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GanfengLithium

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 2019

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 2019 (the "**Reporting Period**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	4	**2,802,239**	2,239,320
Cost of sales		**(2,094,054)**	(1,246,630)
Gross profit		**708,185**	992,690
Other income and gains	5	**123,745**	253,358
Selling and distribution expenses		**(51,842)**	(31,934)
Administrative expenses		**(230,077)**	(187,596)
Other expenses		**(159,188)**	(147,789)
Finance costs	6	**(95,886)**	(34,963)
Share of profits and losses of:			
Associates		**42,628**	9,574
Joint ventures		**49,972**	599
Profit before tax	7	**387,537**	853,939
Income tax expense	8	**(90,518)**	(123,996)
Profit for the period		**297,019**	729,943
Profit for the period attributable to:			
Owners of the parent		**297,201**	730,217
Non-controlling interests		**(182)**	(274)
		297,019	729,943
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
- For profit for the period *(RMB)*	10	**0.23**	0.66
Diluted			
- For profit for the period *(RMB)*	10	**0.23**	0.66

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**297,019**	729,943
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**15,091**	(17,129)
Other comprehensive income/(loss) for the period, net of tax	**15,091**	(17,129)
Total comprehensive income for the period, net of tax	**312,110**	712,814
Attributable to:		
Owners of the parent	**315,338**	719,441
Non-controlling interests	**(3,228)**	(6,627)
	312,110	712,814

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,882,107**	2,619,584
Investment properties		**152**	166
Right-of-use assets		**202,842**	–
Prepaid land lease payments		**–**	160,945
Intangible assets		**304,200**	261,198
Goodwill		**18,302**	18,302
Investments in associates		**1,271,014**	1,684,133
Investments in joint ventures		**833,232**	51,397
Financial assets at fair value through profit or loss		**634,066**	442,917
Deferred tax assets		**23,538**	27,047
Other long-term assets		**1,001,036**	340,261
Total non-current assets		**7,170,489**	5,605,950
CURRENT ASSETS			
Inventories		**1,988,423**	1,904,712
Trade and bills receivables	11	**1,048,855**	1,405,600
Amounts due from a related party		**4,079**	–
Prepayments, other receivables and other assets		**531,463**	809,333
Financial assets at fair value through profit or loss		**133,992**	192,781
Debt investments at fair value through other comprehensive income		**338,703**	–
Pledged deposits		**200,287**	383,726
Cash and cash equivalents		**2,963,128**	3,218,615
Total current assets		**7,208,930**	7,914,767
TOTAL ASSETS		**14,379,419**	13,520,717

	Notes	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payables	12	**616,869**	678,814
Amounts due to related parties		**395,381**	364,111
Interest-bearing bank and other borrowings		**2,809,720**	1,356,335
Other payables and accruals		**732,094**	531,739
Tax payable		**70,872**	216,038
Other liabilities		**–**	685,174
Total current liabilities		**4,624,936**	3,832,211
NET CURRENT ASSETS		**2,583,994**	4,082,556
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,754,483**	9,688,506
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**654,774**	706,119
Convertible bonds		**737,300**	713,460
Deferred income		**61,013**	58,687
Deferred tax liabilities		**11,663**	2,387
Other liabilities		**240,979**	230,680
Total non-current liabilities		**1,705,729**	1,711,333
TOTAL LIABILITIES		**6,330,665**	5,543,544
NET ASSETS		**8,048,754**	7,977,173

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,315,084**	1,315,082
Equity component of convertible bonds		**205,651**	205,673
Treasury shares		**(679,177)**	(685,174)
Reserves		**7,150,595**	7,088,063
		7,992,153	7,923,644
Non-controlling interests		**56,601**	53,529
TOTAL EQUITY		**8,048,754**	7,977,173

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 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 2018.

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 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRS**") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Other than as explained below regarding the impact of IFRS 16 *Leases, Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures* and *IFRIC-Int 23 Uncertainty over Income Tax Treatments,* the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 Determining whether an Arrangement contains a Lease, SIC-Int 15 Operating Leases – Incentives and SIC-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for buildings and land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. No lease assets recognised previously under finance leases were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics

- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	199,904
Decrease in prepaid land lease payments	(160,945)
Decrease in prepayments, other receivables and other assets	–
Increase in total assets	38,959
Liabilities	
Increase in interest-bearing bank and other borrowings	38,959
Decrease in other payables and accruals	–
Decrease in deferred tax liabilities	–
Increase in total liabilities	38,959
Decrease in retained earnings	–

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	46,213
Weighted average incremental borrowing rate as at 1 January 2019	3.90%
Discounted operating lease commitments as at 1 January 2019	40,789
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	1,830
Commitments relating to leases of low-value assets	–
Add: Commitments relating to leases previously classified as finance leases	–
Payments for optional extension periods not recognised as at 31 December 2018	–
Lease liabilities as at 1 January 2019	38,959

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use Assets			
	Buildings	**Land**	**Sub-total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	38,959	160,945	199,904	38,959
Additions	–	8,564	8,564	–
Depreciation charge	(3,819)	(1,807)	(5,626)	–
Interest expense	–	–	–	723
Payments	–	–	–	(3,707)
As at 30 June 2019	**35,140**	**167,702**	**202,842**	**35,975**

The Group recognised rental expenses from short-term leases of RMB1,830,000 and rental income from subleasing right-of-use assets of RMB90,000 for the six months ended 30 June 2019.

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant 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 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	**66,120**	**207**	**10**	**66,337**
Finance costs	**(80,329)**	**(5,652)**	**(9,905)**	**(95,886)**
Profit/(loss) before tax	**414,949**	**(23,371)**	**(4,041)**	**387,537**

Six months ended 30 June 2018	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	2,089,182	150,024	114	2,239,320
Intersegment sales	247	37	–	284
	2,089,429	150,061	114	2,239,604
Reconciliation:				
Elimination of intersegment sales				(284)
Revenue				2,239,320
Segment results	899,297	(4,443)	(17,291)	877,563
Reconciliation:				
Elimination of intersegment results				
Interest income	11,034	302	3	11,339
Finance costs	(34,041)	(918)	(4)	(34,963)
Profit/(loss) before tax	876,290	(5,059)	(17,292)	853,939

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

	Lithium metal and compound *RMB'000* (Unaudited)	**Lithium battery** *RMB'000* (Unaudited)	**Lithium ore resource** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Segment assets				
30 June 2019	**8,826,084**	**1,823,750**	**3,729,585**	**14,379,419**
31 December 2018	9,272,568	1,650,284	2,597,865	13,520,717
Segment liabilities				
30 June 2019	**5,048,029**	**857,650**	**424,986**	**6,330,665**
31 December 2018	4,147,478	716,717	679,349	5,543,544

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019 *RMB'000* **(Unaudited)**	2018 *RMB'000* (Unaudited)
Revenue from contracts with customers		
Sale of goods	**2,764,782**	2,206,863
Rendering of services	**37,457**	32,457
	2,802,239	2,239,320

Disaggregated revenue information for revenue from contracts with customers

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**
Rendering of 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**

For the six months ended 30 June 2018

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	2,056,725	150,024	114	2,206,863
Rendering of services	32,457	–	–	32,457
Total revenue from contracts with customers	2,089,182	150,024	114	2,239,320
Geographical markets				
Mainland China	1,548,401	150,024	114	1,698,539
Asia	486,865	–	–	486,865
Europe	29,637	–	–	29,637
North America	19,262	–	–	19,262
Other countries/regions	5,017	–	–	5,017
Total revenue from contracts with customers	2,089,182	150,024	114	2,239,320
Timing of revenue recognition				
At a point in time	2,089,182	150,024	114	2,239,320

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on disposal of financial assets at fair value through profit or loss	**565**	4,163
Dividends and interest from financial assets at fair value through profit or loss	**10,561**	11,547
Sale of raw materials	**14,136**	86,603
Government grants	**30,010**	127,009
Gain on disposal of property, plant and equipment	**–**	127
Interest income	**66,337**	11,339
Reversal of receivables	**–**	10,382
Reversal of provision for inventories	**1,479**	99
Others	**657**	2,089
	123,745	253,358

6. FINANCE COSTS

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on bank borrowings and other loans	**63,119**	23,715
Interest expense on discounted bills	**8,104**	2,210
Interest expense on lease liabilities	**723**	–
Interest expense on convertible bonds	**26,232**	24,548
Total interest expense	**98,178**	50,473
Less: Interest capitalised, in respect of convertible bonds	**2,292**	15,510
	95,886	34,963

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales and services	**2,094,054**	1,246,630
Cost of selling raw materials	**11,372**	48,956
Impairment of financial assets, net:		
Impairment/(reversal) of trade receivables, net	**6,785**	(11,068)
Impairment of financial assets included in prepayments, other receivables and other assets, net	**534**	686
Reversal of provision for inventories	**(1,479)**	(99)
Depreciation of property, plant and equipment	**95,398**	56,959
Amortisation of prepaid land lease payments	**–**	1,573
Depreciation of right-of-use assets	**5,514**	–
Amortisation of intangible assets	**6,213**	5,258
Fair value losses, net:		
Financial assets at fair value through profit or loss	**118,578**	81,354
Net loss/(gain) on disposal of property, plant and equipment	**7,825**	(127)
Research and development costs:		
Current year expenditure	**36,847**	27,493
Bank charges	**1,270**	843
Exchange differences, net	**7,570**	6,915

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current corporate income tax	**77,733**	153,673
Deferred tax	**12,785**	(29,677)
	90,518	123,996

The subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the reporting periods. 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 periods 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 13 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.	2016/11/15-2019/11/14
Yichun Ganfeng Lithium Co., Ltd.	2018/8/13-2021/8/12
Ganfeng Recycling Technology Co., Ltd.	2018/8/13-2021/8/12

9. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Declared cash dividends		
Dividends on ordinary shares financial declared: 2019: RMB0.30 per share (2018: RMB0.40 per share)	**387,780**	297,305

Note: On 28 March 2019, the board of directors of the Company resolved to propose the final dividend for the year ended 31 December 2018 of RMB0.30 per ordinary share. It was approved by the shareholders at the general meeting of the Company on 11 June 2019.

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	**297,201**	730,217
Less: Cash dividends distributed to share award scheme	**–**	(4,895)
Adjusted profit attributable to ordinary equity holders of the parent for the basic earnings per share calculation	**297,201**	725,322

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash dividends distributed to share award scheme	**–**	4,895
Interest expense on convertible bonds	**23,940**	9,038
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	**321,141**	739,255
Shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	**1,292,597,884**	1,092,783,237
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme*	**–**	11,218
– Convertible bonds**	**19,359,975**	19,362,913
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**1,311,957,859**	1,112,157,368
Basic earnings per share *(RMB)*	**0.23**	0.66
Diluted earnings per share *(RMB)*	**0.23**	0.66

* No adjustment has been made in respect of the share award scheme as it had an anti-dilutive effect on the basic earnings per share amounts presented for the six months ended 30 June 2019 and 2018.

** 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 2019 and 2018 and were ignored 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 2019 of RMB297,201,000 (30 June 2018: RMB725,322,000), and the weighted average number of ordinary shares of 1,292,597,884 (30 June 2018: 1,092,783,237) in issue during the six months ended 30 June 2019.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders under the share award scheme expected to be unlocked in the future, and the weighted average number of ordinary shares of 1,292,597,884 (30 June 2018: 1,092,783,237) in issue during the six months ended 30 June 2019 and 2018.

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,048,855**	1,002,137
Bills receivables	**–**	403,463
	1,048,855	1,405,600

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within six months	**959,751**	946,737
More than six months but less than one year	**44,857**	7,282
One to two years	**33,024**	51,245
Two to three years	**44,795**	25,029
More than three years	**7,086**	5,718
	1,089,513	1,036,011
Less: impairment	**(40,658)**	(33,874)
	1,048,855	1,002,137

12. TRADE AND BILLS PAYABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Trade payables	**349,280**	386,654
Bills payable	**267,589**	292,160
	616,869	678,814

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 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Within 3 months	**228,474**	319,946
4 to 6 months	**50,960**	34,309
7 to 12 months	**43,573**	20,562
1 to 2 years	**22,222**	10,227
2 to 3 years	**3,469**	1,610
over 3 years	**582**	–
	349,280	386,654

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

13. 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.

(1) On 17 August 2019, Ganfeng Lithium Netherlands Co., B.V., the wholly-owned subsidiary of GFL International Co., Limited, has completed the payment and equity settlement of the equity transaction, of which Ganfeng Lithium Netherlands Co., B.V. has subscribed 141,016,944 new shares of Minera Exar with its own funds of USD160,000,000. After the completion of the transaction, Ganfeng Lithium Netherlands Co., B.V., increased the interests in Minera Exar from 37.5% to 50%. For particulars, please refer to the announcement of the Company dated 18 August 2019.

(2) Pursuant to the resolution approved by the general meeting of shareholders on and the board of directors on 12 April 2019, the Group was agreed to terminate implementing the Restricted A-Share Incentive Scheme for the year 2017 and repurchase and cancel all the restricted A Shares which were granted but not unlocked. As of 13 July 2019, the above restricted restricted A Shares have been cancelled at the Shenzhen Branch of China Securities Registration and Settlement Co., Ltd. After the cancellation of the restricted A Shares, the company's total share capital (including A Shares and H Shares has been reduced from 1,315,084,256 Shares to 1,292,599,886 Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The Group's products are mainly used in new energy, new materials, new medicine and other emerging industries. Changes in policies in relation to government financial subsidies, charging network construction and vehicle licensing as well as other related policies will have a great impact on the periodical sales of new energy vehicles. During the Reporting Period, major policies concerning the new energy industry are as follows: the "Notice on Further Improving the Financial Subsidy Policies for Promotion and Application of New Energy Vehicles" (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) issued on 26 March 2019, specifying that, in 2019, subsidies for new energy vehicles will be subject to distribution and adjustment in a partitioned mode and be reduced sharply on the whole; "Implementation Plan on Promoting Renewal and Upgrade of Key Consumer Goods and Facilitating the Recycling of Resources (2019-2020)"(《推動重點消費品更新升級暢通資源循環利用實施方案(2019-2020年)》) released on 6 June 2019, clearly proposing to promote the consumption and usage of new energy vehicles by "cancelling the traffic control over and purchasing quota of new energy vehicles", "accelerating the upgrade of urban public vehicles" and "supporting the construction of charging infrastructure". The changes in consumption policy and subsidy policy will affect the development of new energy vehicle industry from positive and negative aspects respectively, and have a phased impact on the sales volume of new energy vehicles, thus affecting the deep processing industry of lithium products in which the Company is engaged.

BUSINESS REVIEW

The most completed lithium industry value chain in the world that we have built covered the important sectors of the lithium industry from upstream to downstream, including (1) extraction of upstream lithium resources; (2) deep processing of lithium compounds; (3) production of lithium metals; (4) production of lithium batteries; and (5) reclaiming and recycling lithium. During the Reporting Period, the Company achieved operating income of RMB2,802,239 thousand, representing an increase of 25.14% as compared with the corresponding period last year; and net profits attributable to the shareholders of the Company of RMB297,201 thousand, representing a decrease of 59.30% as compared with the corresponding period last year. At the end of the Reporting Period, the total assets and net assets of the Company amounted to RMB14,379,419 thousand and RMB8,048,754 thousand, representing an increase of 6.35% and 0.90%, respectively, as compared with 31 December 2018.

During the Reporting Period, the Company continued to acquire upstream high-quality lithium resources globally, enriched and broadened the diversified supply of raw materials on a continuous basis. It completed the increase of 6.9% shareholding in Australia-based Reed Industrial Minerals Pty Ltd.("**RIM**") and the subscription for new shares of Pilbara Minerals Limited("**Pilbara**"), becoming one of the largest shareholders of RIM and the single largest shareholder of Pilbara; the Company intends to further increase its shareholding in Minera Exar S.A.("**Minera Exar**")to 50% and help promote the investment and development progress of Cauchari-Olaroz lithium salt lake project in Argentina; in addition, the Company subscribed for not more than 29.99% equity interests in Bacanora Lithium Plc.("**Bacanora**") and not more than 22.5% equity interest in Sonora Lithium Ltd. ("**Sonora**"), a lithium-clay project of Bacanora, proactively exploring and enriching core contents of lithium resources.

During the Reporting Period, the Company's production capacity for 20,000-tonne lithium hydroxide monohydrate project and 17,500-tonne battery grade lithium carbonate project was gradually expanded, and relevant products passed the authentication by both new and old customers. The new production facilities will expand the production capacity of the Company to cater for the growth of business; the Company intends to upgrade the Phase III of the battery grade lithium hydroxide project from the previous annual production capacity of 25,000 tonnes to 50,000 tonnes, and will evaluate and implement additional expansion plan based on the changes in market demand in future; the Company entered into a Memorandum on Strategic Cooperation with Volkswagen AG, pursuant to which, the Company will provide lithium chemical products to Volkswagen AG and its suppliers in the coming decade. In addition to the lithium material supply agreement, Volkswagen AG will also cooperate with the Company in respect of battery recycling, solid lithium battery and other future concerns.

During the Reporting Period, the Company's Proposal on Issuance of A Share Convertible Bonds was considered and approved, pursuant to which, the Company proposed to raise proceeds of not more than RMB2,150 million in aggregate to finance: (i) the project for subscription for certain equity interests of Minera Exar; (ii) the renovation and the expansion project for ten thousand tonne lithium salt; and (iii) replenishment of working capital. The issuance of the Convertible Bonds and implementation of the projects financed by the proceeds are expected to enhance the capital strength of the Company, lower the cost of raw materials, expand product portfolio and consolidate the leading position of the Company in the industry.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

The Company's development strategy is to strengthen its leading position in the global lithium industry and to further deepen upstream and downstream integration. The Company plans to achieve the goals by pursuing the following major strategies:

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

Securing high-quality and stable lithium resources is fundamental to the longterm sustainable growth of our business. The Company will continuously expand its current lithium resources portfolio through further exploration, with a focus on brine-based extraction development. After the completion of the acquisition for the 50% equity interests in Minera Exar, the Company will proactively advance the development and construction of the Cauchari-Olaroz lithium salt lake project. The campsite, pit and saltern construction, critical equipment booking and other tasks for the project have already got started now and such project will be continuously targeting commissioning in 2020. The pre-feasibility and feasibility study of Mariana Project in Argentina are expected to complete in 2019. The Company will also proactively advance the acquisition and development of the Mexico lithium clay project Sonora in the second half of 2019. 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 battery-grade lithium carbonate production line with a production capacity of 17,500 tonnes per annum constructed in Ningdu County, Jiangxi Province met up with the designed capacity and production targets within 2019 and continued to increase production capacities. The Company intends to build 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 in 2020. 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 in 2025.

3. **Carry out solid-state lithium battery-prioritized production**

The Company intends to further develop and upgrade the existing lithium battery production and carry out the technological research and development ("**R&D**") and commercialization in relation to a new generation of solid-state lithium battery for the sake of our future growth. Capitalizing on the full-automation lithium polymer batteries production line with an annual throughput of 30 million pieces at the Qiaotou Town Industrial Park in Dongguan, and the high capacity lithium-ion power battery production line with a production capacity of 600 MWH in Xinyu High-tech Zone, the Company has been netting men of ability and accumulating expertise and know-hows so as to pave the way for the future production of solid-state lithium batteries. Our first-generation solid-state lithium battery products have passed multiple third-party safety tests and sample inspection made by a number of customers; and the Company's pilot production line with 100 MWH capacity for the first-generation solid-state lithium battery invested in and constructed by the Company is scheduled to be completed and put into operation in the second half of 2019, which will accelerate the progress of the commercialization of solid-state lithium battery technology.

4. **Advance lithium battery recycling business**

With increasing demand for battery waste management growing in tandem with the increased use of lithium batteries in automobiles and consumer electronics, the Company's lithium battery recycling business has promising growth potential, and enables us to further diversify 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 volume of retired lithium batteries in China and become one of the leading players in the global lithium battery recycling sector. In the first half of 2019, Ganfeng Recycling Technology Co., Ltd. completed the inspection and acceptance of safety, fire-fighting and environmental protection for the 34,000t/a retired lithium battery comprehensive recycling project and has put the results online for publicity; the phase II project of the "12,000t/a ternary precursor expansion project" kicked over in January, and is expected to have a capacity of processing 100,000 tonnes of retired lithium battery after it is completed and put into operation. The Company will continue 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 Engineering Research Center, Academic Station and other research and development platform to establish 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 process and extraction method for lithium raw materials from different types of salt lake brines; and

- 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, realize speed to market 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 customer.

7. Enhance capacities in business operation and management

We will:

- 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; and

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

FORECASTED RESULTS OF OPERATIONS FROM JANUARY TO SEPTEMBER 2019 (PREPARED IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

Change of net profit attributable to shareholders of the Company from January to September 2019	-65.00%	to	-55.00%
Range of change of net profit attributable to shareholders of the Company from January to September 2019 (RMB0'000)	38,728.61	to	49,793.93
Net profit attributable to shareholders of the Company from January to September 2018 (RMB0'000)			110,653.17
Reasons for changes in results	1. The decline of the stock price of financial assets held by the Company resulted in the loss of fair value change and further affected the profit growth of the Company; 2. The decline of the price of lithium compound as compared to the same period of last year affected the profit growth of the Company.		
Change of net profit attributable to shareholders of the listed company from July to September 2019 as compared to the same period of last year	Forecasted range of net profit attributable to shareholders of the listed company from July to September 2019: RMB91,497,300 to RMB202,150,500; Forecasted change: a decline of 66.04% to 24.98%.		

FINANCIAL REVIEW

1. Overview

For the Reporting Period, the Group's revenue amounted to RMB2,802,239 thousand, representing an increase of RMB562,919 thousand as compared to RMB2,239,320 thousand as at 30 June 2018; gross profit amounted to RMB708,185 thousand, representing a decrease of RMB284,505 thousand as compared to RMB992,690 thousand as at 30 June 2018; During the Reporting Period, the Group's basic earnings per share were RMB0.23 (six month ended 30 June 2018: RMB 0.66).

The profit attributable to the owners of the parent of the Company for the Reporting Period amounted to RMB297,201 thousand, representing a decrease of RMB433,016 thousand, or 59.30%, as compared to RMB730,217 thousand as at 30 June 2018, which was mainly due to: (1) the decrease in gross profit as impacted by the decline in the market price of lithium salts; (2) the decrease in other income and gains as a result of a period-on-period decrease in government grants; (3) the increase in other expenses as a result of the loss arising from the fluctuation of fair value of financial assets held by the Group; and (4) the increase in administrative expenses resulting from early provision of share-based payment expenses due to the termination of the share incentive scheme in 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 increased by RMB562,919 thousand from RMB2,239,320 thousand as at 30 June 2018 to RMB2,802,239 thousand as at 30 June 2019. The increase was mainly due to the substantial increase in sales volume thanks to unleashing of production capacity and stable demand in downstream markets, which was partly offset by the decline in the market price of lithium salts.

(1) Analysis of revenue by products and regions

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

By products:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	RMB'000	***%***	*RMB'000*	*%*
Lithium metal and compound	**2,260,350**	**80.66**	1,941,166	86.69%
Lithium battery	**266,369**	**9.51**	149,325	6.67%
Others *(Note)*	**275,520**	**9.83**	148,829	6.64%
Total	**2,802,239**	**100.00**	2,239,320	100.00%

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

By sales regions:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China	**1,771,217**	**63.21**	1,698,539	75.85
Overseas	**1,031,022**	**36.79**	540,781	24.15
Total	**2,802,239**	**100.00**	2,239,320	100.00

(2) Analysis of operating cost by products

By products:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	RMB'000	***%***	*RMB'000*	*%*
Lithium metal and compound	**1,610,627**	**76.91**	1,012,308	81.20
Lithium battery	**244,024**	**11.65**	140,062	11.24
Others *(Note)*	**239,403**	**11.44**	94,260	7.56
Total	**2,094,054**	**100.00**	1,246,630	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 25.27%, representing a decrease of 19.06% as compared with 44.33% as at 30 June 2018, mainly due to the decrease in the unit sales price as a result of the decline in the market price of lithium salts.

Gross profit and gross profit margin by products

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*
Lithium metal and compound	**649,723**	**28.74**	928,858	47.85
Lithium battery	**22,345**	**8.39**	9,263	6.20
Others *(Note)*	**36,117**	**13.11**	54,569	36.67
Total	**708,185**	**25.27**	992,690	44.33

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 comprise government grants, revenue from sales of raw materials and bank interest income. Other income and gains of the Group for the Reporting Period amounted to RMB123,745 thousand, representing a decrease of RMB129,613 thousand as compared with RMB253,358 thousand as at 30 June 2018, which was mainly due to the decreases in government grants received and investment income generated from disposal of financial assets during the Reporting Period.

5. Expenses

	For the six months ended 30 June 2019 *RMB'000*	For the six months ended 30 June 2018 *RMB'000*	Change %	Explanations on material changes
Selling and distribution expenses	**51,842**	31,934	62.3%	Primarily consisting of employee benefit expenses, transportation expenses, warehouse and port expenses, rental expenses, sales commission, travel expenses and others. The increase in selling and distribution expenses during the Reporting Period was mainly due to increase in sale volume
Administrative expenses	**230,077**	187,596	22.6%	Primarily consist of employee benefit expenses, office expenses, travel expenses, R&D expenses, bank service expenses and others as well as depreciation and amortization of assets. The increase in administrative expenses during the Reporting Period was mainly attributable to accelerated provision of share-based payment expenses as a result of the termination of the share incentive scheme in the Reporting Period.
Other expenses	**159,188**	147,789	7.71%	Primarily consist 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. The increase in other expenses during the Reporting Period was mainly due to the increase in loss on changes in fair value of financial assets held by the Group
Finance costs	**95,886**	34,963	174.25%	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 bank borrowings

6. Research and development expenses

The R&D expenses of the Group for the Reporting Period amounted to RMB36,847 thousand, representing an increase of 34.02% as compared to RMB27,493 thousand as at 30 June 2018, and accounting for 1.31% of the Group's revenue, which was mainly due to increase in research and development expenses for lithium salts and solid-state batteries.

7. Cash flows

	For the six months ended 30 June 2019 *RMB'000*	For the six months ended 30 June 2018 *RMB'000*	Change %	Reason of material change
Net cash flows from /(used in) operating activities	**194,388**	(33,018)	688.73%	Mainly due to an increase in cash received from sales of products during the Reporting Period
Net cash flows used in investing activities	**(1,463,470)**	(531,593)	175.30%	Mainly due to an increase in cash paid for investment during the Reporting Period
Net cash flows from /(used in) financing activities	**1,010,063**	(280,927)	-459.55%	Mainly due to an increase in cash received from borrowings during the Reporting Period

8. Financial position

Non-current assets increased by RMB1,564,539 thousand from RMB5,605,950 thousand as at 31 December 2018 to RMB7,170,489 thousand as at 30 June 2019, which was mainly due to increase in investment in associates, property, plant and equipment, and other long-term assets during the Reporting Period.

Current assets decreased by RMB705,837 thousand from RMB7,914,767 thousand as at 31 December 2018 to RMB7,208,930 thousand as at 30 June 2019, which was mainly due to decrease in cash and cash equivalents resulted from an increase in investment activities, pledged deposits and trade and bills receivables during the Reporting Period.

Current liabilities increased by RMB792,725 thousand from RMB3,832,211 thousand as at 31 December 2018 to RMB4,624,936 thousand as at 30 June 2019, which was mainly due to increase in short-term interest-bearing bank and other borrowings during the Reporting Period.

Non-current liabilities decreased by RMB5,604 thousand from RMB1,711,333 thousand as at 31 December 2018 to RMB1,705,729 thousand as at 30 June 2019, which was mainly due to decrease in long-term interest-bearing bank and other borrowings.

As at 30 June 2019 and 31 December 2018, net current assets of the Group amounted to RMB2,583,994 thousand and RMB4,082,556 thousand, respectively, net assets amounted to RMB8,048,754 thousand and RMB7,977,173 thousand, respectively.

As at 30 June 2019 and 31 December 2018, cash and cash equivalents of the Group amounted to RMB2,963,128 thousand and RMB3,218,615 thousand, respectively.

9. Income tax expenses

During the Reporting Period, income tax of the Group amounted to RMB90,518 thousand, representing a decrease of RMB33,478 thousand as compared to RMB123,996 thousand for the six months ended 30 June 2018, which was mainly due to a decrease in profit before tax during the Reporting Period.

10. Capital expenditure

During the Reporting Period, capital expenditure of the Group was RMB1,190,686 thousand, representing an increase of RMB738,935 thousand as compared to RMB451,751 thousand for the six months ended 30 June 2018. 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.

11. Interest-bearing bank and other borrowings

As at 30 June 2019, bank and other borrowings of the Group amounted to RMB3,464,494 thousand (31 December 2018: RMB2,062,454 thousand). As at 30 June 2019, the balance of liability in convertible bonds of the Group amounted to RMB737,300 thousand (31 December 2018: RMB713,460 thousand), which will fall due on 21 December 2023.

12. Restricted assets

As at 30 June 2019, assets with a total carrying value of RMB277,513 thousand (31 December 2018: RMB626,758 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 RMB200,287 thousand (31 December 2018: RMB383,726 thousand) and RMB77,227 thousand (31 December 2018: RMB243,032 thousand), respectively.

14. Gearing ratio

As at 30 June 2019, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 41.33%, increased by 0.33% from 31 December 2018.

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

Our 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 we did not conduct any material foreign exchange transactions in Mainland China during the Reporting Period. In view of the foregoing, we had no material foreign exchange risks during the Reporting Period.

16. Contingent liabilities

As at 30 June 2019, we did not have any material contingent liabilities.

17. Employees and remuneration system

As at 30 June 2019, the Group had a total of 4,991 employees. During the Reporting Period, total staff cost accounted for approximately 11.20% of the Group's revenue. 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 2019:

	At 30 June 2019 ***RMB'000***	At 31 December 2018 *RMB'000*
Contracted, but not provided for – Land and buildings	**177,701**	154,790
Contracted, but not provided for – Plant and machinery	**332,950**	202,155
Total	**510,651**	356,945

19. Share capital

The share capital of the Company as at 30 June 2019 is set out as follows:

	Number of issued shares	**Percentage**
A Shares	1,114,898,456	84.8%
H Shares	200,185,800	15.2%
Total	1,315,084,256	100%

20. Major financial indicators (China Accounting Standards for Business Enterprises)

Item	At 30 June 2019	At 31 December 2018	Increase/ decrease
Current ratio	**155.87%**	207.00%	-51.13%
Debt-asset ratio	**44.03%**	41.00%	3.03%
Quick ratio	**112.88%**	148.75%	-35.87%

	For the six months ended 30 June 2019	For the six months ended 30 June 2018	Increase/ decrease
EBITDA interest coverage ratio	**5.35**	30.09	-82.22%
Loan repayment ratio	**100.00%**	100.00%	0.00%
Interest repayment ratio	**100.00%**	100.00%	0.00%

OTHER INFORMATION

Significant Equity Acquisitions during the Reporting Period

1. *Acquisition of equity in Reed Industrial Minerals Pty Ltd.*

In December 2018, the Group entered into an equity transfer agreement with Neometals, pursuant to which, the Group and Process Minerals International Pty Ltd. ("**PMI**"), another shareholder of RIM, would exercise their right of first refusal to subscribe for 50% of the 13.8% equity interests held by Neometals in RIM, namely 6.9% equity interests, respectively. The consideration payable by the Group for the equity transfer was AUD51.90 million. In March 2019, the Group executed the payment and delivered the share transfers. Upon completion of the transaction, RIM will be owned by the Group and PMI as to 50% and 50%, respectively.

2. *Acquisition of equity in Pilbara Minerals Limited.*

In December 2018, the Group entered into equity subscription agreement with Pilbara, pursuant to which, the Group subscribed for the new shares of Pilbara at a consideration of AUD50 million with its own internal funds. In March 2019, the Group has completed the subscription of 77,633,871 shares issued by Pilbara through private placement with its internal funds of AUD50 million. Upon completion of the transaction, the Group held 8.37% equity interests of Pilbara and has thus become the sole largest shareholder of Pilbara.

3. Acquisition of equity in Minera Exar S.A.

In April 2019, the Group entered into transaction agreement with Minera Exar (which holds 100% interest in the Cauchari-Olaroz lithium salt lake project) and Lithium Americas Corp. to subscribe for 141,016,944 new shares from Minera Exar for a total consideration of US $160 million. In June 2019, the resolution in relation to the acquisition of equity in Minera Exar was approved by the shareholders of the Company. The subscription was subsequently completed in August 2019 with consideration satisfied by the Company's internal funds. Upon completion of the subscription, the Group held a total of 50% equity interests in Minera Exar and Lithium Americas Corp. retained its 50% equity interests in Minera Exar.

4. Acquisition of equity in Bacanora Lithium Plc. and Sonora Lithium Ltd.

On 28 June 2019, the Board agreed to subscribe for the new shares of Bacanora (a lithium clay company) with its internal funds of £14,400,091 and invest in Sonora (a subsidiary of Bacanora) with its internal funds of £7,563,649. Upon completion of the transaction, the Company or Shanghai Ganfeng will hold not more than 29.99% equity interests in Bacanora and not more than 22.5% equity interests in Sonora.

Termination of the Restricted A Share Incentive Scheme and Connected Repurchase

On 11 June 2019, the Board approved the Resolution in Relation to Termination of the Restricted A Share Incentive Scheme and Connected Repurchase, pursuant to which, the Company was approved to (i) repurchase and cancel 942,000 restricted A Shares which have been granted to 16 resigned participants and 3 deceased participants but not yet unlocked; to repurchase and cancel 7,044,298 restricted shares which have been granted to 108 and 375 participants who respectively failed the 2017 and 2018 performance appraisal, but not yet unlocked and (ii) terminate the 2017 Restricted Share Incentive Scheme and repurchase and cancel the remaining 14,498,072 restricted A Shares granted but not yet unlocked. Accordingly, a total of 22,484,370 restricted A Shares granted but not yet unlocked have already been repurchased and cancelled in July 2019 at a repurchase price of RMB30.21 per share, representing 1.71% of the total share capital of the Company.

For particulars, please refer to the announcements of the Company dated 12 April 2019 and 11 June 2019 as well as the circular dated 24 April 2019.

Significant event after the reporting period

Save as disclosed in the section headed "Significant Equity Acquisitions during the Report Period" in relation to the acquisition of equity in Minera Exar , and in the section headed "Termination of the Restricted A Share Incentive Scheme and Connected Repurchase" in this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2019 and up to the date of this announcement.

Use of proceeds from the H-share listing of the Company

The H Shares of the Company was listed on the Stock Exchange in October 2018, and the Company obtained net proceeds of USD404,400,500 from such H-share listing. 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, in particular on solid-state lithium batteries; and approximately 10% of the net proceeds is intended to be used for our working capital and general corporate purposes. As at 31 December 2018, the balance of proceeds amounted to USD291,643,300. As at 30 June 2019, the Company utilized proceeds of approximately USD274,990,000 in aggregate and the balance of proceeds amounted to USD129,410,000. The use of proceeds from the H-share listing of the Company is as follows:

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS	% USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS	USAGE DETAILS	USED AMOUNT AS AT 30 JUNE 2019
(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.	58% approximately USD 234,550,000	(i) Upstream lithium resource: Acquisition of 37.5% equity interests in the Cauchari-Olaroz project and provision of loans for the same project; (ii) Construction of the 17,500-tonne lithium carbonate production line in Ningdu; (iii) Power battery project construction; (iv) Lithium battery recycling project construction	USD 234,550,000 equivalent to RMB 1,645,432,689
Intended to be used to provide financial assistance to Lithium Americas, which will use the funds to cover capital expenditure for construction of the Cauchari-Olaroz project	22% approximately USD 88,970,000	Currently unused	

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS	% USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS	USAGE DETAILS	USED AMOUNT AS AT 30 JUNE 2019
Intended to be used for our research and development efforts, in particular on solid-state lithium batteries	10% approximately USD 40,440,000	Currently unused	
General corporate purposes	10% approximately USD 40,440,000	Used as general operating purposes of the Company	USD 40,440,000 equivalent to RMB 283,697,710

Compliance with the Corporate Governance Code practices

The Company has been improving the corporate governance practices and procedures and striven to achieve and maintain an overall high standard corporate governance. Having had a well-established and effective corporate governance structure in place, the Company is committed to making information disclosure in a comprehensive and transparent manner, improving the stability of operations and safeguarding the interests of the Shareholders to the utmost. 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 Listing Rules during the six months ended 30 June 2019.

Deviation from Code Provision A2.1 of the 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. We believe that he is instrumental to our growth and business expansion since our establishment in 2000. Our 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. We believe that the balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-caliber individuals. Our Board currently comprises five executive Directors (including Mr. Li Liangbin), one non-executive Director and four independent non-executive Directors and therefore we believe that it has a fairly strong independence element in its composition. Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that, for the six months ended 30 June 2019, the Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by Directors and supervisors as set out in the Model Code.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any Shares.

Interim Dividends

The Board proposed not to distribute any interim dividends for the six months ended 30 June 2019 (the six months ended 30 June 2018: Nil).

Review of 2019 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 Listing Rules and the terms of reference of code provision C3.3 as set out in the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, being Mr. Guo Huaping, Mr. Huang Huasheng and Ms. Wong Sze Wing. Mr. Guo Huaping 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 Listing Rules. The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee of the Company, which is of the view that the preparation of such financial results have compiled with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the independent auditor of the Company.

Publication of the Interim Results Announcement and Interim Report

This announcement is published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ganfenglithium.com. The Company's 2019 interim report containing the information as required by the 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, PRC
28 August 2019

As at the date of this announcement, the Board comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Mr. SHEN Haibo, Ms. DENG Zhaonan and Mr. XU Xiaoxiong as executive directors of the Company; Mr. HUANG Daifang as non-executive director of the Company; and Mr. GUO Huaping, Mr. HUANG Huasheng, Mr. LIU Jun and Ms. WONG Sze Wing as independent non-executive directors of the Company.

DEFINITIONS

"A Share(s)"	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for in RMB and listed on the SZSE (stock code: 002460)
"H Share(s)"	overseas listed foreign shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars (stock code: 1772)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Incentive Scheme" or "Restrictive A-share Incentive Scheme"	the restrictive A-share incentive scheme adopted in 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Restrictive A Shares"	the restrictive A shares issued to the participants pursuant to the Incentive Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	A Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Listing Rules"	the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange (深交所股票上市規則), as amended form time to time
"SZSE"	The Shenzhen Stock Exchange
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD"	United States dollar, the lawful currency of the United States
"%"	per cent