赣锋锂业

GanfengLithium

江西贛鋒鋰業股份有限公司

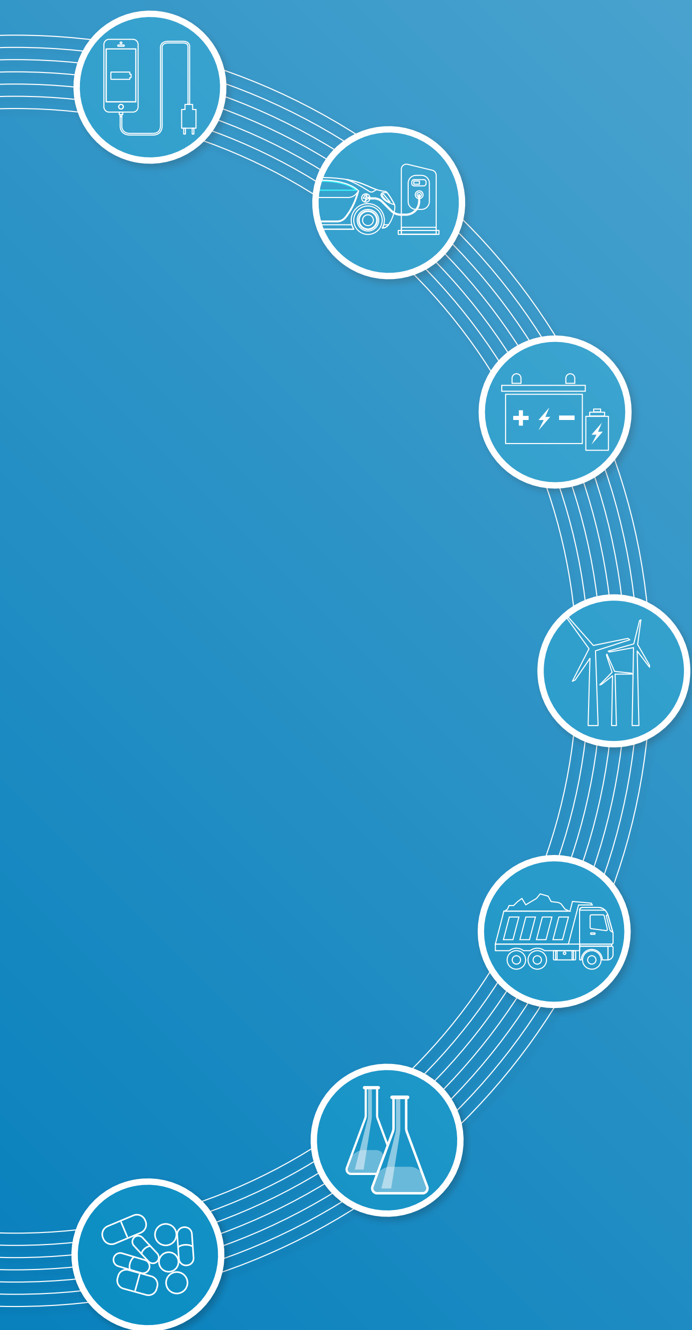
Ganfeng Lithium Co., Ltd.

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

Stock Code: 1772

2019

INTERIM REPORT



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Corporate Information

EXECUTIVE DIRECTORS

Li Liangbin *(Chairman)*
Wang Xiaoshen *(Vice Chairman)*
Shen Haibo
Deng Zhaonan
Xu Xiaoxiong

NON-EXECUTIVE DIRECTOR

Huang Daifang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Guo Huaping
Huang Huasheng
Liu Jun
Wong Sze Wing

SUPERVISORS

Gong Yong
Tang Xiaoqiang
Zou Jian

JOINT COMPANY SECRETARIES

Ren Yuchen
Cheung Kai Cheong Willie

AUTHORIZED REPRESENTATIVES

Li Liangbin
Cheung Kai Cheong Willie

AUDIT COMMITTEE

Guo Huaping *(Chairman)*
Huang Huasheng
Wong Sze Wing

REMUNERATION COMMITTEE

Liu Jun *(Chairman)*
Guo Huaping
Deng Zhaonan

NOMINATION COMMITTEE

Huang Huasheng *(Chairman)*
Liu Jun
Li Liangbin

STRATEGY COMMITTEE

Li Liangbin *(Chairman)*
Wang Xiaoshen
Huang Daifang
Liu Jun
Xu Xiaoxiong

REGISTERED OFFICE

Longteng Road
Economic Development Zone Xinyu
Jiangxi Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

http://www.ganfenglithium.com

INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

BDO China Shu Lun Pan Certified Public Accountants LLP

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

H Shares

01772 (Stock Exchange)

A Shares

002460 (SZSE)

LEGAL COUNSEL

Miao & Co. (In Association with Han Kun Law Offices)

COMPLIANCE ADVISOR

Shenwan Hongyuan Capital (H.K.) Limited

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)
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules
"Company" "Ganfeng Lithium" "our Company" or "we"	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 (stock code: 002460) and H Shares (stock code: 01772) are listed on the SZSE and on the Main Board of the Stock Exchange respectively
"Director(s)"	the director(s) of the Company
"Global Offering"	the Hong Kong public offering and the international offering of the Shares
"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 Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Incentive Scheme" or "Restricted A-Share Incentive Scheme"	the restricted A-Share incentive scheme adopted in 2017
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"PRC"	the People's Republic of China
"President"	president of the Company

"Prospectus"	the prospectus of the Company dated 27 September 2018
"Reporting Period" or "Semi-annual"	the period beginning from 1 January 2019 and ending on 30 June 2019
"Restricted A-Share"	the restrictive A shares issued to the participants pursuant to the Incentive Scheme
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	A Share(s) and/or H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"SZSE"	The Shenzhen Stock Exchange
"USD"	United States dollar, the lawful currency of the United States
"%"	percent

Financial Highlights

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (YEAR-ON-YEAR CHANGE)

Revenue	+25.14%	to RMB2,802,239 thousand
Gross profit	-28.66%	to RMB708,185 thousand
Profit attributable to owners of the parent	-59.30%	to RMB297,201 thousand
Earnings per share	-65.15%	to RMB0.23

INDUSTRY REVIEW

1. Analysis of lithium resource market

Global lithium resources are mainly sourced from salt lakes and lithium mines. Well-developed salt lakes are mainly distributed in the lithium delta of South America and in China, while well-developed lithium mines continue to stand their ground in Western Australia. According to the research report of Guotai Junan Securities, in 2017, 49% of the global lithium supply was contributed by the lithium concentrates in Western Australia and 41% was from the salt lakes in South America, the two of which accounted for 90% of the global lithium resources. Major increase of global lithium resources was attributable to the lithium concentrates in Western Australia in 2018 and 2019. Lithium resources sourced from lithium concentrates in Western Australia are expected to account for 56% of global lithium supply by 2020.

(1) Market of spodumene concentrate

The Pilbara, Altura, Greenbushes and Wodgina spodumene projects in Western Australia have been subject to capacity expansion and put into operation successively since 2018. According to the data on SMM, as of the end of August 2019, the domestic CIP price of 6% spodumene concentrate was around USD600/ton, decreasing substantially as compared to that at the beginning of 2019. Abundant supply of spodumene and continually shrunken spodumene price facilitated the sharp reduction of raw material cost for the deep-processed lithium products of the Company to a certain extent, which was conducive to improving the Company's operating results in the future and set off the impact of decrease in prices of lithium products of the Company effectively.

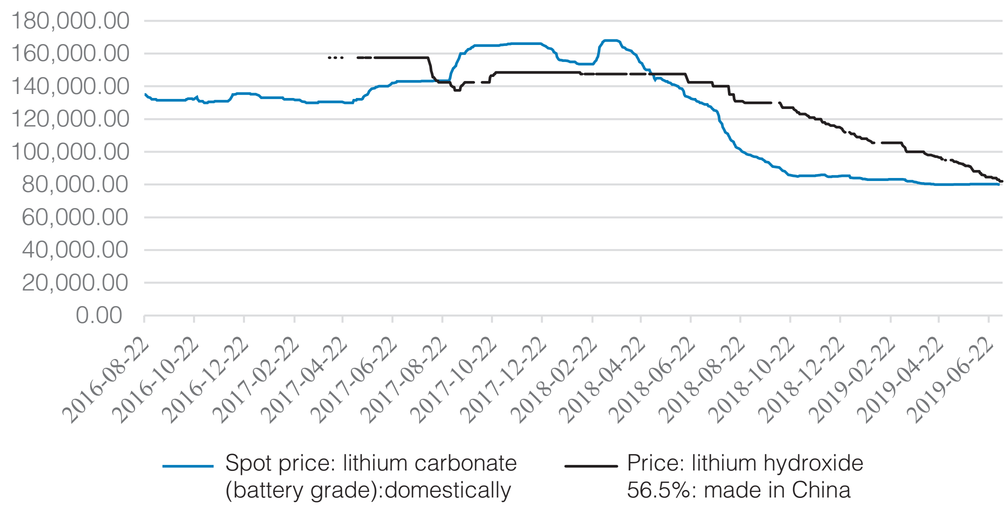
(2) Market of salt lake brines

Salt lakes in South America mainly include ALB and SQM salt lakes of Chile and Livent and Orocobre salt lakes in Argentina, making for a highly intensive industry. Future increase in salt lake resources of South America will be mainly attributable to the operation and capacity expansion of four projects including the Company's Cauchari-Olaroz project, while increase in supply of lithium compounds generated from brine resources will burst intensively after 2020. Capacity lithium projects in South America all postpone their capacity expansion moves progressively considering the capacity expansion approval of the Chilean government and Argentine government as well as the vendors' judgments over the future market demands, which will slow down the growth of short-term lithium compound supply, improve the current supply and demand, and in turn contribute to a strong price of lithium compounds.

2. Analysis of the lithium compound market

In recent years, prices of major lithium compounds having been fluctuating violently. Prices of major lithium compounds maintained at a high level on the whole in 2016 and 2017, but have been declining since 2018 as a result of the expected high operation capacity in the industry following the proactive capacity expansion of domestic and overseas lithium salt vendors. According to the wind data, price of lithium carbonate has been declining sharply since April 2018; during the Reporting Period, prices of major lithium compounds continued to trend down, decline of lithium carbonate price slowed down stepwise, and lithium hydroxide price presented a marked fall. Specific movements are shown in the following table:

Price movements of domestic battery-grade lithium carbonate and lithium hydroxide monohydrate



Source: Wind Information

The reduction of governmental subsidies for new energy vehicles has had relatively substantial impact on the new energy vehicle market especially the low-end new energy vehicle market, which on the other hand, phased out certain backward capacity and excess power battery capacity and in turn brought along a provisional impact on the demand of lithium compounds. The market has come to the present stable and healthy development status after fierce competition and the game of survival of the fittest, and the lithium compound market has gradually resumed the balance between supply and demand. As a leading enterprise in the lithium compound deep-processing business, the Company, capitalizing on the opportunities arising from industry reshuffle, continues to enhance its competitiveness and survival capability and further cements and improves its industrial position.

3. Analysis of the new energy vehicle market

In recent years, the relevant competent authorities in China have successively rolled out as many as over 40 policies and measures to support the development of the new energy vehicle industry covering all aspects including research and development, production, marketing and regulation, and have thus developed a worldwide self-contained new energy vehicle development supporting system. In terms of production and sales, in 2018, China's sales of new energy vehicles accounted for 4.5% of the total domestic sales of vehicles, and approximately 60% of the total global sales of new energy vehicles, thus taking the lead in course of the development of the industry in the world.

According to the data of China Association of Automobile Manufacturers, from January to June 2019, production and sales of China's new energy vehicles amounted to 614,000 and 617,000, representing a year-on-year increase of 48.5% and 49.6%, respectively. In particular, production and sales of pure electric vehicles amounted to 493,000 and 490,000, representing a year-on-year increase of 57.3% and 56.6%, respectively; production and sales of plug-in hybrid electric vehicles amounted to 119,000 and 126,000, representing a year-on-year increase of 19.7% and 26.4%, respectively. Production and sales of domestic new energy vehicles continued to grow steadily.

During the Reporting Period, important policies concerning the new energy vehicle industry are as follows:

Issuing authority	Issuing time	Industrial policy	Descriptions
3 departments including NDRC	June 2019	The (2019–2020) Implementation Plan on Promoting the Upgrade of Major Consumables and Facilitating the Recycling of Resources (《推動重點消費品更新升級暢通資源循環利用實施方案(2019–2020年)》)	To accelerate the R&D and industrialisation of the new-generation power battery for vehicles, improve the capacity density and safeness of battery, to produce platform-based and standardized batteries stepwise, and reduce battery cost.
4 departments including Ministry of Finance	March 2019	The Notice on Further Improvement of the Financial Subsidy Policy for Promotion and Application of New Energy Vehicles (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》)	In 2019, subsidies for new energy vehicles will be subject to adjustment and be granted in a fragmented manner, and the overall subsidy will reduce significantly.
10 departments including NDRC	January 2019	The (2019) Implementation Plan on Further Optimizing Supply to Facilitate Stable Consumption Growth and Develop a Strong Domestic Market (《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)》)	To optimize the structure of subsidies for new energy vehicles on a consistent basis. In accordance with the principle of supporting the better and stronger players, a larger proportion of the subsidy will be used to support the sales of new energy vehicles with advanced comprehensive performance and encourage the development of new energy vehicles with high technical content. To implement the policy concerning differentiated traffic management of new energy trucks.

Changes in consumption policies and subsidy policies have had impact on the development of new energy vehicle industry from both positive and negative aspects, which will affect the intermittent sales of new energy vehicle. The reduction in of subsidies for new energy vehicles represented a marked signal indicating that the market will gradually become competitiveness based instead of policy driven, which will be conducive to the long-term development of the new energy vehicle industry.

4. Analysis of the power battery recycling market

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

During the Reporting Period, the national policy concerning power battery recycling is as follows:

Issuing authority	Issuing time	Industrial policy	Descriptions
3 departments including MIIT	February 2019	The Directive on Enhancing the Construction of Green Data Center (《關於加強綠色數據中心建設的指導意見》)	Under the premise of meeting up with the reliability requirements, to experiment on the application of energy storage batteries which use power battery as the data center in a hierarchical manner for the purpose of balancing the peak and valley.

BUSINESS REVIEW

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

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

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

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

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

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

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

Securing high-quality and stable lithium resources is fundamental to the longterm sustainable growth of our business. The Company will continuously expand its current lithium resources portfolio through further exploration, with a focus on brine-based extraction development. After the completion of the acquisition for the 50% equity interests in Minera Exar, the Company will proactively advance the development and construction of the Cauchari-Olaroz lithium salt lake project. The campsite, pit and saltern construction, critical equipment booking and other tasks for the project have already got started now and such project will be continuously targeting commissioning in 2020. The pre-feasibility and feasibility study of Mariana Project in Argentina are expected to complete in 2019. The Company will also proactively advance the acquisition and development of the Mexico lithium clay project Sonora in the second half of 2019. The Company will continue to actively explore the possibility of acquiring further sources of lithium by virtue of experience along the industry value chain and insights into the market trends in order to enrich the core portfolio of high-quality lithium resources and provide reliable high-quality supply of lithium resources for the further enhancement of midstream and downstream operations.

2. Expand the production capacity of treatment and processing facilities

The Company has planned for a series of capacity expansions of its manufacturing facilities to capitalize on the growing demand of lithium and solidify its leading position in the lithium products industry. The battery-grade lithium carbonate production line with a production capacity of 17,500 tonnes per annum constructed in Ningdu country, Jiangxi Province met up with the designed capacity and production targets within 2019 and continued to increase production capacities. The Company intends to build a battery grade lithium hydroxide production line with a production capacity of 50,000 tonnes per annum at Basic Lithium Plant in Xinyu, which targets commissioning in 2020. The Company will expand its production capacity based on the changes in and assessment of future market demands for lithium products and plans to establish a lithium carbonate equivalent production capacity comprising 100,000 tonnes per annum of lithium extracted from ore and 100,000 tonnes per annum of lithium extracted from brine in 2025.

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

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

4. Advance lithium battery recycling business

With increasing demand for battery waste management growing in tandem with the increased use of lithium batteries in automobiles and consumer electronics, the Company's lithium battery recycling business has promising growth potential, and enables us to further diversify our lithium raw material sources. Furthermore, the Company's ability to recycle lithium batteries offers a sustainable value-added solution to battery manufacturers and electric vehicle manufacturers, which help strengthen our ties with such customers, expand the scale of battery recycling and improve the technologies of our battery recycling business. To promote sustainability and create additional revenue sources, the Company aims to leverage the growing volume of retired lithium batteries in China and become one of the leading players in the global lithium battery recycling sector. In the first half of 2019, Ganfeng Recycling Technology Co., Ltd. completed the inspection and acceptance of safety, fire-fighting and environmental protection for the 34,000t/a retired lithium battery comprehensive recycling project and has put the results online for publicity; the phase II project of the "12,000t/a ternary precursor expansion project" kicked over in January, and is expected to have a capacity of processing 100,000 tonnes of retired lithium battery after it is completed and put into operation. The Company will continue to expand downstream by expanding the production capacity of our lithium battery recycling business and developing a specialty in recycling and reusing retired batteries.

5. Further enhance R&D and innovation capabilities

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

- Development and production of solid electrolytes and anodes for solid-state lithium batteries, and research and development on solid-state lithium batteries;
- Secondary utilization and recycling of lithium batteries;
- Improvement of production techniques and leveling up automation for existing products;
- Customized process and extraction method for lithium raw materials from different types of salt lake brines; and
- Production of lithium motive power batteries and energy storage batteries.

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

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

7. Enhance capacities in business operation and management

We will:

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

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

Change of net profit attributable to shareholders of the Company from January to September 2019	-65.00%	to	-55.00%
Range of change of net profit attributable to shareholders of the Company from January to September 2019 (RMB0'000)	38,728.61	to	49,793.93
Net profit attributable to shareholders of the Company from January to September 2018 (RMB0'000)			110,653.17

Reasons for changes in results	1. The decline of the stock price of financial assets held by the Company resulted in the loss of fair value change and further affected the profit growth of the Company; 2. The decline of the price of lithium compound as compared to the same period of last year affected the profit growth of the Company.
Change of net profit attributable to shareholders of the listed company from July to September 2019 as compared to the same period of last year	Forecasted range of net profit attributable to shareholders of the listed company from July to September 2019: RMB91,497,300 to RMB202,150,500; Forecasted change: a decline of 66.04% to 24.98%.

FINANCIAL REVIEW

1. Overview

For the Reporting Period, the Group's revenue amounted to RMB2,802,239 thousand, representing an increase of RMB562,919 thousand as compared to RMB2,239,320 thousand for the six months ended 30 June 2018; gross profit amounted to RMB708,185 thousand, representing a decrease of RMB284,505 thousand as compared to RMB992,690 thousand for the six months ended 30 June 2018; During the Reporting Period, the Group's basic earnings per share were RMB0.23 (six months ended 30 June 2018: RMB0.66).

The profit attributable to the owners of the parent of the Company for the Reporting Period amounted to RMB297,201 thousand, representing a decrease of RMB433,016 thousand, or 59.30%, as compared to RMB730,217 thousand for the six months ended 30 June 2018, which was mainly due to: (1) the decrease in gross profit as impacted by the decline in the market price of lithium salts; (2) the decrease in other income and gains as a result of a year-on-year decrease in government grants; (3) the increase in other expenses as a result of the loss arising from the fluctuation of fair value of financial assets held by the Group; and (4) the increase in administrative expenses resulting from early provision of share-based payment expenses due to the termination of the share incentive scheme in the Reporting Period.

2. Analysis of revenue and cost

During the Reporting Period, the Group derived its revenue from sales of lithium compounds, lithium metals, lithium batteries and other products. Total revenue increased by RMB562,919 thousand from RMB2,239,320 thousand for the six months ended 30 June 2018 to RMB2,802,239 thousand for the six months ended 30 June 2019. The increase was mainly due to the substantial increase in sales volume thanks to unleashing of production capacity and stable demand in downstream markets, which was partly offset by the decline in the market price of lithium salts.

(1) Analysis of revenue by products and regions

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

By products:

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

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

By sales regions:

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

(2) Analysis of operating cost by products

By products:

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	RMB'000	***%***	*RMB'000*	*%*
Lithium metal and compound	**1,610,627**	**76.91**	1,012,308	81.20
Lithium battery	**244,024**	**11.65**	140,062	11.24
Others *(Note)*	**239,403**	**11.44**	94,260	7.56
Total	**2,094,054**	**100.00**	1,246,630	100.00

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

3. Gross profit and gross profit margin

The gross profit margin of the Group for the Reporting Period was 25.27%, representing a decrease of 19.06% as compared with 44.33% as at 30 June 2018, mainly due to the decrease in the unit sales price as a result of the decline in the market price of lithium salts.

Gross profit and gross profit margin by products

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

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

4. Other income and gains

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

5. Expenses

	For the six months ended 30 June 2019 RMB'000	For the six months ended 30 June 2018 RMB'000	Change %	Explanations on material changes
Selling and distribution expenses	51,842	31,934	62.3%	Primarily consisting of employee benefit expenses, transportation expenses, warehouse and port expenses, rental expenses, sales commission, travel expenses and others. The increase in selling and distribution expenses during the Reporting Period was mainly due to increase in sale volume
Administrative expenses	230,077	187,596	22.6%	Primarily consisting of employee benefit expenses, office expenses, travel expenses, intermediary fees, R&D expenses, bank service expenses and others as well as depreciation and amortization of assets. The increase in administrative expenses during the Reporting Period was mainly attributable to accelerated provision of share-based payment expenses as a result of the termination of the share incentive scheme in the Reporting Period.
Other expenses	159,188	147,789	7.71%	Primarily consisting of net loss on changes in fair value of investments at fair value through profit or loss, cost for sales of raw materials, impairment loss, loss on disposal of property, plant and equipment and others. The increase in other expenses during the Reporting Period was mainly due to the increase in loss on changes in fair value of financial assets held by the Group
Finance costs	95,886	34,963	174.25%	Primarily consisting of interest expense on bank borrowings, interest expense on convertible bonds and interest expense on discounted bills. The increase in finance costs during the Reporting Period was mainly due to an increase in interest expenses on bank borrowings

6. Research and development expenses

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

7. Cash flows

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

8. Financial position

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

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

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

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

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

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

9. Income tax expenses

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

10. Capital expenditure

During the Reporting Period, capital expenditure of the Group was RMB1,190,686 thousand, representing an increase of RMB738,935 thousand as compared to RMB451,751 thousand for the six months ended 30 June 2018. Funds used as capital expenditure of the Group were mainly sourced from bank borrowings, proceeds from share issuance and cash flows generated from operating activities of the Group.

11. Interest-bearing bank and other borrowings

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

12. Restricted assets

As at 30 June 2019, assets with a total carrying value of RMB277,513 thousand (31 December 2018: RMB626,758 thousand) of the Group were used as collateral for bank borrowings and other bank facilities, and such assets included pledged deposits and bills receivables of RMB200,287 thousand (31 December 2018: RMB383,726 thousand) and RMB77,227 thousand (31 December 2018: RMB243,032 thousand), respectively.

13. Gearing ratio

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

14. 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.

15. Contingent liabilities

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

16. Employees and remuneration system

As at 30 June 2019, the Group had a total of 4,991 employees. During the Reporting Period, total staff cost accounted for approximately 11.20% of the Group's revenue. The remuneration package of the Group's employees includes salaries, allowances, benefit in kind and performance related bonuses.

17. Capital commitments

The Group had the following capital commitments as at 30 June 2019:

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

18. Share capital

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

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

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

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

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

OTHER INFORMATION

Significant Equity Acquisitions during the Reporting Period

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

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

2. Acquisition of equity in Pilbara Minerals Limited.

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

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

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

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

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

Termination of the Restricted A Share Incentive Scheme and Connected Repurchase

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

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

Significant event after the Reporting Period

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

COMPLIANCE WITH THE CG CODE

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance through continuous effort in improving its corporate governance practices and processes. Through the establishment of a quality and effective corporate governance framework, the Company strives to achieve completeness and transparency in its information disclosure and enhance stable operation, so as to safeguard the interests of the Company's Shareholders to the greatest extent. Other than the deviation from code provision A.2.1 of the Corporate Governance Code, the Company has complied with the principle and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules during the six months ended 30 June 2019.

Deviation from Code Provision A.2.1 of CG Code

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

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

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

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

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

Model Code for Securities Transactions

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

Purchase, Sale or Redemption of Securities

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

Interim Dividends

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

Review of 2019 interim results

The audit committee of the Company (the "**Audit Committee**") has been established by the Board in compliance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules and the terms of reference of code provision C.3.3 as set out in the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, being Mr. Guo Huaping, Mr. Huang Huasheng and Ms. Wong Sze Wing. Mr. Guo Huaping serves as the chairman of the Audit Committee and possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Hong Kong Listing Rules. The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the Audit Committee of the Company, which is of the view that the preparation of such financial results have compiled with the applicable accounting standards, the requirements under the Hong Kong Listing Rules and other applicable legal requirements, and that adequate disclosures have been made. The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the independent auditor of the Company.

INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 30 June 2019, as far as known to the Directors, interests and short positions of Directors, supervisors and chief executives in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under provision of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to herein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix X to the Hong Kong Listing Rules, to be notified to the Company and the Stock Exchange after the H Shares are listed thereon (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the Supervisors and the chief executive), are as follows:

(i) Long positions in ordinary shares of the Company

Name of Director/ Supervisor/chief executive	Nature of interests	Category of shares	Number of shares held	Percentage over total Share capital of the Company	Percentage over equity interests of the same category
LI Liangbin	Beneficial owner	A Shares	269,770,452	20.51%	24.20%
WANG Xiaoshen	Beneficial owner	A Shares	100,898,904	7.67%	9.05%
SHEN Haibo	Beneficial owner	A Shares	14,273,568	1.09%	1.28%
DENG Zhaonan	Beneficial owner	A Shares	2,852,928	0.22%	0.26%
TANG Xiaoqiang	Beneficial owner	A Shares	300	0.00%	0.00%

(ii) Interests in debentures of the Company

Name of Director/Supervisor/ chief executive	Nature of interests	Unit	Par value of convertible bonds	Total amount of convertible bonds
LI Liangbin	Beneficial owner	1,073,801	RMB100.00	RMB107,380,100
WANG Xiaoshen	Beneficial owner	759,150	RMB100.00	RMB75,915,000

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in Shares, underlying Shares and debentures of the Company as required to be recorded under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Hong Kong Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, as far as known to the Directors, the following persons (excluding Directors, Supervisors and chief executives of the Company) had interests and short positions in Shares and underlying Shares of the Company that fell to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register of the interests required to be kept by the Company under Section 336 of the SFO.

Name	Nature of interests	Category of shares	Number of shares held	Percentage over total share capital of the Company	Percentage over equity interests of the same category
Huang Rong	Interest of spouse[(1)]	A Shares	269,770,452	20.51%	24.20%
Xiao Xuan	Interest of spouse[(2)]	A Shares	100,898,904	7.67%	9.05%
China Structural Reform Fund Corporation Limited	Beneficial owner[(4)]	H Shares	33,244,000	2.53%	16.61%
Postal Savings Bank of China Co., Ltd.	Beneficial owner[(4)]	H Shares	33,244,000	2.53%	16.61%
China Asset Management Co., Ltd.	Investment manager [(4)]	H Shares	33,244,000	2.53%	16.61%
CCBT (Beijing) Investment Fund Management Co., Ltd.	Interest of controlled corporation[(4)]	H Shares	33,244,000	2.53%	16.61%
CCB Trust Co., Ltd.	Interest of controlled corporation[(4)]	H Shares	33,244,000	2.53%	16.61%
LG Chem, Ltd.	Beneficial owner[(5)]	H Shares	23,745,600	1.81%	11.86%
Samsung SDI Co., Ltd.	Beneficial owner[(6)]	H Shares	23,745,600	1.81%	11.86%
Shanghai Trust	Trustee [(7)]	H Shares	14,247,400	1.08%	7.12%
Karsh Bruce Allen	Interest of controlled corporation[(8)]	H Shares	12,003,000	0.91%	6.00%
Marks Howard Stanley	Interest of controlled corporation[(8)]	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Group Holdings GP, LLC	Interest of controlled corporation[(8)]	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Group Holdings, L.P.	Interest of controlled corporation[(8)]	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Group, LLC	Interest of controlled corporation[(8)]	H Shares	12,003,000	0.91%	6.00%
Oaktree Capital Management, L.P.	Investment manager [(8)]	H Shares	12,003,000	0.91%	6.00%

Note:

(1) Ms. Huang Rong is the spouse of Mr. Li Liangbin and, by virtue of the SFO, is deemed to be interested in the A Shares in which Mr. Li Liangbin is interested.

(2) Ms. Xiao Xuan is the spouse of Mr. Wang Xiaoshen and, by virtue of the SFO, is deemed to be interested in the A Shares in which Mr. Wang Xiaoshen is interested.

(3) All interests stated are long positions.

(4) China Structural Reform Fund Corporation Limited is the beneficial owner of 33,244,000 H Shares of the Company, representing 16.61% of the total issued H Shares of the Company. China Asset Management Co., Ltd. is the investment manager of China Structural Reform Fund Corporation Limited and by virtue of the SFO, is deemed to be interested in the H Shares in which China Structural Reform Fund Corporation Limited is interested. Postal Savings Bank of China Co., Ltd. is the beneficial owner of the trust scheme named "CCB Trust–Wutongshu Fund Trust Scheme (investment unit No. 26 under the asset allocation class) of China Structural Reform Fund Corporation Limited and by virtue of the SFO, is deemed to be interested in the H Shares in which China Structural Reform Fund Corporation Limited is interested. CCBT (Beijing) Investment Fund Management Co., Ltd. is interested in 38.20% of equity in China Structural Reform Fund Corporation Limited, and is also wholly-owned by CCB Trust Co., Ltd.

(5) LG Chem, Ltd. is the beneficial owner of 23,745,600 H Shares of the Company, representing 11.86% of the total issued H Shares of the Company.

(6) Samsung SDI Co., Ltd. is the beneficial owner of 23,745,600 H Shares of the Company, representing 11.86% of the total issued H Shares of the Company.

(7) Shanghai International Trust Co., Ltd. is the trustee of the trust scheme named "the single fund trust in Hong Kong market under the Platinum Collection of Shanghai Trust (GJ-13–18029)(上海信託鉑金系列香港市場投資單一資金信託 (GJ-13–18029))" and holds 14,247,400 H Shares of the Company, representing 7.12% of the total issued H Shares of the Company.

(8) Oaktree Capital Management, L.P. holds 12,003,000 H Shares of the Company, representing 6.00% of the total issued H Shares of the Company. Oaktree Capital Management, L.P. is wholly-owned by Oaktree Holdings, Inc.. Oaktree Holdings, Inc. is wholly-owned by Oaktree Capital Group LLC.. Oaktree Capital Group LLC. is owned as to 92.40% by Oaktree Capital Group Holdings, L.P. Oaktree Capital Group Holdings, L.P. is wholly-owned by Oaktree Capital Group Holdings GP, LLC. Oaktree Capital Group Holdings GP, LLC is owned as to 37.97% and 36.61%, respectively by Karsh Bruce Allen and Marks Howard Stanley. As such, Karsh Bruce Allen, Marks Howard Stanley, Oaktree Capital Group Holdings GP, LLC, Oaktree Capital Group Holdings, L.P. and Oaktree Capital Group LLC are deemed to be interested in 12,003,000 H Shares of the Company.

Save as disclosed above, as at 30 June 2019, none of the substantial shareholders had any interests and short positions in Shares, underlying Shares and debentures of the Company as required to be recorded under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Hong Kong Listing Rules.

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

The H Shares of the Company was listed on the Stock Exchange in 11 October 2018, and the Company obtained net proceeds of USD404,400,500 from such H-share listing. According to the plan on use of proceeds as set out in the Prospectus of the Company, approximately 58% of the net proceeds is intended to be used for (i) investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling; approximately 22% of the net proceeds is intended to be used to provide financial assistance to Lithium Americas Corp.; approximately 10% of the net proceeds is intended to be used for our research and development efforts, in particular on solid-state lithium batteries; and approximately 10% of the net proceeds is intended to be used for our working capital and general corporate purposes. As at 31 December 2018, the balance of proceeds amounted to USD291,643,300. As at 30 June 2019, the Company utilized proceeds of approximately USD274,990,000 in aggregate and the balance of proceeds amounted to USD129,410,000. During the Reporting Period, the Company utilized proceeds of approximately USD162,233,300 in aggregate. The use of proceeds from the H-share listing of the Company is as follows:

Use of proceeds disclosed in the prospectus	% use of proceeds disclosed in the prospectus	Usage details	Used amount as at 30 June 2019
(i) investments and acquisitions of upstream lithium resources, and (ii) funding capital expenditures in connection with the exploration of upstream lithium resources as well as the expansion of production capacity of lithium compounds, lithium metals, lithium batteries and lithium recycling.	58% Approximately USD234,550,000	(i) Acquisition of 37.5% equity interests in the Cauchari-Olaroz project and provision of loans for the same project; (ii) Construction of the 17,500-tonne lithium carbonate production line in Ningdu; (iii) Power battery project construction; (iv) Lithium battery recycling project construction	USD234,550,000 equivalent to RMB1,645,432,689
Intended to be used to provide financial assistance to Lithium Americas Corp., which will use the funds to cover capital expenditure for construction of the Cauchari-Olaroz project	22% Approximately USD88,970,000	Currently unused	
Intended to be used for our research and development efforts, in particular on solid-state lithium batteries	10% Approximately USD40,440,000	Currently unused	
General corporate purposes	10% Approximately USD40,440,000	Used as general operating purposes of the Company	USD40,440,000 equivalent to RMB283,697,710

NUMBER OF SHAREHOLDERS

As at 30 June 2019, the total number of Shareholders was 177,526, including 177,495 holders of A Shares and 31 holders of H Shares.

CHANGES TO INFORMATION ON DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

During the Reporting Period, the new senior management personnel of the Company are as follows:

Name	Position held	Type	Date
Fu Lihua	Vice President	Appointment	28 March 2019
Ge Zhimin	Vice President	Appointment	28 March 2019
Xiong Xunman	Vice President	Appointment	28 March 2019
Zhou Hainan	Vice President	Appointment	28 March 2019

Saved as disclosed above, as far as known to the Company, during the six months ended 30 June 2019, there were no changes to information that were required to be disclosed by the Directors, Supervisors and Chief Executive pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Listing Rules.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

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

Interim Condensed Consolidated Statement of Financial Position

30 June 2019

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,882,107	2,619,584
Investment properties		152	166
Right-of-use assets		202,842	–
Prepaid land lease payments		–	160,945
Intangible assets		304,200	261,198
Goodwill		18,302	18,302
Investments in associates		1,271,014	1,684,133
Investment in joint ventures		833,232	51,397
Financial assets at fair value through profit or loss		634,066	442,917
Deferred tax assets		23,538	27,047
Other long-term assets		1,001,036	340,261
Total non-current assets		7,170,489	5,605,950
CURRENT ASSETS			
Inventories		1,988,423	1,904,712
Trade and bills receivables	11	1,048,855	1,405,600
Amounts due from a related party		4,079	–
Prepayments, other receivables and other assets		531,463	809,333
Financial assets at fair value through profit or loss		133,992	192,781
Debt investment at fair value through other comprehensive income		338,703	–
Pledged deposits		200,287	383,726
Cash and cash equivalents		2,963,128	3,218,615
Total current assets		7,208,930	7,914,767
TOTAL ASSETS		14,379,419	13,520,717
CURRENT LIABILITIES			
Trade and bills payables	12	616,869	678,814
Amounts due to related parties		395,381	364,111
Interest-bearing bank and other borrowings		2,809,720	1,356,335
Other payables and accruals		732,094	531,739
Tax payable		70,872	216,038
Other liabilities		–	685,174
Total current liabilities		4,624,936	3,832,211
NET CURRENT ASSETS		2,583,994	4,082,556
TOTAL ASSETS LESS CURRENT LIABILITIES		9,754,483	9,688,506

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		654,774	706,119
Convertible bonds		737,300	713,460
Deferred income		61,013	58,687
Deferred tax liabilities		11,663	2,387
Other liabilities		240,979	230,680
Total non-current liabilities		1,705,729	1,711,333
Total liabilities		6,330,665	5,543,544
Net assets		8,048,754	7,977,173
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	1,315,084	1,315,082
Equity component of convertible bonds		205,651	205,673
Treasury shares		(679,177)	(685,174)
Reserves		7,150,595	7,088,063
		7,992,153	7,923,644
Non-controlling interests		56,601	53,529
Total equity		8,048,754	7,977,173

For the six months ended 30 June 2019

	Attributable to owners of the parent (Unaudited)											
	Issued share capital *RMB'000*	Share premium* *RMB'000*	Treasury shares *RMB'000*	Special reserve - safety fund * *RMB'000*	Statutory surplus reserve* *RMB'000*	Other reserve* *RMB'000*	Equity component of convertible bonds *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	1,315,082	2,867,708	(685,174)	2,615	253,717	174,296	205,673	26,560	3,763,167	7,923,644	53,529	7,977,173
Profit for the period	–	–	–	–	–	–	–	–	297,201	297,201	(182)	297,019
Other comprehensive income/(loss) for the period												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	18,137	–	18,137	(3,046)	15,091
Total comprehensive income for the period	–	–	–	–	–	–	–	18,137	297,201	315,338	(3,228)	312,110
Conversion of convertible bonds into share capital	2	96	–	–	–	–	(22)	–	–	76	–	76
Equity-settled share-based payment	–	–	–	–	–	134,878	–	–	–	134,878	–	134,878
Transfer to reserve	–	–	–	9,489	–	–	–	–	(9,489)	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	6,300	6,300
Utilisation of safety fund	–	–	–	(8,078)	–	–	–	–	8,078	–	–	–
Dividend	–	–	–	–	–	–	–	–	(387,780)	(387,780)	–	(387,780)
Unpaid dividend to unlocked restricted A shares	–	–	5,997	–	–	–	–	–	–	5,997	–	5,997
At 30 June 2019	1,315,084	2,867,804	(679,177)	4,026	253,717	309,174	205,651	44,697	3,671,177	7,992,153	56,601	8,048,754

* These reserve accounts comprise the consolidated reserves of RMB7,150,595,000 in the consolidated statements of financial position as at 30 June 2019.

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019

	Attributable to owners of the parent (Unaudited)											
	Issued share capital *RMB'000*	Share premium* *RMB'000*	Treasury shares *RMB'000*	Special reserve - safety fund * *RMB'000*	Statutory surplus reserve* *RMB'000*	Other reserve* *RMB'000*	Equity component of convertible bonds *RMB'000*	Exchange fluctuation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	741,771	575,262	(588,128)	7,361	140,790	14,414	205,699	(10,076)	2,950,111	4,037,204	5,966	4,043,170
Profit for the period	–	–	–	–	–	–	–	–	730,217	730,217	(274)	729,943
Other comprehensive loss for the period												
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(10,776)	–	(10,776)	(6,353)	(17,129)
Total comprehensive income for the period	–	–	–	–	–	–	–	(10,776)	730,217	719,441	(6,627)	712,814
Issue of restricted A shares	2,123	94,923	(97,046)	–	–	–	–	–	–	–	–	–
Conversion of capital reserve into share capital	371,631	(371,631)	–	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds into share capital	1	13	–	–	–	–	(4)	–	–	10	–	10
Deferred tax on convertible bonds	–	–	–	–	–	–	1	–	–	1	–	1
Equity-settled share-based payment	–	–	–	–	–	130,580	–	–	–	130,580	–	130,580
Transfer to reserve	–	–	–	10,127	–	–	–	–	(10,127)	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	11,500	11,500
Utilisation of safety fund	–	–	–	(5,438)	–	–	–	–	5,438	–	–	–
Dividends	–	–	–	–	–	–	–	–	(297,305)	(297,305)	–	(297,305)
Repurchase and cancellation of restricted A shares	(632)	(49,449)	–	–	–	50,081	–	–	–	–	–	–
At 30 June 2018	1,114,894	249,118	(685,174)	12,050	140,790	195,075	205,696	(20,852)	3,378,334	4,589,931	10,839	4,600,770

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**387,537**	853,939
Adjustments for:			
Finance costs		**87,781**	34,963
Share of profits and losses of:			
Joint ventures and associates		**(92,599)**	(10,173)
Fair value of financial instruments at fair value through profit or loss	5	**118,578**	81,354
Dividends and interest from investments at fair value through profit or loss	4(b)	**(10,561)**	(11,547)
Net loss/(gain) on disposal of property, plant and equipment	5	**7,825**	(127)
Depreciation of property, plant and equipment	5	**95,398**	56,959
Depreciation of right-of-use assets	5	**5,514**	–
Amortisation of prepaid land lease payments	5	**–**	1,573
Amortisation of intangible assets	5	**6,213**	5,258
Impairment/(reversal) of receivables	5	**7,319**	(10,382)
Reversal of provision for inventories	5	**(1,479)**	(99)
Exchange loss on bank borrowings		**7,570**	6,915
Equity-settled share-based payment		**134,878**	90,580
		753,974	1,099,213
(Increase)/decrease in amounts due from related parties		**(4,079)**	62,841
Increase/(decrease) in amounts due to related parties		**31,270**	(5,004)
Increase in inventories		**(53,613)**	(443,656)
Decrease/(increase) in trade and bills receivables		**349,960**	(365,267)
Increase in debt investments at fair value through other comprehensive income		**(338,703)**	–
Decrease/(increase) in prepayments, other receivables and other assets		**19,287**	(254,570)
(Increase)/decrease in pledged deposits		**(191,295)**	3,670
(Decrease)/increase in trade and bills payables		**(61,945)**	179,341
Decrease in other payables and accruals		**(87,574)**	(81,067)
		417,282	195,501
Income taxes paid		**(222,894)**	(228,519)
Net cash flows from/(used in) operating activities		**194,388**	(33,018)

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and prepaid land lease payments	**(509,443)**	(435,807)
Proceeds from disposal of property, plant and equipment	**2,077**	2,278
Dividends and interest from financial assets at fair value through profit or loss	**6,594**	11,547
Dividends from a joint venture	**121,974**	–
Purchase of financial assets at fair value through profit or loss	**(300,302)**	(1,219)
Purchase of financial products	**(380,000)**	(800,350)
Proceeds from sale of financial products	**430,000**	651,390
Additions to other intangible assets	**(59,528)**	(15,944)
Prepayment of purchase of equity interests of associates	**(160,403)**	–
Purchase of equity interests of a joint venture	**(461,312)**	–
Recover of deposit for prospecting right	**300,000**	–
Receipt of government grants	**–**	4,123
Advances of loans to associates	**(453,693)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**566**	52,389
Net cash flows used in investing activities	**(1,463,470)**	(531,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**1,960,000**	884,663
Repayment of bank loans	**(595,405)**	(830,194)
Principal portion of lease payments	**(3,707)**	–
Advanced payment in cancellation of restricted A shares	**(685,174)**	–
Proceeds from issue of shares	**–**	97,046
Capital contribution from non-controlling shareholders	**6,300**	11,500
Decrease in amounts due to a preferred shareholder of a subsidiary	**–**	(31,253)
Interest paid	**(46,685)**	(26,457)
Pledged deposits for bank loans	**374,734**	(79,832)
Dividends paid	**–**	(293,073)
Others	**–**	(13,327)
Net cash flows generated from/(used in) financing activities	**1,010,063**	(280,927)

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net decrease in cash and cash equivalents	**(259,019)**	(845,538)
Net foreign exchange differences	**3,532**	836
Cash and cash equivalents at beginning of period	**3,218,615**	2,165,352
Cash and cash equivalents at end of period	**2,963,128**	1,320,650
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**3,163,415**	1,468,660
Less: Pledged deposits	**(200,287)**	(148,010)
Cash and cash equivalents as stated in the statement of cash flows	**2,963,128**	1,320,650

1. CORPORATE INFORMATION

The Company is a limited liability company established in Xinyu, Jiangxi Province. On 10 August 2010, it was officially listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange (the "**A-Share Listing**"), and on 11 October 2018, it was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**H-Share Listing**"). The registered office of the Company is located at Longteng Road, Xinyu Economic Development Zone, Jiangxi Province.

The Company focuses on the development, manufacture and sale of further processed lithium products, lithium new materials, lithium power and energy storage batteries, lithium resources, lithium battery recycling, etc.

Information about subsidiaries

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, the particulars of which are as follows:

Name	Place of establishment and operations	Issued ordinary/registered share capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Fengxin Ganfeng Lithium Co., Ltd. * 奉新贛鋒鋰業有限公司	Fengxin, Jiangxi Mainland China	Registered share capital of RMB135,000,000	100	–	Manufacture and sale of lithium products
Yichun Ganfeng Lithium Co., Ltd. * 宜春贛鋒鋰業有限公司	Yichun, Jiangxi Mainland China	Registered share capital of RMB50,000,000	100	–	Manufacture and sale of lithium products
GFL International Co., Limited. 贛鋒國際有限公司	Hong Kong	Issued share capital of USD158,248,200	100	–	Sale of lithium products
Jiangxi Ganfeng Battery Technology Co., Ltd. * 江西贛鋒電池科技有限公司	Xinyu, Jiangxi Mainland China	Registered share capital of RMB500,000,000	100	–	Manufacture and sale of lithium power batteries
Dongguan Ganfeng Electronics Co., Ltd. * 東莞贛鋒電子有限公司	Dongguan, Guangdong Mainland China	Registered share capital of RMB100,000,000	100	–	Manufacture and sale of lithium power batteries

* These subsidiaries are registered as limited liability companies under PRC law.

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the reporting periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRS**") effective as of 1 January 2019.

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

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

(a) Adoption of IFRS 16

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

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

New definition of a lease

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

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

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition

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

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

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

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

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

Summary of new accounting policies

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Right-of-use assets

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

Lease liabilities

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) Adoption of IFRS 16 (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Six months ended 30 June 2019	Lithium metal and compound RMB'000 (Unaudited)	Lithium battery RMB'000 (Unaudited)	Lithium ore resource RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue *(note 4)*				
Sales to external customers	2,534,705	267,534	–	2,802,239
Intersegment sales	2,167	403	4	2,574
	2,536,872	267,937	4	2,804,813
Reconciliation:				
Elimination of intersegment sales				(2,574)
Revenue				2,802,239
Segment results	429,158	(17,926)	5,854	417,086
Reconciliation:				
Elimination of intersegment results				
Interest income	66,120	207	10	66,337
Finance costs	(80,329)	(5,652)	(9,905)	(95,886)
Profit/(loss) before tax	414,949	(23,371)	(4,041)	387,537

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Six months ended 30 June 2018	Lithium metal and compound *RMB'000* *(Unaudited)*	Lithium battery *RMB'000* *(Unaudited)*	Lithium ore resource *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
Segment revenue *(note 4)*				
Sales to external customers	2,089,182	150,024	114	2,239,320
Intersegment sales	247	37	–	284
	2,089,429	150,061	114	2,239,604
Reconciliation:				
Elimination of intersegment sales				(284)
Revenue				2,239,320
Segment results	899,297	(4,443)	(17,291)	877,563
Reconciliation:				
Elimination of intersegment results				
Interest income	11,034	302	3	11,339
Finance costs	(34,041)	(918)	(4)	(34,963)
Profit/(loss) before tax	876,290	(5,059)	(17,292)	853,939

3. OPERATING SEGMENT INFORMATION (CONTINUED)

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

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

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

4. REVENUE, OTHER INCOME AND GAINS

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

(a) Revenue

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

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(a) Revenue (Continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

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

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(a) Revenue (Continued)

Disaggregated revenue information for revenue from contracts with customers (Continued)

For the six months ended 30 June 2018

Segments	Lithium metal and compound *RMB'000* *(Unaudited)*	Lithium battery *RMB'000* *(Unaudited)*	Lithium ore resource *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
Type of goods or services				
Sale of goods	2,056,725	150,024	114	2,206,863
Rendering of services	32,457	–	–	32,457
Total revenue from contracts with customers	2,089,182	150,024	114	2,239,320
Geographical markets				
Mainland China	1,548,401	150,024	114	1,698,539
Asia	486,865	–	–	486,865
Europe	29,637	–	–	29,637
North America	19,262	–	–	19,262
Other countries/regions	5,017	–	–	5,017
Total revenue from contracts with customers	2,089,182	150,024	114	2,239,320
Timing of revenue recognition				
At a point in time	2,089,182	150,024	114	2,239,320

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(b) Other income and gains

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

5. PROFIT BEFORE TAX

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

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

6. FINANCE COSTS

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

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

7. INCOME TAX

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current corporate income tax	**77,733**	153,673
Deferred tax	**12,785**	(29,677)
	90,518	123,996

7. INCOME TAX (CONTINUED)

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

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

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

Name	**Effective period**
Fengxin Ganfeng Lithium Co., Ltd.	2016/11/15–2019/11/14
Yichun Ganfeng Lithium Co., Ltd.	2018/8/13–2021/8/12
Ganfeng Recycling Technology Co., Ltd.	2018/8/13–2021/8/12

8. DIVIDENDS

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

Note:

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

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent	**297,201**	730,217
Less: Cash dividends distributed to share award scheme	**–**	(4,895)
Adjusted profit attributable to ordinary equity holders of the parent for the basic earnings per share calculation	**297,201**	725,322
Cash dividends distributed to share award scheme	**–**	4,895
Interest expense on convertible bonds	**23,940**	9,038
Adjusted profit attributable to ordinary equity holders of the parent for the diluted earnings per share calculation	**321,141**	739,255

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Shares		
Weighted average number of ordinary shares for the calculation of basic earnings per share	**1,292,597,884**	1,092,783,237
Effect of dilution – weighted average number of ordinary shares:		
– Share award scheme*	**–**	11,218
– Convertible bonds**	**19,359,975**	19,362,913
Weighted average number of ordinary shares for the calculation of diluted earnings per share	**1,311,957,859**	1,112,157,368
Basic earnings per share *(RMB)*	**0.23**	0.66
Diluted earnings per share *(RMB)*	**0.23**	0.66

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

** Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the six months ended 30 June 2019 and 2018 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the six months ended 30 June 2019 of 297,201,000 (30 June 2018: 725,322,000), and the weighted average number of ordinary shares of 1,292,597,884 (30 June 2018: 1,092,783,237) in issue during the six months ended 30 June 2019.

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB370,272,000, excluding property, plant and equipment acquired through properties under construction (30 June 2018: RMB555,194,000), excluding property, plant and equipment acquired through a business combination and a property under construction.

Assets with a net book value of RMB9,902,000 were disposed by the Group during the six months ended 30 June 2019 (30 June 2018: RMB2,151,000), resulting in a net loss on disposal of RMB7,825,000 (net gain for the six months ended 30 June 2018: RMB127,000).

As at 30 June 2019, the impairment of property, plant and equipment is amounting to RMB92,000 (31 December 2018: RMB92,000).

11. TRADE AND BILLS RECEIVABLES

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

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

12. TRADE AND BILLS PAYABLES

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

12. TRADE AND BILLS PAYABLES (CONTINUED)

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

	As at 30 June 2019 *RMB'000* *(Unaudited)*	As at 31 December 2018 *RMB'000* *(Audited)*
Within 3 months	**228,474**	319,946
4 to 6 months	**50,960**	34,309
7 to 12 months	**43,573**	20,562
1 to 2 years	**22,222**	10,227
2 to 3 years	**3,469**	1,610
over 3 years	**582**	–
	349,280	386,654

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

13. SHARE CAPITAL

For the year of 2019, conversion of the convertible bonds resulted in an increase in share capital of RMB2,326. The number of shares converted from convertible bonds was 2,326 shares, resulting in an increase in share capital and share premium amounting to RMB2,326 and RMB96,394.

14. SHARE AWARD SCHEME

Restricted A Share Incentive Scheme

On 12 April 2019, pursuant to the resolution approved by the general meeting of shareholders and the board of directors, the Group decided to repurchase and cancel 942,000 restricted A shares which were granted but not unlocked from 16 resigned incentive participants and 3 passed away incentive participants, and repurchase and cancel 7,044,298 restricted A shares which were granted but not unlocked from 108 incentive participants failed to achieve the performance evaluation index for the year 2017 and 375 incentive participants failed to achieve the performance evaluation index for the year 2018. The Group agreed to terminate implementing the Restricted A-Share Incentive Scheme for the year 2017 and repurchase and cancel 14,498,072 restricted A shares which were granted but not unlocked. The total amount of unlocked restricted A shares that should be repurchased and cancelled were 22,484,370, which account for 1.71% of total share capital of the Group. The repurchase price was RMB30.21 per share.

14. SHARE AWARD SCHEME (CONTINUED)

For the 942,000 unlocked restricted A shares repurchased from the resigned and passed away incentive participants, and the 7,044,298 unlocked restricted A shares repurchased from the incentive participants who fail to meet the vesting conditions, the Group didn't recognise the expense amounting to RMB86,758,000 and RMB15,474,000 for the year ended 31 December 2018 and the six months ended 30 June 2019, respectively

For the six months ended 30 June 2019, the Group has recognised share-based payment expenses of RMB134,878,000, in which amounting to RMB119,850,000 were expenses that were treated as an acceleration of vesting. The Group recognised immediately that would otherwise have been recognised over the remainder of the vesting period. As at 30 June 2019, the outstanding restricted A shares under the Restricted A-Share Incentive Scheme are zero, the shares have not been written off and the Group still hold them as treasury shares and were completed at 13 July 2019.

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2019 *RMB'000* *(Unaudited)*	As at 31 December 2018 *RMB'000* *(Audited)*
Contracted, but not provided for:		
Land and buildings	**177,701**	154,790
Plant and machinery	**332,950**	202,155
	510,651	356,945

16. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	Note	For the six months ended 30 June **2019** ***RMB'000*** ***(Unaudited)***	 2018 *RMB'000* *(Unaudited)*
Loans to associates			
International Lithium Corporation ("**ILC**")	(i)	**–**	–
Exar Capital B.V.	(ii)	**273,269**	–
Lithium Americas Corporation ("**LAC**")	(iii)	**296,042**	–
		569,311	–
Purchases from an associate			
Zhejiang Shaxing Technology Co., Ltd. ("**Zhejiang Shaxing**")	(iv)/(v)	**4,265**	–
Purchases from joint ventures			
Dalian Yike Energy Technology Co., Ltd.	(v)	**44**	5,840
Reed Industrial Minerals Pty Ltd.("**RIM**")	(v)	**963,863**	841,521
		963,907	847,361
Sales to an associate			
Zhejiang Shaxing	(iv)/(v)	**4,003**	–

Notes:

(i) ILC and GFL International Co., Ltd. ("**GFL**"), a subsidiary of the Group, entered into a loan agreement dated 24 July 2015. Loans to ILC are unsecured and subject to interest at a rate of 10% per annum, with a maturity date on 14 March 2024. The carrying value of loan receivable amounted to RMB13,749,000 as at 30 June 2019. During 2019, there is no new loan to ILC incurred.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period: (Continued)

(ii) Exar Capital B.V. and GFL entered into a loan agreement dated 30 October 2018. Loans to Exar Capital B.V. are unsecured and interest-free, with a maturity date on 30 October 2025.

(iii) LAC and GFL entered into a loan agreement dated 9 August 2018. Loans to LAC are unsecured and subject to interest at a rate of 8% per annum for the first three years, 8.5% for the fourth year, 9% for the fifth year and 9.5% for the sixth year. LAC should repay the loan before 17 January 2023.

(iv) Zhejiang Shaxing has become the associate of the Group since 3 January 2019.

(v) The sales and purchases from the associates and joint ventures were made according to the published prices.

(b) Other transactions with related parties:

Certain of the Group's bank and other borrowings of up to RMB455,000,000 were secured by the pledge of executive restricted shares of the Company held by the Group's shareholder, Mr. Li Liangbin as at 30 June 2019 (31 December 2018: RMB220,000,000).

(c) Commitments with related parties

(i) On 14 October 2014, ILC and GFL entered into arrangements regarding Mariana Property with GFL having an 80% participating interest and ILC having a 20% participating interest. At any time and up until 120 days from the completion of a feasibility study that demonstrates the feasibility of placing the Mariana Property or part thereof into commercial production, ILC will have the right to elect to "buy back" a 10% participating interest in the Mariana Property (the "**Back-in Right**") by giving written notice to GFL of the exercise of the Back-in Right.

If ILC exercises the Back-in Right, ILC must pay to GFL 10% of the total exploration costs incurred by GFL from 14 March 2014 to the time of the GFL's election to exercise the Back-in Right. In addition to the payment of this fee, ILC must also pay to GFL interest on the fee at a rate of 10% per annum calculated annually on a straight-line basis and calculated for each budget year accordingly. The fee, along with the interest amount, must be paid to GFL within 15 days of ILC's delivery of written notice to GFL of exercise of the Back-in Right. So far, the feasibility study has not been available.

If ILC's participating interest in Mariana Property was diluted to less than 5%,it should be automatically converted to a 1% Net Smelter Royalty ("**NSR**"). NSR means the sum equal to the gross proceeds actually received by the payer from the sale of all minerals and mineral products, including concentrates, within or produced from the ores extracted from Mariana Property.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Commitments with related parties (Continued)

(ii) On 25 September 2015, GFL, a subsidiary of the Group, entered into a long-term offtake agreement commencing in 2017 with RIM, to purchase spodumene (the "**Product**") from the Mount Marion project (A) for the Group's future production. In the first three contract years, the Product produced from the Mount Marion project (including 4% coarse product, 4% fine product and 6% Product (B)) would be sold to the Group at fair market price, and for each contract year thereafter (C), at least 49% produced of 6% Product (estimated at 98,000 dry metric tonne for each), plus the RIM Option Volume (D) would be sold to GFL. In March 2017, the Mount Marion project was completed and commenced exploitation. As at 30 June 2019, the offtake agreement is still going on.

Notes:

(A): a mining project operated by RIM for spodumene

(B): the percentage represents the percentage of LiO2 content of spodumene

(C): from the year 2020 until the end of the Supply Period

(D): estimated extra quantity in addition to the annual contract quantities set out above, by giving GFL not less than 180 days' notice before the start of the relevant contract year

(iii) On 14 July 2017, GFL entered into an offtake agreement with Lithium Americas Corp., an associate of GFL from June 2017. LAC has a 50% share of actual production from Stage 1 of the Cauchari-Olaroz Project (the "**Cauchari Project**"), pursuant to the agreement, GFL has been entitled to an option to purchase 80% of LAC's share of the Cauchari Project's actual production, which means the GFL has a 40% share of the Cauchari Project's production, the pricing is to be consistent with that of an arm's length market purchaser. LAC will take all actions as necessary to receive its share of the actual production from the Cauchari Project. The agreement will have a term of 20 years from the commencement of commercial production of the Cauchari Project extended for any suspensions or force majeure periods. Commercial Production of the Cauchari Project is expected to start in 2020. The Product will at least meet either technical or battery grade specifications.

Pursuant to the investment agreement signed between GFL and LAC, GFL will provide to LAC a USD125,000,000 project debt facility to be used to fund a portion of LAC' share of Cauchari-Olaroz construction costs. Then, on 13 August 2018, GFL and LAC entered into another investment agreement amounting to USD100,000,000. The project debt facility has a term of six years, with an interest rate of 8.0% for the first three years which will be increased to 8.5% in the fourth year, 9.0% in the fifth year and 9.5% in the sixth year. LAC shall set up a wholly-owned subsidiary and transfer 70% of LAC's 50% interest in Cauchari-Olaroz Minera to such subsidiary, provided it can be effected on a tax neutral basis. That subsidiary shall provide to GFL a secured guarantee of the obligations of LAC to GFL. As at 30 June 2019, the loan amounting to USD54,438,000 (equivalent to RMB374,241,000) has been provided by GFL.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties

Particulars of amounts due from associates are as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade-related:		
Zhejiang Shaxing	**4,079**	5,367
Non trade-related:		
ILC (i)	**13,749**	13,727
Exar Capital B.V.	**376,493**	218,465
LAC (i)	**374,241**	78,069
	764,483	310,261

Particulars of amounts due to associates are as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade-related:		
Zhejiang Shaxing	**976**	–

16. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Outstanding balances with related parties (Continued)

Particulars of amounts due to joint ventures are as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Trade-related:		
RIM	393,350	362,909
Dalian Yike Energy Technology Co., Ltd.	1,055	1,202
	394,405	364,111

Notes:

(i) Except the loans to ILC, and LAC, the remaining balances due to/from related parties are unsecured, interest-free and payment on demand.

(e) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term employee benefits	3,548	2,565
Post-employment benefits	257	232
Equity-settled share award expense	23,512	7,544
Total compensation paid to key management personnel	27,317*	10,341

* On 12 April 2019, pursuant to the resolution approved by the general meeting of shareholders and the board of directors, the Group was agreed to cancel the Restricted A Share Incentive Scheme which were granted but not unlocked. The Group recognised all the expenses immediately that would otherwise have been recognised over the remainder of the vesting period.

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at 30 June 2019 and 31 December 2018, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Financial assets:				
Financial assets at fair value through profit or loss	**768,058**	635,698	**768,058**	635,698
Debt investments at fair value through other comprehensive income	**338,703**	–	**338,703**	–
Financial assets included in other long-term assets	**764,483**	310,261	**686,134**	250,116
	1,871,244	945,959	**1,792,895**	885,814
Financial liabilities:				
Non-current portion of				
– interest-bearing bank borrowings	**555,493**	636,113	**612,966**	675,032
– interest-bearing other borrowings	**70,006**	70,006	**64,512**	60,903
Convertible bonds	**737,300**	713,460	**896,853**	786,870
Non-current portion of other liabilities	**240,979**	230,680	**240,979**	230,680
	1,603,778	1,650,259	**1,815,310**	1,753,485

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current portion of interest-bearing bank and other borrowings, the liability component of convertible bonds and other liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 30 June 2019 was assessed to be insignificant.

The fair values of listed financial instruments are based on quoted market prices. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the reporting periods.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* *(Unaudited)*	Significant observable inputs (Level 2) *RMB'000* *(Unaudited)*	Significant unobservable inputs (Level 3) *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
Financial assets at fair value through profit or loss	438,064	329,994	–	768,058
Debt investments at fair value through other comprehensive income	–	338,703	–	338,703
	438,064	668,697	–	1,106,761

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* *(Audited)*	Significant observable inputs (Level 2) *RMB'000* *(Audited)*	Significant unobservable inputs (Level 3) *RMB'000* *(Audited)*	Total *RMB'000* *(Audited)*
Financial assets at fair value through profit or loss	477,111	158,587	–	635,698

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the period, the stock value amounted to RMB113,819,000 transferred from Level 1 into Level 2 (six months ended 30 June 2018: Nil). There were no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2018: Nil).

Assets for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000*** ***(Unaudited)***	**Significant observable inputs (Level 2)** ***RMB'000*** ***(Unaudited)***	**Significant unobservable inputs (Level 3)** ***RMB'000*** ***(Unaudited)***	**Total** ***RMB'000*** ***(Unaudited)***
Financial assets included in other long-term assets	**–**	**686,134**	**–**	**686,134**

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets for which fair values are disclosed: (Continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* *(Audited)*	Significant observable inputs (Level 2) *RMB'000* *(Audited)*	Significant unobservable inputs (Level 3) *RMB'000* *(Audited)*	Total *RMB'000* *(Audited)*
Financial assets included in other long-term assets	–	250,116	–	250,116

Liabilities for which fair values are disclosed:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000*** ***(Unaudited)***	**Significant observable inputs (Level 2)** ***RMB'000*** ***(Unaudited)***	**Significant unobservable inputs (Level 3)** ***RMB'000*** ***(Unaudited)***	**Total** ***RMB'000*** ***(Unaudited)***
Non-current portion of interest-bearing bank borrowings	**–**	**612,966**	**–**	**612,966**
Interest-bearing other borrowings	**–**	**64,512**	**–**	**64,512**
Convertible bonds	**896,853**	**–**	**–**	**896,853**
Non-current portion of other liabilities	**–**	**240,979**	**–**	**240,979**
	896,853	**918,457**	**–**	**1,815,310**

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000* *(Audited)*	Significant observable inputs (Level 2) *RMB'000* *(Audited)*	Significant unobservable inputs (Level 3) *RMB'000* *(Audited)*	Total *RMB'000* *(Audited)*
Non-current portion of interest-bearing bank borrowings	–	675,032	–	675,032
Interest-bearing other borrowings	–	60,903	–	60,903
Convertible bonds	786,870	–	–	786,870
Non-current portion of other liabilities	–	230,680	–	230,680
	786,870	966,615	–	1,753,485

18. EVENTS AFTER THE REPORTING PERIOD

In addition to the transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Group had following subsequent events after the reporting period.

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

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