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Ganfeng Lithium Co., Ltd.
江西贛鋒鋰業股份有限公司

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

(Stock Code: 1772)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of Ganfeng Lithium Co., Ltd. (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**2,374,606**	2,802,239
Cost of sales		**(1,912,838)**	(2,094,054)
Gross profit		**461,768**	708,185
Other income and gains	4	**134,138**	123,745
Selling and distribution expenses		**(26,308)**	(51,842)
Administrative expenses		**(106,718)**	(230,077)
Other expenses	5	**(164,000)**	(159,188)
Finance costs	6	**(120,880)**	(95,886)
Share of profits and losses of:			
Associates		**(22,335)**	42,628
Joint ventures		**35,537**	49,972
Profit before tax	7	**191,202**	387,537
Income tax expense	8	**(33,715)**	(90,518)
Profit for the period		**157,487**	297,019
Profit for the period attributable to:			
Owners of the parent		**157,696**	297,201
Non-controlling interests		**(209)**	(182)
		157,487	297,019
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the period *(RMB)*	10	**0.12**	0.23
Diluted			
– For profit for the period *(RMB)*	10	**0.12**	0.23

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**157,487**	297,019
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**75,091**	15,091
Other comprehensive income for the period, net of tax	**75,091**	15,091
Total comprehensive income for the period, net of tax	**232,578**	312,110
Attributable to:		
Owners of the parent	**231,718**	315,338
Non-controlling interests	**860**	(3,228)
	232,578	312,110

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	**As at 30 June 2020 *RMB'000* (Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,959,444**	3,007,789
Investment properties		**74**	138
Right-of-use assets		**208,098**	208,808
Goodwill		**18,302**	18,302
Other intangible assets		**403,450**	362,933
Investments in associates		**824,435**	814,504
Investments in joint ventures		**2,893,320**	2,865,042
Financial assets at fair value through profit or loss		**622,302**	386,035
Deferred tax assets		**18,524**	19,310
Other non-current assets		**1,115,980**	813,140
Total non-current assets		**9,063,929**	8,496,001
CURRENT ASSETS			
Inventories		**2,300,346**	2,333,836
Trade receivables	11	**1,144,344**	913,808
Debt instruments at fair value through other comprehensive income	12	**240,372**	218,362
Amounts due from related parties		**18,527**	13,673
Prepayments, other receivables and other assets		**438,821**	524,569
Financial assets at fair value through profit or loss		**41,454**	12,853
Pledged deposits		**555,910**	371,826
Cash and cash equivalents		**2,207,216**	1,328,104
Total current assets		**6,946,990**	5,717,031

	Notes	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,963,955**	1,968,555
Trade and bills payables	13	**579,091**	558,897
Amounts due to related parties		**209,527**	290,501
Other payables and accruals		**756,912**	351,425
Income tax payable		**20,448**	89,479
Total current liabilities		**4,529,933**	3,258,857
NET CURRENT ASSETS		**2,417,057**	2,458,174
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,480,986**	10,954,175
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,108,048**	1,457,103
Convertible bonds		**780,423**	762,355
Deferred income		**56,747**	61,324
Deferred tax liabilities		**5,016**	8,606
Other non-current liabilities		**269,203**	254,506
Total non-current liabilities		**3,219,437**	2,543,894
Total liabilities		**7,749,370**	5,802,751
Net assets		**8,261,549**	8,410,281
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,292,825**	1,292,601
Equity component of convertible bonds		**203,543**	205,642
Reserves		**6,749,411**	6,857,014
		8,245,779	8,355,257
Non-controlling interests		**15,770**	55,024
Total equity		**8,261,549**	8,410,281

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRS**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead,

the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions arising as a direct consequence of the covid-19 pandemic during the period.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) Lithium metal and compound segment: manufacture and sale of lithium series products, and the rendering of processing services;

(b) Lithium battery segment: manufacture and sale of lithium batteries; and

(c) Lithium ore resource segment: exploration and sale of lithium ore and other lithium products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income and finance costs are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Six months ended 30 June 2020	Lithium metal and compound *RMB'000* (Unaudited)	Lithium battery *RMB'000* (Unaudited)	Lithium ore resource *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*				
Sales to external customers	**1,958,874**	**415,732**	**–**	**2,374,606**
Intersegment sales	**794**	**878**	**19**	**1,691**
	1,959,668	**416,610**	**19**	**2,376,297**
Reconciliation:				
Elimination of intersegment sales				**(1,691)**
Revenue				**2,374,606**
Segment results	**292,969**	**(45,677)**	**5,648**	**252,940**
Reconciliation:				
Elimination of intersegment results				
Interest income				**58,520**
Finance costs (other than interest on lease liabilities)				**(120,258)**
Profit before tax				**191,202**

Six months ended 30 June 2019	Lithium metal and compound *RMB'000* (Unaudited)	Lithium battery *RMB'000* (Unaudited)	Lithium ore resource *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 4)*				
Sales to external customers	2,534,705	267,534	–	2,802,239
Intersegment sales	2,167	403	4	2,574
	2,536,872	267,937	4	2,804,813
Reconciliation:				
Elimination of intersegment sales				(2,574)
Revenue				2,802,239
Segment results	429,158	(17,926)	5,854	417,086
Reconciliation:				
Elimination of intersegment results				
Interest income				66,337
Finance costs (other than interest on lease liabilities)				(95,886)
Profit before tax				387,537

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	Lithium metal and compound *RMB'000*	**Lithium battery** *RMB'000*	**Lithium ore resource** *RMB'000*	**Total** *RMB'000*
Segment assets				
30 June 2020 (unaudited)	9,113,900	1,490,634	5,406,385	16,010,919
31 December 2019 (audited)	7,763,606	1,384,867	5,064,559	14,213,032
Segment liabilities				
30 June 2020 (unaudited)	6,962,899	506,482	279,989	7,749,370
31 December 2019 (audited)	5,171,697	367,946	263,108	5,802,751

Seasonal factors have no significant impact on the Group's segment revenue and segment results.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

(a) Revenue

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**2,374,606**	2,802,239

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Lithium metal and compound *RMB'000* (Unaudited)	Lithium battery *RMB'000* (Unaudited)	Lithium ore resource *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services				
Sale of industrial products	**1,935,562**	**415,732**	**–**	**2,351,294**
Processing services	**23,312**	**–**	**–**	**23,312**
Total revenue from contracts with customers	**1,958,874**	**415,732**	**–**	**2,374,606**
Geographical markets				
Mainland China	**1,069,068**	**413,584**	**–**	**1,482,652**
Asia	**840,644**	**2,053**	**–**	**842,697**
Europe	**33,092**	**–**	**–**	**33,092**
North America	**14,123**	**95**	**–**	**14,218**
Other countries/regions	**1,947**	**–**	**–**	**1,947**
Total revenue from contracts with customers	**1,958,874**	**415,732**	**–**	**2,374,606**
Timing of revenue recognition				
At a point in time	**1,958,874**	**415,732**	**–**	**2,374,606**

For the six months ended 30 June 2019

Segments	Lithium metal and compound *RMB'000* (Unaudited)	Lithium battery *RMB'000* (Unaudited)	Lithium ore resource *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Type of goods or services				
Sale of goods	2,497,248	267,534	–	2,764,782
Processing services	37,457	–	–	37,457
Total revenue from contracts with customers	2,534,705	267,534	–	2,802,239
Geographical markets				
Mainland China	1,543,248	227,969	–	1,771,217
Asia	944,749	39,565	–	984,314
Europe	31,598	–	–	31,598
North America	10,050	–	–	10,050
Other countries/regions	5,060	–	–	5,060
Total revenue from contracts with customers	2,534,705	267,534	–	2,802,239
Timing of revenue recognition				
At a point in time	2,534,705	267,534	–	2,802,239

(b) Other income and gains

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of financial assets at fair value through profit or loss	**24,999**	565
Dividends and interest from financial assets at fair value through profit or loss	**1,079**	10,561
Sale of raw materials	**8,253**	14,136
Government grants	**29,471**	30,010
Bank interest income	**18,599**	45,375
Interest income from associates	**39,921**	20,962
Reversal of write-down of inventories to net realizable value	**–**	1,479
Foreign exchange differences, net	**10,227**	–
Others	**1,589**	657
	134,138	123,745

5. OTHER EXPENSES

An analysis of other expenses is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value losses of financial assets at fair value through profit or loss	**62,609**	119,143
Cost of raw materials sold	**3,812**	11,372
Impairment of trade receivables, net	**14,961**	6,785
Impairment of financial assets included in prepayments, other receivables and other assets, net	**63,551**	534
Write-down of inventories to net realizable value	**9,273**	–
Net loss on disposal of items of property,plant and equipment	**81**	7,825
Exploration expenditure	**7,097**	2,095
Foreign exchange differences, net	**–**	7,570
Others	**2,616**	3,864
	164,000	159,188

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings and other loans	**72,420**	53,209
Interest on other liabilities	**10,849**	9,910
Interest expense on discounted bills	**8,364**	8,104
Interest expense on lease liabilities	**622**	723
Interest expense on convertible bonds	**28,661**	26,232
Total interest expense	**120,916**	98,178
Less: Interest capitalised, in respect of convertible bonds	**(36)**	(2,292)
	120,880	95,886

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales and services	**1,912,838**	2,094,054
Cost of raw materials sold	**3,812**	11,372
Impairment of financial assets, net:		
Impairment of trade receivables, net	**14,961**	6,785
Impairment of financial assets included in prepayments, other receivables and other assets, net	**63,551**	534
Write-down of/(reversal of write-down of) inventories to net realisable value	**9,273**	(1,479)
Depreciation of property, plant and equipment and investment properties	**125,605**	95,398
Depreciation of right-of-use assets	**5,091**	5,514
Amortisation of intangible assets	**4,604**	6,213
Fair value losses, net:		
Financial assets at fair value through profit or loss	**62,609**	118,578
Gain on disposal of financial assets at fair value through profit or loss	**(24,999)**	–
Net loss on disposal of items of property, plant and equipment	**81**	7,825
Research and development costs:		
Current year expenditure	**47,008**	36,847
Bank charges	**5,019**	1,270
Foreign exchange differences, net	**(10,227)**	7,570

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current corporate income tax	**36,519**	77,733
Deferred tax	**(2,804)**	12,785
	33,715	90,518

The subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the Reporting Period. No provision for Hong Kong profits tax has been made as all the profits were derived from offshore, and were not taxable in Hong Kong.

Provision for Mainland China current income tax was based on the statutory rate of 25% of the assessable profits for the Reporting Period of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for the Company and certain subsidiaries of the Group in Mainland China, which were taxed at a preferential rate of 15%.

The Company has been recognised as a high and new technology enterprise ("**HNTE**"), and such status will expire on 12 August 2021. Based on the Enterprise Income Tax Law and related regulations, the applicable tax rate of the Company is 15% provided that the Company complies with the conditions set out in the relevant requirements. The subsidiaries are also recognised as HNTEs and the effective periods are as follows:

Name	**Effective period**
Fengxin Ganfeng Lithium Co., Ltd.	2019/9/16–2022/9/15
Yichun Ganfeng Lithium Co., Ltd.	2018/8/13–2021/8/12
Ganfeng Recycling Technology Co., Ltd.	2018/8/13–2021/8/12
Jiangxi Ganfeng Battery Technology Co., Ltd.	2018/12/4–2021/12/3
Dongguan Ganfeng Electronics Co., Ltd.	2019/12/2-2022/12/1

9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

The proposed final dividend of RMB0.30 (tax included) per ordinary share for the year ended 31 December 2019 was approved by the shareholders at the annual general meeting of the Company on 24 June 2020.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2020 and 2019 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,292,712,664 (30 June 2019: 1,292,597,884) in issue during the six months ended 30 June 2020 and 2019.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2020 and 2019 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2020 and 2019, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Adjusted profit attributable to ordinary equity holders of the parent for the basic earnings per share calculation	**157,696**	297,201
Interest expense on convertible bonds	**28,625**	23,940
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	**186,321**	321,141
Shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	**1,292,712,664**	1,292,597,884
Effect of dilution – weighted average number of ordinary shares:		
– Convertible bonds*	**21,676,443**	19,359,975
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**1,314,389,107**	1,311,957,859
Basic earnings per share *(RMB)*	**0.12**	0.23
Diluted earnings per share *(RMB)*	**0.12**	0.23

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the six months ended 30 June 2020 and 2019 and were not taken into account in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the six months ended 30 June 2020 of RMB157,696,000 (30 June 2019 of RMB297,201,000), and the weighted average number of ordinary shares of 1,292,712,664 (30 June 2019: 1,292,597,884) in issue during the six months ended 30 June 2020.

11. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**1,021,110**	860,826
More than six months but less than one year	**90,282**	21,656
One to two years	**12,453**	4,517
Two to three years	**20,499**	26,809
	1,144,344	913,808

12. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Debt instruments at fair value through other comprehensive income:		
Bills receivables	**240,372**	218,362

The Group's business model for the management of bills receivable is aimed at both receiving contractual cash flows and selling. As a result, it is classified and presented as debt instruments at fair value through other comprehensive income.

As at 30 June 2020, the Group's debt instruments at fair value through other comprehensive income with a carrying amount of RMB20,511,000 (31 December 2019: RMB58,571,000) were pledged to issue banks' acceptance bills and letters of credit.

13. TRADE AND BILLS PAYABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**366,105**	428,075
Bills payable	**212,986**	130,822
	579,091	558,897

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**256,482**	404,025
4 to 6 months	**47,538**	2,607
7 to 12 months	**39,747**	7,754
1 to 2 years	**9,922**	9,296
2 to 3 years	**8,284**	4,393
Over 3 years	**4,132**	–
	366,105	428,075

The trade payables are non-interest-bearing and are normally settled on terms within 180 days.

14. EVENTS AFTER THE REPORTING PERIOD

In addition to the transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Group had following subsequent events after the Reporting Period:

Approved by China Securities Regulatory Commission on 13 July 2020 and the shareholders on a general meeting of the Company on 13 August 2019, the Company publicly issued A share convertible bonds with a nominal value of RMB2,108,000,000 on 6 August 2020.

INDUSTRY REVIEW

1. Analysis of lithium resource market

The majority of global lithium resources are sourced from salt lakes and hard-rock lithium mines. Well-developed salt lakes are mainly found in the lithium delta of South America and in China, while the majority of lithium mines are concentrated in Western Australia. According to the research report of Minmetals Securities, from 2015 to 2019, the global output of ore lithium in concentrate increased significantly from 61,000 tons LCE to 258,000 tons LCE, while the global output of salt-lake lithium grew from 97,000 tons LCE to 178,000 tons LCE. In recent years, the growing demand for lithium chemicals has been largely met with increased production of lithium ore which is used as a feedstock in downstream lithium chemical production. In comparison to lithium products derived from salt lakes, lithium mines have a relatively shorter timeline to produce lithium products.

(1) Market of spodumene concentrate

During the past three years, several new lithium mines located in Western Australia were brought into production, and some existing projects announced or executed on expansion plans. This new supply had an impact on the spodumene market, creating oversupply conditions of spodumene which persist today. According to the data on Fastmarket, as of the end of June 2020, the domestic CIF price of 5%-6% spodumene concentrate was around USD400–430/ton, representing a substantial decrease compared to prices in early 2020. Abundant supply of spodumene and lower spodumene prices have reduced our production costs and helped to offset the financial impact from the decline in price of some refined lithium products.

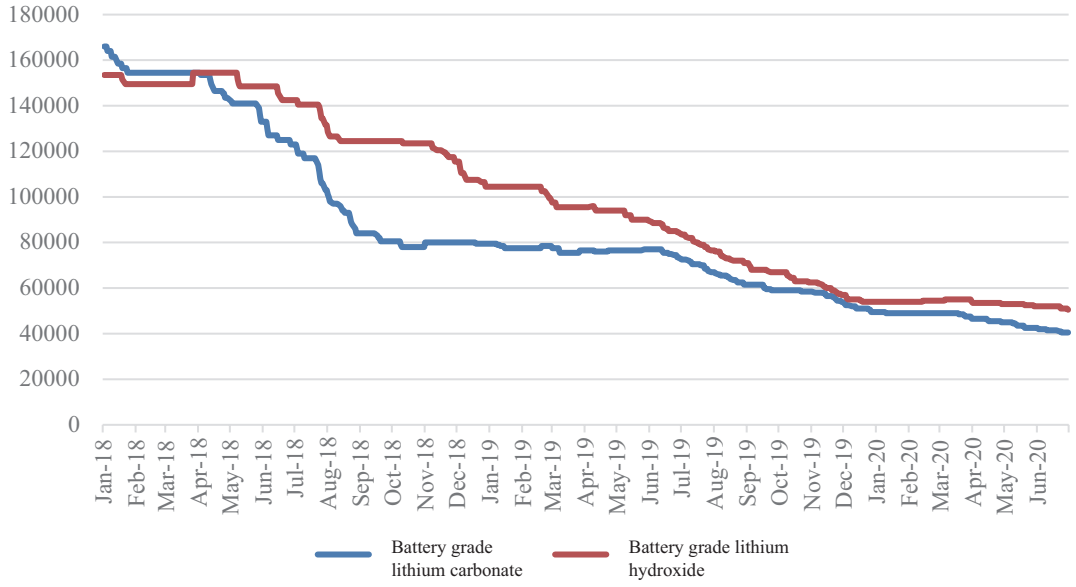
(2) Market of salt lake brines

The current brine projects in South America are mainly in Chile and Argentina, making for a highly concentrated industry. Future increase in salt lake resources of South America will be mainly attributable to the operation and capacity expansion of several projects including the Company's Cauchari-Olaroz project, while increase in supply of lithium compounds generated from brine resources will be seen after 2020. In the short term, all lithium projects in South America have postponed their capacity expansion progressively considering the vendors' judgments over the future market demands as well as the impact of the COVID-19 pandemic, which will, to a certain extent, slow down the growth of short term lithium compound supply, shift the current supply and demand imbalance, and create conditions for an improved pricing environment in the future.

2. Analysis of the lithium compound market

In recent years, prices of major lithium compounds have been fluctuating violently in China market. The prices for major lithium compounds have fallen from a high point since 2018 as a result of the proactive capacity expansions of domestic and overseas lithium salt vendors and weaker-than-expected demand due to subsidy cuts in China. According to the data from the website of Asian Metal, the price of lithium carbonate has been declined sharply since April 2018 in the Chinese market; during the Reporting Period, price of major lithium compounds continued to trend down in the Chinese market, and price of lithium carbonate and lithium hydroxide has experienced a gradual decline since the beginning of 2020. Specific movements are shown in the following table:

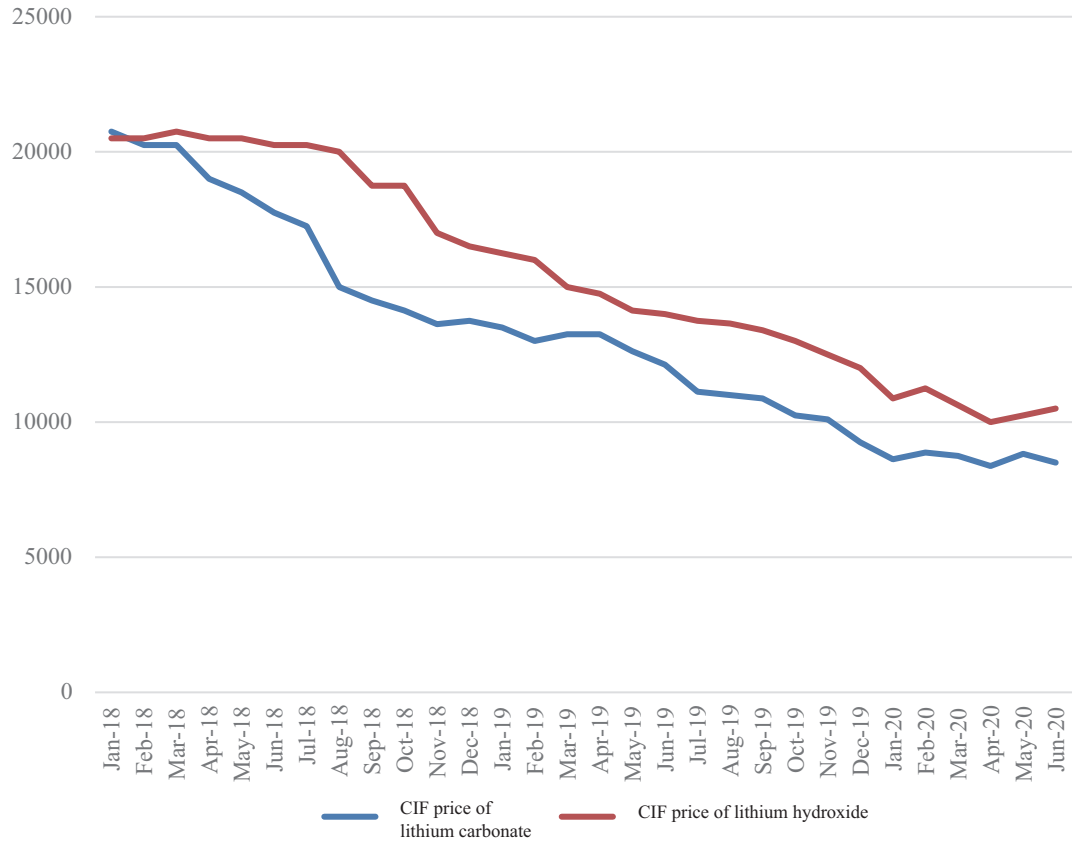
Spot prices of lithium carbonate and lithium hydroxide in China (Unit: RMB/ton)



Source: Minmetals Securities Institute

Meanwhile, the prices of major lithium compounds remained relatively stable in international market. In Asian market, for example, the CIF prices of lithium carbonate and lithium hydroxide experienced a gradual decline in the second half of 2018, and then slowed down in the end of 2019; the CIF prices of lithium carbonate and lithium hydroxide have gradually stabilized since the beginning of 2020. Relative specific movements are shown in the following table:

CIF prices of lithium carbonate and lithium hydroxide in Asia (Unit: USD/ton)



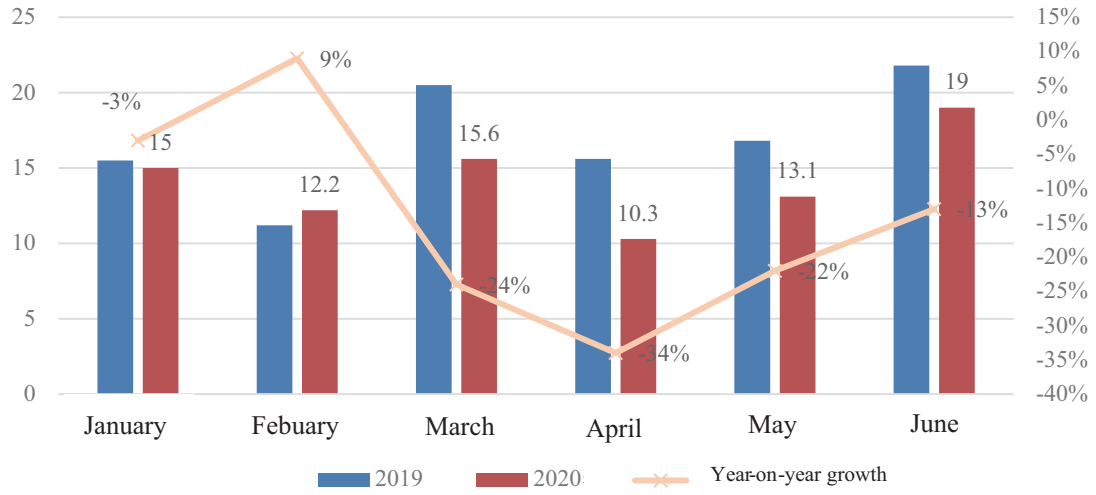
Source: Benchmark

The reduction of China's government subsidies for electric vehicles has had a substantial impact on electric vehicle market, especially at the low-end of the electric vehicle market. The elimination of subsidies for low-range electric vehicles resulted in lower demand for lithium compounds among smaller local electric vehicles manufacturers. At present, as the impact of subsidy cuts has gradually been weakened in the domestic market, the industry appears to have stabilized and the lithium compound market has gradually resumed the balance between supply and demand. As a leading enterprise in the lithium compound deep-processing business, the Company, capitalizing on the opportunities arising from industry reshuffle, continues to enhance its competitiveness and further cement and improves its industrial position.

3. Analysis of the electric vehicle market

According to the statistics of the "Electric Vehicle Industry Chain Database" released by Gaogong Industry Research Institute (GGII), the sales of electric passenger vehicles in the first half of 2020 amounted to approximately 851,000 across the globe, representing a year-on-year decrease of 16%. The overall outbreak of the COVID-19 pandemic in March led to a decline in the sales of electric passenger vehicles. In April, with the expansion of the COVID-19 pandemic, the implementation of travel control all over Europe and America, and the suspension of operation and production of all vehicle enterprises, contributed to a sharp drop in sales volume of up to 34%. In May and June, the industry began to rebound. Relative specific movements are shown in the following table:

Analysis of the sales of the electric vehicles across the globe from January to June 2020 (10,000 vehicles)



Source: Gaogong Industry Research Institute (GGII)

China's electric vehicle market was greatly affected by its policies. According to the data of China Association of Automobile Manufacturers, the production and sales of China's electric vehicles amounted to 0.397 million and 0.393 million respectively from January to June 2020, representing a year-on-year decrease of 36.5% and 37.4% respectively. In particular, the production and sales of pure electric vehicles amounted to 0.301 million and 0.304 million, representing a year-on-year decrease of 40.3% and 39.2%, respectively; and the production and sales of plug-in hybrid electric vehicles amounted to 95,000 and 88,000, representing a year-on-year decrease of 20% and 29.8%, respectively.

The important domestic policies recently issued relating to the electric vehicle are as follows:

Issuing authority	Issuing time	Industrial policy	Descriptions
MIIT	7 April 2020	Decision on revision of Provisions on the Access Administration of Electric Vehicle Manufacturers and Products (《電動汽車生產企業及產品准入管理規定》)(Consultation draft)	To lower the entry threshold for electric vehicles manufacturers, the entry examination requirements relating to "design and development capability" in the provisions are deleted, the provision that "new pure electric vehicle manufacturers shall meet the provisions of 'Regulations for the new Pure Electric Passenger Vehicles'" is deleted.
3 departments including Ministry of Finance	22 April 2020	Announcement on Relevant policies for the Exemption of Vehicle Purchase Tax for Electric Vehicles (《關於電動汽車免征車輛購置税有關政策的公告》)	From 1 January 2021 to 31 December 2022, electric vehicles purchased will be exempted from vehicle purchase tax.
4 departments including Ministry of Finance	23 April 2020	Notice on Improving the Policies on Financial Subsidies for Promotion and Application of Electric Vehicles (《關於完善電動汽車推廣應用財政補貼政策的通知》)	The implementation period of financial subsidy policy for the promotion and application of electric vehicles will be extended to the end of 2022. On this basis, the subsidy decline will be eased. In principle, the maximum subsidy scale is about 2 million vehicles per year. Before subsidy, the selling price of electric passenger vehicles should be less than RMB0.3 million (including RMB0.3 million).

Issuing authority	Issuing time	Industrial policy	Descriptions
4 departments including Ministry of Ecological Environment	14 May 2020	Announcement on Adjusting the Relevant Requirements for Implementing the Sixth Stage National Emission Standards for Light Vehicles(《關於調整輕型汽車國六排放標準實施有關要求的公告》)	The sixth stage national emission standards for light vehicles has been implemented nationwide since 1 July 2020, and the production of light vehicles under the five stage national emission standards will be prohibited, and the imported light vehicles shall meet the sixth stage national emission standards.
5 departments including MIIT	22 June 2020	Decision on Revising the Measures for the Parallel Administration of the Average Fuel Consumption and Electric Vehicle Credits of Passenger Vehicle Enterprises(《關於修改〈乘用車企業平均燃料消耗量與電動汽車積分並行管理辦法〉的決定》)	The requirements of electric vehicle credit proportion from 2021 to 2023 are clarified, and the requirements of electric vehicle credit proportion in 2019, 2020, 2021, 2022 and 2023 are increased year by year. The measures to guide the energy saving of traditional passenger vehicles are added, and the enterprises producing/ supplying fuel efficient vehicles are given preferential accounting when calculating the standard value of electric vehicle credits. Passenger vehicle enterprises can use the positive credits of electric vehicles generated in 2021 to compensate the negative credits of electric vehicles in 2020. This decision is helpful for automobile enterprises to make reasonable arrangements based on their own conditions to better complete the assessment requirements, further enhance the enthusiasm of automobile enterprises in the research and development of electric vehicles, so as to facilitate the long-term healthy development of the electric vehicle market.

The subsidy policy for electric vehicles in China will be extended to 2022. In the short term, it represents a reasonable support policy designated by the Chinese government based on the current industry situation. It will ease the decline of subsidies and promote the consumption of electric vehicles. In the long run, as subsidies are removed entirely, the development of the electric vehicle industry will depend on cost reduction and product quality improvement.

The important foreign policies issued recently relating to the electric vehicle are as follows:

Issuing authority	**Issuing time**	**Industrial policy**	**Descriptions**
German Government's Commission	17 February 2020	"Umweltbonus" (Environmental bonus) Program (環境獎金)計劃	The latest subsidy policy will increase the amount of subsidy for electric vehicles by 50%. The maximum subsidy for pure electric vehicles is 9,000 euro (lasting until the end of 2021), but the vehicle price shall be less than 40,000 euro. 5,000 euro is subsidized for vehicles of which the prices are between 40,000 and 60,000 euro.
National Highway Traffic Safety Administration (NHTSA) and Environmental Protection Agency (EPA)	31 March 2020	Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule	In the future, the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule will replace the Corporate Average Fuel Economy (CAFE) Standards. According to the latest SAFE rule, automobile manufacturers need to increase the average fuel economy of passenger vehicles and light trucks by 1.5% per year from 2021 to 2026, and finally reaching 40 mpg.

Issuing authority	Issuing time	Industrial policy	Descriptions
European Commission	19 May 2020	Green Economic Recovery Plan	The EU intends to boost the electric vehicle industry as an important part of green economic recovery, including encouraging automobile enterprises to produce and sell clean-energy vehicles and increasing investment in charging infrastructure. Among them, the exemption of value added tax on zero emission vehicles may accelerate the purchasing parity of electric vehicles in Europe to stimulate consumption.
Council of French Government	27 May 2020	8 billion-euro plan to revive the auto industry	The subsidies are increased: government subsidies for private consumers who buy electric vehicles are increased from 6,000 euro to 7,000 euro, and commercial customers can get a subsidy of 5,000 euro. At the same time, a subsidy of 3,000 euro will be given for redeeming diesel/gasoline vehicles and 5,000 euro for pure electric vehicles.

Issuing authority	Issuing time	Industrial policy	Descriptions
House Committee on Transportation and Infrastructure	3 June 2020	Investing in a New Vision for the Environment and Surface Transportation in America (INVEST in America) Act	USD494 billion will be invested in the U.S. environment and surface transportation, including investment in EV charging infrastructure and zero-emission public transportation. The release of this act reflects the federal goal for the development of electric transportation. The electric transportation has a large market for public travel, and the construction of charging facilities promotes the further optimization of vehicle-to-pile ratio, which will further promote the market share of new electric vehicles.
German Government's Commission	3 June 2020	130-billion-euro Stimulus Package	Subsidies for electric vehicles are increased and the VAT rate is reduced in 2020-2021. Among them, pure electric vehicles registered between 2011 and 2025 will be exempted from tax for 10 years. Plug-in hybrid vehicles are subject to tax, but bearing a rate lower than that of fuel vehicles. The value-added tax is reduced from 19% to 16%.

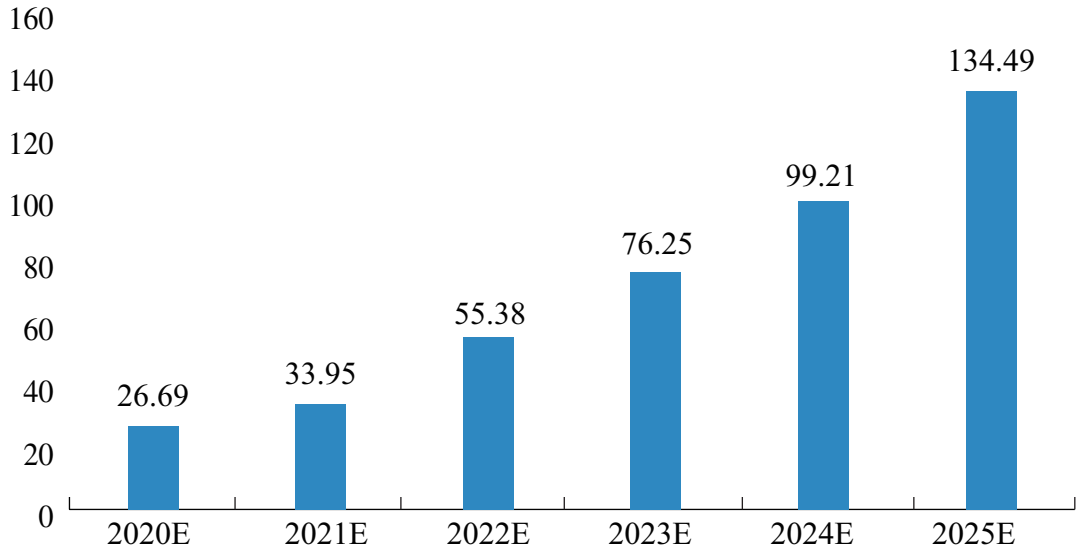
The core driving force for the development of electric vehicles derives from the resonance of "policy + quality supply + demand". Among them, European carbon emission regulations and China's policy of double credits are the core driving forces for the growth of the global electric vehicles industry. At present, overseas countries continue to strongly promote the electric vehicles, many of which have introduced significant preferential policies for electric vehicles, and increased subsidies to stimulate the demand of end-users.

The outbreak of COVID-19 epidemic will not stop the development trend of electric vehicles in the short term. It is expected that global electrification of vehicles is entering into a period of accelerated growth driven by new high-quality EV launches from Chinese and overseas OEMs in the near future. According to the prediction of Minmetals Securities, the sales of China's electric vehicles will be 1.0–1.1 million in 2020, and the sales of global electric vehicles will be 2.0–2.4 million. With the weakening of the impact of the COVID-19 epidemic in the second half of 2020, and the launch of electric vehicles by OEM vehicle manufacturers worldwide, the electric vehicle market in China and the world is expected to gradually recover.

4. Analysis of the power battery recycling market

Given the service life of power battery, direct scrap of lithium battery in China has so far not entered the outbreak stage and scrap batteries are still mainly comprised of production scraps of battery factories and consumer electronic lithium batteries. From the perspective of landscape, enterprises at both the upstream and downstream of the industry chain are energetically seeking for recycling layout as it is of great significance and importance to make reasonable reuse of obsolete power batteries with the approaching of the concentrated scrap of power batteries; from the perspective of applications, retired power batteries are of enormous application potential in the energy storage and low-speed electronic vehicle sectors. It is expected that China will have retired lithium-on batteries in the amount of approximately 240,000 tonnes by 2020 and 530,000 tonnes by 2022, respectively.

Estimated Size of Retired Motive Power Batteries In the future (Unit: GWH)



Source: China Merchants Securities

BUSINESS REVIEW

During the Reporting Period, the Group achieved an operating income of RMB2,374,606 thousand, representing a decrease of 15.26% as compared with the corresponding period last year; and the profits attributable to the owners of the parent company of RMB157,696 thousand, representing a decrease of 46.94% as compared with the corresponding period last year. At the end of the Reporting Period, the total assets and net assets of the Group amounted to RMB16,010,919 thousand and RMB8,261,549 thousand, representing an increase of 12.65% and a decrease of 1.77%, respectively, as compared with the end of last year.

During the Reporting Period, the COVID-19 pandemic brought along an impact on the Group's business performance and the development of the lithium industry. Since the outbreak of the pandemic, the Group has paid close attention to the development of the pandemic, actively engaged in pandemic prevention and control, and actively organized the resumption of work and production on the premise of ensuring the health and safety of its employees. Except for the temporary suspension of production of some of the Group's product lines in February 2020 due to the pandemic, the Group has tried its best to fulfill the orders of customers for products such as lithium compounds, lithium metal, and lithium batteries, with the purpose of minimizing the impact of the pandemic on its operating performance.

During the Reporting Period, the Group continued to acquire upstream high-quality lithium resources globally, enriched and broadened the diversified supply of raw materials on a continuous basis. During the Reporting Period, Ganfeng Lithium Netherlands Co., B.V. ("**Ganfeng Lithium Netherlands**") (荷蘭贛鋒) entered into the agreement with Lithium Americas Corp. ("**LAC**") (美洲鋰業) and Minera Exar S.A in Argentina ("**Minera Exar**") to increase its shareholding in Minera Exar in Argentina to 51%. After the completion of the above-mentioned transactions, the Company will take a controlling stake in Minera Exar and obtain the majority seats of the management committee and the Board. The assets of Minera Exar in Argentina will be consolidated and included in the financial statements of the Company and promote the smooth construction of Cauchari-Olaroz salt lake project of Minera Exar.

During the Reporting Period, the Group's rebuilding and extension of basic Lithium Plant Stage III was progressing smoothly, which is expected to be put into operation by the end of 2020. During the Reporting Period, the Group actively deepened the layout of the lithium battery business segment. Dongguan Ganfeng Electronics Co., Ltd.'s full-automation lithium polymer battery production line and Jiangxi Ganfeng Battery Technology Co., Ltd.'s lithium iron phosphate energy storage battery production line were running smoothly; Xinyu Ganfeng Electronics Co., Ltd.' TWS batteries had a daily output of 100,000 to 120,000 sets; In terms of recycling retired lithium batteries, the Group will build a large-scale comprehensive facility that can recover 100,000 tons of retired lithium batteries per year, planned the layout of dozens of pre-disposal centers nationwide, and actively planned an overseas battery recycling and disposal network, so that retired batteries can be delivered and dismantled at a short distance, which improves safety attributes and facilitates local business operations.

During the Reporting Period, the Company actively promoted the public issuance of A-share convertible corporate bonds. The A-share convertible corporate bonds are intended to raise a total of RMB2,108 million, which will be used for subscribing for some equity interests of the project in Minera Exar and the reconstruction and expansion project for the10,000-ton lithium salt. The Company received the Approval of the Public Issuance of Convertible Corporate Bonds by Ganfeng Lithium Co., Ltd. issued by the China Securities Regulatory Commission on 13 July 2020 (Zheng Jian Xu Ke [2020] No. 1398), and successfully completed the issuance of convertible bonds on 6 August 2020. The implementation of this convertible bond issuance and fundraising project is expected to further enhance the Company's capital strength, reduce raw material costs, expand product scale, and consolidate its leading position in the industry.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. Consolidate the advantages and continue to acquire upstream lithium resources globally

Securing high-quality and stable lithium resources is fundamental to the long-term sustainable growth of our business. The Company will continuously expand its current lithium resources portfolio through further mergers and acquisitions and exploration, with a focus on brine-based extraction development. In 2020, the Company plans to increase its stake in Minera Exar in Argentina to 51%, and proactively advance the development and construction of the Cauchari-Olaroz lithium salt lake project, which is scheduled to be put into operation in 2021. The feasibility study of Mariana Project in Argentina was successfully completed in 2019, and the project is getting to start environment assessment, pilot scale test, and design of plant construction. The Company acquired the equity of the Sonora project in Mexico in 2019, which will become the world's leading project for extracting lithium from clay. The Company will continue to actively explore the possibility of acquiring further sources of lithium by virtue of experience along the industry value chain and insights into the market trends in order to enrich the core portfolio of high-quality lithium resources and provide reliable high-quality supply of lithium resources for the further enhancement of midstream and downstream operations.

2. Expand the production capacity of treatment and processing facilities

The Company has planned for a series of capacity expansions of its manufacturing facilities to capitalize on the growing demand of lithium and solidify its leading position in the lithium products industry. The Company is building a battery grade lithium hydroxide production line with a production capacity of 50,000 tonnes per annum at Basic Lithium Plant in Xinyu, which targets commissioning by the end of 2020. The new production facilities will expand the Company's production capacity to cope with the rapid growth of the business. The Company will expand its production capacity based on the changes in and assessment of future market demands for lithium products and plans to establish a lithium carbonate equivalent production capacity comprising 100,000 tonnes per annum of lithium extracted from ore and 100,000 tonnes per annum of lithium extracted from brine and clay in 2025.

3. Develop lithium battery business

The Company intends to further develop and upgrade the existing lithium battery production and carry out the technological research and development ("**R&D**") and industrialization in relation to a new generation of solid-state lithium battery for the sake of our future growth. In the future, the Company will expand production capacity and output for consumer batteries, power and energy storage batteries, and TWS wireless Bluetooth headset batteries, and continue to accumulate market reputation with superior quality. Ningbo solid electrolyte powder materials and solid diaphragm production technology are continuously optimized. The Company will further accelerate the commercialization of solid lithium battery technology.

4. Develop lithium battery recycling business

With increasing demand for retired battery management growing in tandem with the use of automobiles and consumer electronics, the Company's lithium battery recycling business has a promising growth potential, and enables us to further enrich our lithium raw material sources. Furthermore, the Company's ability to recycle lithium batteries offers a sustainable value-added solution to battery manufacturers and electric vehicle manufacturers, which help strengthen our ties with such customers, expand the scale of battery recycling and improve the technologies of our battery recycling business. To promote sustainability and create additional revenue sources, the Company aims to leverage the growing number of retired lithium batteries and become one of the leading players in lithium battery recycling area across the globe. In this aspect, the retired lithium battery disassembling and comprehensive rare metal recycling project invested and constructed by Ganfeng Recycling has achieved a recycling and disposal capability of 34,000 tons. In the future plan, the Company will build a large-scale comprehensive facility that can recycle 100,000 tons of retired lithium batteries per year. The Company continues to expand downstream by expanding the production capacity of our lithium battery recycling business and developing a specialty in recycling and reusing retired batteries.

5. Further enhance R&D and innovation capabilities

Committed to technological R&D, the Company will capitalize on its capacity as National Post-doctoral Research Station, National Enterprise Technology Center, National Engineering Research Center, Academic Station and other research and development platforms to strengthen long-term cooperative relationships with domestic and overseas colleges and universities as well as scientific academies for joint development of new products, technologies and processes and in turn further improve its innovation capability. The Company will further improve its lithium extraction methods and high purity lithium processing techniques, so as to maintain its technological edge in the global lithium industry. Our R&D efforts include:

- Development and production of solid electrolytes and anodes for solid-state lithium batteries, and research and development on solid-state lithium batteries;

- Secondary utilization and recycling of lithium batteries;

- Improvement of production techniques and leveling up automation for existing products;

- Customized processes and extraction methods for lithium raw materials from different types of salt lake brines;

- Production of lithium motive power batteries and energy storage batteries.

6. Develop into a supplier of integrated solutions to deepen customer relationships

The Company is positioned as a total solutions provider to accentuate its role in the development and production process, and deepens its cooperative relationships with customers by forming strategic alliances with its customers, facilitating more frequent communications and providing more comprehensive services. As a vertically integrated supplier, the Company aims to leverage the synergies among different business segments and provide customers with total solutions through the industry value chain, including securing stable supply of lithium raw materials, providing high quality lithium compounds, supplying advanced lithium batteries, and offering lithium battery recycling service, which help its customers optimize production costs, shorten production cycle, accelerate production and promote sustainability. By deepening its relationships with its blue-chip customers, the Company integrates its products and/or services into the principal business of its customers, so as to enhance the revenue contributed to its customers.

7. Enhance capacities in business operation and management

- Optimize comprehensive quality monitoring measures, intensify on-site management, and promote compliance of working safety rules;

- Nurture management personnel, replenish personnel reserve with technologically-adept and veteran employees, and enhance technical trainings for employees;

- Cement the marketing, logistics and sales service systems so as to make coordinated arrangements among production, warehousing and distribution, optimize logistics, reduce transportation costs, improve the ability to respond to the requests of customers and level up efficiency and service standards;

- Protect resources and reduce carbon emission so as to achieve sustainable growth.

FINANCIAL REVIEW

1. Overview

During the Reporting Period, the Group's revenue amounted to RMB2,374,606 thousand, representing a decrease of RMB427,633 thousand as compared to RMB2,802,239 thousand as at 30 June 2019. The Group's gross profit amounted to RMB461,768 thousand, representing a decrease of RMB246,417 thousand as compared to RMB708,185 thousand as at 30 June 2019. During the Reporting Period, the Group's basic earnings per share were RMB0.12 (six months ended 30 June 2019: RMB0.23).

The profit attributable to the owners of the parent company for the Reporting Period amounted to RMB157,696 thousand, representing a decrease of RMB139,505 thousand, or 46.94%, as compared to RMB297,201 thousand as at 30 June 2019, which was mainly due to the decrease in gross profit as impacted by the continuing decline in the market price of lithium salts during the Reporting Period.

2. Analysis of revenue and cost

During the Reporting Period, the Group derived its revenue from sales of lithium compounds, lithium metals, lithium batteries and other products. Total revenue decreased by RMB427,633 thousand from RMB2,802,239 thousand as at 30 June 2019 to RMB2,374,606 thousand as at 30 June 2020. The decline in total revenue was mainly due to the decrease in sales revenue as impacted by the continuing decline in the market price of lithium salts for the Reporting Period.

1) Analysis of revenue by products and regions

The following table sets forth an analysis of revenue by products, by sales regions and by end customers, expressed in absolute amounts and as percentages of total revenue, for the years and periods indicated.

By products:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	RMB'000	***%***	*RMB'000*	*%*
Lithium metal and lithium compound	**1,780,325**	**74.97**	2,260,350	80.66
Lithium battery	**414,036**	**17.44**	266,369	9.51
Others *(Note)*	**180,245**	**7.59**	275,520	9.83
Total	**2,374,606**	**100.00**	2,802,239	100.0

Note: Including NCM precursors, lithium oxide, lithium dihydrogen phosphate and other products.

By sales regions:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	RMB'000	***%***	*RMB'000*	*%*
China	**1,482,652**	**62.44**	1,771,217	63.21
Overseas	**891,954**	**37.56**	1,031,022	36.79
Total	**2,374,606**	**100.00**	2,802,239	100.00

2) Analysis of operating cost by products

By products:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	RMB'000	***%***	*RMB'000*	*%*
Lithium metal and lithium compound	**1,417,586**	**74.11**	1,610,627	76.91
Lithium battery	**348,531**	**18.22**	244,024	11.65
Others *(Note)*	**146,721**	**7.67**	239,403	11.44
Total	**1,912,838**	**100.00**	2,094,054	100.00

Note: Including NCM precursors, lithium oxide, lithium dihydrogen phosphate and other products.

3. Gross profit and gross profit margin

The gross profit margin of the Group for the Reporting Period was 19.45%, representing a decrease of 5.82% as compared with 25.27% as at 30 June 2019, mainly due to the continued decline in the market price of lithium salts.

By products:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	RMB'000	***%***	*RMB'000*	*%*
Lithium metal and lithium compound	**362,739**	**20.37**	649,723	28.74
Lithium battery	**65,505**	**15.82**	22,345	8.39
Others *(Note)*	**33,524**	**18.60**	36,117	13.11
Total	**461,768**	**19.45**	708,185	25.27

Note: Including NCM precursors, lithium oxide, lithium dihydrogen phosphate and other products.

4. Other income and gains

Other income and gains of the Group mainly consist of investment income generated from disposal of financial assets, government grants, income from sales of raw materials and interest income. Other income and gains of the Group for the Reporting Period amounted to RMB134,138 thousand, representing an increase of RMB10,393 thousand as compared to RMB123,745 thousand as at 30 June 2019, which was mainly due to the increase in investment income generated from disposal of financial assets during the Reporting Period.

5. Expenses

	For the six months ended 30 June 2020 *RMB'000*	For the six months ended 30 June 2019 *RMB'000*	Change *%*	Reason of material change
Selling and distribution expenses	**26,308**	51,842	-49.25	Primarily consisting of employee benefit expenses, transportation expenses, warehouse and port expenses, rental expenses, sales commission, travel expenses and others. The decrease in selling and distribution expenses during the Reporting Period was mainly due to the transportation services provided by Ganfeng Transportation to the group companies during the Reporting Period were not included in the accounting of selling and distribution expenses
Administrative expenses	**106,718**	230,077	-53.62	Primarily consisting of employee benefit expenses, office expenses, travel expenses, intermediary fees, R&D expenses, bank service expenses and others as well as depreciation and amortization of assets. The decrease in administrative expenses during the Reporting Period was mainly due to the equity incentive fees generated at the same period of last year, while no such fee was incurred during the Reporting Period
Other expenses	**164,000**	159,188	3.02	Primarily consisting of net loss on changes in fair value of investments at fair value through profit or loss, cost for sales of raw materials, impairment loss, loss on disposal of property, plant and equipment and others. There was no significant change for the Reporting Period as compared to the same period of last year
Finance costs	**120,880**	95,886	26.07	Primarily consisting of interest expense on bank borrowings, interest expense on convertible bonds and interest expense on discounted bills. The increase in finance costs during the Reporting Period was mainly due to an increase in interest expenses on borrowings

6. Other expenses

Other expenses of the Group for the Reporting Period amounted to RMB164,000 thousand, representing an increase of RMB4,812 thousand as compared to RMB159,188 thousand as at 30 June 2019. The details are as follows:

	For the six months ended 30 June 2020 ***RMB'000***	For the six months ended 30 June 2019 *RMB'000*
Fair value losses of financial assets at fair value through profit or loss	**62,609**	119,143
Cost of raw materials sold	**3,812**	11,372
Impairment of trade receivables, net	**14,961**	6,785
Impairment of financial assets included in prepayments, other receivables and other assets, net	**63,551**	534
Write-down of inventories to net realisable value	**9,273**	–
Net loss on disposal of items of property, plant and equipment	**81**	7,825
Exploration expenditure	**7,097**	2,095
Foreign exchange differences, net	**–**	7,570
Others	**2,616**	3,864
Total	**164,000**	159,188

7. Research and development expenses

The R&D expenses of the Group for the Reporting Period amounted to RMB47,008 thousand, representing an increase of 27.58% as compared to RMB36,847 thousand as at 30 June 2019, and accounting for 1.98% of the Group's revenue, which was mainly due to increase in research and development expenses for lithium salts and solid-state batteries.

8. Cash flows

	For the six months ended 30 June 2020 *RMB'000*	For the six months ended 30 June 2019 *RMB'000*	**Change** *%*	**Reason of material change**
Net cash flows from/(used in) operating activities	**189,779**	194,388	-2.37	Mainly due to an decrease in cash received from sales of goods and provision of labor services during the Reporting Period
Net cash flows used in investing activities	**(677,926)**	(1,463,470)	-53.68	Mainly due to an decrease in cash paid for investment during the Reporting Period
Net cash flows from/(used in) financing activities	**1,355,182**	1,010,063	34.17	Mainly due to an increase in cash received from borrowings during the Reporting Period

9. Financial position

Non-current assets increased by RMB567,928 thousand from RMB8,496,001 thousand as at 31 December 2019 to RMB9,063,929 thousand as at 30 June 2020, which was mainly due to the increase in financial assets at fair value through profit or loss and other long-term assets.

Current assets increased by RMB1,229,959 thousand from RMB5,717,031 thousand as at 31 December 2019 to RMB6,946,990 thousand as at 30 June 2020, which was mainly due to the increase in cash and cash equivalents, trade and bills receivables.

Current liabilities increased by RMB1,271,076 thousand from RMB3,258,857 thousand as at 31 December 2019 to RMB4,529,933 thousand as at 30 June 2020, which was mainly due to the increase in interest-bearing bank and other borrowings, other payables and accruals.

Non-current liabilities increased by RMB675,543 thousand from RMB2,543,894 thousand as at 31 December 2019 to RMB3,219,437 thousand as at 30 June 2020, which was mainly due to the increase in interest-bearing bank and other borrowings.

As at 30 June 2020 and 31 December 2019, net current assets of the Group amounted to RMB2,417,057 thousand and RMB2,458,174 thousand, respectively; net assets amounted to RM8,261,549 thousand and RMB8,410,281 thousand, respectively.

As at 30 June 2020 and 31 December 2019, cash and cash equivalents of the Group amounted to RMB2,207,216 thousand and RMB1,328,104 thousand, respectively.

10. Income tax expenses

During the Reporting Period, income tax of the Group amounted to RMB33,715 thousand, representing a decrease of RMB56,803 thousand as compared to RMB90,518 thousand for the six months ended 30 June 2019, which was mainly due to a decrease in profit before tax during the Reporting Period.

11. Capital expenditure

During the Reporting Period, capital expenditure of the Group was RMB399,200 thousand, representing a decrease of RMB169,771 thousand as compared to RMB568,971 thousand for the six months ended 30 June 2019. The Group's capital expenditures mainly consist of expenditures incurred for the purchase of property, plant and equipment, expenditures incurred in respect of the increase in prepaid land lease payments and additions to other intangible assets. Funds used as capital expenditure of the Group were mainly sourced from bank borrowings, proceeds from share issuance and cash flows generated from operating activities of the Group.

12. Interest-bearing bank and other borrowings

As at 30 June 2020, bank and other borrowings of the Group amounted to RMB5,072,003 thousand (31 December 2019: RMB3,425,658 thousand). As at 30 June 2020, the balance of liability in convertible bonds of the Group amounted to RMB780,423 thousand (31 December 2019: RMB762,355 thousand), which will fall due on 21 December 2023.

13. Restricted assets

As at 30 June 2020, assets with a total carrying value of RMB576,421 thousand (31 December 2019: RMB430,397 thousand) of the Group were used as collateral for bank borrowings and other bank facilities, and such assets included pledged deposits and bills receivables of RMB555,910 thousand (31 December 2019: RMB371,826 thousand) and RMB20,511 thousand (31 December 2019: RMB58,571 thousand), respectively.

14. Gearing ratio

As at 30 June 2020, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 48.40%, increased by 7.57% from 31 December 2019.

15. Exposure to risks of exchange rate fluctuation and corresponding hedging measures

The Group business is located in Mainland China and all transactions are denominated in Renminbi. Most of our assets and liabilities are denominated in RMB, except for certain bank balances denominated in U.S. dollars and other foreign currencies. Our assets and liabilities denominated in U.S. dollars were mainly held by certain subsidiaries which were incorporated outside Mainland China and adopted U.S. dollars as their functional currency, and the Group did not conduct any material foreign exchange transactions in Mainland China during the Reporting Period. In view of the foregoing, the Group had no material foreign exchange risks during the Reporting Period.

16. Contingent liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

17. Employees and remuneration system

As at 30 June 2020, the Group had a total of 5,237 employees. The remuneration package of the Group's employees includes salaries, allowances, benefit in kind and performance related bonuses.

18. Capital commitments

The Group had the following capital commitments as at 30 June 2020:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
Contracted, but not provided for		
– Land and buildings	**–**	–
Contracted, but not provided for		
– Plant and machinery	**419,559**	414,418
Total	**419,559**	414,418

OTHER MATTERS

Significant Equity Acquisitions and Investments During the Reporting Period

Acquisition of equity in Minera Exar S.A.

On 7 February 2020, the Group entered into transaction agreement with Minera Exar (which holds 100% equity interests in the Cauchari-Olaroz lithium salt lake project) and LAC to subscribe for 14,389,484 new shares from Minera Exar with a total consideration of USD16,326,531. Upon completion of the Acquisition, the Board agreed that the Group and LAC simultaneously inject capital in Minera Exar in accordance with the proportion of the equity interest they held, among which, the amount of capital injection of the Group shall not exceed USD200 million to ensure the smooth construction and operation of Cauchari-Olaroz project. On 24 March 2020, the resolution in relation to the "subscription of certain equity involving investment in mining rights and capital increase in Argentina Minera Exar by Netherlands Ganfeng, a wholly-owned subsidiary of GFL International, and related party transaction" was approved by the shareholders of the Company (the "**Shareholders**"). The subscription has not yet been completed. Upon completion of the subscription, the Group will hold a total of 51% equity interests in Minera Exar, making it the largest controlling shareholder in Minera Exar and LAC will retain its 49% equity interests in Minera Exar.

Acquisition of equity in Exar Capital BV

On 7 February 2020, the Board agreed the subscription of no more than 688,776 new shares of Exar Capital by GFL International, a wholly-owned subsidiary of the Company, with its self-owned funds of no more than USD688,776. On 24 March 2020, the resolution in relation to the "approval of subscription of certain equity in Exar Capital and provision of financial assistance to Exar Capital by GFL International (a wholly-owned subsidiary of the Company) and related party transaction" was approved by the Shareholders. Upon the completion of the transaction, it is agreed that GFL International provide a total financial assistance amount of no more than USD40 million to Exar Capital for its related borrowings repayment. The transaction has not yet been completed. Upon the completion of the subscription, GFL International will hold no more than 51% equity interests in Exar Capital.

Capital injection in Reed Industrial Minerals Pty Ltd. ("RIM")

On 7 February 2020, the Board of the Company agreed the capital increase in Australia-based RIM Company by GFL International, a wholly-owned subsidiary, and Process Minerals International Pty Ltd in proportion to their respective shareholdings, with the transaction amount not exceeding AUD50 million. On 24 March 2020, the resolution in relation to the "capital increase in Australia-based RIM Company and related party transaction" was approved by the Shareholders.

Acquisition of equity in Ganzhou Tengyuan Cobalt New Material Co., Ltd.

In June 2020, the Group successfully won 6,514,553 shares of Ganzhou Tengyuan Cobalt New Material Co., Ltd. held by Xinyu High-tech Investment Co., Ltd., with its own capital of RMB300.117 million in Jiangxi Province Assets and Equity Exchange. Upon the completion of the transaction, the Company will hold 6.8966% equity interests in Ganzhou Tengyuan Cobalt New Material Co., Ltd.

Significant event after the Reporting Period

Approved by China Securities Regulatory Commission on 13 July 2020 and the Shareholders on a general meeting of the Company on 13 August 2019, the Company publicly issued A share convertible bonds with a nominal value of RMB2,108,000,000 on 6 August 2020.

USE OF PROCEEDS FROM THE H SHARES OF THE COMPANY

The H shares of the Company was listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")in October 2018, and the Company obtained net proceeds of USD404,400,500 from such H shares. According to the plan on use of proceeds as set out in the Prospectus of the Company, approximately 58% of the net proceeds is intended to be used for (i) investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources, as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling; approximately 22% of the net proceeds is intended to be used to provide financial assistance to Lithium Americas Corp.; approximately 10% of the net proceeds is intended to be used for our research and development efforts, and approximately 10% of net proceeds is intended to be used for our working capital and general corporate purposes. As at 31 December 2019, the balance of proceeds

amounted to USD40,440,000. As at 30 June 2020, the Company utilized proceeds of USD410,092,659 in aggregate and the balance of unutilized proceeds is nil. During the Reporting Period, the Company utilized proceeds of approximately USD40,440,000 in aggregate (the utilized proceeds in aggregate includes interest income generated from proceeds deposited with the designated proceeds account). The use of proceeds from H shares of the Company is as follows:

Use of proceeds disclosed in the prospectus	**Percentage use of proceeds disclosed in the prospectus**	**Usage details**	**Amount used as at 30 June 2020**
(i) Investments and acquisitions of upstream lithium resources; and (ii) funding capital expenditure in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling.	58% Approximately USD234,550,000	(i) Acquisition of 37.5% equity interests in the Cauchari-Olaroz Project and provision of loans for the project; (ii) Construction of the 17,500-tonne lithium carbonate production line in Ningdu; (iii) Power battery project construction; and (iv) Lithium battery recycling project construction	USD234,550,000 (equivalent to RMB1,626,235,582)
Intended to be used to provide financial assistance to Lithium Americas Corp., which will use the funds to cover capital expenditure for construction of the Cauchari-Olaroz Project	22% Approximately USD88,970,000	Intended to be used to provide financial assistance to Lithium Americas Corp., which is used for development loan of the Cauchari-Olaroz Project	USD88,970,000 (equivalent to RMB616,867,106)
Intended to be used for our research and development efforts, in particular on solid-state lithium batteries	10% Approximately USD40,440,000	Intended to be used for our research and development costs	USD40,440,000 equivalent to (RMB284,206,254)
General corporate purposes	10% Approximately USD40,440,000	Used as general operating purposes of the Company	USD46,132,659 (equivalent to RMB319,857,479) (include interest income of deposits)

Compliance with the Corporate Governance Code

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance through continuous effort in improving its corporate governance practices and processes. Through the establishment of a sound and effective corporate governance framework, the Company strives to achieve completeness and transparency in its information disclosure and enhance stable operation, so as to safeguard the interests of the Shareholders to the greatest extent. The Company has adopted all code provisions and principles of the code of corporate governance as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") as the basis of its corporate governance practices.

Other than the deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the principle and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules during the six months ended 30 June 2020.

Deviation from Code Provision A.2.1 of Corporate Governance Code

Mr. Li Liangbin is the chairman of the Board and the President of our Company. With extensive experience in the lithium industry, Mr. Li Liangbin is responsible for the overall management of our Company's business strategies and operations. The Company believes that he is instrumental to the Company's growth and business expansion since its establishment in 2000. The Board considers that vesting the roles of chairman of the Board and President in the same person is beneficial to the management of our Company. The Company believes that the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. After the re-election of the Board on 24 March 2020, the Board comprises four executive Directors (including Mr. Li Liangbin), two non-executive Directors and four independent non-executive Directors. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) There is sufficient check and balance in the Board as the decisions to be made by the Board require approval by at least a majority of the Directors and after 24 March 2020, the Board has four independent non-executive Directors out of the ten Directors, which is in compliance with the Hong Kong Listing Rules;

(ii) Mr. Li Liangbin and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;

(iii) The balance of power and authority is ensured by the operations of the Board which comprises experienced and high-caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and

(iv) The overall strategy and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiry to all Directors and Supervisors, the Company confirms that save as disclosed below, the Directors and Supervisors have complied with the standards regarding the securities transactions by Directors and Supervisors as set out in the Model Code as of 30 June 2020.

Issues about Supervisors and their spouses violating regulations on prohibitions against dealing stocks during the Reporting Period

According to the Model Code and Rules 13.67 and 19A.07B of the Hong Kong Listing Rules, Directors and Supervisors (including their spouses) are not allowed to deal any securities of the listed issuers (i) on the date when listing issuers publish its financial results or the following period (60 days before the annual results are published, or the period from the end of relevant financial year to the date when results are published (whichever is earlier)), and (ii) 30 days before quarterly results (if any) and interim results are published, or the period from the end of relevant quarterly or interim period to the date when results are published (whichever is earlier). On 22 January 2020, the Company informed all Directors, Supervisors and senior management of the Company through email of issues about prohibition against dealing stocks of the Company during the period ("**Blackout Period**") from 60 days before the annual results are published to 30 days before quarterly results are published, being 30 January to 30 April 2020.

On 10 February 2020, Ms. Tang Meiling, spouse of Mr. Gong Yong who is the chairman of the board of Supervisors of the Company, purchased 400 A shares of the Company at the average price of RMB51.10/share with the total transaction amount of RMB20,440 without informing the chairman and the Board ("**the Transaction**"). The Transaction violated relevant regulations that Supervisors and their spouses are not allowed to deal stocks of the Company during the Blackout Period. The Transaction has been examined by the Company. Apart from that, no other directors, supervisors, their spouses or other related people violated the regulations during the Blackout Period. Furthermore, Ms. Tang Meiling, spouse of Mr. Gong Yong, cannot immediately sell her A shares of the Company purchased through the Transaction currently since Article 47 of Security Law of the People's Republic of China specifies that Directors, Supervisors and senior management of a listed company are prohibited from selling its shares within six months after purchasing the shares, or purchase the shares again within six months after selling them.

After asking relevant personnel and checking communication and email records, the Company confirmed that Mr. Gong Yong and his spouse did not receive any insider information and sensitive information about stock price during the Blackout Period. The Company also got a written confirmation letter from Mr. Gong Yong to confirm that he did not receive any insider information and sensitive information about stock price, nor did he disclose any sensitive information of the Company to his spouse. In addition, the Company also got a written confirmation letter from Ms. Tang Meiling, spouse of Mr. Gong Yong, to confirm that she conducted the Transaction without receiving any insider information and sensitive information about stock price, so the Translation did not involve any insider trading.

The Company adopted the following remedial steps and handling suggestions on the Transaction according to opinions from Central China International Capital Limited, the compliance adviser of the Company:

(1) Upon the internal decision, the Company issued warning to Mr. Gong Yong and his spouse, Ms. Tang Meiling, required them to standardize their practice in dealing stock of the Company in the future in strict accordance with Rules Governing Changes in Shareholdings of Directors, Supervisors and senior management of the Company, and gave them a penalty of RMB20,440 in total according to the amount of the Transaction;

(2) Given that the expiry of the term of office, Mr. Gong Yong has retired from the position of Supervisor in the re-election;

(3) The Company will arrange all Directors (including newly appointed Directors), Supervisors (including newly appointed Supervisors) and senior management of the Company for training in:

    a. Regulations on insider trading, market manipulation and other forbidden practice in the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), Hong Kong Listing Rules and other laws and regulations;

    b. Internal control guidance and management system of the Company, including Rules Governing Changes in Shareholdings of Directors, Supervisors and Senior Management;

(4) The Company will review the implementation of other aspects in corporate governance to avoid similar events in the future.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any shares of the Company.

INTERIM DIVIDENDS

The Board proposed not to distribute any interim dividends for the six months ended 30 June 2020 (the six months ended 30 June 2019: Nil).

REVIEW OF 2020 INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") has been established by the Board in compliance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules and the terms of reference of code provision C.3.3 as set out in the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Wong Sze Wing, Mr. Liu Jun and Ms. Xu Yixin. Ms. Wong Sze Wing serves as the chairman of the Audit Committee and possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Hong Kong Listing Rules. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2020, and is of a view that the preparation of such financial results have compiled with the applicable accounting standards, the requirements under the Hong Kong Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ganfenglithium.com). The Company's 2020 interim report containing the information as required by the Hong Kong Listing Rules will be sent to Shareholders and published on the website of the Hong Kong Stock Exchange and on the website of the Company in due course.

By Order of the Board
Ganfeng Lithium Co., Ltd.
Li Liangbin
Chairman

Jiangxi, the PRC
25 August 2020

As at the date of this announcement, the Board comprises Mr. Li Liangbin, Mr. Wang Xiaoshen, Ms. Deng Zhaonan and Mr. Ge Zhimin as executive directors; Mr. Yu Jianguo and Ms. YANG Juanjuan as non-executive directors; and Mr. Liu Jun, Ms. Wong Sze Wing, Ms. XU Yixin and Mr. XU Guanghua as independent non-executive directors.