4) Review and approve reports of the Board of Supervisors;

(5) Review and approve the Company's annual financial budget plan and final account plan;

(6) Review and approve the Company's profit distribution plan and loss recovery plan;

(7) Adopt resolutions on the Company's increase or decrease of registered capital;

(8) Adopt resolutions on the issuance of corporate bonds;

(9) Adopt resolutions on the merger, division, dissolution, liquidation or change of company form;

(10) Amend the Articles of Association of the Company;

(11) Adopt resolutions on the appointment or removal of the accounting firm;

(12) Review and approve the related transactions in which the Company intends to enter into, the amount of which is more than RMB 30 million, and is more than 5% of the Company's audited net assets of the latest period (except for the Company's external guarantee and received cash assets);

(13) Review and approve the matters of purchase and sale of major assets within one year (excluding the purchase of raw materials, fuels and power, and the sale of products, commodities, and other assets related to daily operations, but the replacement of assets involves the purchase or sale of such assets shall be included) which exceeds 30% of the Company's audited total assets of the latest period;

(14) Review and approve the matters of purchase, sale or replacement of major asset restructuring as stipulated in laws and regulations or normative documents other than item (XIII) stated in this Article;

(15) Review and approve the major transactions of which the accumulated amount meets the following standards within one year (excluding the purchase, sale, replacement of major assets and venture capital, cash grants, etc.):

1. The total assets involved in the transaction account with the amount more than 50% of the Company's most recent audited total assets. Where the total assets involved in the transaction have both book value and valuation value, it shall be calculated on the basis of whichever is higher;

2. The related operating income of the subject matter of transaction (such as equity) in the most recent fiscal year accounts with the amount more than 50% of the Company's audited operating income in the most recent fiscal year and the absolute amount more than RMB50 million;

3. The related net profit of the subject matter of transaction (such as equity) in the most recent fiscal year accounts with the amount more than 50% of the Company's audited net profit in the most recent fiscal year and the absolute amount more than RMB 5 million;

4. The transaction amount (including commitment debts and expenses) accounts for more than 50% of the Company's latest audited net assets with the absolute amount of more than RMB 50 million;

5. The profit generated by the transaction accounts for more than 50% of the audited net profit of the Company in the most recent fiscal year with the absolute amount of more than RMB 5 million.

If the data involved in the above index calculation is negative, the absolute value of the data shall be taken.

(16) Review and approve venture capital with an investment amount of more than RMB 50 million (risk investment refers to real estate investment including stocks and derivatives investment, fund investment, futures investment, real estate investment made by non-real estate-based listed companies, security investment products with the above mentioned investments as objects and other investment activities identified in the Articles of Association. The venture capital referred to in the Articles of Association does not include investment for the purpose of expanding the scale of production of the main business or extending the industrial chain, investment behavior of the category of fixed income or commitment to capital preservation, participation in the rights issue of other listed companies or exercise of the right of first refusal, securities investment of purchasing shares of other listed companies of more than 10% of the total share capital for the purpose of strategic investment and intend to hold more than 3 years, investment in the purpose of hedging);

(17) Review and approve the guarantees stipulated in Article 66;

(18) Review and approve the matters of changes of the use of raised funds;

(19) Review the equity incentive plan;

(20) Review and approve the transactions and investments of financial derivatives of the Company and its holding subsidiaries that exceed 15% (including 15%) of the latest audited total assets and with the amount of more than RMB 1 billion (including RMB 1 billion) (excluding foreign exchange hedging operations) and foreign exchange

hedging operations whose amount account for more than 30% (including 30%) of the latest audited total assets of the Company;

(21) Provide financial assistance (the latest audited asset-liability ratio of the funded recipients exceeds 70%; the amount of financial assistance for a single financial aid or accumulated for 12 consecutive months exceeds 10% of the latest audited net assets of the listed Company; providing financial assistance to persons other than directors, supervisors, senior officers, controlling shareholders, de facto controllers and their holding subsidiaries);

(22) Review the proposals of the shareholders who hold more than 3% (including 3%) of the voting shares of the Company, individually or in aggregate;

(23) Review other matters that shall be determined by the Shareholders' General Meetings as stipulated by laws, administrative regulations, departmental rules, listing rules of the place where the Company is listed or the Articles of Association.

The following external guarantees of the Company shall be submitted to the Shareholders' General Meetings for review and approval after having been reviewed and approved by the Board of Directors.

(1) A single guarantee with the amount exceeding 10% of the latest audited net assets of the Company;

(2) Any guarantees provided by the Company and its holding subsidiaries after the total amount of external guarantees has reached or exceeded 50% of the latest audited net assets;

(3) Guarantees for guarantee objects whose asset-liability ratio exceeds 70%;

(4) The amount of guarantee within 12 consecutive months exceeds 30% of the Company's latest audited total assets;

(5) The accumulated amount of guarantee within 12 consecutive months exceeds 50% of the latest audited net assets of the Company and the absolute amount exceeds RMB 50 million;

(6) guarantees provided to shareholders, actual controllers and their related parties;

(7) Other guarantees as stipulated by relevant laws, administrative regulations, regulatory documents or the listing rules of the place where the Company is listed.

When the Shareholders' General Meetings considers the guarantee item (4) listed in the preceding paragraph, it shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. When the Shareholders' General Meetings considers the proposals on providing guarantee for the shareholders, the actual controller and its related parties, such shareholders or the shareholders who are under the control of the actual controller shall not participate in such voting. Such voting shall be passed by more than half of the voting rights held by other shareholders attending the Shareholders' General Meetings.

In any of the following circumstances, the Board of Directors of the Company shall convene an extraordinary general meeting within two months from the occurrence date of the fact:

(1) When the number of directors falls short of the statutory minimum of five required by the Company Law or is less than 2/3 of the total number of directors of the Company as stipulated in the Articles of Association;

(2) When the Company's unrecovered losses amount to 1/3 of the total paid-up share capital;

(3) When the shareholders who hold more than 10% (including 10%) of the shares with voting rights issued by the Company, individually or in aggregate, request in writing to convene an extraordinary general meeting;

(4) When the Board of Directors deems it necessary;

(5) When the Board of Supervisors proposes to convene;

(6) When the independent director proposes to convene;

(7) Other circumstances as stipulated in laws, administrative regulations, departmental rules, the listing rules of the place where the Company is listed or the Articles of Association of the Company.

The number of shares as described in the above (3) shall be calculated according to the written requirement proposed by the shareholder.

Convening of Shareholders' General Meetings

Independent directors shall have the right to propose to the Board of Directors on convening of an extraordinary general meeting. Where an independent director calls an extraordinary general meeting, the Board of Directors shall issue a written feedback on consent or non-consent to convening of the extraordinary general meeting within 10 days from receipt of the call, pursuant to the provisions of laws, administrative regulations and the Articles of Association. Where the Board of Directors gives consent to convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days from passing of a board resolution; where the Board of Directors does not give consent to convening of an extraordinary general meeting, it shall state the reason and make an announcement.

The Board of Supervisors shall have the right to propose to the Board of Directors on convening of an extraordinary general meeting, and shall do so in writing. The Board of Directors shall issue a written feedback on consent or non-consent to convening of the extraordinary general meeting within 10 days from receipt of the call, pursuant to the provisions of laws, administrative regulations and Articles of Association. Where the Board of Directors gives consent to convening of an extraordinary general meeting, a notice on convening of the extraordinary general meeting shall be issued within 5 days from passing of the board resolution; the consent of the Board of Supervisors shall be obtained for any change to the original requisition in the notice. Where the Board of Directors does not give consent to convening of an extraordinary general meeting, or does not issue a written feedback within 10 days from receipt of the requisition, the Board of Directors shall be deemed as unable to perform or failed to perform the duties of convening of a Shareholders' General Meeting, and the Board of Supervisors may proceed to convene and chair an extraordinary general meeting.

Where the shareholders call the separate meeting of classes of shareholders, they shall proceed in accordance with the following procedures:

(1) Two or more holders of shares who hold 10% (including 10%) or more of the Company's shares with voting rights individually or in aggregate on the proposed separate meeting of classes of shareholders may sign one or more writing proposals in the same format, propose the Board of Directors to convene an extraordinary general meeting or a separate meeting of classes of shareholders, as well as illustrate the topics of the meeting. The

number of shares as described in the above paragraph shall be calculated according to the written requirement proposed by the shareholder. The Board of Directors shall issue a written feedback on consent or non-consent to convening of the extraordinary general meeting or other separate meeting of classes of shareholders within 10 days from receipt of the above-stated writing proposals, pursuant to the provisions of laws, administrative regulations and these Articles of Association.

(2) Where the Board of Directors gives consent to convening of an extraordinary general meeting or a separate meeting of classes of shareholders, a notice on convening of the extraordinary general meeting or a separate meeting of classes of shareholders shall be issued within 5 days from passing of the board resolution; the consent of the holders shall be obtained for any change to the original requisition in the notice, unless otherwise specified in laws, regulations, these Articles of Association, or relevant rules issued by the securities regulatory institution where the Company is listed in market, such provisions shall prevail.

(3) Where the Board of Directors does not give consent to convening of an extraordinary general meeting or a separate meeting of classes of shareholders, or does not issue a written feedback within 10 days from receipt of the requisition, holders of shares who hold 10% or more of the Company's shares individually or in aggregate have the right to propose to the Board of Supervisors on convening of an extraordinary general meeting or a separate meeting of classes of shareholders, and shall do so in writing.

Where the Board of Supervisors gives consent to convening of an extraordinary general meeting or a separate meeting of classes of shareholders, a notice on convening of the extraordinary general meeting or a separate meeting of classes of shareholders shall be issued within 5 days from receiving the requisition; the consent of the holders shall be obtained for any change to the original proposal in the notice.

Where the Board of Supervisors does not issue a notice of a shareholders' general meeting or a separate meeting of classes of shareholders within the stipulated period, the Board of Supervisors shall be deemed as not convening and chairing the shareholders' general meeting, and holders of shares who hold 10% or more of the Company's shares individually or in aggregate for 90 or more consecutive days may proceed to convene and chair an extraordinary general meeting on their own initiative.

Where the shareholders proceed to convene the general meeting when the Board of Directors fails to do so, reasonable expenses incurred thereof shall be borne by the Company and deducted from the back pay of delinquent directors of the Company.

Where the Board of Supervisors or the shareholders proceed(s) to convene a general meeting, the Board of Directors shall be notified in writing, and records shall be filed with the CSRC branch at the location of the Company and the stock exchange.

Prior to announcement of resolutions passed by the shareholders' general meeting, the shareholding percentage of the holders of ordinary shares who convene the meeting shall not be less than 10%.

The shareholders who call the meeting shall submit the relevant proof materials to the CSRC branch at the location of the Company and the stock exchange at the time of issuance of notice of the general meeting and announcement of resolutions passed by the general meeting.

Where the Board of Supervisors or the shareholders proceed(s) to convene a general meeting, the Board of Directors and the board secretary shall cooperate. The Board of Directors shall provide the register of shareholders as at the date of share record.

Where the Board of Supervisors or the shareholders proceed(s) to convene a general meeting, the expenses incurred thereof shall be borne by the Company.

Motions and Notices of Shareholders' General Meeting

When the Company convenes a Shareholders' General Meeting, the Board of Directors and the Board of Supervisors, as well as shareholders who hold 3% or more of the Company's shares individually or in aggregate, shall have the right to propose motions.

Holders of ordinary shares who hold 3% or more of the Company's shares individually or in aggregate may propose provisional motions 10 days before convening of a Shareholders' General Meeting and submit them in writing to the convener. The convener shall issue a supplementary notice of the general meeting within 2 days upon receipt of the proposal, and announce the contents of the provisional motions. In the event that the supplementary notice of the general meeting cannot meet listing rules where the Company is listed in the market on supplementary notice, the Company shall postpone the general meeting appropriately.

Except for circumstances stipulated in the preceding paragraph, upon announcement of the notice of Shareholders' General Meeting, the convener shall not amend the motions set out in the notice of Shareholders' General Meeting or insert new motions.

Where the Company convenes the Shareholders' General Meeting shall send notice in writing and inform the registered shareholders of the proposed issues, date and location of the general meeting 45 days before the general meeting. Shareholders who intend to be present at the Shareholders' General Meeting shall give reply for attending to the general meeting to the Company in writing 20 days before the meeting.

The Company shall count the number of shares with voting rights of shareholders who intend to be present at the general meeting upon receipt of replies in writing 20 days before the general meeting. Where the number of shares with voting rights of shareholders who intend to attend the general meeting is half or more of the total shares with voting rights of the Company, the Company may convene a Shareholders' General Meeting; where the number of shares with voting rights of shareholders is less than half of the total shares with voting rights, the Company shall inform shareholders of proposed issues, date of meeting and location again in 5 days on an announcement. The Company may convene a Shareholders' General Meeting according to the announcement.

Issues that are unspecified on the announcement cannot be decided on the extraordinary general meeting.

Conduct of Shareholders' General Meetings

All shareholders in the register as at the date of share record or their proxies shall have the right to attend a Shareholders' General Meeting, and exercise voting rights pursuant to the relevant laws, regulations and these Articles of Association.

A shareholder may attend and vote at the Shareholders' General Meeting in person or by proxy.

A shareholder's appointment of a proxy shall be in writing. The instrument appointing a proxy shall be signed by the appointing shareholder or its representative authorized in writing; where the appointing shareholder is a legal person, the common seal of the legal person or the signature of its director/authorized official shall be affixed. The instrument appointing a proxy issued by a shareholder shall include the following information:

(1) Name of the proxy and the number of shares the proxy represents;

(2) Whether the shareholder has voting rights;

(3) The instructions on voting for, against or abstention of voting for each agenda item of the Shareholders' General Meeting;

(4) Date of issuance of the proxy form and the validity period;

(5) Signature (or affixation of seal) by the entrusting party. Where the entrusting party is a corporate shareholder, the seal of the corporate shareholder shall be affixed or the signature of the director/officially authorized entrusting proxy shall be signed.

The proxy form of voting right shall be kept at the Company's premises or any other premises designated in the notice of meeting 24h before the meeting of relevant issues proposed on the proxy form is convened or 24h before the appointed time for voting. Where a proxy form for a voting proxy is signed by a person authorized by the entrusting party, the proxy form or any other authorization document shall be notarized. The notarized proxy form or any other authorization document and the proxy form for a voting proxy shall be kept at the Company's premises or any other premises designated in the notice of meeting.

Where the entrusting party is a legal person, its legal representative or Board of Directors or the person authorized by any other decision-making organ shall represent the legal person to attend the Shareholders' General Meeting.

The Chairman of the Board shall convene and preside over the Shareholders' General Meeting. Where the Chairman of the Board is unable to attend the Shareholders' General Meeting, the deputy Chairman shall convene and preside over the Shareholders' General Meeting; where the Chairman and deputy Chairman are unable to attend the Shareholders' General Meeting, the Chairman may appoint one of the directors of the Company to act on his behalf; where the chairman of meeting is not appointed, shareholders who attend the meeting may elect one of their number as the chairman of meeting; where the shareholders are unable to elect a chairman of meeting due to any reason, the shareholder holding the largest number of voting shares present at the meeting (in person or by proxy) shall serve as the chairman of the meeting.

The Chairman of the Board of Supervisors shall chair a Shareholders' General Meeting convened by the Board of Supervisors. Where the Chairman of the Board of Supervisors is unable to perform his/her duties or does not perform his/her duties, a supervisor nominated by more than half of the supervisors shall chair the meeting.

In the case of a Shareholders' General Meeting convened by shareholders, the convenor shall recommand a representative to preside over the meeting.

Where the chairman of the meeting violates the rules of procedure and as a result thereof, the Shareholders' General Meeting is unable to continue, upon consent of the shareholders holding more than half of voting rights and present at the Shareholders' General Meeting, the Shareholders' General Meeting may elect a person to chair the meeting so that the meeting may continue.

At an annual general meeting, the Board of Directors and the Board of Supervisors shall report to the Shareholders' General Meeting on the work done in the past year. And each independent director shall submit his/her work report.

Voting and Resolutions at Shareholders' General Meetings

Resolutions of a Shareholders' General Meeting shall comprise ordinary resolutions and special resolutions.

An ordinary resolution of a Shareholders' General Meeting shall be passed by votes representing more than 1/2 of voting rights of shareholders who are present at the Shareholders' General Meeting (including their proxy).

A special resolution of a Shareholders' General Meeting shall be passed by votes representing more than 2/3 of voting rights of shareholders who are present at the Shareholders' General Meeting (including their proxy).

The following matters shall be passed as ordinary resolutions of a Shareholders' General Meeting:

(1) Work reports of the Board of Directors and the Board of Supervisors;

(2) Profit distribution plan and loss offset plan formulated by the Board of Directors;

(3) Appointment and removal of members of the Board of Directors and the Board of Supervisors and their remuneration and payment method;

(4) The Company's annual budget, final accounts, balance sheet, profit statement and other financial reports;

(5) The Company's annual report;

(6) Appointment and dismissal of accounting firm;

(7) related party transactions of the Company, of which amount is over RMB 30 million and accounts for more than 5% of the absolute value of latest audited net asset of the Company;

(8) Matters stipulated in (15) and (16) of Article 65 of the Articles of Association of the Company;

(9) Guarantees stipulated in Article 66 of the Articles of Association of the Company (except (4));

(10) Changes in the investment projects funded by the capital raised;

(11) Any other matters other than those required to be adopted as special resolutions by laws, administrative regulations or these Articles of Association.

The following matters shall be passed as special resolutions of a Shareholders' General Meeting:

(1) Company increase or decreases registered capital, issue any kind of stocks, warrant or any other similar securities;

(2) Issuance of Company bond

(3) Merger, division, dissolution and liquidation of the Company

(4) Amendments to these Articles of Association

(5) Issues stipulated in (13) and (14) of Article 65 of the Articles of Association of the Company;

(6) Share option incentive plan

(7) Share repurchases

(8) Any other matters stipulated by laws, administrative regulations or the Articles of Association, or those which have a significant impact on the Company if to be passed by an ordinary resolution of a Shareholders' General Meeting and which are deemed necessary to be passed as a special resolution.

Shareholders (including their proxy) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be accorded with one vote.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the Shareholders' General Meeting.

The Company's Board of Directors, independent directors and shareholders who satisfy the stipulated criteria may openly solicit voting rights of shareholders. In the case of solicitation of voting rights of shareholders, shareholders whose voting rights are solicited shall make full disclosure of information such as voting intent. Solicitation of voting rights of shareholders in the form of compensation or disguised compensation shall be prohibited. The Company shall not set minimum shareholding percentage restricted for solicitation of voting rights.

When a Shareholders' General Meeting reviews on matters pertaining to related party transactions, related shareholders shall abstain from voting, the shares with voting rights held by them shall not be included in the total number of valid votes; the announcement on resolutions of Shareholders' General Meeting shall make full disclosure of votes of non-related shareholders. Where in accordance with the laws, administrative laws and regulations, provisions, normative files and relevant rules issued by the securities regulatory institution where the Company is listed, the related shareholders shall state on the Shareholders' General Meeting, the related shareholders are responsible and obligated to make a statement. Definition and scope of the related shareholders are confirmed in accordance with regulations of the securities regulatory institution and the stock exchange where the Company is listed.

During the voting, it is unnecessary for shareholders with two or more voting rights (including their proxy) to vote all votes for or against.

When the number of votes for and that of votes against are equivalent, the chairman of the meeting reserves the right to vote one more regardless raising hands or voting.

Special voting procedure for classified shareholders

Shareholders with different kinds of shares are classified shareholders.

Classified shareholders shall enjoy the rights and obligations in accordance with laws, administrative laws and regulations and the Articles of Association of the Company.

Where the Company intends to alter or abolish rights of the classified shareholders, it shall be adopted as a special resolution at a Shareholders' General Meeting convened according to Article 131 to Article 135 as appropriate of the Articles of Association before the motion is executed.

The following circumstances shall be regarded as alteration or abolishment of rights of some classified shareholders;

(1) Increase or reduce the number of the classes of shares, or increase or decrease the number of classes of shares having voting rights, distribution of power and other special rights equal or superior to the shares of such classes;

(2) Change all or some of the classes of shares to other kinds of shares, or change all or some of the other classes of shares to these classes of shares or grant change right of these classes shares;

(3) Cancel or reduce right of obtained and existing dividend or accumulated dividend of these classes of shares;

(4) Reduce or cancel rights of these classes of shares to obtain preference dividends or to obtain preference fortune allocation in Company liquidation;

(5) Increase, cancel or reduce rights of these classes of shares with respect to the conversion right, selection right, voting right, transfer right, preferred allotment right and the right to obtain Company's securities.

(6) Cancel or reduce right of these classes of share to charge payable payment of the Company with special currency.

(7) Set up new classes of shares that have the equivalent or more voting right, distribution of power and other special rights as they have;

(8) Restrict transfer right or ownership of these classes of shares, or increase such restrict;

(9) Right to issue these classes of shares or subscription right or share transfer right of the other classes of shares;

(10) Increase right and special right of other classes of shares;

(11) Company reorganization plan requires different classified shareholders to bear with responsibilities without following proportions in the reorganization;

(12) Revise or abolish clauses as regulated in this section.

Whatever the classified shareholders that suffer from influence aroused by the above articles have voting right or not, they shall have voting rights on matters to be delivered in Article 130 (2) to (8), (11) to (12). But, the interested shareholders shall not have voting rights on the separate meeting of classes of shareholders.

Definitions on the interested shareholders as described in the above clauses are as follows:

(1) Where the Company sends repurchase offer to all shareholders in accordance with Article 28 of these Articles of Association according to the same proportion or the Company repurchases its shares with open transaction in the stock exchange, "the interested shareholder" refers to a controlling shareholder as defined in these Articles of Association;

(2) Where the Company repurchases its shares according to protocol except for transaction at the stock exchange as regulated in Article 28, "the interested shareholder" refers to a shareholder related to this protocol;

(3) In the reorganization plan of Company, "the interested shareholder" refers to a shareholder who bear responsibilities lower than those of other shareholders of these classes of shares, or other shareholders who have different interests from the one of shareholders in these classes of shares.

Resolution of classified shareholders' meeting shall be adopted only by 2/3 or more of the voting shares present at the classified shareholders' meeting as per Article 131.

The following circumstances do not apply to the special procedure for voting of classified shareholders:

(1) Where the Company shall issue domestic shares and overseas listed overseas shares listed abroad every 12 months respectively or at the same time as a special resolution approved on the Shareholders' General Meeting, and the number of domestic shares and overseas listed overseas shares to be issued shall not exceed 20% of the issued ones respectively; or

(2) Where the Company's plan for issuing domestic shares and overseas listed overseas shares listed abroad has been completed in 15 months since the plan has been approved by securities regulatory institution of the State Council;

(3) Where shareholders of domestic shares of the Company transfer their shares to the foreign investors and listed on the foreign stock exchange as approved by securities regulatory institution of the State Council.

Board of Directors

Directors

The directors of a Company shall be natural persons. The directors do not need to have shares of the Company. Directors include executive directors and non-executive directors. executive directors refer to directors that sign an employment labor contract with the Company or the holding subsidiary of the Company, get paid regularly every month and get performance salary for annual assessment; other directors are non-executive directors, including independent non-executive directors.

Directors shall be elected or replaced at a Shareholders' General Meeting, and the tenure shall be 3 years. Upon expiry of the tenure of a director, the tenure may be renewed if he/she is re-elected. But, the continuous appointment of independent non-executive director may not exceed 6 years. Prior to expiry of tenure of a director, a Shareholders' General Meeting shall not remove the director without a reason.

Directors shall comply with laws, administrative regulations and these Articles of Association, and bear the following fiduciary obligations towards the Company:

(1) Shall not make use of official powers to accept bribes or other illegal income or encroach upon the Company's assets;

(2) Shall not misappropriate the Company's funds;

(3) Shall not deposit the Company's assets or funds into an account opened in his/her own name or the name of another individual;

(4) Shall not violate the provisions of these Articles of Association in providing a loan to others using the Company's funds or providing guarantee for others using the Company's assets without the consent of a Shareholders' General Meeting or the Board of Directors;

(5) Shall not enter into a contract or transaction with the Company which violates the provisions of the Articles of Association or without the consent of a Shareholders' General Meeting;

(6) Shall not make use of official powers to seek business opportunities which rightfully belong to the Company for himself/herself or others without the consent of a Shareholders' General Meeting, or engage in the same type of businesses as the Company on his/her own or for others;

(7) Shall not pocket commissions of transactions with the Company;

(8) Shall not disclose Company secrets without authorization;

(9) Shall not make use of their relationships to compromise the interests of the Company; and

(10) Any other fiduciary obligations stipulated by laws, administrative regulations, ministry rules and these Articles of Association.

Income derived by a director from violation of the provisions of this Article shall belong to the Company; where the Company suffers losses thereto, the director shall be liable for compensation.

Directors shall comply with laws, administrative regulations and the Articles of Association, and bear the following duty of diligence towards the Company:

(1) Exercise the rights accorded by the Company prudently, seriously and diligently to ensure that the commercial activities of the Company comply with laws and administrative regulations of the State and the requirements of various economic policies of the State and the commercial activities shall not exceed the scope of business stipulated in the business license;

(2) Treat all shareholders fairly;

(3) Get a timely grasp of the status of the Company's business and management;

(4) Issue a written confirmation opinion for the Company's regular reports. And ensure the veracity, accuracy and integrity of information disclosure by the Company;

(5) Provide the relevant information and materials to the Board of Supervisors truthfully, and shall not hinder exercise of official powers by the Board of Supervisors or the supervisors;

(6) Fulfill duties prudently according to the business experience during the business activities and defend interests of the Company and all shareholders with all efforts.

(7) Any other duty of diligence stipulated by laws, administrative regulations, ministry rules and the Articles of Association.

Board of Directors

The Board of Directors shall comprise [8] directors, of which there are [4] independent non-executive directors.

The Board of Directors shall exercise the following official powers:

(1) Convene Shareholders' General Meetings, and submit work reports to Shareholders' General Meetings

(2) Implement resolutions of Shareholders' General Meetings

(3) Decide on the Company's business plans and investment schemes

(4) Formulate the Company' annual budgets and final accounts;

(5) Formulate the Company's profit distribution plan and loss offset plan;

(6) Formulate the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;

(7) Formulate the Company's plans for significant acquisition, acquisition of the Company's shares or merger, division, dissolution and change of Company form;

(8) Review and approve related party transactions with transaction amount accounting for 0.5-5% of the absolute value of net asset that has been audited recently;

(9) Review and approve the matters of purchase and sale of major assets conducted consecutively within twelve months (excluding the purchase of raw materials, fuels and power, and the sale of products, commodities, and other assets related to daily operations, but the replacement of assets involving the purchase or sale of such assets shall be included), the amount of which ranges between 2%-30% of the Company's audited net assets of the latest period;

(10) Review and approve major transaction matters of investment of the Company to other entities (including setting the holding subsidiary of the Company, joint -stock Company, and additional investment towards the holding subsidiary, joint -stock Company, cooperative enterprise and associated enterprise), rent or lease of assets, signing management contract (including entrusting business operation, entrusted business operation, etc.), entrusted wealth management, financial subsidy, the amount of which reaches the following standards:

1. The total assets involved in the transaction account for 2%-50% of the Company's most recent audited total assets. Where the total assets involved in the transaction have both book value and valuation value, it shall be calculated on the basis of whichever is higher;

2. The related operating income of the subject matter of transaction (such as equity) in the most recent fiscal year accounts for 2%-50% of the Company's audited operating income in the most recent fiscal year with the absolute amount of more than RMB 30 million;

3. The related net profit of the subject matter of transaction (such as equity) in the most recent fiscal year accounts for 2%-50% of the Company's audited net profit in the most recent fiscal year with the absolute amount of more than RMB 1 million;

4. The transaction amount (including commitment debts and expenses) accounts for 2%-50% of the Company's latest audited net assets with the absolute amount of more than RMB 30 million;

5. The profit generated by the transaction accounts for 2%-50% of the audited net profit of the Company in the most recent fiscal year with the absolute amount of more than RMB 1 million;

provided however that, where the aforesaid transactions are entrusted wealth management or financial subsidy, whatever the absolute amount is, it shall be submitted to the Board of Directors or Shareholders' General Meeting for review as required by this regulation;

(11) Review and approve risk investment with amount of less than RMB 50 million cumulatively in one year;

(12) Review and approve matters of external guarantees, mortgage of assets, financial derivatives (including foreign exchange hedging), investment and so forth which are out of authorization range of Shareholders' General Meeting;

(13) Decide on setting up of working institution of Board of Directors and the Company's internal management organizations accordingly;

(14) Appointment or dismissal of the Company's president (general manager) and the board secretary, principal of the audit department, representative of the securities department; appointment or dismissal of senior officers such as CFO (person-in-charge of finance), SVP (deputy manager), VP (deputy manager) and so forth based on nomination by the president/manager, and decide on their remuneration and incentives and penalties;

(15) Formulate the Company's basic management rules;

(16) Formulate plans for amendment of these Articles of Association;

(17) Manage information disclosure by the Company;

(18) Propose to a Shareholders' General Meeting on appointment or replacement of accounting firm which provides audit services to the Company;

(19) Listen to the Company president (general manager)'s work reports and inspect the president (general manager)'s work performance;

(20) Where any controlling shareholder or actual controller of the Company encroaches upon Company's assets or capitals, the Board of Directors shall apply for judiciary freeze of shares of the controlling shareholder and pay back Company's assets or capitals encroached on by the controlling shareholder by selling off Company shares of the controlling shareholder;

(21) In charge of constructing the company strategy and enterprise culture and other official powers authorized by provisions of laws, administrative regulations-department rules and these Articles of Association.

The Board of Directors shall appoint a Chairman and a Deputy Chairman. The Deputy Chairman shall assist the Chairman in work. The Chairman and Deputy Chairman shall be elected by a simple majority of directors.

The Company shall adopt a lead independent director system. The lead independent director shall be elected by more than 1/2 of the independent directors and in charge of coordinating actions of the independent directors and communicating and coordinating with non-independent directors and senior officers of the Company on behalf of the independent directors. Official powers of the lead independent director shall be stipulated in the *Working System for Independent Directors*.

The Chairman of the Board of Directors shall exercise the following official powers and implement the following major obligations:

(1) Chair Shareholders' General Meetings, convene and chair board meetings and urge the directors to attend the meeting of Board of Directors personally;

(2) Actively promote formulation and improvement of each interior system of the Company, strengthen construction of the Board of Directors, promote legal governance of the Company, urge and inspect execution of the resolutions made by the Board of Directors and inform other directors of relevant information in time;

(3) Get a timely grasp of execution of resolutions made by the Board of Directors from the president (general manager) and other senior officers and key executors;

(4) Guarantee all directors and board secretary's rights to know, create a nice working environment for them to fulfill their official powers; and do not pull back their fulfillment of official powers in any way;

(5) Chairman of the Board of Directors shall immediately urge the board secretary to fulfill his/her obligations for information disclosure in time after receiving report of significant matters of the listed Company;

(6) Sign important documents of the Board of Directors;

(7) In the event that force majeure such as extraordinarily serious natural calamities happens, the Chairman of the Board of Directors shall implement special disposition right on the Company's matters in accordance with laws and regulations as well as in conformity with the Company's interests, and report to the Board of Directors and on the Shareholders' General Meeting;

(8) Review and approve on related party transactions with the affiliated person of which transaction amount is lower than 0.5% of the absolute value of net asset in the recent audit of the Company;

(9) Review and approve the matters of purchase and sale of assets, conducted consecutively within twelve months (excluding the purchase of raw materials, fuels and power, and the sale of products, commodities, and other assets related to daily operations, but the replacement of assets involving the purchase or sale of such assets shall be included), the amount of which is less than 2% of the total assets of the latest period as audited or less than RMB 30 million;

(10) Review and approve major transaction matters of investment of the Company to other entities (including setting a subsidiary of the Company, joint-stock Company, and making additional investment towards the subsidiary, joint-stock Company, cooperative enterprise and associated enterprise), purchase or sales of assets, rent or lease of assets, signing management contract (including entrusting business operation, entrusted business operation, etc.), the amount of which reaches the following standards:

1. The total assets involved in the transaction account for less than 2% of the Company's most recent audited total assets. Where the total assets involved in the transaction have both book value and valuation value, it shall be calculated on the basis of whichever is higher;

2. The related operating income of the subject matter of transaction (such as equity) in the most recent fiscal year accounts, the amount of which is less than 2% of the

Company's audited operating income in the most recent fiscal year, or the absolute amount of which is less than RMB 30 million;

3. The related net profit of the subject matter of transaction (such as equity) in the most recent fiscal year accounts, the amount of which is less than 2% of the Company's audited net profit in the most recent fiscal year, or the absolute amount of which is less than RMB 1 million;

4. The transaction amount (including the incurred debts and expenses) accounts for less than 2% of the Company's latest audited net assets, or the absolute amount of which is less than RMB 30 million;

5. The profit generated by the transaction accounts for less than 2% of the audited net profit of the Company in the most recent fiscal year, or the absolute amount of which is less than RMB 1 million.

(11) Sign securities issued by the Company;

(12) Other official powers and other obligations as authorized by the Board of Directors.

The Board of Directors shall set up audit and risk committee, strategy and investment committee, salary and assessment committee, nomination and governance committee, and formulate implementation rules for major responsibilities, resolution procedure and rules of procedure of each specialized committee, etc. Working rules of each specialized committee shall be revised and explained by the Board of Directors.

The Board of Directors shall convene at least four regular meetings every year: once quarterly, convened by the Chairman of Board of Directors. The Chairman shall convene the board meetings and issue a written notice to all the directors and supervisors 14 days before the meeting is held. Meeting agenda and relevant meeting files shall be sent to all directors three (3) days before the convening of the meeting.

Chairman of Board of Directors, the president (general manager), shareholders who holds 1/10 or more of the voting rights, one-third or more of the directors or the Board of Supervisors may requisition for an interim board meeting. The Chairman of Board of Directors shall convene and chair a board meeting within 10 days from receipt of the requisition.

The quorum of a board meeting shall be a simple majority of the directors. Board resolutions shall be passed by a simple majority of all the directors.

When the Board of Directors resolves on matters under items (6), (7) and (16) of Article 107 of these Articles of Association of the Company as well as guarantees, the above shall be approved by 2/3 or more of directors on the board meeting as well as 2/3 or more of the independent directors.

One person one vote shall apply to voting for board resolutions. When the number of votes for and the one of votes against are equivalent, the Chairman of the Board of Directors reserves the right to vote one more.

A director who is related to an enterprise involved in a board resolution shall abstain from voting for the board resolution and shall not represent another director in exercise of voting rights. The board meeting may be held with the quorum of a simple majority of unrelated directors, and resolutions passed by the board meeting shall require a simple majority of votes of unrelated directors. Where the number of unrelated directors present at the board meeting is less than three, the said matter shall be tabled at a Shareholders' General Meeting for deliberation.

Presidents (general manager) and other senior officers

The Company shall establish the position of a president (general manager) to be nominated by the Nomination and Governance Committee of the Board of Directors, appointed or terminated by the Board of Directors; the chairman of the Board of Directors cannot work as the president (general manager) at the same time. CFO (person-in-charge of finance), SVP (deputy general manager), VP (deputy general manager) and so forth are based on nomination by the president (general manager), appointment and dismissal of the Board of Directors.

Senior managers of the Company include president (general manager), CFO (person-in-charge of finance), SVP (deputy manager), VP (deputy general manager) and board secretary;

The fiduciary obligations stipulated in Article 138 and the diligence obligations stipulated in items (4) to (6) of Article 139 shall apply to senior officers concurrently. The president/general manager as well as other senior officers shall exercise the following obligations:

(1) Highlight and introduce motions for the Board of Directors to resolve;

(2) Cooperate with the Board of Supervisors and independent directors to work.

Persons who hold positions other than director in the Company's controlling shareholder and actual controlling party shall not be appointed as the Company's senior officers.

The tenure of a president (general manager) shall be three years, renewable upon re-appointment.

The president (general manager) shall be accountable to the Board of Directors and shall exercise the following official powers:

(1) Preside over the Company's production and business management, organize implementation of board resolutions, and report to the Board of Directors on his/her work;

(2) Organize implementation of the Company's annual business plans and investment plans;

(3) Formulate the Company's plans for establishment of internal management organizations;

(4) Formulate the Company's basic management rules;

(5) Formulate the Company's specific rules and regulations;

(6) Review and approve daily business contract of the Company (except matters that shall be approved by the Shareholders' General Meeting, board meeting and Chairman of Board of Directors as stipulated above);

(7) Propose to the Board of Directors on appointment or termination of the Company's CFO (financial principal), SVP (deputy general manager), VP (deputy general manager);

(8) Decide on appointment or termination of management personnel other than those whose appointment or termination is decided by the Board of Directors;

(9) Any other official powers accorded by these Articles of Association or the Board of Directors.

The president (general manager) shall attend board meetings and non-Managing Director (general manager) does not have voting right on the board meeting.

Senior managers such as the Company's CFO (financial principal), SVP (deputy general manager), VP (deputy general manager) and so forth shall be appointed or dismissed by the president (general manager) proposing to the Board of Directors, and assist the president (general manager) to work.

The Company shall appoint a board secretary who shall be nominated, employed and dismissed by the Chairman of board. The board secretary of Company shall be the director, SVP (deputy general manager), or CFO (financial principal). The board secretary of Company shall be a natural person with necessary specialized knowledge and experience.

The major duties of the board secretary are as follows:

(1) Ensure the integrity of organization files and record of the Company;

(2) Ensure the Company prepare and hand over reports and files that are required by the authorized institution according to laws;

(3) Ensure well setting up of the register of shareholders of the Company, and ensure the people that are authorized to get Company record and file to get them in time;

(4) Responsible for preparation of the Company's Shareholders' General Meetings and board meetings, safekeeping of documents and administration of information of the Company's shareholders, handling information disclosure matters etc.

The board secretary shall comply with the relevant provisions of laws, administrative regulations, ministry rules and these Articles of Association.

Directors or other senior officers may be appointed as the board secretary. Accountant from the accounting firm which is employed by the Company shall not be appointed as the board secretary.

Where a director is appointed as the board secretary, he/she cannot make decision in both roles on the motion that shall be resolved by the directors and the board secretary respectively.

Senior management personnel who violate the provisions of laws, administrative regulations, ministry rules or these Articles of Association in execution of Company duties and cause the Company to suffer losses shall be liable for compensation.

Board of supervisors

Supervisors

Directors, president (general manager) and other senior officers shall not be appointed as supervisor concurrently. The number of supervisors that have been appointed as directors or senior officers in the Company in recent two years shall not exceed 1/2 of the supervisors of the Company.

Supervisors nominated by a single shareholder shall not exceed 1/2 of the total number of supervisors of the Company.

Supervisors shall comply with laws, administrative regulations and these Articles of Association and bear fiduciary obligations and diligence obligations towards the Company, shall not make use of official powers to accept bribes or other illegal income, and shall not encroach upon the Company's assets.

The tenure of a supervisor shall be three years, renewable upon re-appointment.

The supervisors shall ensure the veracity, accuracy and integrity of information disclosure by the Company;

The supervisors shall be entitled to attend board meetings, and present inquiries or proposals pertaining to board resolutions.

The supervisors shall not make use of their relationships to harm the interests of the Company; where the Company suffers losses thereto, the supervisors shall be liable for compensation.

The supervisors who violate the provisions of laws, administrative regulations, ministry rules or these Articles of Association in execution of Company duties and cause the Company to suffer losses shall be liable for compensation.

Board of supervisors

The Company shall establish a Board of Supervisors. The Board of Supervisors shall comprise 3 supervisors, and appoint a Chairman. The appointment and termination of the Chairman shall be elected by over 2/3 of all the supervisors.

The Chairman of the Board of Supervisors shall convene and chair meetings of the Board of Supervisors; where the Chairman of the Board of Supervisors is unable to perform his/her duties or does not perform his/her duties, a supervisor shall be elected by a simple majority of the supervisors to convene and chair meetings of the Board of Supervisors.

The Board of Supervisors shall include shareholder representatives, exterior supervisors and an appropriate percentage of employee representatives, out of which, the ratio of employee representatives shall not be less than one-third. Exterior supervisors in the Board of Supervisors refer to supervisors that are appointed as supervisors other than any other officer powers, excluding shareholder representatives and exterior supervisors. The shareholder representatives shall be nominated from shareholders who hold 3% or more of the Company's shares individually or in aggregate; exterior supervisors shall be nominated on the Board of Supervisors; and employee representative supervisors shall be elected on the employee representative congress or employee congress or in any other democratic form.

The Board of Supervisors shall be accountable to the Shareholders' General Meeting and exercise the following official powers:

(1) Examine regular reports prepared by the Board of Directors and issue written examination opinions;

(2) Inspect the financial affairs of the Company;

1. Review the Company's financial report and financial statement; review quarterly, interim and year-end financial reports of the Company upon veracity, accuracy and integrity principles; and the Company shall submit one copy of the financial report to the Board of Supervisors within 10 days after the financial report is completed.

2. Review financial position of the Company, check financial accounting materials and other files related to the Company's finance, and ask for relevant files and data;

3. Check development of financial management of the Company, and verify veracity and legality of financial accounting report of the Company;

4. Verify financial files such as financial report, business report, profit allocation plan, etc. that are proposed to be submitted to the Shareholders' General Meeting. Regarding any question, the Board of Supervisors may entrust the certified public accountant and independent auditor to review in the name of Company.

(3) To supervise the actions of the directors and senior officers of performing the corporate functions, and to present proposal to remove any directors and senior officers who violate laws, regulations, these Articles of Association, or resolutions of Shareholders' General Meeting.

(4) When the acts of any director or senior officer compromise the interests of the Company, the situation shall be timely reported to the Board of Directors and the Board of Supervisors, who ask the director or senior officer to correct their deeds;

(5) The independent directors shall be supervised on their duty performance, with full attention paid to whether they have sustained independence that is due, whether they have sufficient time and energy to effectively perform their duty, and whether in duty performance they are under improper influence of principal shareholders, real controllers, or non-independent directors, supervisors, or senior officers of the listed Company;

(6) The special committees of the Board of Directors shall be supervised on their duty performance, with a view to check whether the members of the special committees of the Board of Directors perform duty according to their rules of procedure.

(7) Propose to hold extraordinary Shareholders' General Meeting, and convene and chair Shareholders' General Meeting when the Board of Directors does not perform the duty of convening and chairing Shareholders' General Meeting as prescribed by the Company Law.

(8) Make Proposals to the Shareholders' General Meeting.

(9) In accordance with the stipulations of Article 152 of the "Company Law", make lawsuit to the directors or senior officers;

(10) Key monitoring is made to assets quality of the Company and such economic deeds as financing, investment, guarantee, pledge, transfer, purchase, and merger in corporate operation which involve major sums, and investigation is made once abnormality is founded in corporate operation; if necessary, such special institutions as accountant firms and law firms may be hired to assist the work, with the fees borne by the Company.

The Board of Supervisors shall meet at least once in every 6 months, which shall be convened by the chairman of the Board of Supervisors. A supervisor may propose an extraordinary meeting of the Board of Supervisors.

Voting of the Board of Supervisors is exercised with one person one vote; a resolution of the Board of Supervisors shall be passed by voting of over 2/3 of the members of the Board of Supervisors.

The Board of Supervisors shall cause minutes to be prepared on all resolutions adopted at the meeting and signed by the supervisors attending the meeting.

The supervisors have right to require that there be description records on the meeting minutes of their speech on the meeting. The meeting minutes of the Board of Directors shall be preserved as the corporate file for at least 10 years.

The reasonable fees that occur when lawyers, certified accountants, and independent auditors are hired for the Board of Supervisors to perform their duties shall be borne by the Company.

The qualifications and obligations of the directors, supervisors, and senior officers of the Company

If there is one of the following cases, one is not allowed to fill the position of director, supervisor, president (general manager), or other senior officer:

(1) Have no capacity for civil conduct or limited capacity for civil conduct;

(2) Be subject to criminal penalty due to corruption, bribery, embezzlement of property, appropriation of property, or destroying socialist market economy order and less than five years have passed after the expiration of the execution period, or be deprived of political rights due to crime, and less than five years have passed after expiration of the execution period;

(3) Act as director, factory chief, president (general manager) of a company or enterprise which is subject to bankruptcy liquidation due to improper operation and management, and bear personal liability for the bankruptcy of the company or enterprise, and less than 3 years have passed after the date when the bankruptcy liquidation of the company or enterprise is finished;

(4) Act as a legal representative of a company or enterprise that has its license revoked or is ordered to close down due to law breaking and bear personal liability for it, and less than 3 years have passed after the date when the company or enterprise has its license revoked;

(5) An individual who bear liability of large sum which is not paid off after expiration;

(6) Be under the investigation of judiciary body due to breaking criminal law, and the case has not been settled;

(7) May not act as leader of an enterprise due to stipulations of law or regulations;

(8) Not being natural person;

(9) Be under the penalty of China Securities Regulatory Commission that securities market entry is forbidden, and the time limit has not been reached;

(10) Be ruled by related charging body to have broken the stipulations of related securities regulations, and fraud or dishonest deeds are involved, and less than five years have passed after the ruling date;

(11) Other content stipulated by law, regulations, or department rules.

If election or appointment of a director is conducted breaking stipulations of this article, this election, appointment, or recruitment are ineffective. If the case of this article occurs to a director in his tenure, he shall be removed from his position by the Company.

The effectiveness to a third party acting in good faith of a director, president (general manager), and other senior officers representing the deeds of the Company shall not be affected by his any non-compliance deeds in terms of its officeholding, election, or qualifications.

Beside the obligations that are required by law, regulations, or the listing rules of stock exchange, in performing the rights and duties conferred upon them by the Company, a director, supervisor, president (general manager), and other senior officers shall bear the following obligations for each shareholder:

(1) Not making the Company exceed the operation scope prescribed by the business license;

(2) Acting for the largest interests of the Company in honesty;

(3) No depriving the Company of its property in any form, including (but not limited to) the opportunities that are favorable to the Company;

(4) Not depriving the shareholders of their individual rights and interests, including (but not limited to) distribution rights and voting rights, but not including corporate reorganization passed by the Shareholders' General Meeting in accordance with these Articles of Association of the Company.

A director, supervisor, or president (general manager) and other senior officers have the responsibility to demonstrate discretion, diligence, and technique in similar cases acting as a reasonably prudent person when performing his rights or fulfilling his obligations.

In performing duties a director, supervisor, president (general manager) and other senior officers of the Company must comply with the principle of honesty, and shall not put himself in a situation which is in conflict with its own interests and obligations. This principle includes (but not limited to) the following obligations:

(1) Acting for the largest interests of the Company in honesty;

(2) To exercise power within the jurisdiction and not act beyond the scope of authority;

(3) To exercise in person the discretion conferred on him, and be subject to manipulation of no others; not transfer his discretion to other persons unless permitted by laws and regulations or obtaining informed consent from the Shareholders' General Meeting;

(4) To show equality to shareholders of the same type, and exercise equity to shareholders of different types;

(5) Not to sign contract, transaction, or arrangement with the Company unless otherwise specified in these Articles of Association or obtaining informed approval from the Shareholders' General Meeting;

(6) Not to seek interests of himself with the property of the Company in any form without the informed consent of the Shareholders' General Meeting;

(7) Not to seek bribery or other unlawful income with his power, and not to encroach upon the property of the Company in any form, including (but not limited to) the opportunities favorable to the Company;

(8) Not to accept commission related to the transaction of the Company without the informed consent of the Shareholders' General Meeting;

(9) To obey these Articles of Association, faithfully perform its duties, safeguard the interests of the Company, and not seek personal interests with his position and power in the Company;

(10) Not to compete in any form with the Company without the informed consent of the Shareholders' General Meeting;

(11) Not to appropriate the funds of the Company or lend them to others, not to open accounts to deposit the funds the Company in personal name or other names, and not to provide guarantee for the shareholders or other individuals in terms of debts with the funds of the Company;

(12) Not to disclose the confidential information related to the Company that he obtained when in office without informed consent of the Shareholders' General Meeting; not to utilize this information unless he serves the interests of the Company; but in the following cases he may disclose the information to the court of law or other government bodies:

1. There are stipulations of law;
2. There are requirements from the interests of the general public;
3. There are requirements from the interests of the directors, supervisors, president (general manager) and other senior officers.

The directors, supervisors, president (general manager), and other senior officers of the Company shall not incite the following persons or bodies ("related persons") to do things that they are not allowed to do:

(1) Spouse or under-aged children of any director, supervisor, president (general manager) and other senior officer of the Company;

(2) The trustee of any director, supervisor, president (general manager) and other senior officer or any person described in item (1);

(3) The partners of any director, supervisor, president (general manager) and other senior officer or any person described in item (1) and (2);

(4) The company that is de facto solely controlled by the director, supervisor, president (general manager) or other senior officers of the Company, or the company that is de facto jointly controlled by them with the staff mentioned in item(1), (2), (3) or other directors, supervisors, president (general manager) and other senior officers of the Company;

(5) The directors, supervisors, president (general managers) and other senior officers of the controlled company mentioned in item (4).

The duty of good faith borne by the directors, supervisors, president (general manager) and other senior officers of the Company does not necessarily end with the close of his tenure, and his duty of keeping the commercial secret of the Company is still effective after the close of its tenure. The duration of other duties shall be decided upon following the principle of equity, as depend upon the duration from incidence occurrence to office leaving, and in what cases and conditions the relationship with the Company ends.

The liability of a director, supervisor, president (general manager) and other senior officer in breaking a particular obligation may be released with the informed consent of the Shareholders' General Meeting, unless these Articles of Association stipulate otherwise.

When any director, supervisor, president (general manager) and other senior officer of the Company has direct or indirect interest relationship with the contract, transaction, or arrangement that is signed or proposed by the Company (except the recruitment contract between the Company and that director, supervisor, president (general manager) and other senior officer), whether the related items need to be approved by the Board of Directors in normal conditions, the nature and degree of the interest relationship shall be disclosed to the Board of Directors as soon as possible.

Except the exception cases approved by attached note 1 of the appendix 3 of "Hong Kong Listing Rules" or Hong Kong Stock Exchange, the director shall not vote on the major contract, transaction, or arrangement or any other resolution of the Board of Directors that he approves or where any other close associate has major rights or interests (as defined in the applicable "Hong Kong Listing Rules" then in effect), and shall not be counted in the quorum of the meeting either. If related contract, transaction, arrangement or suggestion involves connected transaction stipulated by "Hong Kong Listing Rules", the "close associate" described by the paragraph shall be changed to "associate" (as defined in the applicable "Hong Kong Listing Rules" then in effect).

The Company shall not pay tax in any way for its directors, supervisors, president (general manager) and other senior officers.

The Company shall not directly or indirectly provide loan and loan guarantee for the directors, supervisors, president (general manager) and other senior officers of the Company and its parent Company; and it shall not either provide loan or loan guarantee for related persons of the above-mentioned persons.

The stipulations of the previous item do not apply to the following cases:

(1) The Company provides loan or loan guarantee for its subsidiary Company;

(2) According to the recruitment contracts approved by the Shareholders' General Meeting the Company provides loan or loan guarantee or other funds for its directors, supervisors, president (general manager) of other senior officers in order that he pays expenses for the sake of the Company or performs his duties in the Company.

(3) If the normal business scope of the Company includes loan and loan guarantee, the Company may provide loan and loan guarantee for its related directors, supervisors, president (general manager) and other senior officers, but the loan and loan guarantee shall be based upon the normal business conditions.

In case that the Company breaks the above-mentioned stipulations to provide loan, whatever the loan conditions, the money receivers shall immediately pay back.

In case that the Company breaks the stipulations to provide loan guarantee, it shall not be compelled to execute the guarantee, except the following instances:

(1) When the loan is provided for the directors, supervisors, president (general manager) and other senior officers of the Company or its parent Company, the loan providers are not informed;

(2) The guaranty provided by the Company has been lawfully sold by the loan provider to the purchaser in good faith.

The guarantee described by the previous item includes the deeds where the guarantor bears liability or provides property to ensure the obligor performs obligations.

When the directors, supervisors, president (general manager) and other senior officers of the Company break the obligations that they bear for the Company, beside all rights and remedy measures stipulated by law and regulations, the Company has the right to take the following measures:

(1) To require the directors, supervisors, president (general manager) or other senior officers to compensate for the loss they caused for the Company due to their dereliction of duty;

(2) To revoke any contracts or transactions signed by the Company and related directors, supervisors, president (general manager) and other senior officers, and the contracts or transactions signed by the Company and a third party (if the third party clearly knows or should have known that the directors, supervisors, president (general manager) and other senior officers break their due obligations to the Company);

(3) To require that the directors, supervisors, president (general manager) and other senior officers to surrender the interests gained in breaking the due obligations;

(4) To recover the funds that should be charged by the Company but received by the directors, supervisors, president (general manager) and other senior officers, including (but not limited to) commission;

(5) To require the directors, supervisors, president (general manager) and other senior officers to return the interests that are obtained or possibly obtained by utilizing the funds that should have been surrendered to the Company.

The Company shall sign written contracts with the directors and supervisors of the Company concerning remuneration matters upon prior approval by the Shareholders' General Meeting.

Financial and accounting rules, profit distribution, and auditing

Financial and accounting rules

Within 4 months as of the closing date of an accounting year the Company submits to China Securities Regulatory Commission and the Securities Exchange the annual financial and accounting statement, and within 2 months as of the closing date of the first 6 months of an accounting year submits to the sending bodies of China Securities Regulatory Commission and the Securities Exchange the semi-year financial and accounting statement, and within 1 month as of the closing date of the first 3 months and the first 9 months of an accounting year submits to the sending bodies of China Securities Regulatory Commission and the securities exchange the quarterly financial and accounting statements.

The above-mentioned financial and accounting statements are compiled in accordance with stipulations of law, regulations, and department rules.

On each annual meeting of the shareholders the Board of Directors of the Company shall submit the financial statements that are compiled in accordance with the stipulations of law, regulations, and normative documents issued by local governments and the competent bodies.

The financial statements of the Company shall be prepared in the Company for reference and reading by the shareholders at least 20 days before the annual meeting of the shareholders. Each shareholder of the Company has the right to get the financial statements mentioned in this chapter.

The financial statements of the Company shall be compiled not only in accordance with Chinese accounting standard and related regulations, but in accordance with the international accounting standard or the accounting standard of the foreign listing place. If there is disagreement between the financial statements that are compiled in accordance with two accounting standards, indication shall be made in the attachment notes of the financial statements. In distributing the after-tax profits of related accounting year, the Company takes as standard the financial statement of the two where after-tax profits are fewer.

Capital accumulation fund includes the following items:

(1) The premium money that is obtained when the stock par value is exceeded in issuance;

(2) Other income that shall be listed in the capital accumulation fund according to the stipulation of the financial body of the State Council.

When distributing the after-tax profits of a year, the Company shall extract 10% of the profits to be listed in the legal accumulation fund of the Company. In case that the legal accumulated total of the Company reaches over 50% of the registered capital of the Company, extraction can be stopped.

In case that the legal accumulation fund of the Company is not enough to make up the annual losses of previous years, before the legal accumulation fund is extracted according to the stipulation of the previous item, the profits of the current year shall be first used to make up the losses.

After legal accumulation fund is extracted from the after-tax profits, the Company, upon resolution of the Shareholders' General Meeting, can extract optional accumulation fund from the after-tax profits.

The after-tax profits that are left over after loss making up and accumulation fund extraction are distributed according to the share proportion of the shareholders, except that these Articles of Association stipulate that profits distribution is not conducted according to share holding proportion.

The accumulation fund of the Company is used to make up the loss of the Company, expand the production and operation of the Company, or add to the corporate capital. But capital accumulation fund will not be used to make up the loss of the Company.

When the legal accumulation fund is converted to capital, the retained accumulation fund will not be less than 25% of the corporate registered capital before conversion.

The Company pursues a proactive profit distribution policy, and strictly conforms to the following stipulations:

(1) Profit distribution principle: the Company pursues a sustainable and steady profit distribution policy, and in profit distribution of the Company the reasonable investment return of the investors shall be paid attention to, as well as the reasonable funds need of the Company, but profit distribution shall not exceed the scope of the accumulated profit total of the Company for distribution, not compromising the sustainable operation capacity of the Company.

(2) Profit distribution form: the Company can use the forms of cash, stock, or cash-stock combination to distribute the share dividend. In distributing share dividend, the form of cash distribution shall be put in priority. The Company, if having cash dividend conditions, shall use cash dividend to distribute the profits.

(3) Generally the Company distributes the profits according to accounting year, and when the cash dividend conditions are met, in principle the Company conduct cash dividend once a year, and can also do mid-term profits (cash) distribution according to the funds demand condition of the Company.

(4) In conducting cash dividend the Company shall meet the following conditions:

1. The profits that can be distributed in the current year (namely the after-tax profit after the Company makes up the loss and extracts accumulation fund) is positive value, the earning per share of the year is not below RMB 0.1, cash flow is sufficient, and cash dividend will not affect the follow-up sustainable operation of the Company;

2. The auditing body produces auditing report without reserved opinions for the financial statement of the current year of the Company;

3. The Company has no major investment plan or major cash outlay or other matters (except funds raising projects). Major investment plan or major cash outlay means: during the future twelve months the Company's total outlay that is used for external investment, assets purchase, or equipment purchase reaches or exceeds 30% of the total assets that are audited for the latest period, and exceeds RMB 50 million.

(5) Cash dividend proportion:

When the above-mentioned cash dividend conditions are met, the Board of Directors of the Company shall comprehensively consider the sector characteristics, its development phase, its operation mode, profit-making level, and whether there are major funds outlay arrangements, etc., and in pursuing the cash dividend policy the following stipulations shall be complied with:

1. Affirmation of the corporate development phase and the proportion of cash dividend.

(1) In case the corporate development phase is a mature one and there are no major funds outlay arrangements, in profit distribution the minimum proportion that the cash dividend takes shall reach 80%; (2) in case the corporate development phase is a mature one and there are major funds outlay arrangements, in profit distribution the minimum proportion that cash dividend takes shall reach 40%; (3) in case the corporate development phase is a growing one and there are major funds outlay arrangements, in profit distribution the minimum proportion that cash dividend takes shall reach 20%;

In case the corporate development phase is not distinguishable and there are major funds outlay arrangements, issues can be handled according to stipulation of the previous item.

In view of the fact that the current corporate development phase is a growing one and it is expected that there will be major funds outlay arrangements, in profit distribution the minimum proportion that cash dividend takes shall reach 20%.

The Board of Directors of the Company shall, according to the operation and development conditions, timely modify the stipulation on the corporate development phase following the prescription of the previous item.

2. When the profit distribution conditions are met, the Company has at least one cash dividend distribution for a succession of three years, and the specific distribution proportion is set by the Board of Directors according to the operation conditions of

the Company and related prescriptions of Chinese Securities Regulatory Commission, and decided upon the deliberation of the Shareholders' General Meeting;

3. The profit that is totally distributed in cash form during the latest three years is not less than 30% of the year-average profit that can be distributed during the latest three years.

(6) When the Company is in sound operation, the Board of Directors decides that the share price of the Company does not match its the equity scale, there are such real and reasonable factors as the growing pattern of the Company and dilution of net asset value per share, issuing stock dividend is good to the overall interest of the shareholders of the Company, and under the conditions that the above-mentioned cash dividend stipulations are met, stock dividend distribution plan can be raised.

(7) In deciding upon and forming profit distribution plan, the Board of Directors shall in details record the suggestion of the management, the speech key points of the attending directors, the opinions of independent directors, and voting of the Board of Directors, and make them into written records to be preserved as the documents of the Company.

(8) In case after comprehensively considering the major changes of exterior operation environment or its running conditions, the long-term development strategy of the Company and near-term investment return, the Company decides there is a need to adjust or change the cash dividend policies, the Board of Directors shall, starting from optimization of shareholder rights and interests and increasing of shareholder return, devise the specific programs of cash dividend, elaborate upon them in proposals of the shareholders meeting, perform related decision making procedures, and adopt them with over 2/3 of the voting power of the shareholders attending the meeting.

The Company shall commission collecting agents for the shareholders who hold the shares of the company that is listed overseas. The collecting agents shall collect dividends derived from the foreign-funded shares listed abroad and other payable payments of the Company on behalf of relevant shareholders.

The collecting agents commissioned by the Company shall comply with requirements specified in relevant provisions of local laws of the place at where the Company is listed or relevant regulations of the stock exchange.

The collecting agents commissioned by the Company for shareholders of foreign-funded shares listed in HKEX.

Internal Audit

The Company implements an internal audit system. It engages at least 3 full-time audit personnel to supervise and inspect the authenticity and integrity of the financial information of the Company. The head of the audit department of the Company shall be a full-time employee and shall be nominated by the Audit and Risk Committee and appointed by the Board of Directors.

The internal audit system and the responsibilities of the audit personnel of the Company shall take effect upon approval by the Board of Directors. The head of audit is accountable to and reports directly to the Board of Directors.

Appointment of Accounting Firm

The Company shall engage independent accounting firms complying with relevant national regulations and granted with the "qualification to engage in businesses related with securities" to audit financial statements, verify net assets and provide other related consulting services, etc. The term of appointment is one year, which starts from the ending of the annual Shareholders' General Meeting of this year to the ending of the annual Shareholders' General Meeting of the next year. The term is renewable.

The accounting firms commissioned by the Company shall be decided by the Shareholders' General Meeting and the Board of Directors shall not engage any accounting firm before the decision is made by the Shareholders' General Meeting.

The Shareholders' General Meeting shall comply with the following regulations when it proposes to appoint a non-incumbent accounting firm to fill in the vacancy of accounting firm by adoption of resolutions or renew the appointment of an accounting firm engaged by the Board of Directors to fill in the vacancy or dismiss an accounting firm of which the term of appointment is not expired:

(1) The appointment or dismissal proposals shall, prior to the notice of the Shareholders' General Meeting is issued, be sent to the accounting firm proposed to take office or leave office or already leaving office in relevant accounting year.

Leaving office include dismissal, discharging and resignation.

(2) Where an accounting firm about to leave office makes any written representation and requires the Company to notify the shareholders with such representation, the Company shall take the following measures unless it receives the written representation overly late:

1. Indicate the representation made by the accounting firm about to leave office on the notice issued for the purpose of the resolution, and;

2. Attach the copy of the representation as an attachment of the notice and send it, in the form as prescribed in these Articles of Association, to every shareholder who is entitled to receive the notice of the Shareholders' General Meeting.

(3) Where the Company fails to send the representation made by such accounting firm in accordance with the provision of item (2) of this paragraph, the accounting firm may require that the statement to be read out on the Shareholders' General Meeting and make further appeal.

(4) The accounting firm leaving office is entitled to attend the following meetings:

1. The Shareholders' General Meeting for the expiration of its term of appointment;

2. The Shareholders' General Meeting for filling the vacancy arising out of its dismissal; and

3. The Shareholders' General Meeting convened due to its request for resignation.

The accounting firm leaving office is entitled to receive all notices about the above meetings and other information related with the meetings and make statements on the above meetings on issues related with its identity as the former accounting firm of the Company.

If the position of accounting firm is available, the Board of Directors may, prior to the commencement of the Shareholders' General Meeting, assign an accounting firm to fill in such vacancy. However, during the period of vacancy, if there is still any other incumbent accounting firm of the Company, such accounting firm shall still perform its duties.

Regardless of the provisions specified in the clauses of the contract signed by the accounting firm and the Company, the Shareholders' General Meeting may, before the term of appointment of any accounting firm is expired, dismiss such accounting firm by passing ordinary resolutions or decisions. Where any accounting firm has the right to claim compensation from the Company due to such dismissal, such right shall not be affected thereby.

The remuneration of the accounting firm or the method of deciding the remuneration shall be determined by the Shareholders' General Meeting. The remuneration of the accounting firm engaged by the Board of Directors shall be determined by the Board of Directors.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Shareholders' General Meeting shall pass decisions and report such decisions to securities authority of the State Council for archive and the Company shall notify the accounting firm thirty (30) days in advance; when the Shareholders' General Meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation. An accounting firm proposing to resign shall state at a Shareholders' General Meeting whether the Company has committed any improper act.

An accounting firm may resign its position by sending the written notice of resignation to the legal address of the Company. The notice shall take effect on the day when the notice is placed at the legal address of the Company or on a day thereafter indicated on the notice. This notice shall include the following statements:

(1) Statement declaring that its resignation does not involve any condition about which it shall make explanation to the shareholders or debtors of the Company; or

(2) Statement involving any such condition in need of explanation.

The Company shall, within fourteen (14) days after receiving the written notice mentioned in the former paragraph, send a copy of such notice to relevant competent authority. If the notice indicates the statement mentioned in the (2) item of the former paragraph, the Company shall prepare a copy of the statement in the Company for the shareholders for reference. The Company shall also send a copy of such statement to every shareholder who is entitled to receive the financial statements of the Company and for the addresses of the recipients, it shall refer to the addresses recorded on the register of shareholders.

Where the resignation notice of the accounting firm includes the statement mentioned in paragraph (2), Section 2 of this Article, the accounting firm may require the Board of Directors to convene an extraordinary general meeting to hear its explanation of conditions related with its resignation.

Notices and Announcements

Notices

A notice of the Company shall be made in the following forms:

(1) Delivered by hand;

(2) Mailed;

(3) Announced; or

(4) Made via any other form stipulated in these Articles of Association.

Unless otherwise specified in these Articles of Association, when the Company issues notice to shareholders of H shares via announcement, the Company shall, in line with the requirements of the *Hong Kong Listing Rules*, submit an instantly publishable electronic version of the announcement to the HKEX via the electronic login system of HKEX to be published on the website of HKEX or make an announcement on newspapers in accordance with the requirements of *Hong Kong Listing Rules* (including publishing advertisement on newspapers). The announcement shall also be made on the website of the Company. In addition, unless otherwise specified in these Articles of Association, the notice shall be sent by hand or mailed with payment in advance to the address of each shareholder of foreign-funded shares listed abroad registered on the register of shareholders, for the shareholders to be fully notified and to have enough time to perform its right or to act according to the provisions of the notice.

Shareholders of foreign-funded shares listed abroad of the Company may select, in written forms, to receive Company communication which shall be sent by the Company via electronic way or via mails and select to receive only the Chinese or English version or receive both versions. The shareholder may also send written notices to the Company in advance within a proper time to modify the method and language version of the above information received by such shareholder in accordance with proper procedures.

Where the shareholder or director needs to prove that it has delivered any notice, file, document or written statement to the Company, it shall provide evidence proving that such notice, file, document or written statement has been delivered to the Company via ordinary methods or mailed to the correct address with prepayment of postage within a designated period of time.

Notwithstanding the aforesaid clear requirements on providing and/or distributing Company communication in written forms, in terms of the method of providing and/or distributing Company communication to the shareholders by the Company in line with the requirements of *Hong Kong Listing Rules*, the Company may send or provide Company communication to the shareholders of the Company via electronic ways or by posting information on the website of this Company, provided that the Company obtains prior written consent or implied consent from the shareholders in accordance with relevant provisions of pertinent laws and regulations as well as provisions of *Hong Kong Listing Rules* modified from time to time. Company communication includes but not limited to: circulars, annual reports, interim reports, notices of Shareholders' General Meeting, and other types of Company communication listed in the *Hong Kong Listing Rules*.

Where a Company notice is delivered by hand, the recipient shall sign (or seal) on the receipt of delivery and the day of delivery shall be the day of signature affixed by the recipient; where a Company notice is mailed, the day of delivery shall be the third working day since the day when the notice is handed over to the post office; where a Company notice is announced, the day of delivery shall be the day when the first announcement is published.

Where a meeting notice is not sent to a person who is entitled to receive such notice due to accidental omission or such person fails to receive the meeting notice, the meeting and the resolutions made on such meeting shall not be null and void therefore.

Merger, Division, Increase in Capital, Capital Reduction, Dissolution and Liquidation

Merger, Division, Increase in Capital and Capital Reduction

A merger may be in the form of merger by absorption or merger by establishment of a new company.

In the case of merger by absorption, the company being absorbed shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the merger parties.

In the event of merger or division, the Board of Directors of the Company shall put forward relevant proposals, which shall be adopted in accordance with the procedures specified in the Articles of Association and go through the review and approval formalities in accordance with laws and regulations. Any shareholder who opposes the proposal of merger or division is entitled to require the Company or shareholders consent to the proposal of merger or division to purchase its shares at a fair price. The content of the resolution of merger or division shall be made into special documents for the reference of shareholders.

The aforesaid documents shall also be mailed to every shareholder of the foreign-funded shares listed abroad.

In the event of a merger, the merger parties shall enter into a merger agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within ten (10) days from passing of the resolution on merger, and make an announcement on newspapers for at least three (3) times within thirty (30) days. Creditors may require the Company to repay the debts or to provide corresponding guarantee within thirty (30) days from receipt of notification or within forty-five (45) days from the day of announcement if they do not receive notification.

At the time of merger, the creditor's rights and debts of the merger parties shall be succeeded by the Company which subsists after the merger or the newly-established Company.

In the event of division, assets of the Company shall be divided correspondingly.

In the event of a division, the division-related parties shall enter into a division agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within ten (10) days from passing of the resolution on division, and make an announcement on newspapers or on www.cninfo.com.cn for at least three (3) times within thirty (30) days.

The divided companies shall bear joint and several liability for debts of the pre-division Company, except where the written agreement between the Company and its creditors on repayment of debts prior to the division stipulates otherwise.

A Company which intends to reduce its registered capital shall formulate a balance sheet and an inventory list for assets.

The Company shall notify its creditors within ten (10) days from passing of the resolution on reduction of registered capital, and make an announcement on media for information disclosure designated by the Company within thirty (30) days. Creditors have the right to require the Company to repay the debts or to provide corresponding guarantee within thirty (30) days from receipt of notification or within forty-five (45) days from the day of announcement if they do not receive notification.

The reduced registered capital of a Company shall not be lower than the minimum statutory amount.

Dissolution and Liquidation

A Company shall be dissolved in accordance with laws and regulations in case of any of the following circumstances:

(1) Expiry of term of business stipulated in these Articles of Association or occurrence of any other trigger for dissolution stipulated in these Articles of Association;

(2) A Shareholders' General Meeting has resolved on dissolution of the Company;

(3) As required by merger or division;

(4) Declared as bankrupt since the Company is unable to pay off its debts due;

(5) The Company's business license is canceled pursuant to the law, or the Company is ordered to be closed down or revoked pursuant to the law; or

(6) When the Company has serious difficulties in its business management and its subsistence will cause serious damages to the interests of its shareholders, where the Company is unable to resolve the difficulties through any other means, the shareholders who hold 10% or more of the share voting rights of the Company may apply to a People's Court for dissolution of the Company.

Under the circumstances set out in item (1) of the above article, a Company may subsist through amendment of these Articles of Association, which shall be passed by shareholders who hold two-thirds of the voting rights present at the Shareholders' General Meeting; Where the Company is dissolved due to the provision of Item (1), (2) and (6) of the preceding paragraph, a liquidation team shall be set up within fifteen (15) days and the members of the liquidation team shall be determined via ordinary resolution made by the Shareholders' General Meeting.

Where the Company is dissolved due to the provision of Item (4) of the preceding paragraph, the people's court shall, in accordance with laws, organize shareholders, relevant institutions and professionals to set up a liquidation team for liquidation.

Where the Company is dissolved due to the provision of Item (5) of the preceding paragraph, the relevant authorities shall organize shareholders, relevant institutions and professionals to set up a liquidation team for liquidation.

Where the Company is liquidated upon decisions of the Board of Directors (except liquidation due to declaration of the Company on insolvency), a statement stating that the Board of Directors have carried out comprehensive investigation on the status of the Company and believes that the Company is able to pay off the debts of the Company within twelve (12) months after the commencement of liquidation shall be included in the notice issued for convening the Shareholders' General Meeting for the purpose of such liquidation.

After the resolution on liquidation is adopted by the Shareholders' General Meeting, the duties and powers of the Board of Directors are terminated immediately.

The liquidation team shall, conforming to the instruction of the Shareholders' General Meeting, report the revenue and expenditure of the liquidation team and progress of Company businesses and liquidation to the Shareholders' General Meeting annually and make the final report to the Shareholders' General Meeting when the liquidation is completed.

The liquidation team shall exercise the following duties during the liquidation period:

(1) To liquidate the Company's assets and prepare balance sheet and assets inventory;

(2) To notify creditors and publish announcement;

(3) To handle outstanding businesses related to liquidation;

(4) To settle all taxes in arrears and taxes arising in the course of liquidation;

(5) To liquidate creditor's rights and debts;

(6) To dispose of the Company's surplus assets after the debts are paid off; and

(7) To attend civil lawsuits on behalf of the Company.

The liquidation team shall, within ten (10) days from its establishment, notify the creditors, and make an announcement on newspapers for at least three (3) times within sixty (60) days. The creditors shall declare their creditor's rights to the liquidation team within thirty (30) days from receipt of notification or within forty-five (45) days from the day of announcement if they do not receive notification.

Creditors declaring creditor's rights shall state the relevant information of the creditor's rights and provide proof materials. The liquidation team shall register the creditor's rights.

During the period for declaration of creditor's rights, the liquidation team shall not make repayment to creditors.

Upon sorting of the Company's assets and formulation of balance sheet and inventory list for assets, the liquidation team shall formulate a liquidation plan and submit it to the Shareholders' General Meeting or a People's Court for confirmation.

The Company's assets shall be used respectively for payment of liquidation expenses, employees' wages, social security premiums and statutory compensation, and payment of tax in arrears and the Company's debts; the residual assets thereafter shall be distributed in accordance with the shareholding percentage of the shareholders.

During the liquidation period, the Company shall subsist but shall not engage in business activities unrelated to liquidation. The Company's assets shall not be distributed to shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

Upon sorting of the Company's assets and formulation of balance sheet and inventory list of assets, where the liquidation team is aware that the Company's assets are inadequate for repayment of debts, the liquidation team shall apply with a People's Court for declaration of bankruptcy

Upon declaration of the Company's bankruptcy pursuant to the ruling of a People's Court, the liquidation team shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation, the liquidation team shall formulate a liquidation report and income & expenditure statements and financial statements during the period of liquidation and, upon verification by a Chinese Certified Public Accountant, report to the Shareholders' General Meeting or people's court for confirmation, and within thirty (30) days after the day of confirmation by the Shareholders' General Meeting or people's court, report to the Company registration authority to apply for deregistration and announce the termination of the Company.

Amendments to the Articles of Associations

Under any of the following circumstances, the Company shall amend its Articles of Association

(1) Following revision of the *Company Law* or relevant laws and administrative regulations, the matters stipulated in the Articles of Association contradict the provisions of the revised laws and administrative regulations;

(2) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association; or

(3) A Shareholders' General Meeting has decided on making amendments to the Articles of Association.

Where an amendment to the Articles of Association involves content of the *Prerequisite Clauses*, such amendment shall be approved by approval department authorized by the State Council and securities supervising organizations of the State Council before such amendment takes effect; where an amendment to these Articles of Association involves the Company's registration particulars, change registration formalities shall be completed pursuant to the law.

The Board of Directors shall amend the Articles of Association pursuant to the resolution of the Shareholders' General Meeting on amendment of Articles of Association and the examination and approval opinion of the authorities in charge.

If any amendment to these Articles of Association contains information required to be disclosed by laws and regulations, an announcement shall be made pursuant to the provisions.

Settlement of Disputes

The Company shall comply with the following principles for settlement of disputes:

(1) For all disputes or claims in connection with the Company's affairs arising between the Company and its directors, supervisors or senior officers, between the shareholders of the foreign-funded shares listed abroad and the Company, between the shareholders of the foreign-funded shares listed abroad and the directors, supervisors and senior officers of the Company, and between shareholders of foreign-funded shares and Chinese-funded shares with respect to the rights and obligations specified in these Article of Associations, contracts concluded in accordance with these Articles of Associations, the *Company Law*, and other pertinent laws and administrative regulations, the parties concerned shall submit such disputes or claims for settlement by arbitration.

    When submitted for arbitration, the above disputes or claims shall be the entirety of the claims or entirety of the disputes. All persons with cause of action for the same origin of particulars or all necessary participants to such disputes or claims, if they are the Company or the shareholders, directors, supervisors, or senior officers of the Company, shall obey the arbitration.

Disputes concerning the definition of shareholders and the register of shareholders are not required to be settled by arbitration.

(2) Arbitration applicants may select China International Economic and Trade Arbitration Commission to carry out the arbitration in accordance with its arbitration rules or choose Hong Kong International Arbitration Center to carry out the arbitration in accordance with its arbitration rules. After an arbitration applicant submit a dispute or claim for arbitration, the other party must accept arbitration at the arbitration organization chosen by the applicant.

(3) If an arbitration applicant chooses Hong Kong International Arbitration Center for arbitration, either party to such dispute or claim may require arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of Hong Kong International Arbitration Center.

(4) The arbitration proceedings in connection with any dispute or claim specified in Item (1) shall be governed by the laws of the People's Republic of China, unless otherwise specified in laws and administrative regulations.

(5) The arbitration award issued by the arbitration institution shall be final and binding upon each party to the dispute or claim.

(6) This arbitration agreement is concluded by and between the directors or senior officers and the Company on its own behalf and on behalf of every shareholder of the Company.

(7) Any submitted arbitration shall be deemed as authorizing the arbitral tribunal to carry out public hearing and announce the arbitration award.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was established as a joint stock limited company in the PRC under the PRC Company Law on December 25, 2007 with a registered capital of RMB 72 million.

The registered address of our Company is Taihe Town North, Shehong County, Sichuan Province, the PRC. Our Company has established a principal place of business in Hong Kong at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Hong Kong Companies Ordinance on August 16, 2018. Wong Sau Ping has been appointed as our authorized representative for the acceptance of service of process in Hong Kong. The address for service of process on the Company in Hong Kong is the same as the Company's principal place of business in Hong Kong. As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix VII. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix VI.

B. Changes in share capital

As at the date of incorporation of the predecessor of our Company, Shehong Lithium, being October 16, 1995, the initial registered capital of our Company was RMB 20 million. Immediately before the predecessor of our Company was converted into our Company, the registered capital was RMB 50 million.

(a) On December 25, 2007, the predecessor of our Company converted into a joint stock limited company (first known as Sichuan Tianqi Lithium Industries, Inc. and later changed its name to Tianqi Lithium Industries, Inc. and Tianqi Lithium Corporation respectively) and the registered capital of our Company increased to RMB 72 million divided into 72,000,000 A Shares, all of which had been fully paid up.

(b) On March 15, 2008, our Company allotted and issued 1,230,000 and 270,000 fully paid A Shares to Shenzhen Qianyuan Investment Co., Ltd. and Tianqi Group Company for a cash consideration of RMB 12.48 million and RMB 2.74 million, respectively. Upon completion of the issuance, the registered capital of our Company increased to RMB 73.5 million divided into 73,500,000 A Shares.

(c) On August 9, 2010, the CSRC approved our Company to issue no more than 24,500,000 A Shares in connection with our listing on the Shenzhen Stock Exchange. On August 30, 2010, our Company allotted and issued 24,500,000 fully paid A Shares to the public investors on for an aggregate cash consideration of RMB 735 million. Upon completion of the issuance, the registered capital of our Company increased to RMB 98 million divided into 98,000,000 A Shares.

(d) On May 24, 2011, our Company allotted and issued 49,000,000 full paid A Shares to all then existing Shareholders on a pro-rata basis at nil consideration by converting our capital reserve into share capital. Upon completion of the issuance, the registered capital of our Company increased to RMB 147 million divided into 147,000,000 A Shares.

(e) On January 24, 2014, the CSRC approved our Company to issue not more than 135,000,000 A Shares. On March 12, 2014, our Company allotted and issued 111,760,000 fully paid A Shares to eight institutional investors on for an aggregate cash consideration of RMB 3.13 billion. Upon completion of the issuance, the registered capital of our Company increased to RMB 258.76 million divided into 258,760,000 A Shares.

(f) On August 28, 2015, our Company allotted and issued 2,709,000 fully paid A Shares to 72 employees of our Group for an aggregate cash consideration of RMB 84.20 million. Upon completion of the issuance, the registered capital of our Company increased to RMB 261.47 million divided into 261,469,000 A Shares.

(g) On May 27, 2016, our Company allotted and issued 732,113,200 full paid A Shares to all then existing Shareholders on a pro-rata basis at nil consideration by converting our capital reserve into share capital. Upon completion of the issuance, the registered capital of our Company increased to RMB 993.58 million divided into 993,582,200 A Shares.

(h) On June 28, 2016, our Company allotted and issued 688,000 fully paid A Shares to 28 employees of our Group for an aggregate cash consideration of RMB 15.34 million. Upon completion of the issuance, the registered capital of our Company increased to RMB 994.27 million divided into 994,270,200 A Shares.

(i) On August 25, 2016, our Company allotted and issued 152,000 fully paid A Shares to one employee of our Group for an aggregate cash consideration of RMB 2.98 million. Upon completion of the issuance, the registered capital of our Company increased to RMB 994.42 million divided into 994,422,200 A Shares.

(j) On June 20, 2017, our Company repurchased and canceled 65,550 fully paid A Shares for a cash consideration of RMB 536,130. Upon completion of the cancelation, the registered capital of our Company decreased to RMB 994.36 million divided into 994,356,650 A Shares.

(k) On December 5, 2017, the CSRC approved our Company to issue not more than 149,153,497 A Shares. On December 26, 2017, our Company allotted and issued 147,696,201 fully paid A Shares to the then existing Shareholders for an aggregate cash consideration of RMB 1.63 billion. Upon completion of the issuance, the registered capital of our Company increased to RMB 1.14 billion divided into 1,142,052,851 A Shares.

Upon completion of the **[REDACTED]**, the registered capital of our Company will increase to RMB**[REDACTED]** (assuming the **[REDACTED]** is not exercised), consisting of **[REDACTED]** A Shares and **[REDACTED]** H Shares, or RMB**[REDACTED]** (assuming the **[REDACTED]** is exercised in full), consisting of **[REDACTED]** A Shares and **[REDACTED]** H Shares.

Save as disclosed in the **[REDACTED]**, there has been no alteration in the share capital of our Company (or its predecessor) since the incorporation of the predecessor of our Company.

C. Resolutions of our Shareholders

At the 2017 annual general meeting of our Company held on April 24, 2018, among other things, the following resolutions were passed by the Shareholders of our Company:

Pursuant to the 2017 annual general meeting held on April 24, 2018, our holders of A Shares resolved that, for a period of 18 months from April 24, 2018:

(i) the **[REDACTED]** of the H Shares and the **[REDACTED]** of such H Shares on the Stock Exchange be approved;

(ii) the number of H Shares to be **[REDACTED]** initially shall not be more than **[REDACTED]**% of the total number of issued Shares as enlarged by the **[REDACTED]**, and the number of H Shares to be **[REDACTED]** pursuant to the exercise of the **[REDACTED]** shall not be more than **[REDACTED]**% of the number of H Shares to be **[REDACTED]** initially **[REDACTED]** pursuant to the **[REDACTED]**;

(iii) subject to the completion of the **[REDACTED]**, the Articles of Association be approved and adopted, which shall only become effective on the **[REDACTED]** and the Board be authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(iv) the Board be authorized to handle all matters relating to, among other things, all matters relating to the **[REDACTED]**, the **[REDACTED]** and **[REDACTED]** of the H Shares.

D. Incentive plan for senior management and key employees

The following is a summary of the principal terms of the share incentive plan (the "**2015 Plan**") approved and adopted by our general meeting on August 28, 2015. The 2015 Plan is not subject to the provisions of Chapter 17 of the Listing Rules as the 2015 Plan does not involve the grant of options by our Company to subscribe for new Shares.

(i) Purpose of the 2015 Plan

The purpose of the 2015 Plan is to further establish and improve our Company's long-term incentive mechanism, attract and retain talents, and incentivize our Directors, senior management members and the key personnel of our Company so as to effectively align the interests of our Shareholders, our Company and the key personnel together and to bring the Company's long-term development to the attention of all parties.

(ii) Incentive Shares

Participants selected to take part in the 2015 Plan (the "**Incentive Targets**") may obtain restricted ordinary shares (the "**Incentive Shares**") according to the terms of the 2015 Plan. The Incentive Targets shall be rewarded for their contribution to the Company and the relevant Incentive Shares will be vested to the Incentive Targets on the vesting date (the "**Vesting Date**").

On August 28, 2015, the Company issued 2,709,000 Incentive Shares to the Incentive Targets at RMB 31.08 per share. On June 28, 2016, the Company issued 688,000 Incentive Shares to the Incentive Targets at RMB 22.30 per share. On August 25, 2016, the Company further issued 152,000 Incentive Shares to the Incentive Targets at RMB 19.63 per share.

(iii) The Incentive Targets

The Incentive Targets of the 2015 Plan were determined based on the actual situation of the Company and pursuant to the Company Law, the Securities Law, the Measures for the Administration of Equity Incentives of Listed Companies (Trial) and other relevant laws, regulations, normative documents as well as our Articles of Association.

The Incentive Targets of the 2015 Plan include such directors, senior management members and key technical (business) personnel as deemed necessary by our Board to be incentivized.

According to the basis for determining the above-mentioned Incentive Targets, the initial Incentive Targets who are granted with Incentive Shares under the 2015 Plan include 73 persons in total, including six directors and senior management members and 67 key technical (business) personnel.

The number of Incentive Shares to be granted to each Incentive Target is determined at the discretion of the Board, taking into account, among other matters, the strategic value of the employee's position and contribution to the Company.

The list of specific Incentive Targets and their allocation proportion shall be examined and approved by the Board of Directors, verified by the Board of Supervisors, and explained at the general meeting of the Company. For details of the identities of, and the number of Incentive Shares granted to, our Directors and senior management under the 2015 Plan, please see "Directors, Supervisors, Senior Management and Employees—Incentive Plan for Senior Management and Key Employees".

The Board may adjust the list of intended Incentive Targets if: (i) such Incentive Target becomes ineligible according to the terms of the 2015 Plan, or (ii) such Incentive Target resigns, dies or experiences a change in duties.

(iv) Effective Term, Lock-up Period and Unlocking of the Incentive Shares

(1) Effective Term of the 2015 Plan

The 2015 Plan shall be valid from August 28, 2015, being the first Vesting Date, until 5 years after August 28, 2015 unless all the Incentive Shares granted have been unlocked or otherwise repurchased and canceled earlier.

(2) Lock-up Period of the 2015 Plan

All of the Incentive Shares granted to the Incentive Targets shall be subject to various lock-up periods ranging from 1 year to 4 years, immediately from the relevant Vesting Date.

The restrictions on the sale of Incentive Shares during the lock-up period are summarized as follows:

(a) where the Incentive Target is a senior management member of the Company, the shares that can be transferred by the Incentive Target in each year during his/her term of office shall not exceed 25% of the total number of shares of the Company held by the Incentive Target; in addition, the shares of the Company held by the Incentive Target shall not be transferred within six months after he/she leaves the Company;

(b) where the Incentive Target is a senior management member of the Company, if the Incentive Target sells the shares of the Company held by him/her within six months after he/she bought such shares, or the Incentive Target buys the shares of the Company within six months after he/she sold such shares, the beneficial incomes obtained by the Incentive Target shall belong to the Company, and the Board of Directors of the Company will recover such beneficial incomes;

(c) during the validity period of the 2015 Plan, if the relevant provisions on the transfer of shares held by the Company's senior management members are revised in the Company Law, the Securities Law and other relevant laws, regulations, normative documents and the Articles of Association of the Company, then the transfer of the Company's shares held by those Incentive Targets shall comply with the such revised provisions of the Company Law, the Securities Law and other relevant laws, regulations, normative documents and the Articles of Association.

(3) Unlocking of the Incentive Shares

The Incentive Shares held by the Incentive Targets shall be unlocked (or repurchased and canceled) by the Company upon the expiry of each lock-up period. If the unlocking conditions are satisfied in the period specified under the 2015 Plan, the Incentive Targets may apply to unlock the corresponding proportion of Incentive Shares within the window period determined by the Board of Directors in the same period. The part of Incentive Shares that are not applied for unlocking as scheduled will not be unlocked and will be repurchased and canceled by the Company; if the unlocking conditions are not satisfied in the current period, the corresponding proportion of Incentive Shares that can be applied for unlocking in the current period shall not be unlocked and shall be repurchased and canceled by the Company. For details of the unlock periods and the conditions for unlocking each batch of the Incentive Shares issued under the 2015 Plan, please see "Appendix I— Accountants' Report—Note 30 ".

The Incentive Targets may freely transfer their Incentive Shares that are unlocked, but the transfer of unlocked shares held by the Company's Directors and senior management shall comply with the relevant laws, regulations and normative documents.

(v) Change and Termination of the 2015 Plan

(1) Change of Control, Amalgamation and Demerger of the Company

The terms of the 2015 Plan shall not be affected by any change of control, amalgamation and/or demerger of the Company.

(2) Change in the Circumstances of the Incentive Targets

(a) Regulatory Violations

During the validity period of the 2015 Plan, the Incentive Shares granted to an Incentive Target but yet to be unlocked shall not be unlocked, and shall be repurchased by the Company and canceled in the following situations:

- the Incentive Target has been reprimanded or declared unfit for his/her duties by the Shenzhen Stock Exchange within the 3 preceding years;
- the CSRC imposes administrative penalties on the 2015 Plan participant for material violations of the laws and regulations within the preceding three years; or
- the Incentive Target is prohibited from being a director, supervisor or senior management of a company under the Company Law.

(b) Change of Duties

The Incentive Shares granted to an Incentive Target but yet to be unlocked shall not be unlocked, and shall be repurchased by the Company and canceled in the following situations:

- the Incentive Target cannot perform his duties satisfactorily or does not pass the appraisal;
- the Incentive Target violates any laws or professional ethics, commits dereliction of duty or divulges secrets of the Company, which causes serious losses to the Company; or
- the Company terminates the employment with the Incentive Target for the reasons stated above.

In the situations above, the Board is entitled to seek from the Incentive Target all or any profits already made, if any, by unlocking the Incentive Shares prior to the repurchase and cancelation of the remaining Incentive Shares.

For the avoidance of doubt, in the event that the duties of the Incentive Target have been changed but the Incentive Target nonetheless remains working within our Company, such Incentive Target's Incentive Shares shall be awarded and vested to that Incentive Target according to relevant procedures stipulated in the 2015 Plan as if there had been no change of duties.

(c) Resignation by or Termination of Office of the Incentive Target

In the event that the Incentive Target resigned or his/her office has been terminated by our Company, the Incentive Shares granted to an Incentive Target but yet to be unlocked shall not be unlocked, and shall be repurchased by the Company and canceled.

(d) Retirement

In the event that the Incentive Target retires during the effective term of the 2015 Plan, such Incentive Target's Incentive Shares shall be awarded and vested to that Incentive Target according to relevant procedures stipulated in the 2015 Plan but the personal appraisal requirement shall no longer be a condition for the unlocking of the Incentive Shares.

(e) Death or Loss of Labor Capacity

In the event of death or loss of labor capacity of the Incentive Target:

- where the death or loss of labor capacity happened during or as a result of the performance of the Incentive Target's duties, such Incentive Target's Incentive Shares shall be awarded and vested to that Incentive Target (or his successor, in the event of death) according to relevant procedures stipulated in the 2015 Plan but the personal appraisal requirement shall no longer be a condition for the unlocking of the Incentive Shares; and
- in any other case, the Incentive Shares granted to an Incentive Target but yet to be unlocked shall not be unlocked, and shall be repurchased by the Company and canceled.

(3) Termination of the 2015 Plan

The 2015 Plan shall be terminated in the following events:

(a) the auditors of the Company issue an adverse opinion or are unable to provide opinion to the accountants' report for the preceding financial year;

(b) the CSRC imposes administrative penalties on the Company for material violations of the laws and regulations within the preceding year; and

(c) other situations prescribed by the CSRC.

Upon termination of the 2015 Plan in the abovementioned manner, the Incentive Shares granted but yet to be unlocked shall not be unlocked, and shall be repurchased by the Company and canceled.

(4) Miscellaneous

Any matters not fully covered in the above may be dealt with at the discretion of the Board.

(vi) Repurchase and Cancelation of the Incentive Shares

If the Company repurchases the Incentive Shares in accordance with the provisions of the 2015 Plan, the repurchase price is the grant price, except for the adjustment of the repurchase price in accordance with the 2015 Plan.

(vii) Respective Rights and Obligations of the Company and the Incentive Targets

(1) Rights and Obligations of the Company

The Company has the explanation and the execution rights of the 2015 Plan and conducts performance appraisal to the Incentive Target in accordance with the provisions of the 2015 Plan. If the Incentive Target fails to meet the unlocking conditions determined by the Plan, the Company will repurchase and cancel the relevant Incentive Shares that have not been unlocked by the Incentive Target in accordance with the 2015 Plan.

The Company promises not to provide loans or any other kind of financial assistance to the Incentive Target in obtaining relevant stocks under the 2015 Plan, including providing guarantee for his loans.

According to the provisions of the national tax laws and regulations, the Company shall withhold the Incentive Target's payable individual income tax and other tax fees.

The Company shall promptly perform its disclosure, announcement and other obligations in accordance with the applicable provisions.

The Company shall actively cooperate with the Incentive Target who meets the unlocking conditions to unlock the Incentive Shares in accordance with the 2015 Plan and the relevant provisions of CSRC, the Shenzhen Stock Exchange and China Securities Depository and Clearing Corporation Co., Ltd. However, if the Incentive Target fails to unlock and are subject to losses due to any reasons of CSRC, the Shenzhen Stock Exchange and China Securities Depository and Clearing Co., Ltd, the Company assumes no liability.

The Company shall carry out other rights and obligations stipulated by the applicable laws and regulations.

(2) Rights and Obligations of the Incentive Targets

The Incentive Target shall be diligent and adhere to occupational ethics in accordance with the requirements of the position employed by the Company and contribute to the development of the Company.

The Incentive Target shall lock the granted Incentive Shares in accordance with the provisions of the 2015 Plan.

The Incentive Shares granted to the Incentive Target enjoys the due rights after being registered at the China Securities Depository and Clearing Co., Ltd., including but not limited to the rights to dividends, share options, voting rights, etc. The cash dividends obtained by the Incentive Target under the Incentive Shares granted to the Incentive Target are escrowed by the Company and the payable dividends are paid interest-free to the Incentive Target when the Incentive Shares are unlocked; the Company will recover the dividends if the Incentive Shares cannot be unlocked in accordance with the Plan. The shares obtained by an Incentive Target due to the capitalization of common reserves, bonus issues, stock split and other matters, by reason of his/her holding of the Incentive Shares, shall be locked for the same lock-up period as that of the Incentive Shares held by the Incentive Target. The Company will repurchase and cancel such shares obtained if they cannot be unlocked in accordance with the 2015 Plan.

The Incentive Target should self-finance the funds for the purchase of the Incentive Shares in accordance with the 2015 Plan.

The Incentive Target's Incentive Shares cannot be transferred or be used to repay loans during the Lock-up Period.

Profits obtained by the Incentive Target due to the 2015 Plan shall be subject to individual income tax and other tax charges in accordance with the national tax regulations.

The Incentive Target shall carry out other rights and obligations stipulated by applicable laws and regulations.

2. SUBSIDIARIES

The information pertaining to our subsidiaries are listed in the Accountants' Report set out in Appendix I to this **[REDACTED]**. The following alterations in the capital of our subsidiaries have taken place within the two years preceding the date of this **[REDACTED]**:

(i) **TLK**:

(1) On February 14, 2017, TLK issued 65,356,650 fully paid ordinary shares to Tianqi Lithium Co., Ltd. for a cash consideration of A$65,356,650. Upon the issuance, TLK's paid up share capital increased to A$65,356,651.

(2) On November 21, 2017, TLK issued 155,913,881 fully paid ordinary shares to Tianqi Lithium Co., Ltd. for a cash consideration of A$155,913,881. Upon the issuance, TLK's paid up share capital increased to A$221,270,532.

(ii) **TLH**:

(1) On November 9, 2017 TLH issued 1 fully paid ordinary share to Tianqi Lithium Co., Ltd. for a cash consideration of A$1. Upon the issuance, TLH's paid up share capital increased to A$1.00.

(2) On November 29, 2017 TLH issued 216,770,484 fully paid ordinary shares to Tianqi Lithium Co., Ltd. for a cash consideration of A$216,770,484. Upon the issuance, TLH's paid up share capital increased to A$216,770,485.

(3) On July 23, 2018 TLH issued 261,828,318 fully paid ordinary shares to Tianqi Lithium Co., Ltd. for a cash consideration of A$261,828,318. Upon the issuance, TLH's paid up share capital increased to A$478,598,803.

(iii) **TLA**:

(1) On November 9, 2017 TLA issued 1 fully paid ordinary share to Tianqi Lithium Holdings Pty Ltd. for a cash consideration of A$1. Upon the issuance, TLA's paid up share capital increased to A$1.00.

(2) On November 29, 2017 TLA issued 216,770,484 fully paid ordinary shares to Tianqi Lithium Holdings Pty Ltd. for a cash consideration of A$216,770,484. Upon the issuance, TLA's paid up share capital increased to A$216,770,485.

(iv) TLAI1:

On May 4, 2018 TLAI1 issued 1 fully paid ordinary share to Tianqi Lithium Corporation for a cash consideration of A$1. Upon the issuance, TLAI1's paid up share capital increased to A$1.

(v) TLAI2:

On May 4, 2018 TLAI2 issued 1 fully paid ordinary share to Tianqi Lithium Corporation for a cash consideration of A$1. Upon the issuance, TLAI2's paid up share capital increased to A$1.

(vi) Tianqi Lithium (Jiangsu):

(1) On August 31, 2016, the registered capital of Tianqi Lithium (Jiangsu) increased from RMB249,560,000 to RMB1,610,235,988.

(2) On December 22, 2017, the registered capital of Tianqi Lithium (Jiangsu) decreased from RMB1,610,235,988 to RMB800,000,000.

(vii) Tianqi HK:

On July 4, 2017, the share capital of Tianqi HK decreased from HK$501,858 and RMB2,098,428,595 to HK$501,858 and RMB109,689,565.

(viii) Tianqi Lithium International:

On July 31, 2017, the share capital of Tianqi Lithium International decreased from RMB978,543,730 to HK$447,345,205.

(ix) Tianqi Xinlong:

(1) On December 13, 2017, the registered capital of Tianqi Xinlong increased from US$30,000,000 to US$60,000,000.

(2) On March 6, 2018, the registered capital of Tianqi Xinlong decreased from US$60,000,000 to RMB198,753,000.

(3) On April 4, 2018, the registered capital of Tianqi Xinlong increased from RMB198,753,000 to RMB200,000,000.

(x) Chongqing Tianqi:

On September 1, 2017, the registered capital of Chongqing Tianqi increased from RMB100,000,000 to RMB178,598,384.73.

(xi) Shenghe Lithium:

On May 29, 2018, the registered capital of Shenghe Lithium increased from RMB180,000,000 to RMB260,000,000.

(xii) Shehong Tianqi:

On August 26, 2016, the registered capital of Shehong Tianqi increased from RMB10,000,000 to RMB600,000,000.

Save as disclosed above, there has been no alternation in the capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this **[REDACTED]**.

3. JOINT VENTURE

We established a joint venture with our joint venture partner. Information on the joint venture is set out below:

Chile SALA

Parties and equity interest:	Chile SLI	50%
	San Antonio Sociedad Contractual Minera	50%
Term of joint venture:	From November 28, 2008 with no end date	
Date of establishment:	November 28, 2008	
Scope of business:	The primary purpose is the discovery, exploration, development and operational mining concessions and properties	
Nature:	Limited liability company	
Registered and paid-up share capital:	1,281,275,000 Chilean pesos divided into 20,000 shares	

All sales, assignments or transfers of registered share capital in the above joint venture are subject to pre-emptive rights of the joint venture partners set out in the joint venture contract. The entitlements of joint venture partners to profits, dividends and other distributions of the above joint venture are proportionate to their capital contribution ratios.

Upon expiry of the joint venture, the joint venture partners shall be entitled to the distributable assets proportionate to their capital contribution ratios. The number of representatives of each joint venture partner at the board of the relevant joint venture is determined through negotiation between the joint venture partners with reference to their respective capital contribution.

4. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this **[REDACTED]** which are or may be material:

(a) the SQM Share Purchase Agreement; and

(b) the Hong Kong **[REDACTED]**

B. Our intellectual property rights

Patents

As at the Latest Practicable Date, we have registered the following patents in the PRC which we consider to be or may be material to our business:

	Patent	Patentee	Patent No.	Patent type	Application Date	Registration Date
1.	A fluid to remove impurities in the production of battery-grade anhydrous lithium chloride	Tianqi Lithium Corporation	ZL200710050051.5	Invention	2007.9.18	2009.3.4
2.	Method to produce battery-grade monohydrate lithium hydroxide	Tianqi Lithium Corporation	ZL200710051016.5	Invention	2007.12.28	2009.1.28
3.	Method to produce low magnesium battery-grade lithium carbonate using lithium sulfate solution	Tianqi Lithium Corporation	ZL200710049813.X	Invention	2007.8.21	2009.3.18
4.	Method to produce battery-grade anhydrous lithium chloride	Tianqi Lithium Corporation	ZL200710050050.0	Invention	2007.9.18	2009.3.18
5.	Method to produce battery-grade lithium dihydrogen phosphate	Tianqi Lithium Corporation	ZL200810044349.X	Invention	2008.5.6	2009.4.29
6.	Method to produce high purity lithium carbonate	Tianqi Lithium Corporation	ZL201010600802.8	Invention	2010.12.22	2012.7.25
7.	Dust-free grade monohydrate lithium hydroxide and its preparation method	Tianqi Lithium Corporation	ZL201010602894.3	Invention	2010.12.23	2012.4.25
8.	Method for producing lithium carbonate	Tianqi Lithium Corporation (Jiangsu)	ZL201080065025.X	Invention	2010.11.19	2015.4.22
9.	A method to produce lithium ferrous phosphate using lithium ore as lithium source	Tianqi Lithium Corporation	ZL201110320516.0	Invention	2011.10.20	2013.1.16
10.	Method for producing lithium iron phosphate with lithium ore as lithium source	Tianqi Lithium Corporation	ZL201110320501.4	Invention	2011.10.20	2013.6.19
11.	Lithium iron phosphate cathode material with specific morphological structure and lithium secondary battery	Tianqi Lithium Corporation	ZL201110320504.8	Invention	2011.10.20	2014.2.12
12.	Method for purifying lithium carbonate	Tianqi Lithium Corporation	ZL201110436996.7	Invention	2011.12.23	2013.8.14
13.	A type of medical glass using spodumene	Chengdu Tianqi	ZL201110376304.4	Invention	2011.11.23	2015.6.17

	Patent	Patentee	Patent No.	Patent type	Application Date	Registration Date
14.	Method to produce lithium hydroxide monohydrate of high purity	Tianqi Lithium Corporation	ZL201210126529.9	Invention	2012.4.26	2014.2.12
15.	Method to produce dust-free grade monohydrate lithium hydroxide	Tianqi Lithium Corporation	ZL201210329808.5	Invention	2012.9.7	2014.2.12
16.	Method for recovering lithium carbonate from lithium iron phosphate waste	Tianqi Lithium Corporation	ZL201210406015.9	Invention	2012.10.22	2014.9.24
17.	Comprehensive recycling method of lithium iron phosphate cathode material	Tianqi Lithium Corporation	ZL201210406034.1	Invention	2012.10.22	2014.7.2
18.	Recycling method using mother liquor from the preparation of lithium iron phosphate with liquid phase method	Tianqi Lithium Corporation	ZL201210405266.5	Invention	2012.10.22	2014.4.16
19.	Integrated recycling method of lithium iron phosphate positive electrode	Tianqi Lithium Corporation	ZL201210404843.9	Invention	2012.10.22	2014.7.16
20.	Method of recovering lithium hydroxide from lithium iron phosphate waste	Tianqi Lithium Corporation	ZL201210404862.1	Invention	2012.10.22	2014.6.25
21.	Method of recovering lithium chloride from lithium iron phosphate waste	Tianqi Lithium Corporation	ZL201210404254.0	Invention	2012.10.22	2014.7.16
22.	Method of recycling nickel-cobalt-manganese ternary cathode material	Tianqi Lithium Corporation	ZL201310104022.8	Invention	2013.3.28	2015.5.27
23.	Method of recycling lithium manganese battery cathode material	Tianqi Lithium Corporation	ZL201310105266.8	Invention	2013.3.28	2015.8.19
24.	Method of producing grade 5N high purity lithium carbonate	Tianqi Lithium Corporation	ZL201410027993.1	Invention	2014.1.21	2015.12.30
25.	Recycling method of spodumene tailings	Shenghe Lithium	ZL201410229351.X	Invention	2014.5.27	2015.9.30
26.	Lithium aluminum alloy, and its production method and usage	Tianqi Lithium Corporation	ZL201310220464.9	Invention	2013.6.5	2016.2.24
27.	Purification device of liquid metal	Tianqi Lithium Corporation	ZL201410342758.3	Invention	2014.7.18	2016.3.23
28.	Dust-free grade monohydrate lithium hydroxide and its production method	Tianqi Lithium Corporation	ZL201410384417.2	Invention	2014.8.6	2016.3.23
29.	Processing method of sphericite mineral	Shenghe Lithium	ZL201410229354.3	Invention	2014.5.27	2016.6.29
30.	Vacuum synthesis method of lithium aluminum alloy	Tianqi Lithium Corporation	ZL201410333523.8	Invention	2014.7.14	2017.1.11
31.	Double paddle drying device	Tianqi Lithium Corporation	ZL201320254192.X	Utility model	2013.5.10	2013.10.23
32.	Microwave drying device	Tianqi Lithium Corporation	ZL201320253713.X	Utility model	2013.5.10	2013.12.25
33.	Sprocket drive	Tianqi Lithium Corporation	ZL201320256066.8	Utility model	2013.5.13	2013.10.23

	Patent	Patentee	Patent No.	Patent type	Application Date	Registration Date
34.	Metal lithium electrolyzer	Tianqi Lithium Corporation	ZL201320262183.5	Utility model	2013.5.15	2013.10.23
35.	Chlorine absorption device	Tianqi Lithium Corporation	ZL201320265352.0	Utility model	2013.5.16	2013.10.23
36.	Vacuum rapid dispersion reactor	Tianqi Lithium Corporation	ZL201420517629.9	Utility model	2014.9.10	2015.1.7
37.	A device for separating refined lithium carbonate	Tianqi Lithium Corporation	ZL201620217095.7	Utility model	2016.3.21	2016.8.17
38.	A device for producing granular lithium chloride	Tianqi Lithium Corporation	ZL201620217094.2	Utility model	2016.3.21	2016.8.17
39.	A system for continuous freezing and crystallizing separation of mirabilite during production of lithium hydroxide	Tianqi Lithium Corporation	ZL201620278885.6	Utility model	2016.4.6	2016.8.17
40.	Packaging bag (battery grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306057.5	Design	2007.12.29	2009.1.21
41.	Packaging bag (battery grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306058.X	Design	2007.12.29	2009.1.21
42.	Packaging bag (industrial grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306055.6	Design	2007.12.29	2009.2.25
43.	Packaging bag (industrial grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306056.0	Design	2007.12.29	2009.2.4
44.	Packaging bag (battery grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306045.2	Design	2007.12.28	2009.2.25
45.	Packaging bag (battery grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306046.7	Design	2007.12.28	2009.2.4
46.	Packaging bag (industrial grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306044.8	Design	2007.12.28	2009.2.25
47.	Packaging bag (industrial grade lithium hydroxide)	Tianqi Lithium Corporation	ZL200730306042.9	Design	2007.12.28	2009.2.25
48.	Packaging bag (battery grade lithium carbonate)	Tianqi Lithium Corporation	ZL200730306049.0	Design	2007.12.28	2009.3.11
49.	Packaging bag (battery grade lithium carbonate)	Tianqi Lithium Corporation	ZL200730306050.3	Design	2007.12.28	2009.2.25
50.	Packaging bag (industrial grade lithium carbonate)	Tianqi Lithium Corporation	ZL200730306047.1	Design	2007.12.28	2009.1.21
51.	Packaging bag (industrial grade lithium carbonate)	Tianqi Lithium Corporation	ZL200730306048.6	Design	2007.12.28	2009.1.21
52.	Packaging bag (battery grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200730306051.8	Design	2007.12.28	2009.2.25

	Patent	Patentee	Patent No.	Patent type	Application Date	Registration Date
53.	Packaging bag (battery grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200730306052.2	Design	2007.12.28	2009.2.25
54.	Packaging bag (industrial grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200730306043.3	Design	2007.12.28	2009.3.11
55.	Packaging bag (industrial grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200730306053.7	Design	2007.12.28	2009.3.11
56.	Packaging bag (battery grade monohydrate lithium hydroxide)	Tianqi Lithium Corporation	ZL200930105859.9	Design	2009.2.27	2009.12.16
57.	Packaging bag (battery grade monohydrate lithium hydroxide)	Tianqi Lithium Corporation	ZL200930105870.5	Design	2009.2.27	2010.1.13
58.	Packaging bag (industrial grade monohydrate lithium hydroxide)	Tianqi Lithium Corporation	ZL200930105857.X	Design	2009.2.27	2010.1.13
59.	Packaging bag (industrial grade monohydrate lithium hydroxide)	Tianqi Lithium Corporation	ZL200930105858.4	Design	2009.2.27	2010.1.20
60.	Packaging bag (battery grade lithium carbonate)	Tianqi Lithium Corporation	ZL200930105866.9	Design	2009.2.27	2010.1.13
61.	Packaging bag (battery grade lithium carbonate)	Tianqi Lithium Corporation	ZL200930105865.4	Design	2009.2.27	2009.12.16
62.	Packaging bag (industrial grade one lithium carbonate)	Tianqi Lithium Corporation	ZL200930105864.X	Design	2009.2.27	2010.1.13
63.	Packaging bag (industrial grade one lithium carbonate)	Tianqi Lithium Corporation	ZL200930105861.6	Design	2009.2.27	2009.12.16
64.	Packaging bag (industrial grade two lithium carbonate)	Tianqi Lithium Corporation	ZL200930105869.2	Design	2009.2.27	2009.12.16
65.	Packaging bag (industrial grade one lithium carbonate)	Tianqi Lithium Corporation	ZL200930105868.8	Design	2009.2.27	2010.1.20
66.	Packaging bag (battery grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200930105867.3	Design	2009.2.27	2009.12.16
67.	Packaging bag (battery grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200930105860.1	Design	2009.2.27	2010.1.13
68.	Packaging bag (industrial grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200930105863.5	Design	2009.2.27	2010.1.13
69.	Packaging bag (industrial grade anhydrous lithium chloride)	Tianqi Lithium Corporation	ZL200930105862.0	Design	2009.2.27	2009.12.16
70.	Packaging bag (high purity lithium carbonate 2)	Tianqi Lithium Corporation	ZL201230448344.0	Design	2012.9.19	2012.12.19
71.	Packaging bag (battery grade lithium carbonate 1)	Tianqi Lithium Corporation	ZL201230448687.7	Design	2012.9.19	2012.12.19

	Patent	Patentee	Patent No.	Patent type	Application Date	Registration Date
72.	Packaging bag (battery grade lithium carbonate 2)	Tianqi Lithium Corporation	ZL201230448108.9	Design	2012.9.19	2012.12.19
73.	Packaging bag (industrial grade one lithium carbonate 1)	Tianqi Lithium Corporation	ZL201230448333.2	Design	2012.9.19	2012.12.19
74.	Packaging bag (industrial grade two lithium carbonate 1)	Tianqi Lithium Corporation	ZL201230448332.8	Design	2012.9.19	2012.12.19
75.	Packaging bag (industrial grade monohydrate lithium hydroxide 1)	Tianqi Lithium Corporation	ZL201230448213.2	Design	2012.9.19	2012.12.19
76.	Packaging bag (industrial grade monohydrate lithium hydroxide 2)	Tianqi Lithium Corporation	ZL201230448565.8	Design	2012.9.19	2012.12.19
77.	Packaging bag (granular anhydrous lithium chloride 2)	Tianqi Lithium Corporation	ZL201230448531.9	Design	2012.9.19	2012.12.19
78.	A process for the production of lithium carbonate	Tianqi Lithium Corporation	2010341402	Design	2012.9.19	2012.12.19
79.	A method for preparing high-purity lithium carbonate	Tianqi Lithium Corporation	CA2820112	Invention	2010.12.22	2012.7.25
80.	Dust-free grade monohydrate lithium hydroxide and its preparation method	Tianqi Lithium Corporation	CA2822196	Design	2010.10.23	2012.4.25
81.	A method for converting ruthenium in lithium sphalerite slag to soluble salt	Tianqi Lithium Corporation	ZL201510713769.2	Design	2015.10.28	2017.3.29
82.	A method for continuously producing battery grade lithium carbonate	Tianqi Lithium Corporation	ZL201610023541.5	Design	2016.1.14	2017.5.24
83.	A method for preparing anhydrous lithium chloride by using waste liquid containing lithium	Tianqi Lithium Corporation	ZL201610257026.3	Design	2016.4.22	2017.10.31

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
1.	锂坤达	Tianqi Lithium Corporation	PRC	1088482	1	August 27, 2027
2.		Tianqi Lithium Corporation	PRC	1026091	1	June 13, 2027
3.	WORLD STAR	Tianqi Lithium Corporation	PRC	1098284	1	September 13, 2027
4.		Tianqi Lithium Corporation	PRC	6915111	9	July 27, 2020

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
5.	Likunda	Tianqi Lithium Corporation	PRC	6915114	9	July 27, 2020
6.	锂坤	Tianqi Lithium Corporation	PRC	6915118	1	July 13, 2020
7.	达坤锂	Tianqi Lithium Corporation	PRC	6915119	1	July 27, 2020
8.	锂达坤	Tianqi Lithium Corporation	PRC	6915120	1	July 27, 2020
9.	锂坤达	Tianqi Lithium Corporation	PRC	6915121	1	July 27, 2020
10.	达锂坤	Tianqi Lithium Corporation	PRC	6915122	1	July 13, 2020
11.	坤达锂	Tianqi Lithium Corporation	PRC	6915123	1	July 13, 2020
12.		Tianqi Lithium Corporation	PRC	6915124	1	July 13, 2020
13.	WORLD STAR	Tianqi Lithium Corporation	PRC	6915125	1	July 13, 2020
14.	锂坤达	Tianqi Lithium Corporation	PRC	6915126	1	July 13, 2020
15.	锂坤	Tianqi Lithium Corporation	PRC	6915230	9	July 27, 2020
16.	达坤锂	Tianqi Lithium Corporation	PRC	6915231	9	July 27, 2020
17.	锂达坤	Tianqi Lithium Corporation	PRC	6915232	9	July 27, 2020
18.	坤锂达	Tianqi Lithium Corporation	PRC	6915233	9	July 27, 2020
19.	达锂坤	Tianqi Lithium Corporation	PRC	6915234	9	July 27, 2020
20.	坤达锂	Tianqi Lithium Corporation	PRC	6915235	9	July 27, 2020
21.		Tianqi Lithium Corporation	PRC	6915236	1	July 13, 2020
22.	Likunda	Tianqi Lithium Corporation	PRC	6915237	1	July 13, 2020
23.	坤达	Tianqi Lithium Corporation	PRC	6915238	1	July 13, 2020

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
24.	锂坤达 LIKUNDA	Tianqi Lithium Corporation	PRC	6298398	1	July 13, 2020
25.	TALISON	Talison MCP	Australia	1591331	1, 19	November 14, 2023

As at the Latest Practicable Date, we have made six applications for the registration of trademarks which we consider to be or may be material to our business:

	Trademark	Applicant	Place of application	Application No.	Class	Date of application
1.	TQC 天齐锂业 TIANQI LITHIUM TQC 天齐锂业 TIANQI LITHIUM	Tianqi Lithium Corporation	Hong Kong	TM0100662717	1	April 4, 2018
2.	TQC TQC	Tianqi Lithium Corporation	Hong Kong	TM0100662726	1	April 4, 2018
3.	天齐锂业	Tianqi Lithium Corporation	Hong Kong	TM0100662744	1	April 4, 2018
4.	TIANQI LITHIUM	Tianqi Lithium Corporation	Hong Kong	TM0100662753	1	April 4, 2018
5.	共创锂想 共创锂想	Tianqi Lithium Corporation	Hong Kong	TM0100662799	1	April 4, 2018
6.	天齐锂业 TIANQI LITHIUM 天齐锂业 TIANQI LITHIUM	Tianqi Lithium Corporation	Hong Kong	TM0100662807	1	April 4, 2018

As at the Latest Practicable Date, we have been granted to use the following trademarks in the PRC by Tianqi Group Company and TQMMM we consider to be or may be material to our business:

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
1.	TQC	Tianqi Group Company	PRC	14511823	9	September 20, 2025
2.	TQC	Tianqi Group Company/ TQMMM	PRC	14511809	1	June 20, 2025
3.	TQC	Tianqi Group Company	PRC	13354315	37	March 20, 2026
4.	TQC	Tianqi Group Company	PRC	8786148	9	May 13, 2021

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
5.		Tianqi Group Company	PRC	8670333	1	September 27, 2021
6.		Tianqi Group Company/ TQMMM	PRC	8548775	7	August 13, 2021
7.		Tianqi Group Company	PRC	8548742	42	September 27, 2021
8.		Tianqi Group Company	PRC	8548337	40	August 27, 2021
9.		Tianqi Group Company	PRC	8548321	39	August 13, 2021
10.		Tianqi Group Company	PRC	8548305	37	April 13, 2024
11.		Tianqi Group Company	PRC	8548289	36	September 27, 2021
12.		Tianqi Group Company	PRC	8548269	35	September 27, 2021
13.		Tianqi Group Company	PRC	8548252	19	November 20, 2021
14.		Tianqi Group Company	PRC	8548212	11	September 20, 2021
15.		Tianqi Group Company	PRC	8548200	8	August 13, 2021
16.		Tianqi Group Company	PRC	8548180	6	August 13, 2021
17.		Tianqi Group Company	PRC	8546140	1	October 20, 2021
18.		Tianqi Group Company	PRC	6583427	1	May 27, 2020
19.		Tianqi Group Company	PRC	6583426	6	June 6, 2020
20.		Tianqi Group Company/ TQMMM	PRC	6583425	7	June 6, 2020

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
21.	TQC	Tianqi Group Company/ TQMMM	PRC	6583424	1	September 6, 2020
22.	TQC	Tianqi Group Company	PRC	6583423	6	July 27, 2020
23.	TQC	Tianqi Group Company/ TQMMM	PRC	6583422	7	August 20, 2020
24.	TQC	Tianqi Group Company	PRC	6583421	11	June 20, 2020
25.	TQC	Tianqi Group Company	PRC	6583419	36	April 6, 2020
26.	TQC	Tianqi Group Company	PRC	6583418	42	September 6, 2020
27.	天 齐	Tianqi Group Company/ TQMMM	PRC	5182340	12	March 27, 2019
28.	TQMMM	Tianqi Group Company/ TQMMM	PRC	5182339	1	June 27, 2019
29.	TQMMM	Tianqi Group Company/ TQMMM	PRC	5182338	7	March 27, 2019
30.	TQMMM	Tianqi Group Company/ TQMMM	PRC	5182337	9	March 27, 2019
31.	TQMMM	Tianqi Group Company/ TQMMM	PRC	5182336	35	June 6, 2019
32.	TQMMM	Tianqi Group Company/ TQMMM	PRC	5182335	12	March 27, 2019
33.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182334	42	June 27, 2019
34.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182333	37	September 6, 2019
35.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182332	36	September 6, 2019
36.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182331	35	June 6, 2019
37.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182330	19	December 13, 2019

	Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
38.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182329	9	April 6, 2019
39.	TIANQI 天齐	Tianqi Group Company/ TQMMM	PRC	5182328	7	May 6, 2019
40.	金沙 JINSHA	Tianqi Group Company	PRC	4199318	39	January 6, 2028
41.	天齐实业 TIANQI	Tianqi Group Company	PRC	4172936	6	November 13, 2026
42.	天齐	Tianqi Group Company	PRC	1673544	6	November 27, 2021

5. DISCLOSURE OF INTERESTS

A. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, the following persons will have an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group:

Interests in our Company

Name of Shareholder	Nature of interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED][(1)]	Approximate percentage of shareholding in the total share capital of the Company after the [REDACTED][(2)]
Mr. Jiang Weiping[(3)(4)]	Interest of controlled corporations	A Shares	409,543,290	**[REDACTED]%**	**[REDACTED]%**
	Interest of spouse	A Shares	58,984,512	**[REDACTED]%**	**[REDACTED]%**
Tianqi Group Company[(3)]	Beneficial owner	A Shares	409,543,290	**[REDACTED]%**	**[REDACTED]%**
Ms. Zhang Jing[(4)]	Beneficial owner	A Shares	[58,984,512]	**[REDACTED]%**	**[REDACTED]%**
	Interest of spouse	A Shares	[409,543,290]	**[REDACTED]%**	**[REDACTED]%**

Notes:

(1) The calculation is based on the percentage of shareholding in A Shares (as applicable) of the Company after the **[REDACTED]**.

(2) The calculation is based on the total number of **[REDACTED]** Shares in **[REDACTED]** after the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(3) Tianqi Group Company, which is owned as to 88.6% by Mr. Jiang Weiping and 10% by Ms. Jiang Anqi, holds 409,543,290 A Shares. By virtue of the SFO, Mr. Jiang Weiping is deemed interested in all of the Shares held by Tianqi Group Company. As at August 16,

2018, Tianqi Group Company had pledged 78,575,200 A Shares in total to seven financial institutions in the PRC, including Bank of Communications Co., Ltd. Chengdu High-tech Industrial Development Zone Branch (交通銀行股份有限公司成都高新區支行) , Industrial Securities Co., Ltd. (興業證券股份有限公司), China Zheshang Bank Co., Ltd. Chengdu Branch (浙商銀行股份有限公司成都分行), China CITIC Bank Corporation Limited Chengdu Branch (中信銀行股份有限公司成都分行), Sinolink Securities Co., Ltd. (國金證券股份有限公司), Huatai Securities (Shanghai) Asset Management Company Ltd. (華泰證券(上海)資產管理有限公司) and Industrial Bank Co., Ltd. Chengdu Branch (興業銀行股份有限公司成都分行).

(4) Mr. Jiang Weiping and his spouse, Ms. Zhang Jing, are deemed interested in the interests in Shares held by each other under the SFO.

Interests in shares of other member of our Group (other than our Company)

Name of member of our Group	Person holding 10% or more interest	Approximate % of interest in the member of our Group
Chongqing Tianqi	Chongqing Kunyu Lithium Co., Ltd. (重慶昆瑜鋰業有限公司)	13.62%
Windfield	RT Lithium	49%

B. Disclosure of the Directors' and Supervisors' interests in the registered capital of associated corporations of the Company

Immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** is not exercised, the interests or short positions of our Directors, Supervisors and chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director/ Supervisor	Nature of interest	Class	Number of Shares directly or indirectly held	Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED](1)	Approximate percentage of shareholding in the total share capital of the Company after the [REDACTED](2)
Mr. Jiang Weiping(3)(4)	Interest of controlled corporations	A Shares	409,543,290 (Long position)	**[REDACTED]%**	**[REDACTED]%**
	Interest of spouse	A Shares	58,984,512 (Long position)	**[REDACTED]%**	**[REDACTED]%**
Ms. Wu Wei	Beneficial owner	A Shares	1,442,100 (Long position)	**[REDACTED]%**	**[REDACTED]%**
Mr. Zou Jun	Beneficial owner	A Shares	1,486,950 (Long position)	**[REDACTED]%**	**[REDACTED]%**
Ms. Jiang Anqi(5)	Interest of spouse	A Shares	2,093 (Long position)	**[REDACTED]%**	**[REDACTED]%**
Mr. She Shifu	Beneficial owner	A Shares	6,992 (Long position)	**[REDACTED]%**	**[REDACTED]%**

Notes:

(1) The calculation is based on the percentage of shareholding in A Shares (as applicable) of the Company after the **[REDACTED]**.

(2) The calculation is based on the total number of **[REDACTED]** Shares in **[REDACTED]** after the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

(3) Tianqi Group Company, which is owned as to 88.6% by Mr. Jiang Weiping and 10% by Ms. Jiang Anqi, holds 409,543,290 A Shares. By virtue of the SFO, Mr. Jiang Weiping is deemed interested in all of the Shares held by Tianqi Group Company. As at August 16,

2018, Tianqi Group Company had pledged 78,575,200 A Shares in total to seven financial institutions in the PRC, including Bank of Communications Co., Ltd. Chengdu High-tech Industrial Development Zone Branch (交通銀行股份有限公司成都高新區支行) , Industrial Securities Co., Ltd. (興業證券股份有限公司), China Zheshang Bank Co., Ltd. Chengdu Branch (浙商銀行股份有限公司成都分行), China CITIC Bank Corporation Limited Chengdu Branch (中信銀行股份有限公司成都分行), Sinolink Securities Co., Ltd. (國金證券股份有限公司), Huatai Securities (Shanghai) Asset Management Company Ltd. (華泰證券(上海)資產管理有限公司) and Industrial Bank Co., Ltd. Chengdu Branch (興業銀行股份有限公司成都分行).

(4) Mr. Jiang Weiping is deemed interested in the interests in Shares held by his spouse, Ms. Zhang Jing, under the SFO.

(5) Ms. Jiang Anqi is deemed interested in the Shares held by her spouse, Mr. Li Silong, under the SFO.

C. Particulars of service contracts

Each of the Directors entered into a service contract with our Company on [●]. The principal particulars of these service agreements are (a) for a term of 3 years commencing from the respective dates of appointment and (b) are subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules. Each of Ms. Yan Jin and Mr. She Shifu, our Supervisors has entered into a service contract with our Company on [●]. Ms. Yang Qing, our another Supervisor has entered into a service contract with our Company on [●]. The principal particulars of these service agreements are (a) for a term of 3 years commencing from the respective dates of appointment and (b) are subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

D. Directors' and Supervisors' remuneration

The aggregate remuneration paid and benefits in kind granted to the Directors and the Supervisors in respect of each of the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 were approximately RMB 8.03 million, RMB 16.48 million, RMB 13.05 million and RMB 2.71 million, respectively. Save as disclosed under Note 8 to the financial statements in the Accountants' Report set out in Appendix I to this **[REDACTED]**, no Director or Supervisor received other remuneration or benefits in kind from the Company in respect of the three financial years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018.

Under the current arrangements, the Directors will be entitled to receive compensation (including remuneration (excluding performance related bonuses) and benefits in kind) from our Company for the year ending December 31, 2018, which is expected to be approximately RMB[●] million in aggregate.

Under the current arrangements, the Supervisors will be entitled to receive compensation (including remuneration (excluding performance related bonuses) and benefits in kind) from our Company for the year ending December 31, 2018, which is expected to be RMB[●] million in aggregate.

E. Personal guarantees

The Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

F. Agency fees or commissions received

Save as disclosed in the section headed "**[REDACTED]**" in this **[REDACTED]**, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this **[REDACTED]**.

G. Related party transactions

During the two years preceding the date of this **[REDACTED]**, we have engaged in the material related party transactions as described in Note 35 to the financial statements in the Accountants' Report set out in Appendix I to this **[REDACTED]**.

H. Disclaimers

Save as disclosed in this **[REDACTED]**:

(a) none of the Directors, Supervisors or chief executive of our Company has any interests and/or short positions in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange, in each case once our H Shares are **[REDACTED]**. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of the Directors or Supervisors nor any of the parties listed in the paragraph headed "Qualification of experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this **[REDACTED]**, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are **[REDACTED]** on the Stock Exchange; save as disclosed in this **[REDACTED]**, none of the Directors or Supervisors nor any of the parties listed in paragraph headed "Qualification of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this **[REDACTED]** which is significant in relation to our business;

(d) none of the parties listed in the paragraph headed "Qualification of experts" of this Appendix:

    (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(e) none of the Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of the Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

6. OTHER INFORMATION

A. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

B. Litigation

Save as disclosed in "Business—Legal Compliance and Proceedings," as at the Latest Practicable Date, our Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

C. Joint Sponsors

The Joint Sponsors have declared their independence pursuant to Rule 3A.07 of the Listing Rules.

The Joint Sponsors have made an application on our behalf to the **[REDACTED]** of the Stock Exchange for **[REDACTED]** of, and permission to **[REDACTED]**, our H Shares, including any **[REDACTED]** which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**. All necessary arrangements have been made enabling the H Shares to be admitted into **[REDACTED]**.

D. Preliminary expenses

Our Company has not incurred any material preliminary expense.

E. Qualification of experts

The qualifications of the experts who have given opinions in this **[REDACTED]** are as follows:

Name	Qualification
Morgan Stanley	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
CLSA	Licensed corporation under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified public accountants
Zhong Lun Law Firm	Legal advisers as to PRC law to our Company
Clayton Utz	Legal advisers as to Australian law to our Company
Roskill Consulting Group Ltd.	Independent industry consultant
Behre Dolbear Australia Pty Limited	Competent Person

F. No material adverse change

The Directors confirm that there has been no material adverse change in our financial or trading position since March 31, 2018.

G. Binding effect

This **[REDACTED]** shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

H. Bilingual Document

The English language and Chinese language version of this **[REDACTED]** are being published separately in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

I. Miscellaneous

(a) save as disclosed in this **[REDACTED]**, within the two years preceding the date of this **[REDACTED]**, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this **[REDACTED]**, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of the Company;

(f) there is no arrangements under which future dividends are waived or agreed to be waived;

(g) there has been no interruptions in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(h) save for the A Shares and the corporate bond of our Company that are listed on the Shenzhen Stock Exchange, none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought. We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

J. Consents

Each of the experts as referred to in the paragraph headed "Qualification of experts" in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this **[REDACTED]** with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

Save as disclosed in this **[REDACTED]**, none of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of sections 44A and 44E of the Hong Kong Companies Ordinance so far as applicable.

K. Promoters

The promoters of our Company are Tianqi Group Company and Zhang Jing.

Save as disclosed in this **[REDACTED]**, within the two years immediately preceding the date of this **[REDACTED]**, no cash, securities or other benefit has been paid, allotted or given to the promoters named above in the related transactions described in this **[REDACTED]**.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this **[REDACTED]** delivered to the Registrar of Companies in Hong Kong for registration were copies of the **[REDACTED]**, the written consents referred to in the section entitled "6. Other Information—J. Consents" in Appendix VIII to this **[REDACTED]** and copies of the material contracts referred to in the section entitled "4. Further Information about Our Business—A. Summary of our material contracts" in Appendix VIII to this **[REDACTED]**.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Latham & Watkins at 18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this **[REDACTED]**:

(a) the Articles of Association;

(b) the accountants' report prepared by KPMG as set out in Appendix I to this **[REDACTED]**;

(c) the report on the unaudited supplementary financial information, the text of which is set out in Appendix II;

(d) the report on the unaudited **[REDACTED]** financial information, the text of which is set out in Appendix III;

(e) the competent person report set out in Appendix IV to this **[REDACTED]**;

(f) the material contracts referred to in the section entitled "4. Further Information about Our Business—A. Summary of our material contracts" in Appendix VIII to this **[REDACTED]**;

(g) the written consents referred to in the section entitled "6. Other Information—J. Consents" in Appendix VIII to this **[REDACTED]**;

(h) the service agreements referred to in the section entitled "5. Disclosure of Interests—C. Particulars of service contracts" in Appendix VIII to this **[REDACTED]**;

(i) the Australian legal opinion issued by Clayton Utz, the legal advisers to the Company on the Australian law, as to Australian law, in respect of certain aspect of the Group;

(j) the PRC legal opinion issued by Zhong Lun Law Firm, the legal advisers to the Company on the PRC law, as to PRC law, in respect of certain aspects of the Group and the property interests of the Group; and

(k) the Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation.