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Ganfeng Lithium Co., Ltd.

江西赣锋锂业股份有限公司

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

(Stock Code: 1772)

INSIDE INFORMATION ANNOUNCEMENT IN RELATION TO THE PROVISION FOR ASSETS IMPAIRMENT

This announcement is made by Ganfeng Lithium Co., Ltd. (the **Company**) pursuant to the Inside Information Provision (a defined under the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **Listing Rules**)) under Part XIV A of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rules 13.09(2) and Rule 13.10B of the Listing Rules.

Reference is made to the Company's announcement regarding the revision of the forecast for the annual result of 2020 dated January 29, 2021 (the **Announcement**). The forecast for the annual result of 2020 disclosed by the Announcement has included the provision for asset impairment of this announcement. The provision for asset impairment of this announcement has no impact on the disclosed expected range of the annual result of 2020. The amount of the provision for asset impairment has not been adjusted by the accounting firm, and the final impairment item, amount and other shall be subject to the audited financial report of 2020.

The eighteenth meeting of the fifth session of the board of directors (the **Board**) of the Company was convened on February 25, 2021, at which the resolution in relation to the provision for asset impairment (the **Impairment Resolution**) was considered and approved. Details of the Impairment Resolution are set out below:

I. OVERVIEW OF PROVISION FOR ASSETS IMPAIRMENT

1. Reasons for provision for assets impairment

In order to objectively, fully and accurately reflect the financial position, actual and operating condition of the Company as at December 31,

2020, based on the principle of prudence, the Company and each of the subsidiaries within the scope of the consolidated statement conducted impairment tests again. The results are in accordance with the Accounting Standards for Business Enterprises (the ASBE) (企業會計準則) and the relevant accounting policies of the Company, and propose to make corresponding provision for asset impairment of the Company within the scope of the consolidated statement as at December 31, 2020.

2. The scope of asset, total amount and reporting period for the proposed provision for assets impairment (prepared in accordance with the ASBE)

After full inspection and impairment tests again, there has indicated impairment at the end of 2020, including receivable, inventory, goodwill, long-term investments, etc., the Company and each of the subsidiaries propose to make provision for impairment of each item of assets amounting to approximately RMB133,550,500 in total in 2020. Details are as follows:

Item	Amount of provision in 2020 (RMB0'000)	Proportion of audited net profit attributable to shareholders of the parent company in 2019
I. Loss on credit impairment	11,081.45	30.95%
Including: receivable	3,207.55	8.96%
debts in arrears	7,873.91	21.99%
II. Loss on asset impairment	2,273.59	6.35%
Including: inventory	-54.31	-0.15%
goodwill	1,830.22	5.11%
long-term investments in arrears	497.69	1.39%
Total	13,355.05	37.30%

Note: 1. The above data have been rounded off to the nearest second decimal place.

2. The reporting period in which the provision for asset impairment is proposed to be included is from January 1, 2020 to December 31, 2020.

3. Approval procedure for the provision for asset impairment.

The provision for asset impairment was considered and approved at the 18th meeting of the fifth session of the Board and the 14th meeting of the fifth session of the portfolio committee of the Company. The audit committee of the Board has made a plan on the implementation of the proposed provision for asset impairment. The provision for asset impairment shall not be subject to the consideration and approval at the general meeting of the Company.

II. DETAILS OF PROVISION FOR ASSETS IMPAIRMENT

(I) Loss on Credit Impairment:

1. Approach of provision for credit impairment

Based on the expected credit loss (the ECLs), the Company performs the impairment assessment on financial assets measured at amortised cost, and debt investments measured at fair value through the comprehensive income and recognises the loss provision. For trade receivable and contract assets which do not contain significant financing component, the Company uses a simplified measurement method to measure the loss provision based on the amount of lifetime ECL.

Except for the financial assets described above using the simplified measurement method, the Company assesses the credit risk of the financial assets has increased significantly since the initial recognition on each balance sheet date. Where the credit risk has not increased significantly since the initial recognition, at the first stage, the loss provision is measured as an amount equal to the amount of ECL in the next 12-month, and the interest income is measured by carrying balance and the effective interest rate. Where the credit risk has increased significantly since initial recognition but not credit-impaired, at the second stage, the loss provision is measured as an amount equal to the amount of lifetime ECL, and the interest income is measured by carrying balance and the effective interest rate. Where the financial assets are credit-impaired after initial recognition, at the third stage, the loss provision is measured as an amount equal to the amount of lifetime ECL, and the interest income is measured by amortised cost and the effective interest rate. The Company assesses the credit risk of a financial instrument has increased significantly since the initial recognition if the financial instrument is determined to have a credit risk on the balance sheet date.

The Company assesses the ECL of financial instruments individually and collectively. The Company considers the nature of credit risk of different contracts, and assesses the ECL of receivables based on aging portfolio of owed debts.

2. Credit impairment

By adopting the ECL model, the provision of impairment loss for receivable and debt instrument amount to RMB32.0755 million and RMB78.7391 million, respectively.

(II) Assets Impairment Loss

1. Inventory impairment

On the balance sheet date, in order to be measured by the Company at the lower of cost and net realizable value. If the cost of inventory is higher than the net realizable value, a provision for decline in the value of inventory is recognized in profit or loss for the current period. If factors have periodically led in the provision for decline in the value of inventory no longer exist and result in the net realizable value being higher than carrying amount, the amount of the write-down is reversed in the amount of the provision for the decline in value of inventory and recognized in profit or loss for the current period.

Net realizable value is the estimated selling price of the inventory in the ordinary course of business less the estimated completion, the estimated selling expense and the related taxes. Provision is considered individually for all inventory. For inventory that is sold or disposed of in the past and made in the same geographical area, has the same or similar properties, and cannot be practically measured separately from others, provision for decline in the value of inventory can be determined in aggregate.

According to the above accounting policies, the Company recorded RMB543,100 of inventory impairment during the reporting period.

2. Goodwill impairment

The Company determines the impairment of assets other than inventory, deferred income tax and financial assets based on the following method:

The Company determines if there is an indication of asset impairment on the balance sheet date. If there is an indication of asset impairment, recoverable amount shall be estimated for impairment test. Goodwill arising from business combination and intangible assets with an indefinite useful life shall be tested for impairment at least at the end of each year, regardless of whether there is an indication of impairment. The intangible assets which are not available shall be

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According to the above accounting policies, the Company has conducted impairment tests on the eleventh and twelfth accounting periods. The results show that the Company's goodwill arising from the acquisition of Ningbo Li Aikang New Material Technology Co., Ltd. (寧波力賽康新材料科技有限公司) has been impaired. As of the date of the announcement, according to the preliminary estimation of the finance department of the Company and based on the principle of prudence, the preliminary amount of goodwill impairment for 2020 will be RMB18.3022 million. The data has not been audited, and the determination of the final liability subject to the final appraisal in litigation and accounting firm.

3. Impairment of long-term equity investment

On the balance sheet date, the Company has identified an indication of impairment on long-term equity investments in joint ventures. If the identified indication has an adverse impact, the recoverable amount of the above identified and impaired investments will be determined. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the expected cash flows expected to be derived from the asset. When the recoverable amount of an asset is less than its carrying amount, the Company will recognize the loss in the profit and loss account, and the corresponding provision for asset impairment will be made. The results show that the long-term equity investments held by the Company in Dalian Eco-power Technology Co., Ltd. (大連伊科能源科技有限公司) has been impaired. As of the date of the announcement, according to the preliminary estimation of the finance department of the Company and based on the principle of prudence, the preliminary amount of impairment of the long-term equity investments for 2020 will be RMB4.9769 million. The data has not been audited, and the determination of the final liability subject to the final appraisal in litigation and accounting firm.

III. EFFECT OF PROVISION FOR ASSETS IMPAIRMENT ON FINANCIAL POSITION OF THE COMPANY

The provision for asset impairment will result in the decrease in the net profit attributable to the shareholders of the Company amounting to RMB133,550,500. The loss of provision for asset impairment accounts for 37.30% of the absolute value of the net profit attributable to the owners of the parent company in 2019 of the Company.

IV. EXPLANATION OF THE BOARD ON THE REASONABLENESS OF THE PROVISION FOR ASSETS IMPAIRMENT

The provision for asset impairment of the Company complies with the ASBE and the related accounting policies implemented by the Company. Based on the provision for asset impairment, the financial report of the Company can reflect the actual condition and financial position of the Company at the end of the reporting period in a fair manner, which is in line with the principle of prudence and in the long-term interest of the Company and its shareholders as a whole.

V. INDEPENDENT OPINIONS OF INDEPENDENT DIRECTORS ON PROVISION FOR ASSETS IMPAIRMENT

The independent directors of the Company are of the view that the provision for asset impairment is in line with the ASBE and the related accounting policies of the Company. Based on the principle of prudence, the provision method and amount can be objective and fair to reflect the financial position and operating result of the Company and do not prejudice the interest of the Company and its shareholders, in particular minority shareholders. The decision-making process of the provision for asset impairment complies with the requirements of the Charter, Regulations and the Articles of Association of the Company. All independent directors agree on the provision for asset impairment.

VI. OPINIONS OF THE AUDIT COMMITTEE OF THE BOARD ON PROVISION FOR ASSETS IMPAIRMENT

The audit committee of the Board of the view that the provision for asset impairment is in line with the ASBE and the related accounting policies of the Company. Based on the principle of prudence, the provision method and amount can be objective and fair to reflect the financial position and operating result of the Company and do not prejudice the interest of the Company and its shareholders, in particular minority shareholders as a whole. All members of the audit committee approve the provision for asset impairment and submit to the Board for consideration.

VII. WRITTEN REVIEW OPINION OF SUPERVISORY COMMITTEE ON THE PROVISION FOR ASSET IMPAIRMENT IN LARGE AMOUNT

The fourth meeting of the fifth session of the special committee of the Company was convened on February 25, 2021, at which the Impairment Revaluation was considered and approved. The special committee of the Company is of the view that the provision for asset impairment is in line with the ASBE and the related accounting policies of the Company. Based on the principle of prudence, the accrued and complete impairment expense has the provision method and amount can be objective and fair to reflect the financial

position and opening of the Company and does not prejudice the interests of the Company and its shareholders, in particular minority shareholders as a whole. The decision-making process of the position for a share impairment complies with the elements of legality, regularity and the principle of association of the Company. All parties oppose the position for a share impairment.

The board of directors
Ganfeng Lithium Co., Ltd.

February 25, 2021

At the date of this announcement, the Board comprises M. LI Liangbin, M. WANG Xiaohu, M. DENG Zhaonan and M. SHEN Haibo as executive directors of the Company; M. YU Jiangbo and M. YANG Jianjun as non-executive directors of the Company; and M. LIU Jun, M. WONG Siu Wing, M. XU Yimin and M. XU Guang as independent non-executive directors of the Company.