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

(’)

(S C : 1772)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Ganfeng Lithium Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Revenue	3	**5,488,624**	5,246,425
Cost of sales		**(4,326,980)**	(4,008,873)
Gross profit		**1,161,644**	1,237,552
Other income and gains	3	**788,159**	289,232
Selling and distribution expenses		**(48,212)**	(62,531)
Administrative expenses		**(328,335)**	(369,352)
Other expenses	4	**(187,608)**	(565,918)
Finance costs	5	**(265,883)**	(204,995)
Share of profits and losses of:			
Associates		**(25,302)**	29,778
Joint ventures		**33,458**	123,376
Profit before tax	6	**1,127,921**	477,142
Income tax expense	7	**(63,688)**	(121,076)
PROFIT FOR THE YEAR		**1,064,233**	356,066
Attributable to:			
Owners of the parent		**1,025,309**	360,745
Non-controlling interests		**38,924**	(4,679)
		1,064,233	356,066
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– Profit for the year *(RMB)*		**0.79**	0.28
Diluted			
– Profit for the year *(RMB)*		**0.79**	0.28

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	2020 *RMB'000*	2019 *RMB'000*
PROFIT FOR THE YEAR	**1,064,233**	356,066
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates and joint ventures	**(1,098)**	–
Exchange differences on translation of foreign operations	**(487,949)**	90,212
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(489,047)**	90,212
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**575,186**	446,278
Attributable to:		
Owners of the parent	**652,058**	450,583
Non-controlling interests	**(76,872)**	(4,305)
	575,186	446,278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2020 *RMB'000*	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**6,102,190**	3,007,789
Investment properties		**74**	138
Right-of-use assets		**210,260**	208,808
Goodwill		**–**	18,302
Other intangible assets		**3,407,003**	362,933
Investments in associates		**847,569**	814,504
Investments in joint ventures		**788,768**	2,865,042
Financial assets at fair value through profit or loss		**879,587**	386,035
Deferred tax assets		**40,363**	19,310
Other non-current assets		**969,728**	813,140
Total non-current assets		**13,245,542**	8,496,001
CURRENT ASSETS			
Inventories		**2,214,817**	2,333,836
Trade receivables	10	**1,355,775**	913,808
Debt instruments at fair value through other comprehensive income	11	**409,189**	218,362
Amounts due from related parties		**25,435**	13,673
Prepayments, other receivables and other assets		**2,506,909**	524,569
Financial assets at fair value through profit or loss		**87,117**	12,853
Pledged deposits		**466,000**	371,826
Cash and cash equivalents		**1,709,590**	1,328,104
Total current assets		**8,774,832**	5,717,031
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,287,894**	1,968,555
Trade and bills payables	12	**870,414**	558,897
Amounts due to related parties		**172,835**	290,501
Other payables and accruals		**647,576**	351,425
Income tax payable		**99,065**	89,479
Total current liabilities		**4,077,784**	3,258,857

	Notes	**2020** *RMB'000*	2019 *RMB'000*
NET CURRENT ASSETS		**4,697,048**	2,458,174
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,942,590**	10,954,175
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,682,411**	1,457,103
Convertible bonds		**2,133,824**	762,355
Deferred income		**64,359**	61,324
Deferred tax liabilities		**63,837**	8,606
Amounts due to related parties		**283,255**	–
Provision		**7,279**	–
Other non-current liabilities		**289,220**	254,506
Total non-current liabilities		**4,524,185**	2,543,894
Total liabilities		**8,601,969**	5,802,751
Net assets		**13,418,405**	8,410,281
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,339,961**	1,292,601
Equity component of convertible bonds		**582,381**	205,642
Reserves		**8,783,282**	6,857,014
		10,705,624	8,355,257
Non-controlling interests		**2,712,781**	55,024
Total equity		**13,418,405**	8,410,281

Director

Director

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which include all standards and interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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 the impact of the *Conceptual Framework for Financial Reporting 2018* and revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 Group has applied the concentration test to the acquisition of Minera Exar S.A.. The fair value of the gross assets acquired was substantially concentrated in the mining rights and property, plant and equipment related to Minera Exar mining project. Therefore, this subsidiary was determined not to be a business and accordingly, the Group did not apply the acquisition method to the acquisition of this subsidiary.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the Group's annual consolidated financial statements.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

1.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28(2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
	Disclosure of Accounting Policies[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IAS 1, IFRS 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in United States dollars and foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standard 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2. 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 products, and rendering of processing services;

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

(c) Lithium ore resource and others 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 non-lease related 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.

Year ended 31 December 2020

	Lithium metal and compound *RMB'000*	**Lithium battery** *RMB'000*	**Lithium ore resource and others** *RMB'000*	**Total** *RMB'000*
Segment revenue *(note 3)*:				
Sales to external customers	**4,218,526**	**1,270,098**	**–**	**5,488,624**
Intersegment sales	**3,281**	**4,295**	**1,100**	**8,676**
	4,221,807	**1,274,393**	**1,100**	**5,497,300**
Reconciliation:				
Elimination of intersegment sales				**(8,676)**
Revenue				**5,488,624**

Year ended 31 December 2020

	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Segment results	**1,118,764**	**39,402**	**105,312**	**1,263,478**
Reconciliation:				
Interest income				**129,080**
Finance costs (other than interest on lease liabilities)				**(264,637)**
Profit before tax				**1,127,921**
Segment assets	**10,822,768**	**2,595,241**	**9,779,671**	**23,197,680**
Reconciliation:				
Elimination of intersegment receivables				**(1,177,306)**
Total assets				**22,020,374**
Segment liabilities	**6,795,534**	**1,596,391**	**1,387,350**	**9,779,275**
Reconciliation:				
Elimination of intersegment payables				**(1,177,306)**
Total liabilities				**8,601,969**
Other segment information:				
Impairment losses recognised in the statement of profit or loss, net	**2,185**	**131,820**	**46**	**134,051**
Share of profits and losses of:				
Associates	**22,133**	**–**	**(47,435)**	**(25,302)**
Joint ventures	**(1,067)**	**–**	**34,525**	**33,458**
Depreciation and amortisation	**150,790**	**116,254**	**12,052**	**279,096**
Investments in associates	**364,077**	**–**	**483,492**	**847,569**
Investments in joint ventures	**–**	**22,677**	**766,091**	**788,768**
Capital expenditure	**452,937**	**373,467**	**563,471**	**1,389,875**

Year ended 31 December 2019

	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Segment revenue *(note 3)*:				
Sales to external customers	4,639,633	606,792	–	5,246,425
Intersegment sales	–	1,858	9,280	11,138
	4,639,633	608,650	9,280	5,257,563
Reconciliation:				
Elimination of intersegment sales				(11,138)
Revenue				5,246,425
Segment results	495,700	(59,047)	117,943	554,596
Reconciliation:				
Interest income				126,154
Finance costs (other than interest on lease liabilities)				(203,608)
Profit before tax				477,142
Segment assets	7,763,607	2,015,990	5,199,224	14,978,821
Reconciliation:				
Elimination of intersegment receivables				(765,789)
Total assets				14,213,032
Segment liabilities	5,171,697	999,069	397,774	6,568,540
Reconciliation:				
Elimination of intersegment payables				(765,789)
Total liabilities				5,802,751

Year ended 31 December 2019

	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Other segment information:				
Impairment losses recognised in the statement of profit or loss, net	16,748	62,071	–	78,819
Share of profits and losses of:				
Associates	(93)	–	29,871	29,778
Joint ventures	–	(895)	124,271	123,376
Depreciation and amortisation	154,691	70,896	8,681	234,268
Investments in associates	44,455	–	770,049	814,504
Investments in joint ventures	–	28,720	2,836,322	2,865,042
Capital expenditure	322,274	242,655	98,083	663,012

Geographical information

(a) Revenue from external customers

	2020 ***RMB'000***	2019 *RMB'000*
Mainland China	**4,058,537**	3,814,973
Hong Kong and overseas	**1,430,087**	1,431,452
	5,488,624	5,246,425

The revenue information above is based on the locations of the Company and the subsidiaries.

(b) Non-current assets

	2020	2019
	RMB'000	*RMB'000*
Argentina	**5,804,160**	19,600
Mainland China	**4,363,181**	3,701,468
Hong Kong and overseas	**1,381,788**	3,570,424
	11,549,129	7,291,492

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the reporting period, no major customer information is presented.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**5,488,624**	5,246,425

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2020

Segments	**Lithium metal and compound** *RMB'000*	**Lithium battery** *RMB'000*	**Lithium ore resource and others** *RMB'000*	**Total** *RMB'000*
Types of goods or services				
Sale of industrial products	**4,182,443**	**1,270,098**	**–**	**5,452,541**
Processing services	**36,083**	**–**	**–**	**36,083**
Total revenue from contracts with customers	**4,218,526**	**1,270,098**	**–**	**5,488,624**
Geographical markets				
Mainland China	**2,808,993**	**1,249,544**	**–**	**4,058,537**
Asia	**1,304,024**	**20,334**	**–**	**1,324,358**
Europe Union	**66,071**	**22**	**–**	**66,093**
North America	**33,578**	**112**	**–**	**33,690**
Other countries/ regions	**5,860**	**86**	**–**	**5,946**
Total revenue from contracts with customers	**4,218,526**	**1,270,098**	**–**	**5,488,624**
Types of products				
Lithium compounds and lithium metals	**3,853,889**	**–**	**–**	**3,853,889**
Lithium batteries	**–**	**1,267,275**	**–**	**1,267,275**
Others	**364,637**	**2,823**	**–**	**367,460**
Total revenue from contracts with customers	**4,218,526**	**1,270,098**	**–**	**5,488,624**
Timing of revenue recognition				
Revenue recognised at a point in time	**4,218,526**	**1,270,098**	**–**	**5,488,624**

For the year ended 31 December 2019

Segments	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Type of goods or services				
Sale of industrial products	4,583,438	606,792	–	5,190,230
Processing services	56,195	–	–	56,195
Total revenue from contracts with customers	4,639,633	606,792	–	5,246,425
Geographical markets				
Mainland China	2,829,438	585,313	–	3,414,751
Asia	1,734,542	21,479	–	1,756,021
Europe Union	50,303	–	–	50,303
North America	16,941	–	–	16,941
Other countries/ regions	8,409	–	–	8,409
Total revenue from contracts with customers	4,639,633	606,792	–	5,246,425
Type of products				
Lithium compounds and lithium metals	4,151,793	–	–	4,151,793
Lithium batteries	–	603,200	–	603,200
Others	487,840	3,592	–	491,432
Total revenue from contracts with customers	4,639,633	606,792	–	5,246,425
Timing of revenue recognition				
Revenue recognised at a point in time	4,639,633	606,792	–	5,246,425

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	**Lithium metal and compound** *RMB'000*	**Lithium battery** *RMB'000*	**Lithium ore resource and others** *RMB'000*	**Total** *RMB'000*
Revenue from contracts with customers				
External customers	4,218,526	1,270,098	–	5,488,624
Intersegment sales	3,281	4,295	1,100	8,676
	4,221,807	1,274,393	1,100	5,497,300
Intersegment adjustments and eliminations	(3,281)	(4,295)	(1,100)	(8,676)
Total revenue from contracts with customers	4,218,526	1,270,098	–	5,488,624

For the year ended 31 December 2019

Segments	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Revenue from contracts with customers				
External customers	4,639,633	606,792	–	5,246,425
Intersegment sales	–	1,858	9,280	11,138
	4,639,633	608,650	9,280	5,257,563
Intersegment adjustments and eliminations	–	(1,858)	(9,280)	(11,138)
Total revenue from contracts with customers	4,639,633	606,792	–	5,246,425

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**39,046**	46,050

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 180 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

Rendering processing services

The performance obligation is satisfied upon the completion of the processing services and short-term advances are normally required before rendering the services. Processing service contracts are for periods within one year, and the Group does not adjust any of the transaction prices for the time value of money.

The amounts of transaction prices allocated to the remaining performance obligations as at 31 December are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**41,033**	39,046

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

(c) Other income and gains

	2020	2019
	RMB'000	*RMB'000*
Other income		
Dividend and interest income from financial assets at fair value through profit or loss	**3,105**	8,974
Sales of raw materials	**23,269**	84,700
Bank interest income	**55,977**	67,609
Interest income from associates and a joint venture	**73,103**	58,545
Government grants	**84,614**	54,817
Others	**4,203**	4,161
	244,271	278,806
Gains:		
Fair value gains, net:		
Financial assets at fair value through profit or loss	**526,285**	–
Net gain on disposal of financial assets at fair value through profit or loss	**17,603**	–
Foreign exchange gain	**–**	10,426
	543,888	10,426
	788,159	289,232

4. OTHER EXPENSES

The detailed breakdown of the other expenses is as follows:

	2020	2019
	RMB'000	*RMB'000*
Fair value losses of financial assets at fair value through profit or loss	**–**	395,160
Cost of raw materials sold	**9,253**	69,316
Impairment of goodwill	**18,302**	–
Impairment of trade receivables, net	**33,008**	15,556
Impairment of financial assets included in prepayments, other receivables and other assets, net	**78,307**	20,026
Net loss on disposal of items of property, plant and equipment	**6,633**	13,151
(Reversal)/write-down of inventories to net realisable value	**(543)**	21,455
Impairment of an investment in a joint venture	**4,977**	21,782
Exploration expenditure	**3,253**	4,595
Foreign exchange loss	**28,322**	–
Others	**6,096**	4,877
	187,608	565,918

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans	**142,177**	121,598
Interest on other liabilities	**26,754**	19,866
Interest on lease liabilities	**1,246**	1,387
Interest on discounted bank notes	**4,278**	12,131
Interest on convertible bonds	**101,778**	53,637
Total interest expense on financial liabilities not at fair value through profit or loss	**276,233**	208,619
Less: Interest capitalised in respect of convertible bonds	**(10,201)**	(3,624)
Interest capitalised in respect of bank loans	**(149)**	–
	265,883	204,995

6. PROFIT BEFORE TAX

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

	Notes	**2020** **RMB'000**	2019 *RMB'000*
(a) Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**354,091**	310,683
Equity-settled share-based expense		**–**	126,780
Other welfare		**61,482**	58,774
		415,573	496,237
(b) Cost of sales and services:			
Cost of inventories sold		**4,305,470**	3,933,690
Cost of providing processing services		**21,510**	75,183
		4,326,980	4,008,873
(c) Other items:			
Cost of selling raw materials*		**9,253**	69,316
Impairment of financial assets, net:			
Impairment of trade receivables, net	10	**33,008**	15,556
Impairment of financial assets included in prepayments, other receivables and other assets, net		**78,307**	20,026
(Reversal)/write-down of inventories to net realisable value		**(543)**	21,455
Impairment of goodwill*		**18,302**	–
Impairment of an investment in a joint venture*		**4,977**	21,782
Depreciation of property, plant and equipment and investment properties		**259,658**	211,288
Depreciation of right-of-use assets		**10,354**	11,274
Amortisation of intangible assets		**9,084**	11,706
Research and development costs – current year expenditure		**139,763**	79,600

	2020	2019
	RMB'000	*RMB'000*
Foreign exchange differences, net	**28,322**	(10,426)
Net loss on disposal of property, plant and equipment	**6,633**	13,151
Lease payments not included in the the measurement of lease liabilities	**82**	174
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss	**(526,285)**	395,160
Auditor's remuneration	**2,800**	2,580
Bank charges	**6,031**	1,919

*Notes** Cost of selling raw materials, the impairment of goodwill and the impairment of an investment in a joint venture are included in "Other expenses" in the consolidated statement of profit or loss.

7. 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.

	2020	2019
	RMB'000	*RMB'000*
Current corporate income tax	**115,536**	107,120
Deferred tax	**(51,848)**	13,956
	63,688	121,076

The subsidiaries incorporated in Hong Kong were subject to profits tax at the rate of 16.5% during the reporting period.

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. Certain subsidiaries are also recognised as HNTEs and the effective periods are as follows:

Name	**Effective period**
Fengxin Ganfeng Lithium Co., Ltd. ("**Fengxin Ganfeng**")	2019/9/16–2022/9/15
Yichun Ganfeng Lithium Co., Ltd. ("**Yichun Ganfeng**")	2018/8/13–2021/8/12
Ganfeng Recycling Technology Co., Ltd. ("**Ganfeng Recycling**")	2018/8/13–2021/8/12
Jiangxi Ganfeng Battery Technology Co., Ltd. ("**Ganfeng Battery**")	2018/12/4–2021/12/3
Dongguan Ganfeng Electronics Co., Ltd. ("**Dongguan Ganfeng**")	2019/12/2–2022/12/1
Xinyu Ganfeng Electronics Co., Ltd. ("**Ganfeng Electronics**")	2020/12/2–2023/12/1

Also, according to the tax regulations relates to Western Region Development Policy, the applicable income tax rate of Ningdu Ganfeng Lithium Co., Ltd. is 15%, and such tax concession will be expired on 31 December 2030.

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**1,127,921**	477,142
Tax at the applicable tax rate (15%)	**169,188**	71,571
Impact on tax payment due to different tax rates for specific provinces or enacted by local authority	**(21,490)**	(19,750)
Expenses not deductible for tax	**1,019**	37,056
Income not subject to tax	**(91,525)**	(948)
Profit/(loss) attributable to joint ventures and associates	**1,723**	(22,330)
Tax losses and temporary differences not recognised	**31,089**	71,380
Tax losses utilised	**(14,026)**	(2,501)
Adjustments in respect of current tax of previous periods	**(820)**	(4,461)
Effect of additional tax deduction for research and development expenditure	**(11,470)**	(8,941)
Tax charge at the Group's effective rate	**63,688**	121,076

8. DIVIDENDS

Proposed cash dividend

	2020	2019
	RMB'000	*RMB'000*
RMB0.30 for 2020 (RMB0.30 for 2019) per ordinary share	**406,778**	387,847

On 30 March 2021, the board of directors of the Company resolved to propose the final dividend for the year ended 31 December 2020 of RMB0.30 per share. The amount of the proposed final dividend of RMB406,778,000 is calculated based on the total number of shares of the Company of 1,355,928,282 shares on the record of 29 March 2021.

9. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,304,402,785 (2019: 1,292,598,982) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	**1,116,886***	410,758*
Interest on convertible bonds	**(91,577)**	(50,013)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**1,025,309**	360,745
Shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	**1,304,402,785**	1,292,598,982
Effect of dilution – weighted average number of ordinary shares:		
– Convertible bonds	**49,579,346**	21,790,161

* Because the diluted earnings per share amount is increased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the years ended 31 December 2020 and 2019 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 year ended 31 December 2020 of RMB1,025,309,000 (2019: RMB360,745,000), and the weighted average number of ordinary shares of 1,304,402,785 (2019: 1,292,598,982) in issue during the year ended 31 December 2020.

10. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**1,436,263**	963,238
Impairment	**(80,488)**	(49,430)
	1,355,775	913,808

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2020	2019
	RMB'000	*RMB'000*
Within 6 months	**1,246,171**	860,826
More than 6 months but less than 1 year	**53,780**	21,656
1 to 2 years	**44,987**	4,517
2 to 3 years	**503**	26,809
Over 3 years	**10,334**	–
	1,355,775	913,808

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**49,430**	33,874
Impairment losses *(note 6)*	**33,008**	15,556
Amount written off as uncollectible	**(1,950)**	–
At end of year	**80,488**	49,430

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Past due				
	Current	**Less than one year**	**One year to two years**	**Over two year**	**Assessed individually**	**Total**
Expected credit loss rate ***(%)***	**0.34**	**1.89**	**32.81**	**98.99**	**36.66**	
Gross carrying amount ***(RMB'000)***	**1,113,469**	**195,118**	**10,385**	**42,785**	**74,506**	**1,436,263**
Expected credit losses ***(RMB'000)***	**3,731**	**3,684**	**3,407**	**42,351**	**27,315**	**80,488**

As at 31 December 2019

	Current	Past due: Less than one year	Past due: One year to two years	Past due: Over two year	Assessed individually	Total
Expected credit loss rate *(%)*	0.66	0.74	41.36	89.78	4.41	
Gross carrying amount *(RMB'000)*	662,737	224,696	9,054	43,012	23,739	963,238
Expected credit losses *(RMB'000)*	4,356	1,663	3,745	38,618	1,048	49,430

11. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Debt instruments at fair value through other comprehensive income:		
Bills receivable	**409,189**	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, they were classified and presented as debt instruments at fair value through other comprehensive income.

As at 31 December 2020, the Group's debt instruments at fair value through other comprehensive income with a carrying amount of RMB132,506,000 (2019: RMB58,571,000) were pledged to issue banks' acceptance bills and letters of credit.

12. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**640,092**	428,075
Bills payable	**230,322**	130,822
	870,414	558,897

An ageing analysis of the trade payables as at 31 December 2020, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**505,047**	404,025
3 to 6 months	**70,828**	2,607
6 to 12 months	**32,295**	7,754
1 to 2 years	**22,286**	9,296
2 to 3 years	**9,636**	4,393
	640,092	428,075

The trade payables are non-interest-bearing and are normally settled on terms within 180 to 360 days.

13. EVENTS AFTER THE REPORTING PERIOD

(a) According to the resolution of the 16th meeting of the 5th Board of Directors held on 22 January 2021, the Company passed the 'Proposal on Early Redemption of Ganfeng Convertible Bonds' and agreed to exercise the right to redeem all or part of the convertible bonds which have not yet been converted before the redemption date at a price equal to the face value plus the then accrued interest.

After the redemption is completed, there will be no Ganfeng Convertible Bonds to continue to circulate or trade, and the Ganfeng Convertible Bonds no longer meet the conditions for listing and need to be delisted. Since 16 March 2021, the Ganfeng Convertible Bonds (bond code: 128028) issued by the Company have been delisted on the Shenzhen Stock Exchange.

(b) The Group received board approval on 5 February 2021 to exercise, through a wholly-owned subsidiary its pre-emptive right at the placing price to increase its holding in the Bacanora Lithium plc ("**Bacanora**"). The Group will subscribe for a total of 53,333,333 new ordinary shares at the placing price of 45 pence per share, representing gross proceeds £24,000,000. Completion of this investment is conditional upon obtaining certain approvals and consents from authorities in the PRC. On completion of this transaction, the Group will have an ownership level of no more than 29.99% on Bacanora.

(c) On 27 February 2021, the Group completed its option to increase its stake in Sonora Lithium Ltd ("**Sonora**") from 22.5% to 50% (the "**Option**"). Sonora is the operational holding company for the Sonora Project. Consequently, the Group has subscribed for 73,955,680 new ordinary shares in Sonora at 29.59 pence at a total value of £21,900,000 million.

(d) According to the resolution of the 19th meeting of the 5th Board of Directors held on 8 March 2021, the Company would through a wholly-owned subsidiary, acquire from third independent parties a 100% equity interest of Yili Hongda Foundation Equity Investment Partnership (L.P.) ("**Yili Hongda**"), for a cash consideration of RMB1,470,000,000. Upon closing of the transaction, the Group would hold a 100% interest of Yili Hongda, and indirectly hold a 49% equity interest of Chaidamu Project in Qinghai Province.

(e) On 30 March 2021, the board of directors of the Company resolved to propose the final dividend for the year ended 31 December 2020 of RMB0.30 per ordinary share. The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

I. 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 2020, the global output of ore lithium in concentrate increased significantly from 61,000 tons lithium carbonate equivalent ("**LCE**") to 210,000 tons LCE, while the global output of salt-lake lithium grew from 97,000 tons LCE to 184,000 tons LCE. The global demand for LCE amounted to 309,000 tons and 369,000 tons in 2019 and 2020, respectively. 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 successively, and some existing projects announced or executed on expansion plans. In early 2020, influenced by the oversupply in the Australian lithium concentrate market, the price of lithium concentrate remained at a low level. In the second half of 2020, some lithium concentrate suppliers, such as Altura, were unable to withstand the operating pressure arising from the low lithium price and declared bankruptcy, resulting in a reshuffling of the supply side in the Australian lithium concentrate market and alleviating the oversupply situation. According to the data on Fastmarket, as of the January 2021, the domestic CIF price of 5%-6% spodumene concentrate was around USD450–460/ton. The lithium concentrate market conditions are gradually improving, with the industry gradually shifting from a balanced supply and demand to a tight supply situation. The continued increase in the price of lithium concentrate will support the Company's product prices and will have a positive impact on the Company's operating profit to a certain extent.

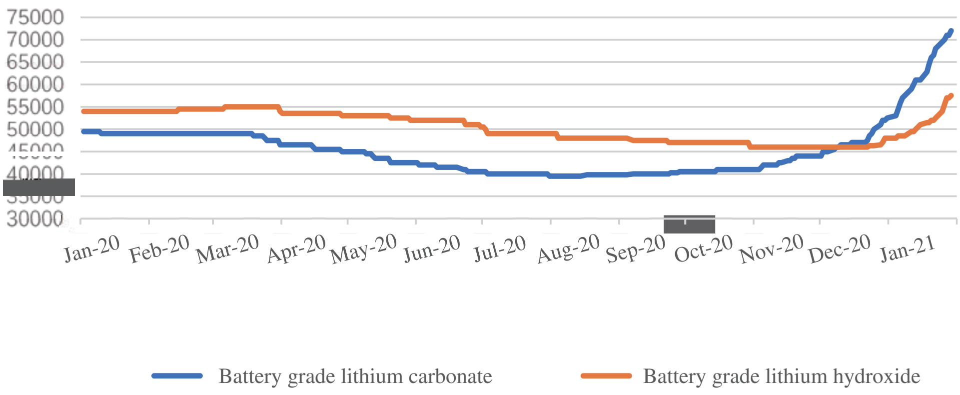
(2) Market of salt lake brines

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 2021. 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 and create conditions for an improved pricing environment in the future.

2. Analysis of the lithium compound market

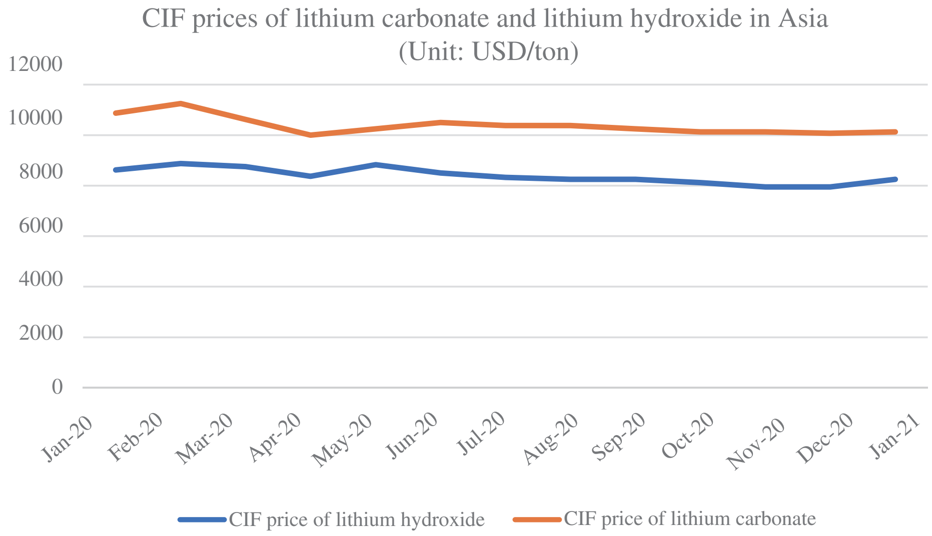
In recent years, prices of major lithium compounds have been fluctuating violently in China market. Since the second half of 2020, the decline of the prices of major lithium compounds in China market has slowed down stepwise, among which, the price of lithium carbonate began to recover gradually in September and the price of lithium hydroxide began to recover in December, with both showing a clear upward trend from the end of 2020, and the price of lithium carbonate showing a more obvious sign of rebound than that of lithium hydroxide. Specific movements are shown in the following table:

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



Source: website of Asian Metal, Minmetals Securities Institute

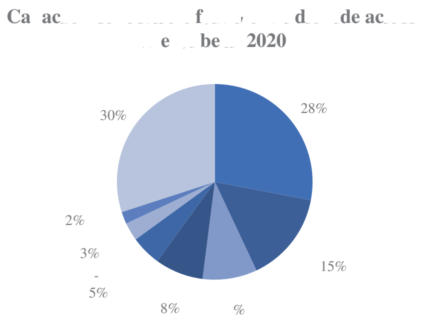
Meanwhile, the prices of major lithium compounds remained relatively stable in international market. In Asian market, for example, the CIF prices of lithium carbonate and lithium hydroxide in Asia have gradually stabilized since the beginning of 2020. Specific movements are shown in the following table:

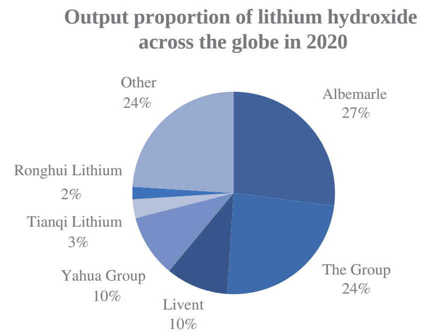


Source: Benchmark

The reduction of China's government subsidies for electric vehicles has had a substantial impact on electric vehicle market, especially on 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 small local electric vehicles manufacturers. At present, the impact of subsidy cuts has gradually been weakened in the domestic market. In addition, the current explosive growth in the new energy vehicle industry has led to a significant increase in demand for lithium iron phosphate batteries and the corresponding increase in demand for lithium compounds, with the industry gradually shifting from a balanced supply and demand to a tight supply situation. Under the dual stimulation of the gradually weakening impact of policies and the rising industry demand, the price of lithium compound is gradually rebounding. 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 cements and improves its industrial position.

In 2020, lithium hydroxide became the main driving force for the growth of lithium compounds because of the rapid development of high-nickel ternary battery. According to the research report of Minmetals Securities, in 2020, the global demand of lithium hydroxide monohydrate amounted to approximately 123,000 tons, of which demand from lithium-ion battery was approximately 98,800 tons. It is estimated that the total demand for lithium hydroxide will increase significantly to 575,000 tons throughout the world in 2025, and the CAGR of lithium hydroxide will be approximately 36.35% from 2020 to 2025. The global demand for lithium hydroxide is expected to exceed that for lithium carbonate in 2024. The supply of lithium hydroxide in global market was relatively concentrated in 2020, and shows as follows according to the proportion of capacity and output:

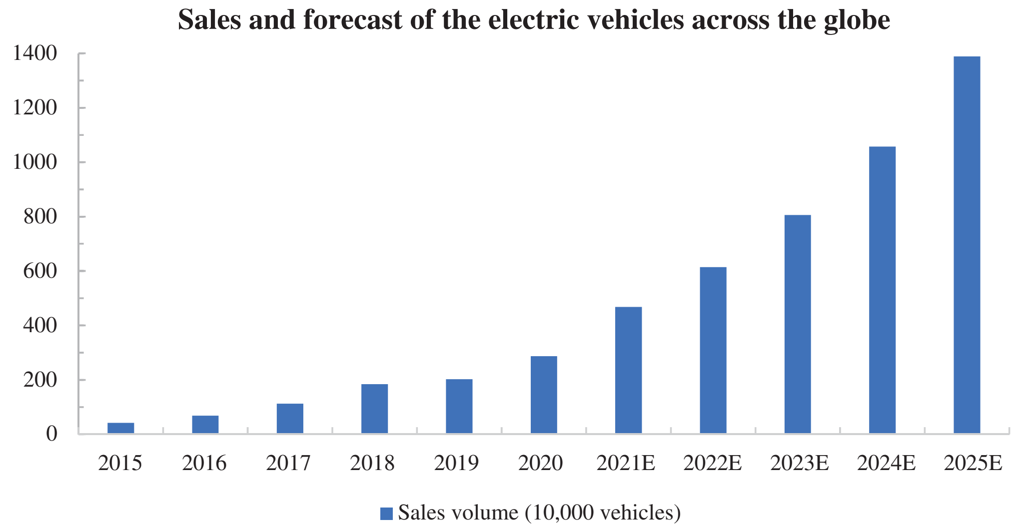




Source: Minmetals Securities Institute

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 2020 amounted to approximately 2.871 million across the globe, representing a year-on-year increase of 42%. With the policy driving, the technological progress in the industry, the improvement of supporting facilities and the increase of market recognition in various countries across the globe, the sales of new energy vehicles are expected to maintain a positive development trend. According to the prediction of Minmetals Securities Institute, the sales of the electric vehicles across the globe will be 13.892 million by 2025, representing a CAGR of 31.2% as compared with the expected sales of 4.683 million vehicles in 2021. Specific movements are shown in the following table:



Source: GGII, Minmetals Securities Institute and Haitong Securities Institute

As at the end of the Reporting Period, the withdrawal schedule of major international traditional automobile enterprises for fuel vehicles is as follows:

Representative automobile enterprises	The withdrawal schedule initiated for fuel vehicles	Future plans
Volkswagen	2030	All vehicle models will be electrified, and the sales of traditional fuel vehicles will be completely stopped by not later than 2030
BMW	2020	Starting from 2022, all vehicle series will be set with the pure electric option, and the proportion of the sales of new energy vehicles will be increased to 20-25%. 25 new energy vehicle models will be launched by 2025.
Volvo	2019	In 2019, the production and sales of vehicle models powered by traditional internal combustion engines were stopped; 1 million electrified vehicles will be sold by 2025
Daimler	2022	In 2022, the production and sales of all its traditional fuel vehicles will be stopped; the Smart brand will be the first to stop the sales of fuel vehicle models
Ford	2022	More than 10 pure electric vehicle models were launched by early 2020; all fuel vehicle models will be electrified by 2025
Toyota	2025	12 pure electric vehicle models will be launched by 2022, with a plan to stop the production of traditional fuel vehicles by 2025
Chrysler	2019	Since 2019, Maserati has only produced the electric and hybrid vehicle models; in 2021, all vehicle models under Jeep brand will adopt the electric version

Source: public information from various automobile enterprises

Under the combined influence of pandemic, policies and industrial demand, the monthly sales in China's electric vehicle market has continued to show a significant year-on-year growth since July 2020. In 2020, the production and sales amounted to 1.366 million and 1.367 million respectively, representing a year-on-year increase of 7.5% and 10.9% respectively, and hitting a record high. Under the background of a 1.8% year-on-year decline in overall vehicle sales in 2020, the sales of electric vehicles recorded a growth of 10.9% against the trend, and the penetration rate increased by 0.7% to 5.4% year-on-year. With reference to the target of 20% sales of new electric vehicles as mentioned in the Electric Vehicle Industry Development Plan (2021–2035) (《電動汽車產業發展規劃(2021–2035年)》), there still exists broad development space for the electric vehicle industry, and remains high certainty on the long-term growth trend of the electric vehicle industry chain.

During the Reporting Period, the important domestic policies relating to the new energy vehicles are as follows:

Issuing authority	Issuing time	Industrial policy	Descriptions
Ministry of Industry and Information Technology (MIIT)	7 April 2020	Decision on revision of Provisions on the Access Administration of New Energy Vehicle Manufacturers and Products (《新能源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, and the provision that new pure electric passenger 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 New Energy Vehicles (《關於新能源汽車免征車輛購置稅有關政策的公告》)	From 1 January 2021 to 31 December 2022, electric vehicles purchased will be exempted from vehicle purchase tax.

Issuing authority	Issuing time	Industrial policy	Descriptions
4 departments including Ministry of Finance	23 April 2020	Notice on Improving the Policies on Financial Subsidies for Promotion and Application of New Energy Vehicles (《關於完善新能源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).
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 have been implemented nationwide since 1 July 2020, and the production of light vehicles under the fifth stage national emission standards will be prohibited, and the imported light vehicles shall meet the sixth stage national emission standards.

Issuing authority	Issuing time	Industrial policy	Descriptions
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.
3 departments including MIIT	15 July 2020	Notice on Launching the Activity of New Energy Vehicles Going to the Countryside (《關於開展新能源汽車下鄉活動的通知》)	It is a temporary stimulus policy with short term for only 6 months from July to December 2020; 10 automobile enterprises participate in the activity altogether, with a total of 16 models. Due to the low price, it meets the needs in the rural areas. The funds needed for the activity are borne by the local government and automobile enterprises.

Issuing authority	Issuing time	Industrial policy	Descriptions
MIIT	30 July 2020	Decision on revision of Provisions on the Access Administration of New Energy Vehicle Manufacturers and Products (《新能源汽車生產企業及產品准入管理規定》)	Such decision has taken effect since 1 September 2020. The requirements relating to "design and development capability" in the application for access by new energy vehicle manufacturers are deleted in the new access provisions; the period for new energy vehicle manufacturers to suspense production is adjusted from 12 months to 24 months; and the transitional clause on the transitional period for new energy vehicle manufacturers to apply for access is deleted.
State Council Executive Meeting	9 October 2020	New Energy Vehicle Industry Development Plan (《新能源汽車產業發展規劃》)	To clearly guide the orderly development of the new energy vehicle industry, promote the establishment of a unified national market, and improve the industrial concentration and market competitiveness, the plan points out four key development directions: (1) to step up research on key technologies, encourage the development and innovation of vehicle operating systems and power batteries; (2) to strengthen the construction of infrastructure for electricity charging and battery replacement, hydrogen refueling etc., and accelerate the establishment of fast-charging highways and public charging networks in urban and rural areas; to provide financial support for the construction of charging piles as public facilities and encourage the application of battery replacement model; (3) to encourage the strengthening of international cooperation in the field of new energy vehicles; (4) to increase policy support for the use of new energy vehicles in the public service sector.

Issuing authority	Issuing time	Industrial policy	Descriptions
4 departments including Ministry of Finance	31 December 2020	Notice on Further Improvement of the Financial Subsidy Policy 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》)	In 2021, the framework and threshold requirements of the current technical indicator system for purchase subsidies will remain unchanged. In 2021, the subsidy standards for purchase of new energy vehicles will be reduced by 20% from that of 2020. In order to accelerate the electrification of vehicles in public transport and other areas, the subsidy standards for new energy vehicles that meet the requirements in the areas of urban public transport, road passenger transport, taxi (including online hailing vehicles), environmental sanitation, urban logistics and distribution, postal delivery, civil aviation and airports, as well as public affairs of the Party and government will be reduced by 10% in 2021 from that of 2020. In order to speed up the transformation and upgrading of the public transport industry, the local government may continue to grant subsidies for the purchase of new energy buses.

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.

During the Reporting Period, the important foreign policies relating to the electric vehicles are as follows:

Issuing authority	Issuing time	Industrial policy	Descriptions
German Government's Commission	17 February 2020	"Umweltbonus" (Environmental bonus) Program	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 Rules	In the future, the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rules will replace the Corporate Average Fuel Economy (CAFE) Standards. According to the latest SAFE rules, 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.
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 significantly stimulate consumption.

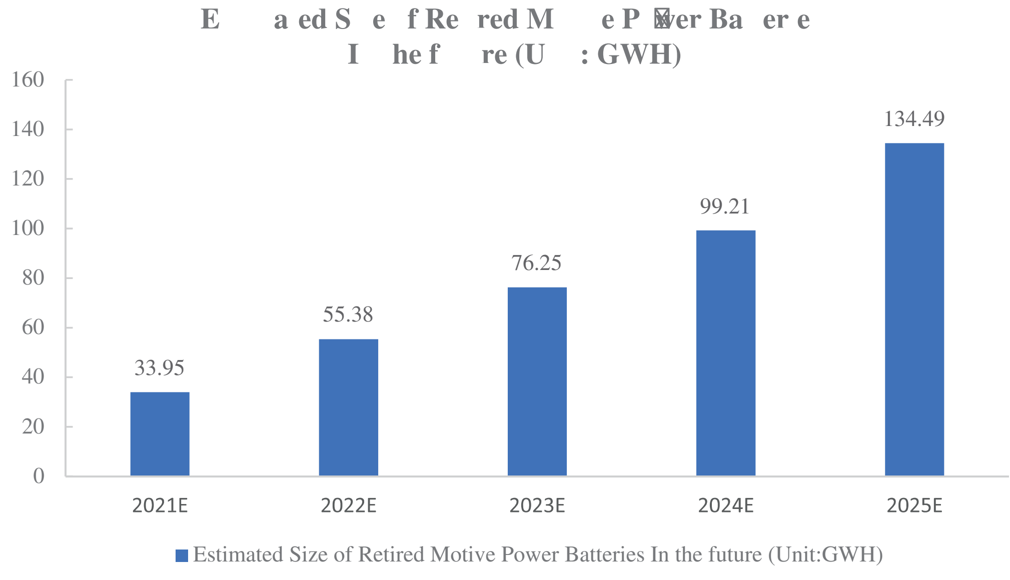
Issuing authority	Issuing time	Industrial policy	Descriptions
Council of French Government	27 May 2020	8 billion-euro plan to revive the auto industry	The subsidies are increased: government subsidies for private consumers who buy electric vehicles are increased from 6,000 euro to 7,000 euro, and commercial 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.
US 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%.

2020 is the year of global electrification. 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 pandemic 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 electric vehicles launches from Chinese and overseas original equipment manufactures (OEMs) in the near future. According to the prediction of Minmetals Securities, the sales of China's electric vehicles will be 1.842–2.185 million in 2021, and the sales of global electric vehicles will be 4.180–4.683 million. With the weakening of the impact of the COVID-19 pandemic in 2020, and the launch of electric vehicles by OEM vehicle manufacturers worldwide, the manufacturing side of electric vehicles is growing rapidly and the global electrification is expected to accelerate. 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. In 2020, the retired power lithium battery exceeded 20GWh, and it will reach 33.95GWh in 2021 according to the projection of China Merchants Securities. The retired power lithium battery will reach 134.49GWh in 2025.



Source: China Merchants Securities

BUSINESS REVIEW

The Group has built the most completed lithium industry value chain in the world, covering 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 revenue of the Group increased from RMB5,246,425,000 in 2019 to RMB5,488,624,000 in 2020, representing a growth rate of 4.6%; its gross profit decreased from RMB1,237,552,000 to RMB1,161,644,000, representing a decrease rate of 6.1%. The profit for the year attributable to owners of the parent company increased from RMB360,745,000 in 2019 to RMB1,025,309,000 in 2020, representing a growth rate of 184.2%. The total assets of the Group increased from RMB14,213,032,000 in 2019 to RMB22,020,374,000 in 2020, representing a growth rate of 54.9%; and its net assets increased from RMB8,410,281,000 in 2019 to RMB13,418,405,000 in 2020, representing a growth rate of 59.5%.

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, to minimize the impact of the pandemic on its operating performance.

1. Products and capacity

As at the end of the Reporting Period, the Group had 9 production bases. In order to satisfy fast growing demands for lithium products in the market, the Company further expanded its production capacity by conducting technical transformation of the existing production lines and building new production lines. The expansion of production capacity will help expand the Company's the global market share to meet the growing demand of customers for the Company's products.

Production capacity of major products:

Major products	Designed production capacity (ton/year)	Effective production capacity (ton/year)	Utilization rate of production capacity	Production capacities under operation	Investment and construction status
Lithium carbonate	40,500	25,750	56.85%	Cauchari-Olaroz lithium salt lake project in Argentina	Under construction
Lithium hydroxide	81,000	31,000	88.00%	Nil	Nil
Lithium metal	1,600	1,600	98.58%	Nil	Nil

Note: Based on the changing situation of lithium carbonate and lithium hydroxide market, the Company made the best advantage of flexible production line, deliberately reduced the production of lithium carbonate in the first half of 2020, and increased the production of lithium hydroxide at the same time; with the increasing demand for lithium carbonate in the second half of 2020, the Company adjusted the production of lithium carbonate and lithium hydroxide to meet the market demand.

Product categories of the major production bases:

Lithium Compound and Lithium Metal

Production Base	Location	Primary Products	Chemical industrial park	Year of Production Commencement
Basic Lithium Plant	Xinyu, Jiangxi	Lithium carbonate, lithium hydroxide, lithium chloride and butyl lithium	Xinyu high-tech zone	2014
Ningdu Ganfeng	Ningdu, Jiangxi	Lithium carbonate	Ningdu industrial park	2018
Cauchari-Olaroz	Argentina	Lithium carbonate	–	Under construction
Fengxin Ganfeng	Fengxin, Jiangxi	Lithium Metal	Fengxin industrial park	2011
Yichun Ganfeng	Yichun, Jiangxi	Lithium Metal	Yichun industrial park	2013

Lithium Battery

Production Base	Location	Primary Products	Year of Production Commencement
Dongguan Ganfeng	Dongguan, Guangdong	Polymer lithium battery	2016
Ganfeng Battery	Xinyu, Jiangxi	Lithium-ion motive power batteries, energy storage batteries	2016
Ganfeng Electronics	Xinyu, Jiangxi	Polymer lithium battery specially designed for smart wearable products, TWS wireless bluetooth headset battery	2018
Zhejiang Fengli	Xinyu, Jiangxi	First-generation solid-state lithium battery	Under construction
Jiangsu Ganfeng	Suzhou, Jiangsu	Power and energy storage battery pack, battery management system	2019
Huizhou Ganfeng	Huizhou, Guangdong	Polymer lithium battery, TWS wireless bluetooth headset battery	Under construction

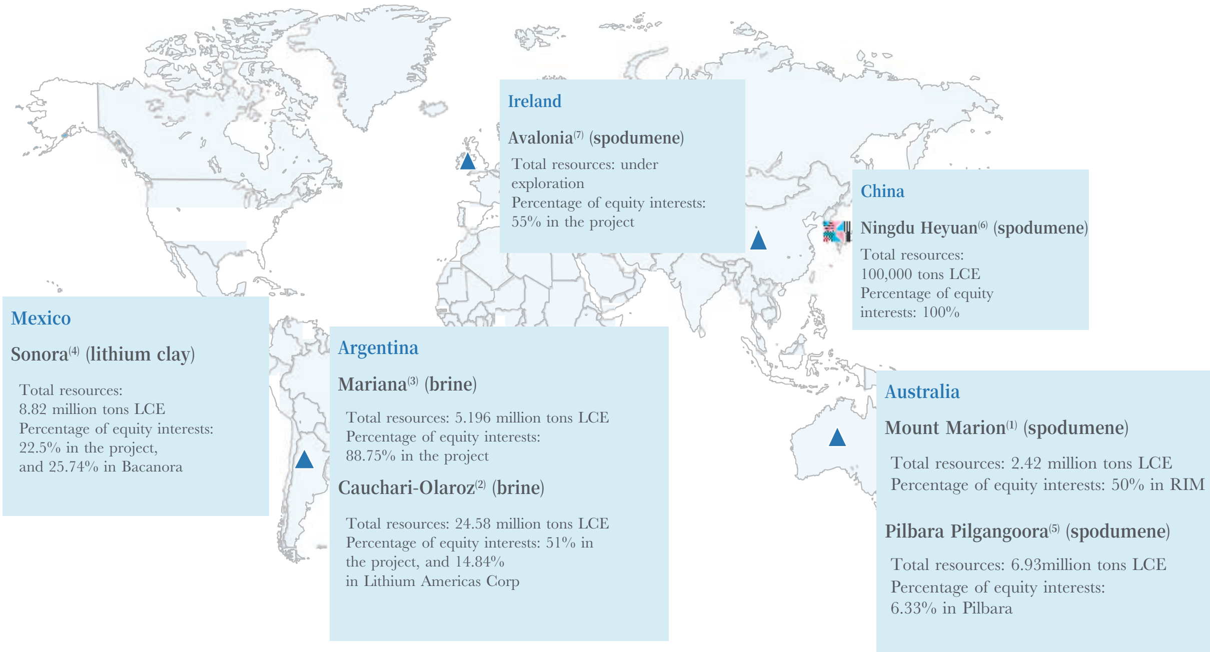
Lithium Battery Recycling

Production Base	Location	Primary Products	Year of Production Commencement
Ganfeng Recycling	Xinyu, Jiangxi	lithium recycling solution, NCM precursor	2017

2. *Lithium resources*

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, further increased its shareholding in Minera Exar S.A. ("**Minera Exar**") to 51% and took a controlling stake to help promoting the investment development progress of Cauchari-Olaroz lithium salt lake project in Argentina; in addition, the Group continued to increase its shareholding in Sonora Lithium Ltd ("**Sonora**"), a lithium-clay project company in Mexico to 50%, proactively exploring diversified supply of lithium resources.

Upstream lithium resources that the Group has direct or indirect interests across the globe as at the end of the Reporting Period are shown as follows:



Notes:

Total resource is the sum of measured resource, indicated resource and inferred resource. LCE data of total spodumene resources is converted through lithium oxide resources contained in ores.

(1) Mount Marion mine, which currently produces lithium concentrate 400,000 tons per annum, is the main source of lithium raw materials of the Group currently.

(2) Cauchari-Olaroz is a lithium salt lake located in Jujuy Province in Northwest Argentina. As at the end of the Reporting Period, the Group directly held 51% equity interests in Cauchari-Olaroz project. With lithium-rich brine resource of approximately 24.58 million tons LCE, Cauchari-Olaroz project is one of the largest projects extracting lithium from salt lakes, and can support the annual output of battery-grade lithium carbonate of over 40,000 tons for 40 years. The Company has entered into an offtaking agreement to secure the exclusive offtaking rights to 76% of the products from the Cauchari-Olaroz project, which has a planned annual battery-grade lithium carbonate production capacity of 40,000 tons. Cauchari-Olaroz project plans to complete most of its construction in 2021, and has been postponed to put into commissioning production in the first half of 2022 due to the impact of COVID-19.

(3) Mariana is a lithium-potassium salt lake located in Salta Province, Argentina. According to the latest resource estimation report prepared by Geos Mining, an Australian geology consulting firm, the Mariana project has an indicated and inferred lithium resource of approximately 5.196 million tons LCE. The feasibility study of Mariana project was completed smoothly in 2019, and construction was planned to be conducted after acquired the environmental assessment permit for construction of plant in 2021.

(4) Sonora project, a project extracting lithium from lithium clay in Mexico, is jointly held by the Group and Bacanora. As at the end of the Reporting Period, the Group held 22.5% equity interests in Sonora project, and 25.74% equity interests in Bacanora. According to the latest flexibility study report of Sonora project, the project, whose total lithium resources amounts to approximately 8.82 million tons LCE, is one of the largest lithium resources projects in the world currently. By virtue of its unique advantages in lithium clay resources, the project is characterized by both the advantages of extracting lithium from ore and salt lake in its process of lithium extraction, so it can not only finish lithium extraction at the speed of extracting lithium from ore within a short time, but also complete lithium extraction with relatively low cost similar to that needed in lithium extraction from brine. At present, the project is still under construction.

(5) Located 120 kilometers from Port Hedland in Western Australia, Pilbara Pilgangoora Lithium-Tantalum project is one of the largest spodumene ore mines in the world. The Pilgangoora Lithium-Tantalum project has a lithium resource of approximately 6.93 million tons LCE, with an average lithium grade of 1.26%. At present, the project is wholly owned by Pilbara. As at the end of the Reporting Period, the Group holds 6.33% equity interests in Pilbara.

(6) Ningdu Heyuan mine is located in Ningdu County, Ganzhou City, Jiangxi Province. It is operated and mined by the Group independently. Ningdu Heyuan mine has a lithium resource of approximately 0.1 million tons LCE, with an average lithium oxide grade of 1.03%.

(7) Avalonia is a spodumene ore mine in Ireland. As at the end of the Reporting Period, the Group holds 55% equity interests in it. Avalonia is currently at a preliminary stage of exploration, so it is impossible to estimate its lithium resource.

At the end of the Reporting Period, offtaking of lithium resources and lithium products produced through lithium resources projects signed by the Group across the globe are as follows:

Type of resources	Project name	Current offtaking situation	Project progress
Spodumene	Mount Marion	The Group has the offtaking rights to all lithium concentrate produced from Mount Marion project between 2017 and 2019, and not less than 192,570 tons of lithium concentrate per annum after 2020.	Under operation
	Pilbara Pilgangoora	Project phase I supplies the Company with no more than 160,000 tons of 6% lithium concentrate per annum; project phase II will supply the Group with no more than 150,000 tons of lithium concentrate per annum after it completes construction and puts into production.	Project phase I is operating

Type of resources	Project name	Current offtaking situation	Project progress
	Manono	The Group has obtained the offtaking rights with an initial period of 5 years, and it can choose whether to extend the term for another 5 years according to the Company's own needs. From the third year, the annual supply of 6% lithium concentrate to the company will increase to 160,000 tons.	Under operation
Brine	Cauchari-Olaroz	The Group has secured the offtaking rights to 76% of the products from the project, which has a planned annual battery-grade lithium carbonate production capacity of 40,000 tons.	Under operation
	Mariana	Offtake products based on proportion of equity interests in the project	Under operation
Lithium clay	Sonora	The Group offtakes 50% lithium products produced in project phase I, and is entitled to increase lithium products offtaken to 75% in project phase II	Under operation

3. Lithium battery and lithium battery recycling businesses

The Group's lithium battery business has been distributed to the technical direction of consumer batteries, TWS batteries, power/energy storage batteries and solid-state batteries and other fields, with each focusing on their respective segment market. In order to accelerate the development of lithium battery segment, the Group completed capital increase and share expansion and introduced an employee shareholding platform for Ganfeng Battery in 2020. Huizhou Ganfeng, a wholly-owned subsidiary of Ganfeng Battery, planned to invest not more than RMB3 billion in the construction of a research and development and production base of high-end polymer lithium batteries. During the Reporting Period, details of each battery segment are as follows: consumer batteries: Dongguan Ganfeng's full-automation lithium polymer battery production line with an annual output of 30 million pieces was put into operation, the 3C consumer lithium battery products were produced smoothly and the product structure was continuously optimized, which significantly improved the customer recognition.

TWS batteries: In 2018, Ganfeng Electronics launched the layout of TWS wireless blue-tooth headsets batteries. As at the end of 2020, the full-automation production line of TWS batteries recorded a daily output of 300,000 pieces. The Company's TWS batteries are widely used in smart bracelets, Bluetooth headsets, smart glasses, smart clothing and other wearable and intelligent devices, and have obtained a number of national patents. The Company's TWS batteries adopt the design of the hard and soft shell clasping one another up and down, which has improved the impermeability of batteries and significantly reduced the risk of leakage and electromagnetic interference. The TWS batteries are of higher security and applicability than products from other competitors in market. With high-quality products and a well-established patent system, the Company's TWS batteries have gained general recognition of the market, and have now entered the supply system of several electronic products customers.

Power/energy storage batteries: In 2017, Ganfeng Battery's high-capacity lithium-ion motive power battery project with a production capacity of 600MWH was successfully put into operation, which brought rapid increase in production volume. As at the end of 2020, the production capacity of Ganfeng Battery's lithium iron phosphate batteries reached 1GWh, and was planned to expand to 3GWh.

Solid-state batteries: Zhejiang Ganfeng New Energy Technology Co., Ltd., a wholly-owned subsidiary of Ganfeng Battery, focuses on the research and development and marketing of solid-state lithium batteries with high energy density and high safety performance. Solid-state lithium battery is the priority in the future development of Ganfeng Battery's motive power battery business segment. In 2019, Ganfeng Battery invested in and constructed a pilot production line with several hundred MWH capacity per year for the first-generation solid-state lithium battery, which accelerated the progress of the commercialization of solid-state lithium battery technology. The first-generation mixed solid-liquid electrolyte battery products developed by Zhejiang Ganfeng have passed multiple third-party safety tests and sample inspection made by a number of customers. The energy density reaches 235~280Wh/kg. The second-generation solid-state lithium battery is based on high nickel ternary cathode and metal-containing lithium cathode materials. At present, such product has an energy density of over 350Wh/kg and a cycle life of nearly 400 times, while the solid-state cells of metal lithium cathode with the energy density of over 420Wh/kg have been used in special fields.

The retired lithium battery recycling: The Company enhanced the industrialization technology level and competitive advantages by expanding the capacity of its retired lithium battery recycling business and developing new processes and technologies for comprehensive recycling of the retired batteries. During the Reporting Period, the recycling technology was including in the second list of Industry Standard Conditions for the Comprehensive Utilization of Waste Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範條件》) by the Ministry of Industry and Information Technology of the PRC. The retired lithium battery disassembling and comprehensive metal recycling projects on the basis of recycling technology have achieved a recycling and disposal capability of 34,000 tons, helping the enterprises to establish an ecological recycle chain of lithium products, and further improving the Company's layout in industrial chain.

4. *Technology and R&D*

In 2020, the Company continued to implement the strategy of driving development by technological innovation, and promoted high-quality development of enterprises. Through the establishment of the scientific research platforms such as National Enterprise Technology Center, National and Local United Engineering Research Center, National Post-doctoral Research Station, Academic Station, Jiangxi Provincial Lithium New Material Engineering Research Center, Key Laboratory of Jiangxi Province, the Company continued to conduct some innovative activities for the development of new products, new processes, new technologies and new models, and made a series of scientific research achievements.

During the Reporting Period, the Company undertook three national projects, five provincial scientific research and technological renovation projects and was approved two municipal scientific research platforms. In particular, the project of "Efficient and Clean Recycling Technology and Demonstration of the Retired Ternary Lithium Materials" was approved as the National Key Research and Development Plan Project; the project of "Type 523 NCM Precursor Materials Produced from Waste Ternary Lithium ion Batteries" was approved as a local special fund project guided by the central government; the project of "Complete Preparation Technology and Industrialization of Lithium Metal and Lithium-based New Materials for Batteries with High Specific Energy" was approved as the Cultivation Project of 2020 National Science and Technology Award Backup Project; the "Efficient and Clean Recycling Technology and Industrialization of the Battery Materials for Electric Vehicles" and the "Preparation and Engineering Demonstration of High-Performance Construction Materials Produced from Lithium Smelting Slag" were approved as the Key Research and Development Plan Projects of Jiangxi Province.

The Company developed 11 key new products in Jiangxi Province, such as "Battery Grade Anhydrous Lithium Hydroxide" and "High Purity Anhydrous Lithium Chloride", with the product processes and technologies reaching the international advanced and domestic leading level; the main products "Lithium Hydroxide Monohydrate" and "Lithium Belt" were awarded the title of Famous

Brand Products in Jiangxi Province, and the patent of "A Method of Preparing Lithium Hydroxide Monohydrate from Lithium Pyroxene" was honoured with the Jiangxi Province Patent Award; and the Jiangxi Provincial Lithium New Material Engineering Research Center of the Company was awarded as the Key Industrial Innovation Platform in Jiangxi Province.

During the Reporting Period, the Company was authorized 83 new national patents, including 14 national invention patents and 69 utility model patents. As at the end of the Reporting Period, the Company has been authorized 267 national patents, including 76 national invention patents and 191 utility models.

Particulars of the production technology of the major products:

Major products	Stage of the production technology	Core technical personnel	Proprietary technology	Product R&D advantages
Lithium salt, lithium hydroxide	Mature technology	National expert service base, 382 scientific research personnel: 1 from National Hundred, Thousand and Ten Thousand Talent, 2 from the Hundred Talents Program of the Chinese Academy of Sciences, 4 from the Provincial Hundred, Thousand and Ten Thousand Talent, and 2 from the Provincial Technological Innovation Talents. It has a first-class research and development team and development platform both at home and abroad.	The technology relates to a method for extracting lithium salt from spodumene, a method for preparing lithium hydroxide monohydrate by extracting lithium from spodumene, and a method for extracting lithium salt from spodumene by sodium carbonate pressure leaching	It has built one of the largest demonstration bases for extracting lithium from ore in China, extending the industrial chain of ore lithium extraction to the upstream to guarantee the Company's lithium raw materials

Major products	Stage of the production technology	Core technical personnel	Proprietary technology	Product R&D advantages
Lithium metal and Lithium products	Mature technology	National expert service base, 382 scientific research personnel: 1 from National Hundred, Thousand and Ten Thousand Talent, 2 from the Hundred Talents Program of the Chinese Academy of Sciences, 4 from the Provincial Hundred, Thousand and Ten Thousand Talent, and 2 from the Provincial Technological Innovation Talents. It has a first-class research and development team and development platform both at home and abroad.	A vacuum distillation method for purification of lithium metal, a vacuum distillation device for purification of lithium metal, a device for automatic shearing lithium metal particles, a device for shearing special-shaped lithium metal particles, a method for preparing high sodium metal lithium by recycling lithium sodium alloy and a high sodium metal lithium prepared by this method, a head cutting device for lithium metal ingot, a lithium metal ingot mold, and a diversion device for casting lithium metal and an air intake device for a glove box purification tank for casting lithium metal	It has achieved the effect of reducing production energy consumption, saving cost, improving labor productivity and product quality
Lithium belt	Mature technology	National expert service base, 382 scientific research personnel: 1 from National Hundred, Thousand and Ten Thousand Talent, 2 from the Hundred Talents Program of the Chinese Academy of Sciences, 4 from the Provincial Hundred, Thousand and Ten Thousand Talent, and 2 from the Provincial Technological Innovation Talents. It has a first-class research and development team and development platform both at home and abroad.	A lithium metal belt production device, lithium metal belt extrusion device and a lithium metal belt extrusion device	It has realized the goal of industrial production of ultra-thin lithium belt with thickness less than 0.1mm to enhance the added value and market competitiveness of lithium products

Major products	Stage of the production technology	Core technical personnel	Proprietary technology	Product R&D advantages
Lithium chloride	Mature technology	National expert service base, 382 scientific research personnel: 1 from National Hundred, Thousand and Ten Thousand Talent, 2 from the Hundred Talents Program of the Chinese Academy of Sciences, 4 from the Provincial Hundred, Thousand and Ten Thousand Talent, and 2 from the Provincial Technological Innovation Talents. It has a first-class research and development team and development platform both at home and abroad.	A method for producing anhydrous lithium chloride for electrolysis by recycling lithium from pharmaceutical wastewater containing lithium, a method for preparing lithium salt by recycling waste containing lithium fluoride	It has become the first domestic enterprise that recycles lithium-containing recyclables generated by customers

OUTLOOK

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 exploration, with a gradually focus on extraction development of brine, lithium clay and other resources. In 2021, the Company will proactively advance the development and construction of the Cauchari-Olaroz lithium salt lake project in Argentina that is planned to finish most of the project constructions in 2021, and put into commissioning production in the first half of 2022. The application for environment assessment of the Mariana Project in Argentina has been successfully submitted, and it is planned to commence construction after the environment assessment permit for plant construction is obtained in 2021. The Company will further accelerate the construction of the Mexico Sonora lithium clay project, and endeavored to make it a leading project in the field of extraction of lithium from lithium clay across the globe. The Company will continue to actively explore the possibility of acquiring further sources of lithium by virtue of its experience in the industry value chain and its insights into the market trends in order to enrich the core portfolio of high-quality lithium resources and provide reliable and high-quality supply of lithium resources for 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 satisfy the growing demand for lithium and solidify its leading position in the lithium products industry. In 2020, the Company completed the establishment of a battery grade lithium hydroxide production line with a production capacity of 50,000 tonnes per annum at Basic Lithium Plant in Xinyu (the phase III of the Mahong project of ten thousand tonnes of lithium salt, the production capacity of which will gradually increase and reach the target in 2021. At present, the production line is running well. The new production facilities will expand the production capacity of the Company to respond to the rapid business growth. The Company will expand its production capacity based on the changes in and assessment of future market demands for lithium products and plans to achieve 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 by 2025. The company is optimistic about the long-term development of the global lithium market. In the future, and will form a lithium salt supply capacity of no less than 600,000 tonnes LCE and a more competitive lithium resource project reserve to match it.

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 and commercialization in relation to a new generation of solid-state lithium battery for the sake of future growth. In the future, the Company will further 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. Huizhou Ganfeng, a wholly-owned subsidiary of Ganfeng Battery (a controlled subsidiary of the Company), plans to invest no more than RMB3 billion in the construction of a high-end polymer lithium battery R&D and production and construction base.

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 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 close 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 the future plan, the Company will build a large comprehensive facility that is capable of recycling 100,000 tons of retired lithium batteries each 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 research and development and innovation capabilities

Committed to technological research and development, the Company will capitalize on the advantages of National Post-doctoral Research Station, National Enterprise Technology Center, 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 the cooperation with research institutions to 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 research and development 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 lithium clay;
- 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 to 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 customers to 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 services into the principal business of its customers, so as to enhance the revenue contributed to its customers.

7. Enhance capabilities 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 training for employees;

- Solidify marketing, logistics and sales service systems so as to coordinate 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 revenue of the Group amounted to RMB5,488,624,000, representing an increase of RMB242,199,000 as compared to RMB5,246,425,000 in 2019; its gross profit amounted to RMB1,161,644,000, representing a decrease of RMB75,908,000 as compared to RMB1,237,552,000 in 2019. The basic earnings per share of the Group amounted to RMB0.79. Major financial indicators of the Group are set out as below:

	2020	2019	Change *(percentage)*
Profitability indicator			
Net profit margin on sales	**19.4%**	6.8%	12.6%
Return on investment indicator			
Return on weighted average net assets	**9.8%**	4.3%	5.5%

During the Reporting Period, the profit attributable to the owners of the parent for the year amounted to RMB1,025,309,000 representing an increase of RMB664,564,000 or 184.2% as compared to RMB360,745,000 in 2019, which was mainly because gains from fluctuations in the fair value of financial assets held by the Company brought about increase in other gains and decrease in other expenses during the Reporting Period.

2. Analysis of revenue and cost

During the Reporting Period, the revenue of the Group was generated from the sales of lithium compounds, lithium metals, lithium battery and other products. Total revenue increased by RMB242,199,000 from RMB5,246,425,000 in 2019 to RMB5,488,624,000 in 2020, which was mainly due to continuous increase in sales of lithium hydroxide, lithium carbonate, batteries and cells during the Reporting Period.

1) Analysis of principal businesses by products and regions

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

By products:

	For the year ended 31 December 2020 *RMB'000*	*%*	For the year ended 31 December 2019 *RMB'000*	*%*
Lithium compound and lithium metal	**3,853,889**	**70.2**	4,151,793	79.1
Lithium battery	**1,267,275**	**23.1**	603,200	11.5
Others(1)	**367,460**	**6.7**	491,432	9.4
Total	**5,488,624**	**100**	5,246,425	100

Note (1): Including NCM precursors, lithium oxide, lithium dihydrogen phosphate and other products

By sales regions:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China	**4,058,537**	**73.9**	3,414,751	65.1
Overseas	**1,430,087**	**26.1**	1,831,674	34.9
Total	**5,488,624**	**100**	5,246,425	100

2) *Analysis of operating cost by products*

By products:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	***%***	*RMB'000*	*%*
Lithium compound and lithium metal	**2,965,503**	**68.6**	3,061,115	76.3
Lithium battery	**1,061,358**	**24.5**	524,299	13.1
Others	**300,119**	**6.9**	423,459	10.6
Total	**4,326,980**	**100**	4,008,873	100

Note (1): Including NCM precursors, lithium oxide, lithium dihydrogen phosphate and other products

By sale regions:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	***%***	*RMB'000*	*%*
Mainland China	**3,251,862**	**75.2**	2,817,650	70.3
Overseas	**1,075,118**	**24.8**	1,191,223	29.7
Total	**4,326,980**	**100**	4,008,873	100

Cost by nature:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	***%***	*RMB'000*	*%*
Raw materials consumed and sold	**3,461,039**	**79.9**	3,189,289	79.6
Payroll	**255,932**	**5.9**	219,384	5.5
Depreciation and amortization expenses	**214,730**	**5.0**	177,612	4.4
Fuel and power	**300,796**	**7.0**	330,238	8.2
Other expenses	**94,483**	**2.2**	92,350	2.3
Total	**4,326,980**	**100**	4,008,873	100

3. Gross profit and gross profit margin

During the Reporting Period, the gross profit margin of the Group was 21.2%, representing a decrease of 2.4% as compared with 23.6% in 2019, mainly due to downward sales prices of lithium compound as a result of changes in market conditions.

Gross profit and gross profit margin by products

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	Gross profit	**margin**	Gross profit	margin
	RMB'000	***%***	*RMB'000*	*%*
Lithium compound and lithium metal	**888,386**	**23.1**	1,090,678	26.3
Lithium battery	**205,917**	**16.2**	78,901	13.1
Others[(1)]	**67,341**	**18.3**	67,973	13.8
Total	**1,161,644**	**21.2**	1,237,552	23.6

Note (1): Including NCM precursors, lithium oxide, lithium dihydrogen phosphate and other products

Gross profit and gross profit margin by regions

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	Gross profit	**margin**	Gross profit	margin
	RMB'000	*%*	*RMB'000*	*%*
Mainland China	**806,675**	**19.5**	597,101	17.5
Overseas	**354,969**	**25.9**	640,451	35.0
Total	**1,161,644**	**21.2**	1,237,552	23.6

4. Major customers and suppliers

During the Reporting Period, total sales to top 5 customers of the Group was RMB1,581,244,000 (2019: RMB1,625,485,000), which accounted for 28.8% of the total sales for the Reporting Period (2019: 31.0%). During the Reporting Period, total purchases from top 5 suppliers of the Group was RMB1,670,068,000 (2019: RMB2,493,247,000), which accounted for 37.0% of the total purchases for the Reporting Period (2019: 49.1%).

5. Other income and gains

The other income and gains of the Group is mainly comprised of net gain from fair value changes on financial assets at fair value through profit or loss, government grants, revenue from sales of raw materials and bank interest income. During the Reporting Period, other income and gains of the Group amounted to RMB788,159,000, representing an increase of RMB498,927,000 as compared with RMB289,232,000 in 2019, which was mainly because gains from fluctuations in the fair value of financial assets held by the Company brought about increase in other expenses during the Reporting Period.

6. Expenses

	For the year ended 31 December 2020 *RMB'000*	For the year ended 31 December 2019 *RMB'000*	Changes %	Explanations on material changes
Selling and distribution expenses	**48,212**	62,531	-22.9	Selling and distribution expenses mainly included employee welfare expenses, transportation fees, storage and port fees, rental expenses, sales commissions, travel expenses and other expenses, the decrease of which during the Reporting Period was mainly because the transportation costs of $16,747,500 was adjusted to operating costs in the current period had been consolidated and offset the corresponding revenue and cost and has not been recognized in the selling expenses; with the same standard as previous period, the selling expenses in the current period increased by 3.88% compared with that in the previous period, mainly due to the significant increase in sales volume in the current period.

	For the year ended 31 December 2020	For the year ended 31 December 2019	Changes	Explanations on material changes
	RMB'000	*RMB'000*	*%*	
Administrative expenses	**328,335**	369,352	-11.1	Administrative expenses mainly included employee welfare expenses, office expenses, travel expenses, agency fees, research and development expenses, banking services and other expenses, as well as asset depreciation and amortization. The decrease during the Reporting Period was mainly because there were share incentive expenses in the previous period while there are no such expenses during the current period.
Other expenses	**187,608**	565,918	-66.8	Other expenses mainly included net fair value loss from investment at fair value through profit or loss, cost of raw material sales, impairment loss, loss on sale of property, plant and equipment and others. The decrease during the Reporting Period was mainly due to the gains other than losses caused by fluctuations in the fair value of financial assets.
Finance costs	**265,883**	204,995	29.7	Finance costs mainly included interest expenses on bank borrowings, convertible bonds and discounted notes. The increase during the Reporting Period was mainly because the increase in bank borrowings and the issuance of convertible bonds brought about the corresponding increase in interest expenses.

7. Other expenses

For each of the years ended 31 December 2020 and 31 December 2019, the Group recorded other expenses of RMB187.6 million and RMB565.9 million, respectively. A detailed breakdown of other expenses is as follows:

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Fair value losses of financial assets at fair value through profit or loss	**–**	395,160
Cost of raw materials sold	**9,253**	69,316
Impairment of trade receivables, net	**33,008**	15,556
Impairment of financial assets included in prepayments, other receivables and other assets, net	**78,307**	20,026
(Reversal)/write-down of inventories to net realizable value	**(543)**	21,455
Impairment of goodwill	**18,302**	–
Impairment of an investment in a joint venture	**4,977**	21,782
Impairment of property, plant and equipment		
Net loss on disposal of items of property, plant and equipment	**6,633**	13,151
Exploration expenditure	**3,253**	4,595
Foreign exchange differences, net	**28,322**	–
Others	**6,096**	4,877
Total	**187,608**	565,918

8. Research and development expenses

The research and development expenses of the Group for the Reporting Period amounted to RMB289,214,000, representing an increase of 3.6% as compared to RMB279,255,000 in 2019, and accounting for 5.3% of the Group's revenue, which was mainly due to the increase in research and development expenses for lithium salts and solid-state batteries.

9. Cash flows

	For the year ended 31 December 2020 *RMB'000*	For the year ended 31 December 2019 *RMB'000*	Change %	Reason of material change
Net cash flows from operating activities	**746,368**	669,286	11.5	Mainly due to the decrease in cash paid for purchasing goods and receiving services.
Net cash flows used in investing activities	**(3,955,194)**	(2,822,669)	40.1	Mainly due to the increase in cash paid for acquiring fixed assets, intangible assets and other long-term assets during the Reporting Period
Net cash flows from financing activities	**3,644,767**	240,776	1413.8	Mainly due to the issuance of A Share convertible bonds and the completion of placing of H Shares during the Reporting Period

10. Financial position

Non-current assets increased by RMB4,749,541,000 from RMB8,496,001,000 as at 31 December 2019 to RMB13,245,542,000 as at 31 December 2020, which was mainly due to the increase in the balance of property, plant and equipment, and the increase in the balance of intangible assets during the Reporting Period. Current assets increased by RMB3,057,801,000 from RMB5,717,031,000 as at 31 December 2019 to RMB8,774,832,000 as at 31 December 2020, which was mainly due to the increase in the balance of trade and bills receivables, the increase in balance of prepayments, other receivables and other assets and the increase in the balance of cash and cash equivalents during the Reporting Period.

Current liabilities increased by RMB818,927,000 from RMB3,258,857,000 as at 31 December 2019 to RMB4,077,784,000 as at 31 December 2020, which was mainly due to the increase in the balance of interest-bearing bank and other borrowings, and the increase in the balance of trade and bills payables during the Reporting Period.

Non-current liabilities increased by RMB1,980,291,000 from RMB2,543,894,000 as at 31 December 2019 to RMB4,524,185,000 as at 31 December 2020, which was mainly due to the increase in the balance of convertible bonds caused by the issuance of A Share convertible corporate bonds during the Reporting Period.

As at 31 December 2020 and 31 December 2019, net current assets of the Group amounted to RMB4,697,048,000 and RMB2,458,174,000, respectively, and net assets amounted to RMB13,418,405,000 and RMB8,410,281,000, respectively.

As at 31 December 2020 and 31 December 2019, cash and cash equivalents of the Group amounted to RMB1,709,590,000 and RMB1,328,104,000, respectively.

11. Income tax expenses

During the Reporting Period, income tax of the Group amounted to RMB63,688,000, representing a decrease of RMB57,388,000 as compared to RMB121,076,000 in 2019, which was mainly due to a decrease in the taxable income during the Reporting Period.

12. Capital expenditure

During the Reporting Period, capital expenditure of the Group was RMB1,231,114,000, representing an increase of RMB381,968,000 as compared to RMB849,146,000 in 2019. The Group's capital expenditures mainly consist of expenditures incurred for the purchase of property, plant and equipment, the prepaid land lease payments and the 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.

13. Interest-bearing bank and other borrowings

As at 31 December 2020, bank and other borrowings of the Group amounted to RMB3,970,305,000, of which the amount due within one year, and due within two to five years amounted to RMB2,287,894,000, and RMB1,682,411,000, respectively.

As at 31 December 2020, the balance of liability in convertible bonds of the Group amounted to RMB2,133,824,000, which will fall due on 21 December 2023 and 6 August 2026.

14. Restricted assets

As at 31 December 2020, assets with a total carrying value of RMB598,506,000 of the Group were used as collateral for bank borrowings and other bank facilities, and such assets included pledged deposits and bills receivables and other intangible assets of RMB466,000,000 and RMB132,506,000, respectively.

15. Gearing ratio

As at 31 December 2020, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 39%, decreased by 2% from 31 December 2019.

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

Our business is located in mainland China and all transactions are denominated in RMB. 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.

17. Contingent liabilities

As at 31 December 2020, we did not have any material contingent liabilities.

18. Employees and remuneration system

As at 31 December 2020, the Group had a total of 5,533 employees. We have adopted a remuneration structure and incentive scheme which is linked to our Group's performance in order to further motivate our employees.

19. Capital commitments

The Group had the following capital commitments as at 31 December 2020:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Contracted but not produced equipment and machinery	**612,337**	414,418

20. Share capital

As of 31 December 2020, share capital of the Company is set out as follows:

	Number of issued shares	Percentage
A Shares	**1,099,737,780**	82.1%
H Shares	**240,222,800**	17.9%
Total	**1,339,960,580**	100%

21. Production, sales and inventory

Industry	Item	Unit	In 2020	In 2019	Year-on-year change
Basic chemical material	Sales	Tons (after translated into lithium carbonate equivalent)	63,013.64	48,423.84	30.13%
	Production	Tons (after translated into lithium carbonate equivalen	54,312.04	54,241.2	0.13%
	Inventory	Tons (after translated into lithium carbonate equivalen	5,937.72	14,639.31	-59.44%

Unit: RMB

Product name	Production volume	Sales volume	Revenue	Average selling price of products in the first half of the year *(RMB/ tons LCE)*	Average selling price of products in the second half of the year *(RMB/ tons LCE)*	Year-on-year change	Reasons for change
Lithium series products	54,312.04	63,013.64	3,862,358,443.41	70,850.86	54,940.60	A year-on-year decrease of 22.46% in average selling price	Affected by the market downturn of lithium salt products

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 a transaction agreement with Minera Exar (which holds 100% equity interests in the Cauchari-Olaroz lithium salt lake project) and Lithium Americas Corp ("**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 would 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 would 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. In August 2020, the Group completed the subscription. Upon completion of the subscription, the Group holds a total of 51% equity interests in Minera Exar, making it the largest controlling shareholder in Minera Exar and LAC retains its 49% equity interests in Minera Exar.

Acquisition of equity in Exar Capital BV ("Exar Capital")

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. Upon the completion of the subscription, GFL International will hold 51% equity interests in Exar Capital.

Capital injection in RIM

On 7 February 2020, the Board agreed the capital increase in Australia-based RIM Company by GFL International, a wholly-owned subsidiary of the Company, 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.

Acquisition of equity interest in Sonora

On 13 November 2020, the Board approved the Resolution Regarding the Subscription of Partial Equity Interest in Sonora, a Lithium Clay Project Company under Bacanora, by Shanghai Ganfeng, a Wholly-owned Subsidiary of the Company, which Involves Mining Rights Investment and Related Party Transaction (《關於全資子公司上海贛鋒認購Bacanora公司旗下鋰黏土項目公司Sonora部分股權涉及礦業權投資暨關聯交易》). It was agreed that Shanghai Ganfeng, a wholly-owned subsidiary of the Company, would exercise the subscription option at a price of 0.2959 pounds per share to increase the capital in Sonora, and the transaction amount would not exceed 23 million pounds. In February 2021, the Group completed the acquisition. Prior to the completion of the transaction, Shanghai Ganfeng and Bacanora held 22.5% and 77.5% equity interest in Sonora, respectively; upon the completion of the transaction, Shanghai Ganfeng will hold no more than 50% equity interest in Sonora.

Final dividend

The Board proposed to distribute cash dividend of RMB3 (tax inclusive) for every 10 shares to all shareholders of the Company, based on the total share capital of the Company as at the record date of shareholding, and no conversion of capital reserve into share capital. If the total share capital of the Company changes during the period from the promulgation to implementation of the annual profit distribution plan, the aggregate distribution will be adjusted based on the total share capital as at the record date of shareholding as determined by the implementation of the annual profit distribution plan, with the distribution ratio unchanged. Subject to the approval of the shareholders of the Company at the shareholders' annual general meeting (the "**AGM**"), the Company shall distribute the dividend within two months after the date of the annual general meeting. A circular of H shares containing, among other things, further information in respect to the AGM and the cash dividend will be dispatched to the shareholders of the Company as soon as practicable. Eligibility for receiving the cash dividend will be specified in the circular.

Tax on Dividends

According to the Enterprise Income Tax law of the People's Republic of China and its implementation regulations effective on 29 December 2018, and the provisions of the "Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas H-share Holders (Non-resident Enterprise Shareholders) from Chinese

Resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation, the income of resident enterprise and non-resident enterprise derived in the PRC will be subject to enterprise income tax. Enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC are resident enterprises, which shall file tax return on their own and pay income tax for the income derived in the PRC in according to laws. Enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC are non-resident enterprises, if non-resident enterprises establish no organizations and sites within the territory of China, or though establish organizations and sites but the dividends and bonds received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10.0% of its income from the Chinese territory. The Company shall pay the enterprise income tax at the rate of 10% of the annual dividend of H shares non-resident enterprise shareholders in according with laws. After the resident enterprise shareholders submit the legal opinion within the prescribed time limit and the Company submits such opinion to the competent tax authorities for confirmation, the Company will not withhold and pay any corporate income tax when distributing the 2020 final dividends to the H Share resident enterprise shareholders who are registered on the dividend record date.

In accordance with the "Circular on Certain Issues Concerning the Policies of Individual Income Tax" (Cai Shui Zi [1994]No.020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020 號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, temporarily, exempted from the PRC individual income tax for dividend or bonuses received from foreign invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends to overseas individual shareholders whose names appear on the register of members of H shares of the Company. in accordance with the "Individual Income Tax Law of the People's Republic of China" (2018 Revised) took effect on 1 January 2019 and its implementation regulations, individuals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year are individual residents ("**Individual Residents**"). The Company will withhold and pay 20% of the individual income tax on behalf of individual shareholders when the Company distributes the dividends to Individual Residents Shareholders whose names appear on the register of members of H shares of the Company.

If H Shareholders intend to change its shareholder status, please enquire about the relevant procedures with your agents or transferee agent. The Company will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax and individual income tax on behalf of the relevant shareholders based on the register of members for H Shares as at the dividend registration date. The Company assumes no responsibility and will not entertain any claims arising from any failure to timely determine, or inaccurate determination of, the status of the Shareholders or any dispute over the arrangement of withholding and paying enterprise tax and individual income tax on behalf of such Shareholders. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H Shares.

Changes to Information on Directors, Supervisors and Chief Executive

During the Reporting Period, the changes of Directors, Supervisors and senior management personnel of the Company are as follows:

Name	Positions held	Type	Date
Ge Zhimin *(Note 1)*	Executive Director	Appointment/ Retirement	24 March 2020/ 10 September 2020
Shen Haibo *(Note2)*	Executive Director	Retirement/ Appointment	24 March 2020/ 30 October 2020
Yu Jianguo	Non-executive Director	Appointment	24 March 2020
Yang Juan *(Note3)*	Non-executive Director	Appointment	24 March 2020
Xu Yixin	Independent non-executive Director	Appointment	24 March 2020
Xu Guanghua	Independent non-executive Director	Appointment	24 March 2020
Guo Huaping	Supervisor	Appointment	24 March 2020
Huang Huaan	Supervisor	Appointment	24 March 2020
Xu Xiaoxiong	Executive Director	Retirement	24 March 2020
Huang Daifang	Non-executive Director	Retirement	24 March 2020
Huang Huasheng	Independent non-executive Director	Retirement	24 March 2020
Gong Yong	Supervisor	Retirement	24 March 2020
Tang Xiaoqiang	Supervisor	Retirement	24 March 2020

Note: *(1)* Ge Zhimin was appointed as an executive director on 24 March 2020, and resigned on 10 September 2020.

(2) Shen Haibo retired as an executive director on 24 March 2020, and re-appointed on 30 October 2020

(3) Ms. Yang Juanjuan has changed her name to Yang Juan on 10 March 2021

Saved as disclosed above, as far as known to the Company, during the Reporting Period, there were no changes to information that were required to be disclosed by the Directors, Supervisors and chief executives of the Company pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Connected Transaction

On 13 November 2020, the 14th meeting of the 5th session of the Board of the Company considered and approved the Resolution on Implementation of Capital Increase and Share Expansion and the Introduction of an Employee Shareholding Platform by Ganfeng Battery, a Wholly-owned Subsidiary and Related Party Transaction (《關於全資子公司贛鋒鋰電實施增資擴股並引入員工持股平台暨關聯交易的議案》). As part of the employee stock ownership plan, Ganfeng Battery, a wholly-owned subsidiary of the Company, entered into the capital increase agreements, before 3 December 2020, with each of the subscribers. Pursuant to the capital increase agreements, the subscribers, including related connected persons, agreed to make capital contribution in an aggregate amount of RMB415.36 million, to increase the registered capital of Ganfeng Battery from RMB500.0 million to RMB915.36 million. The transactions contemplated under the capital increase agreements were completed on 5 January 2021. Upon the completion of the transactions, the aggregate equity interest in Ganfeng Battery held by the Company was approximately 54.6%, and Ganfeng Battery remained as a subsidiary of the Company.

Save as disclosed above, during the Reporting Period, the Group did not have any transactions with connected persons required to be disclosed under the Listing Rules and were in compliance with the provisions of Chapter 14A of the Listing Rules.

Significant Events after the Reporting Period

After the Reporting Period, the Group had the following significant events:

Conversion and Redemption of A Share Convertible Bonds

The conversion period of A Share convertible corporate bonds of the Company ("**Ganfeng Convertible Bonds**") commenced on 27 June 2018. As at 31 December 2020, a total of RMB305,636,500 Ganfeng Convertible Bonds were converted into A Shares of the Company, and the total number of converted shares reached 7,328,503 Shares. As at the end of the Reporting Period, an amount of RMB622,363,500 of Ganfeng Convertible Bonds remained outstanding, representing 67.07% of the total value of the issued Ganfeng Convertible Bonds. Given that the closing price of A Shares from 4 January 2021 to 22 January 2021 is not less than 130% (i.e., RMB54.18 per share) of the prevailing conversion price of the Ganfeng Convertible Bonds (RMB41.68 per share) for 15 trading days out of 30 consecutive trading days, the redemption clause of the convertible bonds was triggered. The Board of Directors of the Company resolved to exercise the right of early redemption of the Ganfeng Convertible Bonds to redeem all outstanding Ganfeng Convertible Bonds which appeared on the register on the redemption record date. The abovementioned redemption record date was 5 March 2021. As at 5 March 2021, a total amount of

RMB922,039,700 Ganfeng Convertible Bonds were converted into A shares of the Company, and unconverted Ganfeng Convertible Bonds of RMB5,960,300 were redeemed by the Company. The redemption payment date was 15 March 2021 and the delisting date of Ganfeng Convertible Bonds was 15 March 2021. For the redemption results, payment and delisting details, please refer to the Announcement on Results of Redemption and Delisting of Ganfeng Convertible Bonds issued by the Ganfeng Lithium Co., Ltd. which was published on 15 March 2021.

Proposed Issuance of H Shares under Specific Mandate

The Board announced on 25 February 2021 that it resolved to seek the Shareholders' approval for obtaining the specific mandate regarding the proposed issuance of H Shares. The number of H Shares proposed to be issued shall be no more than 48,044,560 Shares (the placee and its ultimate beneficial owner are third parties who are independent of and not connected with the Company) with a nominal value of RMB1.00 each, and the aggregate nominal value of the H Shares proposed to be issued is RMB48,044,560. According to the circular of the Company dated 25 February 2021, the proceeds from the issuance of the H Shares will be used for the Company's capacity expansion construction, potential investment, replenishment of working capital and general corporate purpose.

Use of Proceeds of the Company

1. Proceeds from the listing of the H Shares

The H Shares of the Company were listed on the 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 the 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 LAC; 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 approximately USD40,440,000. As at 31 December 2020, the Company had utilized proceeds of USD410,092,659 in aggregate and the balance of unutilized proceeds is nil. During the Reporting Period, the Company had 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 31 December 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 LAC, 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 LAC, 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)

2. *Proceeds from the issuance of A Share Convertible Bonds*

On 6 August 2020, the Company publicly issued 21,080,000 convertible bonds with a nominal value of RMB100 each. The total amount of the proceeds raised was RMB2,108 million. The net amount of the proceeds raised was RMB2,093 million after deduction of various issuance cost. According to the circular of the Company dated 28 June 2019, the proceeds from the issuance of the A Shares convertible bonds will be used for the project of subscription of certain equity interest in Minera Exar S.A., ten thousand tonne lithium salt renovation and expansion project and replenishment of working capital. As at 31 December 2020, the Company had utilized proceeds of RMB1,870,257,100in aggregate and the balance of unutilized proceeds is RMB224,352,600.

3. Proceeds from the issuance of additional H Shares

To raise funds for its business development and expand the its shareholder base, in September 2020, the Company placed 40,037,000 new H Shares under general mandate (the placee and its ultimate beneficial owner are third parties who are independent of and not connected with the Company). The total proceeds raised amounted to HK$1,455 million, and the actual proceeds raised amounted to HK$1,449 million after deduction of various issuance cost. From the date of placing of the H Shares (i.e. 23 September 2020) to 31 December 2020, approximately USD64,112,735 (equivalent to HK$496,976,275) out of the total proceeds from the previous issuance of H Shares had been mainly used for the Company's construction of overseas projects and general corporate purposes. The balance of the proceeds (approximately USD122,963,366.34) from the issuance of H Shares is expected to be used before 30 June 2021.

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. 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 year ended 31 December 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 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.

FAILURE TO COMPLY WITH THE LISTING RULES AND TERMS OF REFERENCE

Reference is made to the announcement in relation to Retirement of Independent Non-executive Director and Committee Member and Non-compliance with the Listing Rules and Terms of Reference of Committees dated December 5, 2019. Following the retirement of Mr. Guo Huaping as an independent non-executive director of the Company from December 3, 2019 due to expiration of term of office, the Board failed to meet the requirements of having:

(a) the Audit Committee shall consist of a minimum of three members, all of whom being non-executive directors and is chaired by an independent nonexecutive director in compliance with Rule 3.21 of the Listing Rules and the article 3 of the term of reference of the Audit Committee;

(b) the Remuneration Committee comprising a majority of independent nonexecutive directors under Rule 3.25 of the Listing Rules;

(c) the Audit Committee shall have one chairman under the article 5 of the term of reference of the Audit Committee;

(d) the Remuneration Committee shall consist of three directors, of which the number of independent non-executive directors shall not be less than two under the article 4 of the term of reference of the Remuneration Committee.

Following extraordinary general meeting held on March 24, 2020 to elect the directors, the Chairman and members of the committees of the fifth session of the Board, the Company has fully complied with the above requirements.

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 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 during the Reporting Period.

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 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 China, Securities Law of China, Securities and Futures Ordinance (Cap. 571 of the Laws of 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

Save as the matters disclosed below, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Capital increase in and introduction of employees' shareholding platform of Ganfeng Battery, a wholly-owned subsidiary of the Company

Details of capital increase in and introduction of employees' shareholding platform of Ganfeng Battery, a wholly-owned subsidiary of the Company, are set out in the section headed "CONNECTED TRANSATIONS".

Review of the Audited 2020 Annual 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 C.3.3 as set out in the Corporate Governance Code. The Audit Committee currently 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 Listing Rules. The Audit Committee has reviewed and approved the Group's audited consolidated financial results for the year ended 31 December 2020, and they are of a view that the preparation of such financial results have compiled with the applicable accounting standards, the requirements under the Listing Rules and other applicable laws, and that adequate disclosures have been made.

Annual General Meeting

The 2020 AGM of the Company will be held on Friday, 4 June 2021. A circular containing further information in respect to the AGM will be dispatched to the holders of H Shares of the Company as soon as practicable. The relevant information about the closure of register of members for the AGM will be set out in the circular.

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

Jiangxi, PRC
March 30, 2021

As at the date of this announcement, the Board comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Ms. DENG Zhaonan and Mr. SHEN Haibo as executive directors of the Company; Mr. YU Jianguo and Ms. YANG Juan as non-executive directors of the Company; and Mr. LIU Jun, Ms. WONG Sze Wing, Ms. XU Yixin and Mr. XU Guanghua 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)
Articles of Association	the articles of association of the Company, as amended from time to time
GFL International	GFL International Co., Limited, a private company limited by shares incorporated in Hong Kong on 29 March 2011 and a wholly-owned subsidiary of our Company
Company	Ganfeng Lithium Co., Ltd. (江西贛鋒鋰業股份有限公司), a joint stock company established in the PRC with limited liability whose A Shares and H Shares are listed on the SZSE and on the Main Board of the Stock Exchange respectively
Company Law	Company Law of the People's Republic of China, as amended from time to time
Group	the Company and its subsidiaries
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
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PRC	the People's Republic of China
RIM	Reed Industrial Minerals Pty Ltd., a company incorporated in Australia on 11 August 2009
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, as amended form time to time
Stock Exchange	The Stock Exchange of Hong Kong Limited
SZSE	The Shenzhen Stock Exchange
%	percent
£ or pound	British Pound, the lawful currency in British
Pence	1/100 of a pound
COVID-19 or epidemic	Novel coronavirus epidemic