赣锋锂业

GanfengLithium

Ganfeng Lithium Co., Ltd.

江西贛鋒鋰業股份有限公司

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

(Stock Code: 1772)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Ganfeng Lithium Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**4,889,882**	4,171,201
Cost of sales		**(3,136,032)**	(2,496,146)
Gross profit		**1,753,850**	1,675,055
Other income and gains	3	**327,825**	1,122,730
Selling and distribution expenses		**(82,352)**	(53,207)
Administrative expenses		**(360,480)**	(192,878)
Other expenses		**(289,674)**	(153,522)
Finance costs	5	**(90,343)**	(56,897)
Share of profits and losses of:			
Associates		**122,463**	25,153
A joint venture		**492**	806
Profit before tax	4	**1,381,781**	2,367,240
Income tax expense	6	**(162,643)**	(272,190)
Profit for the year		**1,219,138**	2,095,050
Profit for the year attributable to:			
Owners of the parent		**1,218,542**	2,095,548
Non-controlling interests		**596**	(498)
		1,219,138	2,095,050
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	8		
Basic			
– For the year *(RMB)*		**1.07**	1.89
Diluted			
– For the year *(RMB)*		**1.07**	1.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**1,219,138**	2,095,050
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**31,953**	(52,797)
Other comprehensive income/(loss) for the year, net of tax	**31,953**	(52,797)
Total comprehensive income for the year, net of tax	**1,251,091**	2,042,253
Total comprehensive income for the year attributable to:		
Owners of the parent	**1,255,178**	2,045,134
Non-controlling interests	**(4,087)**	(2,881)
	1,251,091	2,042,253

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 *RMB'000*	 2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,619,584**	1,620,204
Investment properties		**166**	194
Prepaid land lease payments		**160,945**	135,407
Intangible assets		**261,198**	227,175
Goodwill		**18,302**	18,302
Investments in associates		**1,684,133**	744,132
Investment in a joint venture		**51,397**	50,905
Financial assets at fair value through profit or loss		**442,917**	592,051
Deferred tax assets		**27,047**	9,980
Other long-term assets		**340,261**	33,068
Total non-current assets		**5,605,950**	3,431,418
CURRENT ASSETS			
Inventories		**1,904,712**	914,835
Trade and bills receivables	9	**1,405,600**	945,436
Amount due from related parties		**–**	122,702
Prepayments, other receivables and other assets		**809,333**	156,358
Financial assets at fair value through profit or loss		**192,781**	191,151
Pledged deposits		**383,726**	71,848
Cash and cash equivalents		**3,218,615**	2,165,352
Total current assets		**7,914,767**	4,567,682
TOTAL ASSETS		**13,520,717**	7,999,100

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,356,335**	1,210,873
Trade and bills payables	10	**678,814**	299,771
Amount due to related parties		**364,111**	6,464
Other payables and accruals		**531,739**	497,567
Income tax payable		**216,038**	211,526
Other liabilities		**685,174**	588,128
Total current liabilities		**3,832,211**	2,814,329
NET CURRENT ASSETS		**4,082,556**	1,753,353
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,688,506**	5,184,771
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**706,119**	351,142
Convertible bonds		**713,460**	667,231
Deferred income		**58,687**	59,383
Deferred tax liabilities		**2,387**	63,845
Other liabilities		**230,680**	–
Total non-current liabilities		**1,711,333**	1,141,601
Total liabilities		**5,543,544**	3,955,930
Net assets		**7,977,173**	4,043,170

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,315,082**	741,771
Equity component of convertible bonds		**205,673**	205,699
Treasury shares		**(685,174)**	(588,128)
Reserves		**7,088,063**	3,677,862
		7,923,644	4,037,204
Non-controlling interests		**53,529**	5,966
Total equity		**7,977,173**	4,043,170

1.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in 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 2018. 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 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 the consolidated financial statements.

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28 (2011)	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRSs including:
• Amendments to IFRS 3	*Business Combinations*[1]
• Amendments to IFRS 11	*Joint Arrangements*[1]
• Amendments to IAS 12	*Income Taxes*[1]
• Amendments to IAS 23	*Borrowing Costs*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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 expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 (2011) 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.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transaction provisions permit certain reliefs.

The Group expects to adopt IFRS 16 on 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB38,868,000 and lease liabilities of RMB38,868,000 will be recognised at 1 January 2019.

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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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 other segments: exploration and sale of lithium ore and other lithium products.

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

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

Year ended 31 December 2018

	Lithium metal and compound *RMB'000*	**Lithium battery** *RMB'000*	**Lithium ore resource and others** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Sales to external customers	**4,534,608**	**355,160**	**114**	**4,889,882**
Intersegment sales	**1,787**	**214**	**5,465**	**7,466**
	4,536,395	**355,374**	**5,579**	**4,897,348**
Reconciliation:				
Elimination of intersegment sales				**(7,466)**
Revenue				**4,889,882**
Revenue from contracts with customers – external				
Sale of goods	**4,471,795**	**355,160**	**114**	**4,827,069**
Rendering of services	**62,813**	**–**	**–**	**62,813**
Total revenue from contracts with customers	**4,534,608**	**355,160**	**114**	**4,889,882**
Timing of revenue recognition				
At a point in time	**4,534,608**	**355,160**	**114**	**4,889,882**

	Lithium metal and compound RMB'000	Lithium battery RMB'000	Lithium ore resource and others RMB'000	Total RMB'000
Segment results	**1,506,250**	**(58,768)**	**(9,723)**	**1,437,759**
Reconciliation:				
Elimination of intersegment results				
Interest income	**33,847**	**512**	**6**	**34,365**
Finance costs	**(86,083)**	**(918)**	**(3,342)**	**(90,343)**
Profit before tax	**1,454,014**	**(59,174)**	**(13,059)**	**1,381,781**
Segment assets	**10,100,500**	**1,650,284**	**2,597,865**	**14,348,649**
Reconciliation:				
Elimination of intersegment receivables				**(827,932)**
Total assets				**13,520,717**
Segment liabilities	**4,975,410**	**716,717**	**679,349**	**6,371,476**
Reconciliation:				
Elimination of intersegment payables				**(827,932)**
Total liabilities				**5,543,544**
Other segment information:				
Impairment losses recognised in the statement of profit or loss	**947**	**6,542**	**(42)**	**7,447**
Depreciation and amortization	**108,159**	**28,851**	**12,511**	**149,521**
Investments in associates	**1,039,742**	**–**	**644,391**	**1,684,133**
Investment in a joint venture	**51,397**	**–**	**–**	**51,397**
Capital expenditure*	**847,680**	**340,917**	**28,278**	**1,216,875**

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets excluding those arising from acquisition of a subsidiary.

For the year ended 31 December 2017

	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	3,886,513	283,821	867	4,171,201
Intersegment sales	262	969	19,378	20,609
	3,886,775	284,790	20,245	4,191,810
Reconciliation:				
Elimination of intersegment sales				(20,609)
Revenue				4,171,201
Revenue from contracts with customers – external				
Sale of goods	3,822,811	283,821	867	4,107,499
Rendering of services	63,702	–	–	63,702
Total revenue from contracts with customers	3,886,513	283,821	867	4,171,201
Timing of revenue recognition				
At a point in time	3,886,513	283,821	867	4,171,201
Segment results	2,506,246	(113,838)	29,513	2,421,921
Reconciliation:				
Elimination of intersegment results				
Interest income	2,015	197	4	2,216
Finance costs	(55,412)	(1,485)	–	(56,897)
Profit before tax	2,452,849	(115,126)	29,517	2,367,240

	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Segment assets	7,079,763	1,398,104	330,295	8,808,162
Reconciliation:				
Elimination of intersegment receivables				(809,062)
Total assets				7,999,100
Segment liabilities	3,629,848	1,056,082	79,062	4,764,992
Reconciliation:				
Elimination of intersegment payables				(809,062)
Total liabilities				3,955,930
Other segment information:				
Impairment losses recognised in the statement of profit or loss	(8,190)	37,856	(203)	29,463
Depreciation and amortization	90,514	14,618	3,141	108,273
Investments in associates	744,132	–	–	744,132
Investment in a joint venture	50,905	–	–	50,905
Capital expenditure*	389,155	226,359	71,815	687,329

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and intangible assets excluding those arising from acquisition of a subsidiary.

Geographical information

(a) Disaggregation of revenue from contracts with customers

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**3,817,517**	3,533,482
Hong Kong	**1,072,365**	637,719
	4,889,882	4,171,201

(b) Non-current assets

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**3,052,318**	1,997,263
Hong Kong	**1,044,467**	754,934
Overseas	**728,940**	64,122
	4,825,725	2,816,319

The revenue geographical information above is based on where the Company and the subsidiaries were located in. 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, other income and gains is as follows:

(a) Disaggregation of revenue from contracts with customers

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**4,827,069**	4,107,499
Rendering of services	**62,813**	63,702
	4,889,882	4,171,201

Disaggregated revenue information

For the year ended 31 December 2018

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 goods	**4,471,795**	**355,160**	**114**	**4,827,069**
Rendering of services	**62,813**	**–**	**–**	**62,813**
Total revenue from contracts with customers	**4,534,608**	**355,160**	**114**	**4,889,882**
Geographical markets*				
Mainland China	**3,175,496**	**355,160**	**114**	**3,530,770**
Asia	**1,251,737**	**–**	**–**	**1,251,737**
European Union	**39,786**	**–**	**–**	**39,786**
North America	**32,064**	**–**	**–**	**32,064**
Other countries/ regions	**35,525**	**–**	**–**	**35,525**
Total revenue from contracts with customers	**4,534,608**	**355,160**	**114**	**4,889,882**

* The revenue geographical information above is based on where the customers were located in.

For the year ended 31 December 2018

Segments	Lithium metal and compound *RMB'000*	Lithium battery *RMB'000*	Lithium ore resource and others *RMB'000*	Total *RMB'000*
Type of products				
Lithium compounds	3,181,579	–	–	3,181,579
Lithium metals	970,925	–	–	970,925
Lithium batteries	–	354,365	–	354,365
Others	382,104	795	114	383,013
Total revenue from contracts with customers	4,534,608	355,160	114	4,889,882

(b) Contract assets and liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contract liabilities		
Contract liabilities which are included in other payables and accruals	**46,050**	101,026

There were no contract assets at 31 December 2018 recognised in the consolidated statement of financial position of the Group.

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue of the Group recognised in the Reporting Period relates to contract liabilities carried-forward:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue of the Group recognised that was included in the contract liability balance at the beginning of the year		
Sale of goods	**87,091**	54,056

(c) Other income and gains

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fair value gains, net:		
Derivative financial instruments	**–**	485,805
Financial assets at fair value through profit or loss	**–**	382,170
Dividend and interest income from financial assets at fair value through profit or loss	**18,998**	5,669
Sales of raw materials	**95,022**	173,733
Government grants	**157,563**	61,885
Gain on disposal of property, plant and equipment	**22**	131
Bank interest income	**34,365**	2,216
Foreign exchange gain	**–**	7,593
Compensation income	**18,700**	–
Others	**3,155**	3,528
	327,825	1,122,730

4. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(a) Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**276,794**	124,450
Equity-settled share award expense	**147,841**	9,206
Other welfare	**40,639**	19,377
	465,274	153,033
(b) Cost of sales and services:		
Cost of inventories sold	**3,065,496**	2,393,010
Cost of processing services	**39,119**	33,551
Others	**31,417**	69,585
	3,136,032	2,496,146

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(c) Other items:		
Cost of selling raw materials**	**59,132**	103,600
Impairment of goodwill*	**–**	17,580
Impairment of financial and contract assets, net:		
Impairment of trade receivables, net	**2,133**	19,613
Impairment of financial assets included in prepayments, other receivables and other assets, net	**610**	482
Impairment/(reversal) of inventories	**4,612**	(8,212)
Impairment of property, plant and equipment	**92**	–
Depreciation of property, plant and equipment	**131,937**	96,534
Amortization of prepaid land lease payments	**3,314**	2,536
Amortization of intangible assets	**14,270**	9,203
Research and development costs current year expenditure	**62,527**	37,962
Foreign exchange differences, net	**24,420**	(7,310)
Net loss on disposal of property, plant and equipment	**778**	12,591
Minimum lease payments under operating leases	**8,506**	9,832
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss		
– mandatorily classified as such, including those held for trading	**26,219**	(42,653)
– designated as such upon initial recognition	**160,431**	(339,517)
Auditor's remuneration	**2,500**	1,295
Bank charges	**2,080**	6,448

* The impairment of goodwill is included in 'Other expenses' in the consolidated statement of profit or loss.

** Cost of selling raw materials is included in 'Other expenses' in the consolidated statement of profit or loss.

5. FINANCE COSTS

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**52,481**	46,858
Interest expense on other liabilities	**3,342**	–
Interest expense on discounted bills	**9,713**	8,559
Interest expense on convertible bonds	**49,097**	1,480
Total interest expense	**114,633**	56,897
Less: Interest capitalised, in respect of convertible bonds	**24,290**	–
	90,343	56,897

6. 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.

Tax in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current corporate income tax	**241,168**	218,183
Deferred tax	**(78,525)**	54,007
	162,643	272,190

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

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

The Company has been recognised as a high and new technology enterprise ("**HNTE**"), and will expire on 13 August 2021. Based on the Enterprise Income Tax Law and related regulations, the applicable tax rate of the Company, which is recognised as an HNTE and supported by the government, is 15% provided that the Company complies with the conditions set out in the relevant requirements. The subsidiaries are also recognised as HNTEs and the effective periods are as follows:

Name	**Effective period**
Fengxin Ganfeng Lithium Co., Ltd.	2016/11/15–2019/11/14
Yichun Ganfeng Lithium Co., Ltd.	2015/9/25–2018/9/24 and 2018/8/13–2021/8/13
Ganfeng Recycling Technology Co., Ltd.	2018/8/13–2021/8/13

7. DIVIDENDS

Proposed cash dividend

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB0.30 for 2018 (2017: RMB0.40) per ordinary share	**394,525**	297,304

On 28 March 2019, the board of directors of the Company resolved to propose the final dividend for the year ended 31 December 2018 of RMB0.30 per share. The amount of the proposed final dividend of RMB394,525,000 is calculated based on the total number of shares of the Company of 1,315,081,930 shares on the record of 28 March 2019.

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	**1,248,244***	2,097,028*
Less: Cash dividends distributed to share award scheme	**(4,895)**	–
Interest on convertible bonds	**(24,807)**	(1,480)
Adjusted profit attributable to ordinary equity holders of the parent for the basic earnings per share calculation	**1,218,542**	2,095,548
Shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	**1,134,279,418**	1,110,564,800
Effect of dilution		
– weighted average number of ordinary shares:		
– Share award scheme	**–****	–**
– Convertible bonds	**19,362,319**	583,541
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**1,153,641,737***	1,111,148,341*
Basic earnings per share *(RMB)*	**1.07**	1.89
Diluted earnings per share *(RMB)*	**1.07**	1.89

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the years ended 31 December 2018 and 2017 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 2018 of 1,218,542,000 (2017: 2,095,548,000), and the weighted average number of ordinary shares of 1,134,279,418 (2017: 1,110,564,800) in issue during the year ended 31 December 2018.

** No adjustment has been made in respect of the share award scheme as it had an anti-dilutive effect on the basic earnings per share amounts presented for the year ended 31 December 2018 and 2017.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent excluding cash dividends attributable to the shareholders under the share award scheme expected to be unlocked in the future,and the weighted average number of ordinary shares of 1,134,279,418 (2017 of 1,110,564,800) in issue during the year ended 31 December 2018.

On 29 May 2018, the Company issued bonus shares by the conversion of capital reserve into share capital such that 5 new shares were issued for every 10 shares held. After the conversion, the number of shares as at 29 May 2018 was increased from 743,262,441 to 1,114,893,661. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest period presented.

As at 16 October 2018, the Company publicly issued of 200,185,800 H-shares, resulting in the increase in the weighted average number of ordinary shares for the calculation of basic earnings per share increasing amount of 41,682,523.

9. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,002,137**	507,581
Bills receivable	**403,463**	437,855
	1,405,600	945,436

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 three 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.

The carrying amounts of the trade and bills receivables in the consolidated statements of financial position approximate to their fair values.

The Group has no significant concentration of credit risk.

At 31 December 2018, the Group's trade and bills receivables with a carrying amount of approximately RMB243,032,000 (2017: RMB150,753,000) were pledged to issue banks' acceptance bills and letters of credit, and nil (2017: RMB130,684,000) were pledged to bank borrowings.

An ageing analysis of the trade receivables as at the end of the Reporting Period (based on the invoice date) is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**946,737**	476,069
More than 6 months but less than 1 year	**7,282**	23,758
1 to 2 years	**51,245**	31,980
2 to 3 years	**25,029**	2,343
More than 3 years	**5,718**	5,358
Less: impairment	**(33,874)**	(31,927)
	1,002,137	507,581

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of year	**31,927**	12,349
Impairment losses, net	**2,133**	19,613
Amount written off as uncollectible	**(186)**	(35)
At end of year	**33,874**	31,927

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**946,737**	469,538
More than 6 months but less than 1 year	**6,554**	14,592
1 to 2 years	**41,749**	23,041
2 to 3 years	**7,097**	410
	1,002,137	507,581

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.

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 2018

		Past due				
	Current	**Less than 120 days**	**120 days to one year**	**Over one year**	**Assessed individually full expected Loss**	**Total**
Expected credit loss rate	**0%**	**0%**	**2%**	**15%**	**100%**	
Gross carrying amount *(RMB'000)*	**770,727**	**176,010**	**3,898**	**60,682**	**24,694**	**1,036,011**
Expected credit losses *(RMB'000)*	**–**	**–**	**78**	**9,102**	**24,694**	**33,874**

As at 31 December 2017

		Past due			Assessed individually full expected Loss	Total
	Current	Less than 120 days	120 days to one year	Over one year		
Expected credit loss rate	0%	0%	2%	15%	100%	
Gross carrying amount *(RMB'000)*	416,121	53,417	15,346	27,063	27,561	539,508
Expected credit losses *(RMB'000)*	–	–	307	4,059	27,561	31,927

10. TRADE AND BILLS PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**386,654**	219,761
Bills payable	**292,160**	80,010
Trade and bills payables	**678,814**	299,771

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**319,946**	178,173
3 to 6 months	**34,309**	19,151
6 to 12 months	**20,562**	13,355
1 to 2 years	**10,227**	9,082
2 to 3 years	**1,610**	–
	386,654	219,761

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

11. EVENTS AFTER THE REPORTING PERIOD

(1) On 28 March 2019, the board of directors of the Company resolved to propose a final dividend for the year ended 31 December 2018 of RMB0.30 per share. As at annual profit distribution registration date, subject to the approval by the shareholders at the forthcoming annual general meeting of the Company.

(2) On 21 December 2018, the Group entered into an equity transfer agreement with Neometals, pursuant to which, the Group and PMI, another shareholder of RIM, will exercise their right of first refusal to subscribe for 50% of the 13.8% equity interests held by Neometals in RIM, namely 6.9% equity interests, respectively. The consideration to be paid by the Group for the equity transfer will be AUD51.90 million. In March 2019, the Group executed the payment and delivered the share transfers. Upon completion of the transaction, RIM will be owned by the Group and PMI as to 50% and 50%, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

1. Development of global lithium industry

The global lithium compounds and metals market is embracing plenty of opportunities thanks to the explosive growth in demands for electric vehicle batteries and energy storage batteries. According to EV sales, the global new energy passenger vehicles sales exceeded 2 million units and reached 2,018,247 units, a record high on an annually cumulative basis, with a penetration rate of 2.1%. The new energy vehicles have made remarkable progress in 2018. It is noteworthy that the global new energy vehicles sales maintained a year-on-year increase at around 60% in the past 12 months, meaning that new energy vehicles in 2019 will grow at any rate no slower than that in 2018. It is expected that global new energy vehicles sales are likely to exceed 3,500,000 units with a market share of 4%.

In 2019, domestic automotive industry is operating and developing in an overall positive environment. As driven by steady improvement of national economy development quality, upgrade of emission standards, the implementation of the credit and quota system for new energy passenger vehicles and the rapid development of intelligent connected vehicles, the PRC automotive industry will make further progress in high quality development. According to an official with the Ministry of Industry And Information Technology, sales of new energy vehicles is expected to exceed 1,500,000 units in 2019.

The rapid growth in the demands for electric vehicle lithium batteries gives rise to the surge in demands for lithium compounds. Global demand for lithium compounds has risen from 134 kilotons LCE in 2012 to 229 kilotons LCE in 2017, representing a compound annual growth rate ("**CAGR**") of 11%, and is expected to reach 526 kilotons LCE by 2022, representing a CAGR of 18%, of which, 80% of the increase is attributable to the electric vehicle batteries. Electric vehicles are expected to account for 54% of the total global demands in 2022. In consideration of the great demands for lithium batteries and lithium end products as well as the relatively limited capacity of lithium extraction and treatment, lithium battery material manufacturers and lithium battery producers will continue to be highly dependent on midstream lithium compound and lithium metal providers in position of secure upstream lithium resources.

2. The Company's position in the industry

The global lithium compounds and lithium metals industry has high market entry thresholds and is dominated by a limited number of lithium compounds and lithium metals producers. Major barriers to entry in the global lithium compounds and metals industry include (i) access to an adequate, stable supply of lithium raw materials; (ii) high level of technological know-how and R&D capabilities; (iii) significant initial capital expenditure and development lead time; (iv) well-established resources of diversified blue-chip customers; and (v) management experience and talent pool. The Company has occupied leading position in the market and is capable of improving profitability by spotting the development niche in the market of global lithium compounds and lithium metals.

Leveraging extensive industrial experience, comprehensive product portfolio and prime quality products, the Company has developed a stable and diversified blue-chip customer base in China and around the world. It sells products in more than 10 countries and such products are mainly used in the batteries and pharmaceutical industry. The Company has maintained long-term strategic relationship with the blue-chip customers including globally tier-one battery suppliers and global leading automotive OEM manufacturers. The worldwide diversified customers has reinforced the Company's adaptability and stability to avoid over-reliance on a single or a few concentrated customers.

3. Industry policy review

According to the Notice of the National Development and Reform Commission [2017] No. 1 –– Guiding Catalog of Key Products and Services in Strategic Emerging Industries (2016) (《國家發展和改革委員會公告2017年第1號––戰略性新興產業重點產品和服務指導目錄(2016版)》) promulgated and implemented by the National Development and Reform Commission on 25 January 2017, the single, module and system of lithium-ion battery; ternary system of lithium nickel cobalt manganese oxide and lithium nickel cobalt aluminum oxide; lithium extracting from carbonate-type brine rich in lithium; manufacturing equipment for recycling and utilizing batteries fall into the key products and services in strategic emerging industries.

According to the Guiding Catalog for Industrial Restructuring (2011 Edition) (《產業結構調整指導目錄(2011年本)》), which was promulgated by the National Development and Reform Commission on 27 March 2011, with the latest amendment on 16 February 2013, and was implemented on 1 May 2013, exploration and comprehensive use of scarce chemical mineral resources, such as lithium; new lithium primary batteries including lithium iron disulfide and lithium thionyl chloride, power batteries including lithium-ion, nickel-hydrogen, new structures (including coiled and tubular) sealed lead-acid batteries; energy storage lithium-ion batteries and new high-capacity sealed lead-acid batteries; recycling and comprehensive utilizing renewable resources in an energy-efficient, low-pollution and large-scale way fall into the state-encouraged industries.

Set forth below are the related specific guiding opinions issued by the National Development and Reform Commission, the Ministry of Industry and Information Technology and other relevant government departments:

Serial Number	Time	Name of Document(s)	Authority(ies) of Issuance	Details
1	January 2019	Implementation Plan for Further Optimization of Supply to Promote Stable Growth of Consumption and Formation of a Powerful Domestic Market (2019) (進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案(2019年))	Ten departments including NDRC, Ministry of Industry and Information Technology and Ministry of Commerce	Continuous optimization of the subsidy structure for new energy vehicles, adherence to the guidance of support for advantaged and strong industries, and application of more subsidies to support the sales of new energy vehicles with advanced overall performance and encourage the development of high-tech new energy vehicles. The differential traffic management policy shall be implemented for new energy trucks.
2	December 2018	Regulations on Investment Management of Automobile Industry (汽車產業投資管理規定)	NDRC	The regulations propose to accelerate the development and industrialization of new energy vehicle, smart vehicle, fuel-efficient vehicle and key parts and components thereof, advanced manufacturing equipment, technology for power battery recycling, remanufacturing technology for automobile parts and other equipment.

Serial Number	Time	Name of Document(s)	Authority(ies) of Issuance	Details
3	July 2018	Three-year Action Plan for Fight to Defend the Blue of Skies (打贏藍天保衛戰三年行動計畫)	State Council	The plan addresses the generalization of new energy vehicle and sets the goal that production and sales of new energy vehicle shall reach about 2 million by 2020. It requires that new energy or clean energy vehicles shall be introduced in the addition and renewal of vehicles used for public transportation, environmental sanitation, postal service, taxi, commuting, light logistics, etc., in existing urban areas, the utilization shall account for 80% in key areas, and new energy or clean energy vehicles shall be the first choice in the addition or replacement of operating vehicles at ports, airports, railway freight yards and other places in key areas. All the public transportation vehicles shall be replaced by new energy vehicles for the existing urban areas of municipalities directly under the central government, provincial capitals and cities specially designated in the state plan under those key areas by the end of 2020.

Serial Number	Time	Name of Document(s)	Authority(ies) of Issuance	Details
4	July 2018	Notice on Setting up Pilots for Recovery and Recycling of Power Battery for New Energy Vehicles (關於做好新能源汽車動力蓄電池回收利用試點工作的通知)	Seven ministries including Ministry of Industry and Information Technology, Ministry of Science and Technology, Ministry of Ecology and Environment	Based on the existing industries concerning retired vehicles, electronic appliance dissembling, non-ferrous metallurgy, etc., to make overall arrangements for enterprises engaged in power battery recycling, curb the scale of dissembling and cascade utilisation enterprises when appropriate and strictly control the number of recycling enterprises (esp. those engaged in wet smelting) so as to promote the sustainable development of the industry; to devote greater efforts emphatically to making breakthroughs in critical and universal technologies, and to establish and improve the standard systems in regard of green manufacturing, recycling and disposition of power batteries as well as relevant pollution prevention and control with the view to forming a mechanism for innovation in power battery recycling technology and the promotion and application thereof.
5	March 2018	Report on the Work of the Government (2018)		The report addresses that "We will speed up work to build China into a leader in manufacturing. We will promote the development of integrated circuits, 5G mobile communications, aircraft engines, new-energy vehicles, and new materials."

Serial Number	Time	Name of Document(s)	Authority(ies) of Issuance	Details
6	February 2018	Notice on Adjustment and Improvement of Fiscal Subsidy Policy for Promoting the Use of New Energy Vehicles (關於調整完善新能源汽車推廣應用財政補貼政策的通知)	Ministry of Finance, Ministry of Industry And Information Technology, Ministry of Science and Technology, NDRC	The notice proposes to further improve the capacity density threshold requirements on pure electric passenger vehicles, non-quick-charge pure electric coaches, power battery system for special vehicles so as to stimulate the use of high-performance power battery; to adjust and optimize the subsidy standards for new energy passenger vehicles and lower the subsidy standards for new energy coaches and new energy special vehicles to a reasonable extent; and put forward no mileage requirements for fiscal subsidy application in relation to new energy passenger vehicles for personal usage, operating vehicles (including sanitation truck), service vehicles for Party or government organs, vehicles used in the yards of civil aviation airports, etc.
7	September 2017	Guiding Opinions on Promoting Energy Storage Technology and Industry Development (關於促進儲能技術與產業發展的指導意見)	NDRC, Ministry of Finance, Ministry of Science and Technology, National Energy Administration	The guiding opinions clearly propose that research should be concentrated on a batch of energy storage technologies and materials with a key core significance, and propose to examine and demonstrate a batch of energy storage technologies and equipment with an industrialization potential, to apply and promote a batch of energy storage technologies and products with independent intellectual property rights, to improve energy storage product standards and the testing and certification system.

Serial Number	Time	Name of Document(s)	Authority(ies) of Issuance	Details
8	February 2017	Action Plans for Promoting the Vehicle Power Battery Industry Development (促進汽車動力電池產業發展行動方案)	MIIT, NDRC, Ministry of Science and Technology, Ministry of Finance	To accelerate the development of the capability and standard of Chinese vehicle power battery industry, and to promote a healthy and sustainable development of new energy vehicle industry. By 2020, when the total output of the power battery industry to be exceed 100 billion watts, a leading enterprise with an internationally competitiveness with the production and sale scale of over 40 billion watts will be formed.
9	September 2016	Nonferrous Metal Industry Development Planning (2016–2020) (有色金屬工業發展規劃(2016–2020年))	MIIT	This document serves as guidance for a sustainable and healthy development of the nonferrous metal industry in the coming five years. The planning covers ten commonly used nonferrous metals, including copper, aluminum, lead, zinc, nickel, tin, antimony, mercury, magnesium and titanium, as well as some major rare and precious metals, including tungsten, molybdenum, lithium, gold, zirconium, indium, germanium, gallium and cobalt. For the needs of the areas of energy storage and new energy vehicles, to prioritize the development of high-capacity long-life energy storage battery cathode materials, anode materials, high-performance copper foil and aluminum foil, and low-cost high quality battery grade lithium carbonate, ternary precursors.

Serial Number	Time	Name of Document(s)	Authority(ies) of Issuance	Details
10	February 2016	Guiding Opinions on Promoting Green Consumption (關於促進綠色消費的指導意見)	NDRC and other nine ministries	A goal for 2020, the concept of green consumption will become a social consensus to encourage the consumption of green products. To devote greater efforts on promoting new energy vehicles, and accelerate the construction of electric vehicles charging infrastructures.
11	February 2016	More than 50% of government departments' newly purchased vehicles must be new energy vehicles (政府部門新購買車輛50%以上須是新能源汽車)	State Council meeting	Confirmed the measures to further support the new energy vehicle industry and promote green development through structural optimization. The meeting stressed that the ratio for purchased new energy vehicles of central government agencies, city government departments of promoting the application of new energy vehicles and public institutions to the total equipped updated vehicles for the year must be raised to 50% or more.

BUSINESS REVIEW

During the Reporting Period, the revenue of the Group increased from RMB4,171,201 thousand in 2017 to RMB4,889,882 thousand in 2018, representing a growth rate of 17.2%; its gross profit increased from RMB1,675,055 thousand to RMB1,753,850 thousand, representing a growth rate of 4.7%. The profit attributable to the owners of the parent decreased from RMB2,095,548 thousand in 2017 to RMB1,218,542 thousand in 2018, representing a decrease rate of 41.9%. The total assets of the Group increased from RMB7,999,100 thousand in 2017 to RMB13,520,717 thousand in 2018, representing a growth rate of 69.0%; and its net assets increased from RMB4,043,170 thousand in 2017 to RMB7,977,173 thousand in 2018, representing a growth rate of 97.3%.

1. Products and capacity

As at the end of the Reporting Period, the Company had seven major production bases. In order to satisfy fast growing demands for lithium products in the market, the Company further increase its production capacity by improving the production capacity of the existing production lines and constructing new production lines, which will be beneficial to expansion of the Company's global market share and fulfillment of the growing demands of customers for the products of the Company.

Production Base	Location	Primary Products	Year of Production Commencement
Lithium Compound			
Specialty Lithium Plant (特種鋰廠)	Xinyu, Jiangxi	Lithium carbonate, lithium fluoride	2007
Basic Lithium Plant (基礎鋰廠)	Xinyu, Jiangxi	Lithium carbonate, lithium hydroxide, lithium chloride and butyl lithium	2014
Ningdu Ganfeng (寧都贛鋒)	Ningdu, Jiangxi	Lithium carbonate	2018
Lithium Metal			
Fengxin Ganfeng (奉新贛鋒)	Fengxin, Jiangxi	Lithium metal	2011
Yichun Ganfeng (宜春贛鋒)	Yichun, Jiangxi	Lithium metal	2013
Lithium Battery			
Dongguan Ganfeng (東莞贛鋒)	Dongguan, Guangdong	Fully automatic polymer lithium battery	2016
Ganfeng Power Battery (贛鋒電池)	Xinyu, Jiangxi	Lithium-ion motive power batteries, energy storage batteries and concumer batteries	2016
Ganfeng Electronics (贛鋒電子)	Xinyu, Jiangxi	Polymer lithium battery specially designed for smart wearable products	2018
Zhejiang Fengli (浙江鋒鋰)	Xinyu, Jiangxi	First-generation solid-state lithium battery	under construction
Lithium Battery Recycling			
Ganfeng Recycling (贛鋒循環)	Xinyu, Jiangxi	Lithium recycling solution, NMC precursor	2017

During the Reporting Period, total throughput of lithium compounds and lithium metals of the Company further increased as compared to 2017, particulars of which are shown as in the following table:

Unit: ton/year

	2017					**2018**				
			Actual output					**Actual output**		
Product	Designed capacity	Effective production capacity	Actual production	Converted to lithium carbonate equivalent	Utilization rate	**Designed capacity**	**Effective production capacity**	**Actual production**	**Converted to lithium carbonate equivalent**	**Utilization rate**
Lithium carbonate	23,000	18,500	18,298.41	18,298.41	98.9%	**40,500**	**23,000**	**16,324.92**	**16,324.92**	**70.98%**(1)
Lithium hydroxide	8,000	8,000	6,916.64	6,093.23	86.5%	**31,000**	**16,000**	**14,736.28**	**12,981.97**	**92.1%**
Lithium metal	1,500	1,500	1,384.14	–	92.3%	**1,600**	**1,600**	**1,519.44**	**–**	**94.97%**
Others				12,014.94					**12,991.12**	
Total				36,406.58					**42,298.01**	

Note:

1) Based on the changing situation of Lithium Carbonate market, the Company made the best advantage of flexible production line, deliberately reduced the production of Lithium Carbonate in 2018, and increased the production of Lithium Hydroxide at the same time.

2. Lithium resources

The Company currently holds equity interests in six premium lithium resources around the world, including spodumene ores and lithium-containing brines. The Company decided to purchase upstream lithium resources after taking into consideration resource scale, exploitation difficulties, cost and quality, offtake arrangement and other factors, with an aim to securing adequate and stable supply of raw materials. The following table sets forth the mine resources of the Company:

Mine Resources	Acquisition Date	Shareholding Percentage (as at the end of the Reporting Period)	Location	Type of Resource	Lithium Resource *(in 0,000 tons LCE)*	Grade (in average lithium oxide grade) /Concentration *(in mg/L)*
In operations						
Mount Marion	2015	43.1%	Kalgoorlie, Australia	Spodumene	270[(1)]	1.37%
Pilgangoora	2017	4.3%	Pilbara, Australia	Spodumene	708[(4)]	1.27%
Ningdu Heyuan	2015	100.0%	Ganzhou, Jiangxi	Spodumene	10[(2)]	1.03%
Under development						
Mariana	2014	82.754%	Salta, Argentina	Brine	190[(3)]	306
Cauchari-Olaroz	2017	37.5%	Jujuy, Argentina	Brine	1,180[(3)]	585
Avalonia	2012	55.0%	Carlow, Ireland	Spodumene	–[(5)]	–[(5)]

Notes:

(1) Measured pursuant to JORC standards;

(2) Measured pursuant to China national standards;

(3) Measured pursuant to CIM Guidelines (NI43-101);

(4) Measured pursuant to JORC standards;

(5) Avalonia is currently at a preliminary stage of exploration and thus has no estimate of its lithium resource.

(1) The Mount Marion mine is located approximately 35 kilometers southwest of Kalgoorlie, Western Australia. It commenced production as an open-pit mine in 2016. Mount Marion project has a JORC compliant proved and probable ore resource of 2.7 million tons of LCE, with an average lithium oxide grade of 1.37%. Mount Marion project was the second largest spodumene mine in the world in operation in terms of production capacity and production volume. As at the end of the Reporting Period, the Company held 43.1% equity interests in Mount Marion project The Company entered into a long-term offtake agreement that entitles the Company to the exclusive selling 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. Lithium raw materials of the Company are mainly sourced from Mount Marion mine in current days currently.

The lithium concentrate produced from Mount Marion project is 400,000 tons per annum. The ore resource at the Mount Marion mine, which amounts to 77.8 million tons, is expected to support production for approximately 30 years assuming an extraction rate of 2.39 million tons of ore per annum. The Company will devise a second stage exploration plan of Mount Marion project based on later production capacity expansion plans and future market condition.

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

(3) Mariana is a lithium-potassium salt lake located in the Andes Mountains in Salta Province, Argentina. According to the resource estimation report prepared by Geos Mining, an Australian geology consulting firm, the Mariana project has an indicated and inferred volume of lithium-rich brine of 1,127 million cubic meters with an indicated and inferred lithium resource of 1,866 kilotons LCE. The pre-feasibility and feasibility study of Mariana Project are expected to complete in 2019. The Company held 82.754% equity interests in the Mariana project as at the end of the Reporting Period.

(4) Cauchari-Olaroz is a lithium salt lake located in Jujuy Province in Northwest Argentina. As at the end of the Reporting Period, the Company directly held 37.5% equity interests in Cauchari-Olaroz project. The Cauchari-Olaroz project has a lithium-rich brine resource of 11.8 million tons LCE. The Company has entered into an offtake agreement to secure the exclusive selling rights to 77.5% of the products from the Cauchari-Olaroz project, which has a planned battery-grade lithium production capacity of 25,000 tons per annum at phase I production. Cauchari-Olaroz projects planned to commence operation in 2020.

(5) Pilgangoora Lithium-Tantalum Project is located 120 kilometers from Port Hedland in Western Australia and is one of the largest spodumene ore deposits in the world. The Pilgangoora Lithium-Tantalum Project has a lithium resource of 7,080,000 tons LCE, with an average lithium oxide grade of 1.27%. As at the end of the Reporting Period, the Company held 4.3% equity interests in Pilbara Minerals Limited. The Company has entered into a long-term offtake agreement to secure the exclusive selling rights to a supply of 160,000 tons of lithium raw materials per annum from the project phase I after its commencement of operation, as well as to an additional supply of no more than 150,000 tons of lithium raw materials per annum after completion of the project phase II.

(6) Avalonia is a spodumene ore project in Ireland. As at the end of the Reporting Period, the Company holds 55% equity interests in it. Avalonia is currently at a preliminary stage of exploration and thus we are unable to estimate its lithium resource.

During the Reporting Period, Mariana recorded mining and exploration expenditure of equivalence RMB21,096,000; Avalonia recorded mining and exploration expenditure of equivalence RMB5,511,300.

3. Lithium battery and lithium battery recycling

Solid-state lithium battery is the priority in the development of the Company's battery business segment. During the Reporting Period, Zhejiang Fengli New Energy Technology Co., Ltd., a wholly-owned subsidiary of the Company has fulfilled the first session of performance assessment indicators for the trial-run project concerning the R&D of the first-generation solid-state lithium battery as scheduled and the Company, therefore, approved of the vesting of the first tranche of rewards under the project to 22 eligible participants. As at the end of the Reporting Period, the orchestration and construction of the Company's trial-run production line for the first-generation solid-state lithium battery were underway on schedule.

At the same time, other battery projects of the Company have also achieved significant progress. As at the end of the Reporting Period, the Company has completed the construction of the following lithium battery projects: the full-automation lithium polymer battery production line with an annual throughput of 30 million pieces at the Qiaotou Town Industrial Park in Dongguan; and the high capacity lithium-ion power battery project with a production capacity of 600 MWH in Xinyu High-tech Zone.

The Company continued to extend its businesses to the downstream by expanding the capacity of its lithium battery recycling business and giving further play to its expertise in retired battery recovery and recycling. During the Reporting Period, Jiangxi Ganfeng Recycling Technology Co., Ltd. invested in and constructed the retired lithium battery disassembling and comprehensive rare metal recycling project, and have achieved a recycling and disposal capability of 34,000 tons in terms of the project phase I, which further complemented the Company's layout in industrial chain.

4. Technology and research & development

Technically leading in the global lithium industry, Ganfeng Lithium is the only enterprise in the global lithium industry with the industrialized technology of "extracting lithium from brine", "extracting lithium from ore" and "extracting lithium from retired battery" at the same time. During the Reporting Period, the Company's technology center was recognized as the "State-level Enterprise Technology Center" by the National Development and Reform Commision, and was honored with the title of "China's outstanding private technological enterprise" as well as the "2018 Excellent Chinese Patent" award. Our R&D Center at the headquarters of the Company located in Xinyu, Jiangxi, is mainly responsible for the innovative development of lithium compounds, lithium metals and lithium batteries, whereas the R&D Center located in Ningbo, Zhejiang is specialized in technology in respect of solid-state lithium battery.

The Company's research and development work mainly includes the following:

(1) Breakthroughs in fundamental technologies

The Company is committed to conducting extensive research on commercializing the next generation solid-state lithium batteries. Solid-state lithium batteries are a new generation of lithium batteries that use solid electrolytes instead of the liquid electrolytes used in today's lithium-ion batteries. The solid-state lithium batteries are expected to usher in an era of safer, more compact, higher capacity energy storage batteries, and are believed to be the key solution to the electric vehicles. The Company is currently conducting extensive test work on solid-state batteries and plans to invest in the construction of a gigawatt-hour pilot production line for the first-generation solid-state lithium battery.

(2) Constant launching of new products

As a result of the Company's robust research and development capabilities, the Company is able to continuously develop and launch industry leading innovative products. It offers more than 40 lithium compounds and lithium metals under five major categories. The Company's broad suite of product offerings enables it to effectively address the unique and diverse needs of its customers with different specifications.

(3) Optimization of production techniques and processes

The Company constantly seeks breakthroughs in the traditional production techniques and processes of lithium products, strives to enhance product quality, ensure cost efficiency, speed up product launching in the market and promotes overall profitability. The Company has successfully developed a series of innovative production techniques and installed advanced equipment to optimize the manufacturing process.

(4) Project application and reporting as well as patents thereunder

During the Reporting Period, the Company has completed submissions for a total of 78 patents, including 37 invention patents and 41 utility model patents; and applied for 7 state-level projects, 3 of which were approved as projects under the National Key R&D Plan, as well as for 22 provincial-level technological project in Jiangxi.

FINANCIAL REVIEW

1. Overview

During the Reporting Period, the revenue of the Group amounted to RMB4,889,882 thousand, representing an increase of 718,681 thousand as compared to RMB4,171,201 thousand in 2017; its gross profit amounted to RMB1,753,850 thousand, representing an increase of 78,795 thousand as compared to RMB1,675,055 thousand in 2017; and basic earnings per share of RMB1.07. Major financial indicators of the Group are set out as below:

	2018	2017	Change *(percentage)*
Profitability indicator			
Net profit margin on sales	**24.9%**	50.2%	-25.3%
Return on investment indicator			
Return on weighted average net assets	**20.3%**	59.8%	-39.5%

During the Reporting Period, the profit attributable to the owners of the parent of the Company for the year amounted to RMB1,218,542 thousand, representing a decrease of RMB877,006 thousand or 41.9% as compared to RMB2,095,548 thousand in 2017, which was mainly due to 1) a substantial decrease recorded in other income and gains as a result of decrease in fair value gains from derivative financial instruments; 2) a decrease recorded in other income and gains resulting from loss due to fair value fluctuation of financial assets held by the Company and increase in other expenses.

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 RMB718,681 thousand from RMB4,171,201 thousand in 2017 to RMB4,889,882 thousand in 2018, which was mainly due to continuous increase in the sales volume of lithium hydroxide, lithium metals and NMC precursors during the Reporting Period.

(1) Analysis of principal businesses by products, regions and segments

The following table sets forth analysis of revenue by products, by sale regions and by end customers for the years and periods indicated.

By products:

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Lithium compound	**3,181,579**	**65.1**	2,879,700	69.0
Lithium metal	**970,925**	**19.9**	818,404	19.6
Lithium battery	**354,365**	**7.2**	283,821	6.8
Others(1)	**383,013**	**7.8**	189,276	4.6
Total	**4,889,882**	**100.0**	4,171,201	100.0

Note: Include NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

By sales regions:

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Mainland China	**3,530,770**	**72.2**	3,533,482	84.7
Overseas	**1,359,112**	**27.8**	637,719	15.3
Total	**4,889,882**	**100.0**	4,171,201	100.0

(2) Analysis of operating cost by products, regions and nature

By products:

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Lithium compound	**2,033,009**	**64.8**	1,579,778	63.3
Lithium metal	**476,767**	**15.2**	453,373	18.2
Lithium battery	**343,190**	**10.9**	306,103	12.3
Others(1)	**283,066**	**9.1**	156,892	6.2
Total	**3,136,032**	**100.0**	2,496,146	100.0

Note: Include NMC precursors, lithium oxide, lithium dihydrogen phosphate and other products.

By sale regions

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Mainland China	**2,285,254**	**72.9**	2,149,277	86.1
Overseas	**850,778**	**27.1**	346,869	13.9
Total	**3,136,032**	**100.0**	2,496,146	100.0

Cost by nature

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials	**2,533,335**	**80.8**	2,065,441	82.7
Labor	**160,718**	**5.1**	118,003	4.7
Depreciation and amortization	**108,255**	**3.5**	72,592	2.9
Utilities	**249,413**	**8.0**	172,139	6.9
Others	**84,311**	**2.6**	67,971	2.8
Total	**3,136,032**	**100.0**	2,496,146	100.0

3. Gross profit and gross profit margin

During the Reporting Period, the gross profit margin of the Group was 35.9%, representing a decrease of 4.3% as compared with 40.2% in 2017, mainly due to decrease of the sales price of lithium compounds resulted from movement in the market trends whereas decrease of the price of lithium raw material lagging behind by contrast.

Gross profit and gross profit margin by products

	2018		2017	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
Lithium compound	**1,148,570**	**36.1**	1,299,922	45.1
Lithium metal	**494,158**	**50.9**	365,031	44.6
Lithium battery	**11,175**	**3.2**	(22,282)	(7.9)
Others	**99,947**	**26.1**	32,384	17.1
Total	**1,753,850**	**35.9**	1,675,055	40.2

Gross profit and gross profit margin by regions

	2018		2017	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*
Mainland China	**1,245,516**	**35.3**	1,384,205	39.2
Overseas	**508,334**	**37.4**	290,850	45.6
Total	**1,753,850**	**35.9**	1,675,055	40.2

4. Major customers and suppliers

During the Reporting Period, total sales to top 5 customers of the Group was RMB1,344,013 thousand (2017: RMB749,698 thousand), which accounted for 27.5% of the total sales for 2018 (2017: 18.0%).

During the Reporting Period, total purchases from top 5 suppliers of the Group was RMB2,365,333 thousand (2017: RMB1,854,126 thousand), which accounted for 61.4% of the total purchases for 2018 (2017: 60.8%).

5. Other income and gains

The increase in other income and gains of the Group is mainly comprised of 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 RMB327,825 thousand, representing a decrease of RMB794,905 thousand as compared with RMB1,122,730 thousand in 2017, which was mainly due to fair value gain in derivative financial instruments of large amount as a result of compensation agreements entered into between the Company and Mr. Li Wanchun and Ms. Hu Yemei in 2017, while such revenue decreased to nil during the Reporting Period; and a dramatic decrease in the net revenue from investment at fair value through profit or loss as a result of movement in fair value of financial assets during the Reporting Period.

6. Expenses

	2018	2017	Changes	Explanations on material changes
	RMB'000	*RMB'000*	*%*	
Selling and distribution expenses	**82,352**	53,207	54.8	Primarily consist of employee benefit expenses, transportation expenses, warehouse and port expenses, rental expenses, sales commission, travel expenses and others. The increase in selling and distribution expenses during the Reporting Period was mainly due to increase in sale volume

	2018	2017	Changes	Explanations on material changes
	RMB'000	*RMB'000*	*%*	
Administrative expenses	**360,480**	192,878	86.9	Primarily consist of employee benefit expenses, office expenses, travel expenses, research and development expenses, bank service expenses and others as well as depreciation and amortization of assets. The increase in administrative expenses during the Reporting Period was mainly due to incurrence of equity incentive expenses
Other expenses	**289, 674**	153,522	88.7	Primarily consist of investment at fair value through profit or loss, cost for sales of raw materials, impairment loss, loss on disposal of property, plant and equipment and others. The increase in other expenses during the Reporting Period was mainly due to loss resulted from fair value change in financial assets
Finance costs	**90,343**	56,897	58.8	Primarily consist of interest expense on bank borrowings, interest expense on convertible bonds and interest expense on discounted bills. The increase in finance costs during the Reporting Period was mainly due to an increase in interest expenses on convertible bonds

7. Research and development expenses

During the Reporting Period, research and development expenses of the Group was RMB62,527 thousand, representing an increase of 64.7% as compared to RMB37,962 thousand in 2017; and accounted for 1.3% of the revenue, which was mainly due to increase in research and development expenses for lithium salts and solid-state batteries.

8. Cash flows

Unit

	2018	2017	Change *(%)*	Reason of change
Net cash flows from operating activities	**685,232**	503,866	36.0	Mainly due to increase in revenue during the reporting period
Net cash flows from investing activities	**(2,360,038)**	(840,192)	180.9	Mainly due to increase in expenses for purchase of property, plant and equipment and acquisition of equity interest in associates
Net cash flows from financing activities	**2,720,672**	2,336,662	16.4	Mainly due to completion of issuance of H shares during the Reporting Period

9. Financial position

Non-current assets increased by RMB2,174,532 thousand from RMB3,431,418 thousand as at 31 December 2017 to RMB5,605,950 thousand as at 31 December 2018, which was mainly due to increase in property, plant and equipment, increase in investment in associates and other long-term assets during the Reporting Period.

Current assets increased by RMB3,347,085 thousand from RMB4,567,682 thousand as at 31 December 2017 to RMB7,914,767 thousand as at 31 December 2018, which was mainly due to increase in inventory as a result of increase in purchase of spodumene from Australia by the Group, increase in balance of trade and bills receivables resulted from growth in revenue, increase in the balance of prepayments as a result of higher amount of purchase, increase in pledged deposits, balance of cash and cash equivalents resulted from proceeds received from issuance of H shares of the Company in Hong Kong.

Current liabilities increased by RMB1,017,882 thousand from RMB2,814,329 thousand as at 31 December 2017 to RMB3,832,211 thousand as at 31 December 2018, which was mainly due to increase in balance of trade and bills receivables as a result of higher purchase volume, and increase in balance of amount due to related parties as a result of increase in purchase of spodumene from RIM in Australia during the Reporting Period.

Non-current liabilities increased by RMB569,732 thousand from RMB1,141,601 thousand as at 31 December 2017 to RMB1,711,333 thousand as at 31 December 2018, which was mainly due to increase in interest-bearing bank and other borrowings as a result of higher financing amount, increase in long-term payables derived from postponement of payment for acquisition of equity interest in associates during the Reporting Period.

As at 31 December 2017 and 2018, net current assets of the Group amounted to RMB4,082,556 thousand and RMB1,753,353 thousand, respectively, net assets amounted to RMB7,977,173 thousand and RMB4,043,170 thousand, respectively.

As at 31 December 2017 and 2018, cash and cash equivalents of the Group amounted to RMB3,218,615 thousand and RMB2,165,352 thousand.

10. Tax income expenses

During the Reporting Period, income tax of the Group amounted to RMB162,643 thousand, representing a decrease of RMB109,547 thousand as compared to RMB272,190 thousand in 2017, which was mainly due to a decrease in deferred tax liabilities during the Reporting Period.

11. Capital expenditure

During the Reporting Period, capital expenditure of the Group was RMB1,849,577 thousand, representing an increase of RMB1,160,683 thousand as compared to RMB688,874 thousand in 2017. Funds used as capital expenditure of the Group were mainly sourced from bank borrowings, proceeds from share issuance and cash flows generated from operating activities of the Group.

12. Interest-bearing bank and other borrowings

As at 31 December 2018, bank and other borrowings of the Group amounted to RMB2,062,454 thousand, of which, the amount due within one year, due in the second year and due within three to five year amounted to RMB1,356,335 thousand, RMB378,651 thousand and RMB327,468 thousand, respectively.

As at 31 December 2018, the balance of liability in convertible bonds of the Group amounted to RMB713,460 thousand, which will fall due on 21 December 2023.

13. Restricted assets

As at 31 December 2018, assets with a total carrying value of RMB626,758 thousand of the Group were used as collateral for bank borrowings and other bank facilities, and such assets included pledged deposits and bills receivables of RMB383,726 thousand and RMB243,032 thousand, respectively.

14. Gearing ratio

As at 31 December 2018, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 41%, decreased by 8.4% from 31 December 2017.

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

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

16. Contingent liabilities

As at 31 December 2018, we did not have any material contingent liabilities.

17. Employees and remuneration system

As at 31 December 2018, the Group had a total of 4,597 employees. We have adopted the remuneration structure and incentive scheme which is linked to our Group's performance in order to further motivate our employees.

18. Capital commitments

The Group had the following capital commitments at 31 December 2018:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Plant and machinery	**356,945**	513,723

19. Significant acquisitions

(1) During the Reporting Period, GFL International, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with Lithium Americas and SQM regarding the acquisition of equity interests in the Cauchari-Olaroz project from SQM for an initial consideration of USD87.5 million due at closing and additional payment of USD50 million upon the Cauchari-Olaroz project meeting certain sales milestones. For particulars, please refer to the Prospectus of the Company dated 27 September 2018.

(2) During the Reporting Period, GFL International, a wholly-owned subsidiary of the Company, proposed to acquire 6.9% equity interests in the Austria-based RIM Company at a consideration of AUD51.90 million. For particulars, please refer to the Announcement of Ganfeng Lithium Co., Ltd. on the Progress of the Acquisition of Not More Than 13.8% Equity Interests in Australia-based Reed Industrial Minerals Pty Ltd. by Wholly-owned Subsidiary GFL International Co., Limited and the Related-party Transaction published by the Company on 22 December 2018.

(3) During the Reporting Period, GFL International, a wholly-owned subsidiary of the Company, proposed to acquire not more than 5% equity interests in the Austria-based Pilbara Minerals Limited at a consideration of AUD50 million with its own internal funds. For particulars, please refer to the Announcement of Ganfeng Lithium Co., Ltd. on Investment in Mining Rights through Subscription of no More Than 5% Equity Interest in Australia-based Pilbara Minerals Limited by Wholly-owned Subsidiary GFL International Co., Ltd published by the Company on 29 December 2018.

20. Share capital

As at 31 December 2018, share capital of the Company are set out as follows:

	Number of issued shares	**Percentage**
A Shares	1,114,896,130	84.8
H Shares	200,185,800	15.2
Total	1,315,081,930	100.0

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

(RMB0'000)

Item	**2018**	2017	Year-on-year change
EBITDA	**162,639.79**	190,435.51	-14.60%
Current ratio	**207.00%**	162.30%	44.70%
Debt-asset ratio	**41.00%**	49.45%	-8.45%
Quick ratio	**148.75%**	129.79%	18.96%
Debt-to-EBITDA ratio	**29.34%**	85.43%	-56.09%
Interest coverage ratio	**12.88**	31.16	-58.66%
Cash interest coverage ratio	**9.05**	11.72	-22.78%
EBITDA interest coverage ratio	**14.19**	33.04	-57.05%
Loan repayment ratio	**100.00%**	100.00%	0.00%
Interest repayment ratio	**100.00%**	100.00%	0.00%

22. Production, sales and inventory

Industry	Item	Unit	**2018**	2017	Year-on-year change
Smelting and rolling processing of non-ferrous metals	Sales	Tons (after translated into lithium carbonate equivalent)	**38,948.45**	35,391.19	10.05%
	Production	Tons (after translated into lithium carbonate equivalent)	**42,298.01**	36,406.58	16.18%
	Inventory	Tons (after translated into lithium carbonate equivalent)	**8,821.95**	5,472.39	61.21%
Mining, ore processing and smelting	Sales	Tons (after translated into lithium oxide equivalent)	**0**	0	0
	Production	Tons (after translated into lithium oxide equivalent)	**478.84**	153.11	212.74%
	Inventory	Tons (after translated into lithium oxide equivalent)	**478.84**	173.13	176.58%

OUTLOOK

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

1. Consolidate the advantages and continue to acquire upstream 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 focus on brine-based extraction development. In 2018, the Company carried out the acquisition for the 37.5% equity interests in Minera Exar in Argentina and proactively advanced the development and construction of the Cauchari-Olaroz lithium salt lake project. The campsite, pit and saltern construction, critical equipment booking and other tasks for the project will get started in the first quarter of 2019 and such project be continuously is targeting commissioning in 2020. The pre-feasibility and feasibility study of Mariana Project in Argentina are expected to complete in 2019. The Company will carry on with its increase of shareholding in Australia-based RIM Company and Pilbara to cement the supply of prime lithium ore resources on a continuous basis. The Company will continue to actively explore the possibility of acquiring further sources of lithium by virtue of experience along the industry value chain and insights into the market trends in order to enrich the core portfolio of high-quality lithium resources and provide reliable high-quality supply of lithium resources for the further enhancement of midstream and downstream operations.

2. Expand the production capacity of treatment and processing facilities

The Company has planned for a series of capacity expansions of its manufacturing facilities to capitalize on the growing demand of lithium and solidify its leading position in the lithium products industry. The lithium hydroxide monohydrate production line with a production capacity of 20,000 tons per annum invested and constructed by the Company in Basic Lithium Plant in Xinyu and the battery-grade lithium carbonate production line with a production capacity of 17,500 tons per annum constructed in Ningdu County, Jiangxi Province were both put into operation successfully. The Company is building a battery grade lithium hydroxide production line with a production capacity of 25,000 tons per annum at Basic Lithium Plant in Xinyu, which targets commissioning in 2020. These additional manufacturing facilities will expand the Company's production capacities in order to meet our 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 establish a LCE production capacity comprising 100,000 tons per annum of lithium extracted from ore and 100,000 tons per annum of lithium extracted from brine.

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

The Company intends to further develop and upgrade the existing lithium battery production and carry out the technological R&D and commercialization in relation to a new generation of solid-state lithium battery for the sake of our future growth. Capitalizing on the full-automation lithium polymer batteries production line with an annual throughput of 30 million pieces at the Qiaotou Town Industrial Park in Dongguan, and the high capacity lithium-ion power battery production line with a production capacity of 600 MWH in Xinyu High-tech Zone, the Company has been netting men of ability and accumulating expertise and know-hows so as to pave the way for the future production of solid-state lithium batteries. Our first-generation solid-state lithium battery products have passed multiple third-party safety tests and sample inspection made by a number of customers; and the Company's pilot production line with 100 MWH capacity for the first-generation solid-state lithium battery invested in and constructed by the Company in 2018 is scheduled to be completed and put into operation in 2019, which will accelerate the progress of the commercialization of solid-state lithium battery technology.

4. Advance lithium battery recycling business

With increasing demand for battery waste management growing in tandem with the increased use of lithium batteries in automobiles and consumer electronics, the Company's lithium battery recycling business has promising growth potential, and enables us to further diversify our lithium raw material sources. Furthermore, the Company's ability to recycle lithium batteries offers a sustainable value-added solution to battery manufacturers and electric vehicle manufacturers, which help strengthen our ties with such customers, expand the scale of battery recycling and improve the technologies of our battery recycling business. To promote sustainability and create additional revenue sources, the Company aims to leverage the growing volume of retired lithium batteries in China and become one of the leading players in the global lithium battery recycling space. In this aspect, the retired lithium battery disassembling and comprehensive rare metal recycling project invested and constructed by Ganfeng Recycling entered the stage of industrialization in 2018 and has achieved a recycling and disposal capability of 34,000 tons for the project phase I, which enables the Company to continue to expand downstream by expanding the production capacity of our lithium battery recycling business and developing a specialty in recycling and reusing retired batteries.

5. Further enhance R&D and innovation capabilities

Committed to technological research and development, the Company will capitalize on its capacity as National Post-doctoral Research Station, National Engineering Research Center, Academic Station and other research and development platform to establish long-term cooperative relationships with domestic and overseas colleges and universities as well as scientific academies for joint development of new products, technologies and processes and in turn further improve its innovation capability by right of the cooperation with such research institutions. 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
- Production of lithium motive power batteries and energy storage batteries.

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

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

7. **Enhance capacities in business operation and management**

We will:

- optimize comprehensive quality monitoring measures, intensify on-site management, and promote compliance of working safety rules;
- nurture management personnel, replenish personnel reserve with technologically-adept and veteran employees, and enhance technical trainings for employees;
- cement the marketing, logistics and sales service systems so as to make coordinated arrangements among production, warehousing and distribution, optimize logistics, reduce transportation costs, improve the ability to respond to the requests of customers and level up efficiency and service standards;
- protect resources and reduce carbon emission so as to achieve sustainable growth.

OTHER INFORMATION

Change of accounting policy

At the 28th meeting of the fourth session of the Board and the 18th meeting of the fourth session of the board of supervisors held by the Company on 27 December 2018, the Resolution in Relation to the Change of Accounting Policy was considered and approved. The change of accounting policy does not have any impact on the financial information prepared under IFRSs as disclosed by the Company on The Stock Exchange of Hong Kong Limited, nor on any financial information as set out in the Prospectus of the Company dated 27 September 2018. For particulars, please refer to the Announcement of Ganfeng Lithium Co., Ltd. on the Change of Accounting Policy published by the Company on 29 December 2018.

Final dividend

The Board proposed to distribute cash dividend of RMB3.00 (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 distribution of the cash dividend is expected to be paid to the eligible shareholders by no later than 11 August 2019. 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.

Significant event after the reporting period

Save as disclosed in the section headed "FINAL DIVIDEND" in this section, subsequent to 31 December 2018, the Group has the following significant event:

On 21 December 2018, the Group entered into an equity transfer agreement with Neometals, pursuant to which, the Group and PMI, another shareholder of RIM, will exercise their right of first refusal to subscribe for 50% of the 13.8% equity interests held by Neometals in RIM, namely 6.9% equity interests, respectively. The consideration to be paid by the Group for the equity transfer will be AUD51.90 million. In March 2019, the Group executed the payment and delivered the share transfers. Upon completion of the transaction, RIM will be owned by the Group and PMI as to 50% and 50%, respectively.

Restrictive share incentive scheme

On 13 December 2017, 12,866,500 A Shares of the Company were preliminarily granted to 339 share incentive participants ("**Preliminarily Granted A Shares**") pursuant to such resolution as approved by at the general meeting and the Board meeting; and on 2 May 2018, 2,123,080 reserved shares were granted to 55 share incentive participants ("**Reserved A Shares**"). The grant price of A Shares (including both Preliminarily Granted A Shares and Reserved A Shares) was RMB45.71 for each; and the share incentive participants were senior management, kernel technological personnel and key management staff of the Company. Preliminarily Granted A Shares and Reserved A Shares shall be effective for four years and three years, respectively, from the record date for the grant of the Restrictive Shares and until the date on which all such granted Restrictive Shares were unlocked or otherwise repurchased and cancelled. For particulars, please refer to the Prospectus of the Company dated 27 September 2018.

Use of proceeds from the h-share listing of the company

The H shares of the Company was listed on the Stock Exchange in October 2018, and the Company obtained net proceeds of USD404,400,500 from such H-share listing. According to the plan on use of proceeds as set out in the Prospectus of the Company, approximately 58% of the net proceeds is intended to be used for (i) investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling; approximately 22% of the net proceeds is intended to be used to provide financial assistance to Lithium Americas Corp.; approximately 10% of the net proceeds is intended to be used for our research and development efforts, in particular on solid-state lithium batteries; and approximately 10% of the net proceeds is intended to be used for our working capital and general corporate purposes. As at 31 December 2018, the Company utilized proceeds of USD113,020,700 in aggregate and the balance of proceeds amounted to USD291,643,300 (including interest income generated from proceeds deposited with the designated proceeds account). The use of proceeds from the H-share listing of the Company is as follows:

USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS	% USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS	USAGE DETAILS	USED AMOUNT
(i) investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling.	58% approximately USD 234,550,000	Upstream lithium resource: Acquisition of 37.5% equity interests in the Cauchari-Olaroz Project and loans for the same project	USD 113,020,700
intended to be used to provide financial assistance to Lithium Americas, which will use the funds to cover capital expenditure for construction of the Cauchari-Olaroz project	22% approximately USD 88,970,000	Currently unused	
intended to be used for our research and development efforts, in particular on solid-state lithium batteries	10% approximately USD 40,440,000	Currently unused	
general corporate purposes	10% approximately USD 40,440,000	Currently unused	

Compliance with code on corporate governance practices

The Company has been improving the corporate governance practices and procedures and striven to achieve and maintain an overall high standard corporate governance. Having had a well-established and effective corporate governance structure in place, the Company is committed to making information disclosure in a comprehensive and transparent manner, improving the stability of operations and safeguarding the interests of the Shareholders to the utmost. Other than the deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the principle and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that, for the year ended 31 December 2018, the Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by Directors and supervisors as set out in the Model Code.

Purchase, Sale or Redemption of Securities

Pursuant to the resolution passed by the Shareholders at the general meeting dated 24 January 2018, 632,018 Restricted A Shares of the Company were returned to the Company by Mr. Li Wanchun as the compensation for the loss incurred by Shenzhen Meibai's fire incident, and the same had been cancelled by the Company in March.

For particulars, please refer to the Prospectus of the Company dated 27 September 2018.

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Saturday, 11 May 2019 to Tuesday, 11 June 2019, both days inclusive, in order to determine the identity of the H Shareholders who are entitled to attend the AGM on Tuesday, 11 June 2019, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 10 May 2019.

Review of 2018 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 C3.3 as set out in the Code. The Audit Committee consists of three independent non-executive Directors, being Mr. Guo Huaping, Mr. Huang Huasheng and Ms. Wong Sze Wing. Mr. Guo Huaping serves as the chairman of the Audit Committee and possesses the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Group's consolidated financial results for the year ended 31 December 2018 have been considered and approved by the Audit Committee of the Company, which is of the view that the preparation of such financial results have complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Jiangxi, PRC
28 March 2019

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

DEFINITIONS

"A Share(s)"	ordinary share(s) of the Company, with a nominal value of RMB1.00 each, which are subscribed for in RMB and listed on the SZSE (stock code: 002460)
"Administrative Measures on Equity Incentives of Listed Companies"	Measures of the People's Republic of China on Administration of Equity Incentives for Listed Companies (中華人民共和國上市公司股權激勵管理辦法), as amended from time to time
"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 with limited liability established in the PRC with limited liability whose A Shares and H Shares are listed on the SZSE and on the Main Board of Stock Exchange
"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

"Incentive Scheme" or "Restrictive A-share Incentive Scheme"	the restrictive A-share incentive scheme adopted in 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Restrictive A Shares"	the restrictive A shares issued to the participants pursuant to the Incentive Scheme
"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 (深交所股票上市規則), as amended form time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SZSE"	The Shenzhen Stock Exchange
"%"	per cent