

## GEM Co., Ltd. Announcement on the progress of signing a cooperation investment agreement and signing a memorandum on the promotion of battery cascade utilization and recycling projects with the Pohang City Government and ECOPRO in South Korea

The company and all members of the board of directors guarantee that the information disclosed is true, accurate and complete, and that there are no false records, misleading statements or major omissions.

### **I. Overview**

In order to promote the strategic cooperation between GEM Co., Ltd. (hereinafter referred to as the "Company"), South Korea's Pohang City, and South Korea's ECOPRO Co., Ltd. (hereinafter referred to as "ECOPRO") in the field of new energy vehicle battery echelon utilization and recycling On October 21, 2019, the municipal government and ECOPRO signed a memorandum of understanding on the promotion of the new energy vehicle battery cascade utilization and recycling project, based on the principle of trust and integrity. For details, please refer to the "Announcement on Signing a Memorandum of Understanding on the Promotion of Battery Echelon Utilization and Recycling Projects with the Pohang Municipal Government of Korea and ECOPRO Company" published by the company on cninfo website (<http://www.cninfo.com.cn>) (Announcement number: 2019-102).

On June 5, 2020, the company issued the "Progress Announcement on Signing a Memorandum of Understanding on the Promotion of Battery Echelon Utilization and Recycling Projects with the Pohang Municipal Government and ECOPRO in South Korea" (Announcement No.: 2020-062), the company's wholly-owned subsidiary Jingmen City GEM New Materials Co., Ltd. (hereinafter referred to as "Jingmen GEM") and ECOPRO signed the "Battery Recycling and Reuse Technology License

Implementation Rights, Teaching Guidance Technology, Importing Equipment and Providing Engineering Stabilization Support". Regeneration and Reuse Technology License Contract (hereinafter referred to as the "Technology License Contract").

Recently, Jingmen GEM (hereinafter referred to as "Party B") and ECOPRO (hereinafter referred to as "Party A") signed the "Cooperative Investment Agreement" (hereinafter referred to as "the Agreement") based on the principle of reciprocity. And cooperate with ECOPRO CnG Co., Ltd. (hereinafter referred to as "ECOPRO CnG"), a company established by Party A in South Korea, to jointly promote the commercialization of battery regeneration and reuse technology.

According to the "Articles of Association" and other relevant regulations, the investment agreement signed by the company does not need to be submitted to the board of directors and the general meeting of shareholders for deliberation and approval. The signing of the investment agreement this time does not constitute a connected transaction, nor does it constitute a major asset reorganization stipulated in the "Administrative Measures for Major Asset Restructuring of Listed Companies", which does not require approval from relevant departments.

## **2. Basic information of partners**

ECOPRO is a company established and existing under the laws of the Republic of South Korea. Its main products are power battery materials such as NCA and NCM. ECOPRO is a global core producer of high-nickel cathode materials.

ECOPRO has no associated relationship with the company and its controlling shareholders, actual controllers, directors, supervisors and senior managers.

ECOPRO has good operating and financial status, has a good reputation and ability to perform contracts, and is not a "dishonest person subject to enforcement".

## **3. Main Contents of the Cooperative Investment Agreement**

### **(1) Basic information of ECOPRO CnG**

ECOPRO CnG was established on March 10, 2020 and is headquartered at No. 10, No. 75, Sandan South Road, Yingriwan, Heunghae-eup, Buk-gu, Pohang City, Gyeongsangbuk-do. Its business objectives include:

1. Reuse and reuse of waste batteries and waste cathodes;
2. Waste collection, transportation, treatment and raw material recycling business;
3. Non-ferrous metal manufacturing and sales business;
4. Production and sales of positive active materials and secondary battery materials;
5. Development of related technologies for cathode active materials and secondary

battery materials;

6. Real estate and equipment leasing business;
7. The above-mentioned related incidental business.

(2) ECOPRO CnG's capital contribution and contribution ratio

The total investment of ECOPRO CnG is KRW 10,000,000,000 (approximately RMB 58 million). Party A holds 85% of the equity of ECOPRO CnG and Party B holds 15% of the equity of ECOPRO CnG (approximately RMB 8.7 million).

(3) Obligations of both parties

1. Party A's obligations

(1) Make use of the development, production experience and network of products and technologies to develop, produce, market and sell internationally competitive products for ECOPRO CnG;

(2) Provide consultation and guidance on ECOPRO CnG products, production technology, quality management, etc.;

(3) Assist in the manufacture of products through major related companies in Korea;

(4) Use the Korean distribution network to assist in sales promotion;

(5) ECOPRO CnG management;

(6) Other relevant matters.

2. Party B's obligations

(1) Technology (black powder manufacturing technology, etc.) transfer and related equipment procurement support;

(2) Provide consultation and guidance on ECOPRO CnG products, production technology, quality management, etc.;

(3) Provide technology transfer, technical support, equipment introduction support and other services according to the "Technology License Contract" signed by both parties;

(4) Other relevant matters.

(IV) Provisions on ECOPRO CnG General Meeting of Shareholders, Board of Directors and Representative Directors, Supervisors and Senior Management

1. General Meeting of Shareholders

The general meeting of shareholders includes regular general meeting and extraordinary general meeting, which is convened and held in accordance with the relevant laws of the company's articles of association in Korea. Unless otherwise required by Korean law, the shareholders meeting of ECOPRO CnG must be attended by

shareholders holding more than half of the total number of voting shares in person or by proxy. pass.

## 2. Board of Directors

(1) The board of directors shall be composed of 5 directors elected by the resolution of the general meeting of shareholders, of which 4 directors shall be appointed by Party A and 1 director shall be appointed by Party B. The term of directors is three years and may be re-elected, and the term of directors for by-election is the remainder of the term of the previous director. When the term of office of a director expires after the end of the last fiscal year and before the regular general meeting of shareholders for that fiscal year, the term of office of the director shall be extended until the conclusion of the general meeting of shareholders.

(2) Unless otherwise stipulated by statute, this agreement or the Articles of Association of ECOPRO CnG, the resolution of the board of directors shall be attended by more than half of the incumbent directors and approved by more than half of the directors present.

(3) Unless otherwise stipulated by statute, this agreement or the ECOPRO CnG charter, the board of directors shall decide all important matters of ECOPRO CnG operation by voting.

## 3. Representative directors, supervisors and senior managers

(1) ECOPRO CnG shall set up a representative director, who shall be elected by the directors appointed by Party A on the board of directors.

(2) ECOPRO CnG shall set up a supervisor, who shall be nominated by Party A and elected at the general meeting of shareholders. The term of office of the supervisor is within three years until the end of the regular shareholders' meeting of the final settlement period.

## (5) Settlement of ECOPRO CnG

1. The accounting period of ECOPRO CnG is from January 1st to the end of December 31st of the same year. However, the accounting period of the initial establishment year starts from the date of establishment and registration of ECOPRO CnG and ends on December 31 of that year.

2. ECOPRO CnG makes accounting books according to the International Accounting Standards (K-IFRS) adopted by Korea.

3. The profit distribution of ECOPRO CnG shall be decided by the general meeting of shareholders. In principle, dividends should be distributed in proportion to

the shareholding.

#### **4. Impact on the company**

ECOPRO is a global core high-nickel cathode material manufacturer. GEM is a leading enterprise in China's circular economy and an advantageous enterprise in China's power battery recycling, scrapped car recycling, electronic waste recycling and power battery raw material manufacturing. It has established a core system from cobalt-nickel raw materials to NCA&NCM ternary precursor material manufacturing. It is an advantageous enterprise in the research and manufacturing of ternary precursor materials in the world. In 2017, 2018 and 2019, the shipment volume of ternary precursor materials ranked first for three consecutive years. The world's top, mainstream supply of Samsung Supply Chain, Ningde Times, LGC and other global industry mainstream enterprises, GEM's world-class high-quality customer base, technology and world-class product quality demonstrate GEM's global core competitiveness, helping GEM to build the world's core power Manufacturing base for battery raw materials and high nickel ternary precursor materials.

The signing of the "Cooperative Investment Agreement" to jointly operate ECOPRO CnG is conducive to further promoting the strategic cooperation between the company and ECOPRO in the field of power battery cascade utilization and recycling, and strengthening the company's "battery recycling - raw material recycling - material recycling - battery pack recycling". The construction of the new energy full life cycle value chain in the global recycling industry system will help the company to develop the Korean power battery recycling market, consolidate the company's strategic partnership with ECOPRO and the Korean new energy industry, and stabilize the company's ternary precursor materials in the Korean market. Core supply position, improve the global core competitiveness and profitability of the company's new energy industry chain, enhance the company's core position in the field of new energy vehicle power battery recycling, and promote the company to become a world leader in the cascade utilization of retired power battery packs.

The source of the company's investment in ECOPRO CnG is its own funds, which does not have a significant impact on the company's current and future operating performance, nor does it harm the interests of the company and investors.

#### **V. Risk Warning**

After the signing of the "Cooperative Investment Agreement", the risks caused by uncertain factors in policies, business environment, market and business

management during the implementation process cannot be ruled out. Investors are advised to pay attention to investment risks. The board of directors of the company will actively pay attention to the relevant progress and fulfill the obligation of information disclosure in a timely manner.

#### **6. Documents for reference**

The "Cooperative Investment Agreement" signed by the company's wholly-owned subsidiary Jingmen GEM and ECOPRO.

Special announcement

Board of Directors of GEM Co., Ltd.

August 20, 2020