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GanfengLithium

Ganfeng Lithium Group Co., Ltd.

江西贛鋒鋰業集團股份有限公司

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

(Stock Code: 1772)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Ganfeng Lithium Group Co., Ltd. (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**").

FINANCIAL INFORMATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

	Notes	**2023 (Unaudited) *RMB'000***	2022 (Unaudited) *RMB'000*
Revenue	4(a)	**18,111,570**	14,320,893
Cost of sales		**(13,981,882)**	(5,663,039)
Gross profit		**4,129,688**	8,657,854
Other income and gains	4(b)	**2,272,996**	299,294
Selling and distribution expenses		**(68,727)**	(40,601)
Administrative expenses		**(1,062,846)**	(912,269)
Other expenses	5	**(917,105)**	(919,832)
Finance costs	6	**(342,583)**	(194,710)
Share of profits and losses of:			
Associates		**620,286**	618,432
Joint ventures		**1,619,009**	909,207
Profit before tax	7	**6,250,718**	8,417,375
Income tax expense	8	**(377,635)**	(1,065,802)
Profit for the period		**5,873,083**	7,351,573
Attributable to:			
Owners of the parent		**5,876,515**	7,254,835
Non-controlling interests		**(3,432)**	96,738
		5,873,083	7,351,573
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the period *(RMB)*	10	**2.92**	3.60
Diluted			
– For profit for the period *(RMB)*	10	**2.92**	3.60

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	**5,873,083**	7,351,573
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(4,421)**	(1,996)
Share of other comprehensive income of associates and joint ventures	**(1,818)**	(293)
Exchange differences on translation of foreign operations	**1,136,358**	843,578
Other comprehensive income for the period, net of tax	**1,130,119**	841,289
Total comprehensive income for the period, net of tax	**7,003,202**	8,192,862
Attributable to:		
Owners of the parent	**6,909,224**	7,952,831
Non-controlling interests	**93,978**	240,031
	7,003,202	8,192,862

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2023

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**19,396,680**	14,451,751
Right-of-use assets		**863,814**	685,261
Goodwill		**17,615**	17,615
Other intangible assets		**14,802,309**	13,656,148
Investments in associates		**9,442,223**	7,431,778
Investments in joint ventures		**2,773,556**	2,760,095
Financial assets at fair value through profit or loss		**5,928,824**	5,314,761
Deferred tax assets		**779,976**	653,243
Other non-current assets		**2,030,520**	2,194,222
Equity investments designated at fair value through other comprehensive income		**29,000**	29,000
Total non-current assets		**56,064,517**	47,193,874
CURRENT ASSETS			
Inventories		**11,358,537**	10,111,077
Trade receivables	11	**5,461,765**	7,850,711
Debt investments at fair value through other comprehensive income	12	**2,533,152**	2,008,569
Amounts due from related parties		**115,710**	52,478
Prepayments, other receivables and other assets		**2,706,499**	1,813,170
Financial assets at fair value through profit or loss		**116,921**	215,986
Pledged deposits		**997,518**	841,028
Cash and cash equivalents		**10,116,861**	9,073,017
Total current assets		**33,406,963**	31,966,036

	Notes	**30 June 2023** **(Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**6,229,000**	3,619,896
Trade and bills payables	13	**5,460,471**	7,421,860
Amounts due to related parties		**17,396**	959,798
Other payables and accruals		**5,878,341**	4,089,955
Income tax payable		**473,286**	2,563,416
Total current liabilities		**18,058,494**	18,654,925
NET CURRENT ASSETS		**15,348,469**	13,311,111
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,412,986**	60,504,985
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**14,712,403**	9,163,323
Deferred income		**310,077**	275,207
Deferred tax liabilities		**150,711**	133,781
Amounts due to related parties		**2,169,574**	1,553,958
Provision		**62,083**	52,631
Other non-current liabilities		**434,607**	459,777
Total non-current liabilities		**17,839,455**	11,638,677
Total liabilities		**35,897,949**	30,293,602
Net assets		**53,573,531**	48,866,308

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,017,168**	2,017,036
Treasury shares		**(216,704)**	(133,154)
Other reserves		**46,639,505**	42,158,945
		48,439,969	44,042,827
Non-controlling interests		**5,133,562**	4,823,481
Total equity		**53,573,531**	48,866,308

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since

1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

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 products, and 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 non-lease related finance costs are excluded from such measurement.

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

Six months ended 30 June 2023	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	**14,025,498**	**4,086,072**	**–**	**18,111,570**
Intersegment sales	**92,813**	**864**	**–**	**93,677**
	14,118,311	**4,086,936**	**–**	**18,205,247**
Reconciliation:				
Elimination of intersegment sales				**(93,677)**
Revenue				**18,111,570**
Segment results	**3,947,960**	**327,582**	**2,151,832**	**6,427,374**
Reconciliation:				
Elimination of intersegment results				
Interest income				**164,853**
Finance costs (other than interest on lease liabilities)				**(341,509)**
Profit before tax				**6,250,718**

Six months ended 30 June 2022	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	12,433,267	1,882,009	5,617	14,320,893
Intersegment sales	64,126	4,168	18,311	86,605
	12,497,393	1,886,177	23,928	14,407,498
Reconciliation:				
Elimination of intersegment sales				(86,605)
Revenue				14,320,893
Segment results	8,704,323	168,917	(334,956)	8,538,284
Reconciliation:				
Elimination of intersegment results				
Interest income				73,205
Finance costs (other than interest on lease liabilities)				(194,114)
Profit before tax				8,417,375

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively.

	Lithium metal and compound	**Lithium battery**	**Lithium ore resource**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets				
30 June 2023 (Unaudited)	34,512,881	19,274,685	35,683,914	89,471,480
31 December 2022 (Audited)	36,397,200	15,142,883	27,619,827	79,159,910
Segment liabilities				
30 June 2023 (Unaudited)	19,205,685	11,583,589	5,108,675	35,897,949
31 December 2022 (Audited)	18,722,422	10,585,886	985,294	30,293,602

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**18,111,570**	14,320,893

For the six months ended 30 June 2023

Segments	Lithium metal and compound *RMB'000* (Unaudited)	Lithium battery *RMB'000* (Unaudited)	Lithium ore resource *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services				
Sale of industrial products	**13,884,201**	**4,086,072**	**–**	**17,970,273**
Processing services	**141,297**	**–**	**–**	**141,297**
Total revenue from contracts with customers	**14,025,498**	**4,086,072**	**–**	**18,111,570**
Geographical markets				
Mainland China	**6,340,151**	**3,884,133**	**–**	**10,224,284**
Asia other than Mainland China	**5,668,194**	**89,907**	**–**	**5,758,101**
Europe	**1,987,245**	**50,538**	**–**	**2,037,783**
North America	**25,828**	**46,911**	**–**	**72,739**
Other countries/regions	**4,080**	**14,583**	**–**	**18,663**
Total revenue from contracts with customers	**14,025,498**	**4,086,072**	**–**	**18,111,570**
Timing of revenue recognition				
At a point in time	**14,025,498**	**4,086,072**	**–**	**18,111,570**

For the six months ended 30 June 2022

Segments	Lithium metal and compound *RMB'000* (Unaudited)	Lithium battery *RMB'000* (Unaudited)	Lithium ore resource *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of goods or services				
Sale of industrial products	12,334,569	1,882,009	5,617	14,222,195
Processing services	98,698	–	–	98,698
Total revenue from contracts with customers	12,433,267	1,882,009	5,617	14,320,893
Geographical markets				
Mainland China	7,531,410	1,738,055	5,617	9,275,082
Asia other than Mainland China	3,406,670	43,296	–	3,449,966
Europe	1,470,933	11,369	–	1,482,302
North America	10,660	76,026	–	86,686
Other countries/regions	13,594	13,263	–	26,857
Total revenue from contracts with customers	12,433,267	1,882,009	5,617	14,320,893
Timing of revenue recognition				
At a point in time	12,433,267	1,882,009	5,617	14,320,893

(b) Other income and gains

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value gains, net:		
Financial assets at fair value through profit or loss	**1,200,530**	–
Other interest income from non-current assets	**19,942**	–
Gain on disposal of equity in an associate	**181,991**	–
Dividends from financial assets at fair value through profit or loss	**91,552**	–
Gain on disposal of financial assets at fair value through profit or loss	**–**	60,922
Sales of raw materials	**20,887**	26,929
Government grants	**554,307**	46,682
Bank interest income	**144,808**	67,763
Interest income from associates and a joint venture	**103**	5,442
Foreign exchange differences, net	**–**	52,816
Compensation for termination of equity acquisition	**–**	33,735
Compensation for long-term prepayment	**57,777**	–
Others	**1,099**	5,005
	2,272,996	299,294

5 OTHER EXPENSES

An analysis of other expenses is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fair value losses, net:		
Financial assets at fair value through profit or loss	**–**	866,589
Cost of raw materials sold	**19,454**	12,951
Impairment of trade receivables, net	**17,973**	4,895
Impairment of financial assets included in prepayments, other receivables and other assets, net	**–**	(1)
Write-down of inventories to net realisable value	**824,604**	5,362
Net loss on disposal of financial assets at fair value through profit or loss	**3,608**	–
Net loss on disposal of items of property, plant and equipment	**3,273**	9,806
Exploration expenditure	**13,331**	12,371
Foreign exchange differences, net	**25,959**	–
Loss on disposal of a subsidiary	**104**	–
Others	**8,799**	7,859
	917,105	919,832

6 FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**239,010**	125,317
Interest on other borrowings	**123,604**	59,807
Interest on discounted bank notes	**5,215**	14,891
Interest on lease liabilities	**1,074**	596
Total interest expense	**368,903**	200,611
Less: Interest capitalised in respect of bank loans	**26,320**	5,901
	342,583	194,710

7 PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of sales and services	**13,981,882**	5,663,039
Cost of raw materials sold	**19,454**	12,951
Impairment of financial assets, net:		
Impairment of trade receivables, net	**17,973**	4,895
Impairment of financial assets included in prepayments, other receivables and other assets, net	**–**	(1)
Write-down of inventories to net realisable value	**824,604**	5,362
Depreciation of property, plant and equipment and investment properties	**313,048**	216,658
Depreciation of right-of-use assets	**18,534**	10,140
Amortisation of intangible assets	**5,365**	7,478
Dividends from financial assets at fair value through profit or loss	**(91,552)**	–
Gain on disposal of equity in an associate	**(181,991)**	–
Interest income from other long-term assets	**(19,942)**	–
Fair value (gains)/losses, net:		
Financial assets at fair value through profit or loss	**(1,200,530)**	866,589
Net losses/(gains) on disposal of financial assets at fair value through profit or loss	**3,608**	(60,922)
Net losses on disposal of items of property, plant and equipment	**3,273**	9,806
Research and development costs:		
Current year expenditure	**645,452**	532,827
Bank charges	**19,170**	10,139
Equity-settled share option expense	**129,328**	200,625
Foreign exchange differences, net	**25,959**	(52,816)

8 INCOME TAX EXPENSE

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current corporate income tax	**487,438**	685,989
Deferred tax	**(109,803)**	379,813
	377,635	1,065,802

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%. Overseas subsidiaries of the Group accrued and paid the corporate income tax in accordance with local tax regulations.

The Company has been recognised as a high and new technology enterprise ("**HNTE**"), and such status will expire on 2 November 2024. Based on the Enterprise Income Tax Law and related regulations, the applicable tax rate of the Company is 15% provided that the Company complies with the conditions set out in the relevant requirements. Certain subsidiaries are also recognised as HNTEs and the effective periods are as follows:

Name	**Effective period**
Yichun Ganfeng Lithium Co., Ltd.	2021/11/3–2024/11/2
Ganfeng Recycling Technology Co., Ltd.	2021/11/3–2024/11/2
Ganfeng LiEnergy Technology Co., Ltd.	2021/11/3–2024/11/2
Fengxin Ganfeng Lithium Co., Ltd.	2022/11/4–2025/11/3
Guangdong Huichuang New Energy Co., Ltd.	2022/12/22–2025/12/21
Dongguan Ganfeng Electronics Co., Ltd.	2022/12/22–2025/12/21
Xinyu Ganfeng Lithium Co., Ltd.	2022/12/14–2025/12/13
Xinyu Ganfeng Electronics Co., Ltd.	2020/12/2–2023/12/1
Jiangsu Ganfeng Power Technology Co., Ltd.	2020/12/2–2023/12/1

Also, according to the tax regulations related to the Western Region Development Policy, the applicable income tax rate for Ningdu Ganfeng Lithium Co., Ltd., Western Resource Co., Ltd., Qinghai Liangcheng Mining Co., Ltd., Haixi Liangli Lithium Co., Ltd., Sichuan Ganfeng Lithium Industry Co., Ltd., Sichuan Yingbo Exploration Co., Ltd., Sichuan Ganfeng Mining Co., Ltd., Chongqing Ganfeng Lithium Battery Technology Co., Ltd., Chongqing Ganfeng Power Technology Co., Ltd., Qinghai Ganfeng Lithium Industry Co., Ltd., Inner Mongolia Ganfeng Lithium Industry Co., Ltd. and Ganzhou Ganfeng Renewable Resources Co., Ltd. is 15%, and such tax concession will expire on 31 December 2030.

9 DIVIDENDS

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

The proposed final dividend of RMB1.00 (tax included) per ordinary share for the year ended 31 December 2022 was approved by the shareholders of the Company (the "**Shareholders**") at the annual general meeting of the Company on 29 June 2023.

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,014,621,571 (30 June 2022: 2,012,488,699) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**5,876,515**	7,254,835

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,014,621,571**	2,012,488,699
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	1,592,783
	2,014,621,571	2,014,081,482

11 TRADE RECEIVABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**5,246,350**	7,784,840
More than 6 months but less than 1 year	**165,729**	35,540
1 to 2 years	**35,144**	13,511
2 to 3 years	**8,638**	1,319
Over 3 years	**5,904**	15,501
	5,461,765	7,850,711

12 DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Debt investments at fair value through other comprehensive income:		
Bills receivables	**2,533,152**	2,008,569

The Group's business model for the management of bills receivable is aimed at both receiving contractual cash flows and selling. As a result, it is classified and presented as debt investments at fair value through other comprehensive income.

As at 30 June 2023, the Group's debt investments at fair value through other comprehensive income with a carrying amount of RMB778,876,000 (31 December 2022: RMB724,828,000) were pledged to issue banks' acceptance bills and letters of credit.

13 TRADE AND BILLS PAYABLES

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Trade payables	**2,113,301**	5,127,614
Bills payables	**3,347,170**	2,294,246
	5,460,471	7,421,860

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 3 months	**1,404,642**	4,480,142
3 to 6 months	**54,800**	301,687
6 to 12 months	**625,738**	302,583
1 to 2 years	**24,343**	35,284
2 to 3 years	**3,778**	7,918
	2,113,301	5,127,614

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

14 EVENTS AFTER THE REPORTING PERIOD

On 27 July 2023, the Company, Mr. Li Liangbin, Ms. Xu Xiaowei and Xianghuangqi Mengjin Mining Development Co., Ltd. ("**Mengjin Mining**") entered into an agreement, pursuant to which the Company agreed to purchase 70% equity interest in Mengjin Mining from Mr. Li Liangbin at a total consideration of RMB1,424,072,623.39. Upon completion of the acquisition, Mengjin Mining became a subsidiary of the Company. Mengjin Mining owns the Gabus niobium tantalum mine located in Xianghuangqi, Xilin Gol League, Inner Mongolia Autonomous Region.

On 12 July 2023, awards of RSUs with 3,470,000 underlying H Shares (the "**2023 Grant**") were granted to 72 eligible persons of the RSU Scheme selected by the Board or its delegatee in accordance with the rules of the RSU Scheme (the "**2023 Selected Participants**"). The exercise price of the RSUs under the 2023 Grant is equivalent to 50% of the closing price of the H Shares on the grant date (i.e., the exercise price for per RSU under the 2023 Grant is HKD25.95).

In April 2022 and May 2023, the Mexican government approved amendments to its Mining Law (the "**Mining Law Reform**"), which prohibited lithium concessions, declared lithium as a strategic sector, and granted the exclusive right to engage in lithium mining operations to a state-owned entity. The Mining Law Reform was not supposed to apply to pre-existing concessions, including those held by the Mexican Subsidiaries. The Company's position is that the Project's concessions cannot be impacted by these reforms because they were granted prior to the enactment of the Mining Law Reform. This is consistent with the terms of the Constitution of Mexico, which, among other principles and rights, recognizes the principles of legality and non-retroactivity of laws. Guided by the principles of good faith, cooperation, and mutual benefit, our Company has been proactively engaging with the Mexican government in general, and with the Secretary of Economy in particular, regarding a potential collaboration on the Sonora Project while respecting the Group's rights. The Company continue to seek a mutually beneficial resolution. As of now, no agreement has been reached between the Company and the Mexican Government concerning this potential collaboration.

While the Company was holding discussions with the Secretary of Economy as described above, the General Directorate of Mines ("**DGM**") initiated a review of nine of the lithium concessions held by the Mexican Subsidiaries, including the principal lithium concessions for the Sonora Project. According to the DGM, if the Mexican Subsidiaries failed to submit sufficient evidence within the specified timeframe to prove that they had complied with minimum investment obligations for the development of lithium concessions in 2017–2021, there was a risk of cancellation of the above-mentioned lithium concessions. As of May 2023, the Company's Mexican Subsidiaries had submitted extensive evidence of their compliance with the minimum investment obligations of the above-mentioned lithium concessions in a timely manner. However, the DGM has issued a formal decision notice to the Mexican Subsidiaries in August 2023, indicating that the above-mentioned nine lithium concessions were cancelled.

The Company believes that the Mexican Subsidiaries have complied with their minimum investment obligations, as required by Mexican law. Indeed, the mine development investment by the Mexican Subsidiaries has significantly exceeded the minimum investment obligations, and the Mexican Subsidiaries regularly submitted to the DGM annual reports for the 2017–2021 periods detailing their operations within the prescribed period annually. The Mexican government did not raise any objections until it recently notified the Company that the minimum investment obligations were allegedly not met, and it took action to cancel the lithium concessions.

The lithium concessions' cancellations issued by the DGM are not final. Depending on the progress of the Company's further actions and the outcome of the above-mentioned matters, whether the cancellations will be revoked or maintained in place, and the scope of the concessions affected are still uncertain.

There is still uncertainty as to whether the above-mentioned matters may cause the Company to incur asset impairment losses, and whether they may have a certain negative impact on the results of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

1. Analysis of lithium resource market

The majority of global lithium resources are sourced from salt lakes and hard-rock lithium mines. Well-developed salt lakes are mainly found in the lithium delta of South America and in China, while the majority of lithium mines are concentrated in Australia. The lithium ore market in China and African countries has been showing a rapid development trend recently.

(1) Market of spodumene concentrate

Australia is one of the world's largest producers of lithium ore, with a well-developed mining industry, comprehensive laws and regulations, and good infrastructure. During the past three years, several new lithium mines located in Western Australia were brought into production successively, and some existing projects were announced or executed on their expansion plans. According to the data of Lixiang Research (鋰想研究), as of July 2023, the CIF price of 5%-6% spodumene concentrate in the PRC was around USD4,070–4,090/ton, representing a decrease of 31.83%-32.39% as compared with the price of USD6,000–6,020/ton at the beginning of 2023. The announced spodumene capacity expansion plans or newly-built capacity projects include Greenbushes, Mt Marion, Pilgangoora, Ngungaju, Wodgina and Finniss, etc. However, due to the factors such as poor transportation, shortage of labor and equipment, and decline in mine grades, there is a possibility that the putting into production and ramp-up of new or resumed production of spodumene projects in Australia will be slower than expected. The African continent is rich in spodumene and petalite resources with high ore grades, but the overall development speed is slow due to insufficient investment in exploration and relatively backward supporting infrastructure, and the mature mines in production are mainly located in Zimbabwe up to now. Over the past two years, lithium mining projects in the African continent have received extensive attention, mainly because the mining industrial environment in Africa is more friendly to Chinese-funded enterprises, and the development of lithium mines in Africa has been fully accelerated. It is anticipated that lithium mines in Africa are expected to become an important component of the global supply of lithium resources from 2023.

(2) Market of salt lake brines

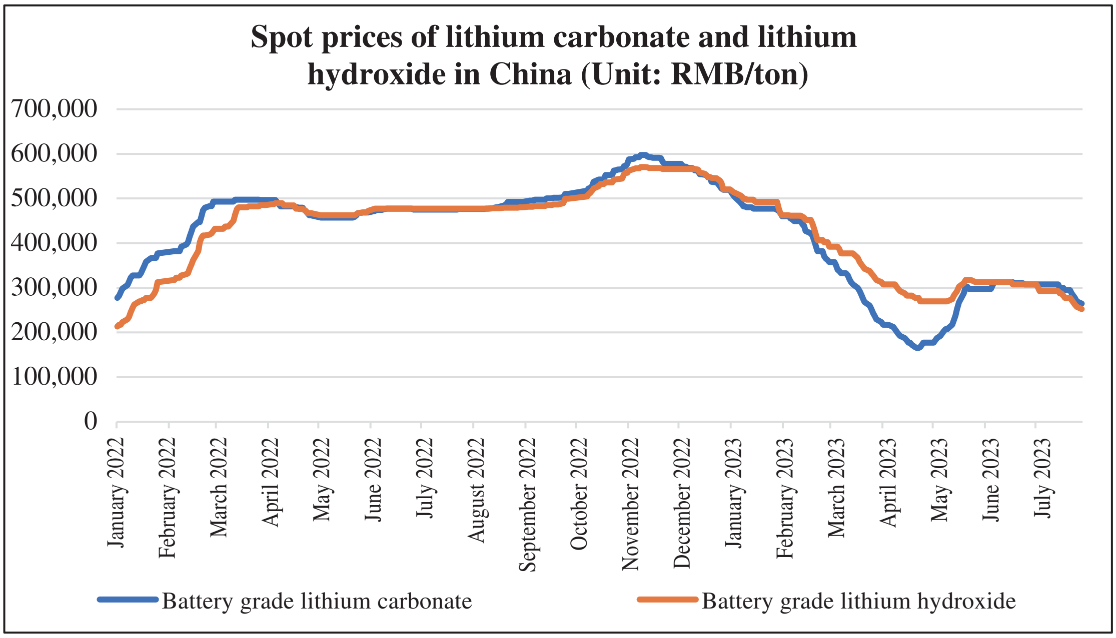
The salt lake brine lithium ore is the most important type of lithium resources among the types of lithium ore currently under development worldwide. According to a report of United States Geological Survey (USGS) in 2022, the world's best salt-lake lithium is located in Chile, Argentina and Bolivia, which are known as the lithium delta zone of South America, accounting for 56% of the world's lithium reserves. The South American salt lakes are rich in resources and of high quality, but difficult to develop, with limitations imposed by various factors such as environmental assessment and approval, high altitude, shortage of freshwater resources and supporting infrastructure, which requires large-scale capital expenditure, mature technology level and project team support. At present, the Atacama Salt Lake, Olaroz Salt Lake and Hombre Muerto Salt Lake are the main salt lakes in South America with stable lithium salt production, while the projects like Sal de Vida Salt Lake, Mariana Salt Lake, SDLA Salt Lake and 3Q Salt Lake are under construction. The Cauchari-Olaroz Salt Lake project of the Company has already produced the first batch of lithium carbonate products, and it is expected that battery-grade products will be gradually produced with the subsequent ramp-up of production capacity and optimization of the production line.

(3) Market of lepidolite

China has the world's largest proven lepidolite mine. Compared with extracting lithium from spodumene concentrate, extracting lithium from lepidolite has certain advantages in terms of resource self-sufficiency and transportation cost. There was used to be low expectation for the extraction of lithium from lepidolite for a long time due to the complex composition of lepidolite, many impurities in the extraction process, and difficulties in continuous production. In recent years, the lithium extraction technology from lepidolite in the PRC has made continuous breakthroughs, gradually releasing the production capacity. With the advantages of domestic resources, the production capacity of lithium extraction from lepidolite has been continuously improved in recent years. However, capacity building for lithium extraction from lepidolite also faces challenges such as the low grade of lithium ore, the large amount of waste residues from smelting, and the difficulty in comprehensive utilization of other rare and precious resources contained in lithium ore.

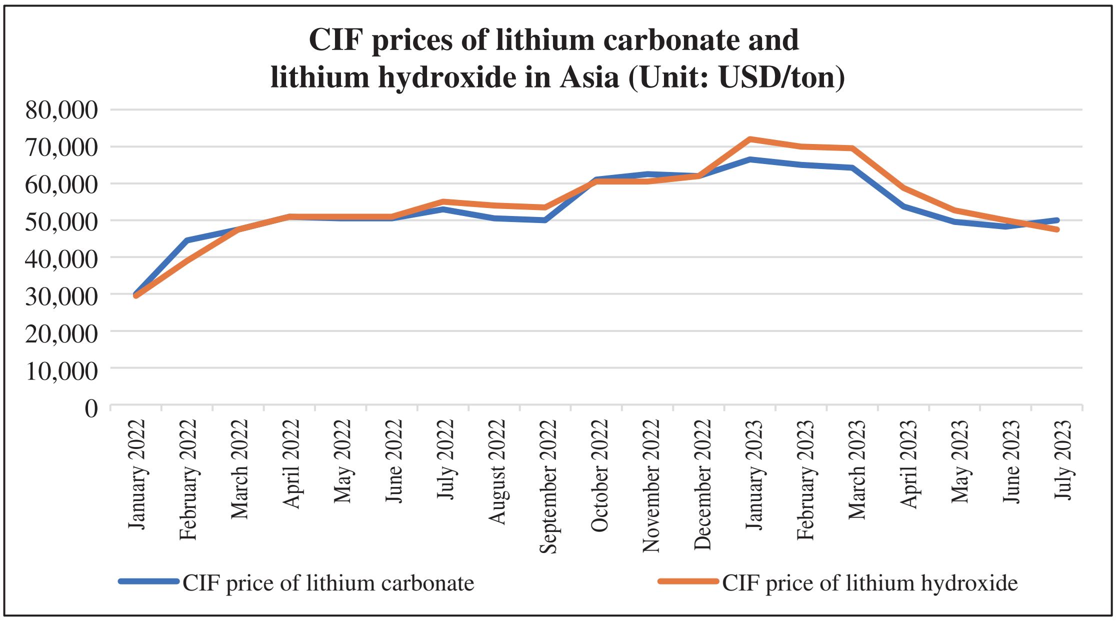
2. *Analysis of the lithium compound market*

In recent years, prices of major lithium compounds have been fluctuating to a larger extent in China market. Influenced by the industry's downstream procurement strategy, inventory management, changes in demand expectations and other factors, the prices of major lithium compounds in China market generally showed a downward trend from the end of 2022 to the beginning of 2023. Due to the gradual stabilization of the terminal demand of the new energy vehicle industry, the prices bottomed out and recovered slightly from the end of April to the beginning of May 2023, the specific movements of which are shown in the following graph:



Source: Lixiang Research (鋰想研究)

Meanwhile, the price changes of major lithium compounds in the international market have a certain lag compared to China market, which are shown in the following graph:



Source: Benchmark

In recent years, due to the rapid development of new energy vehicles and energy storage system industries, lithium application scenarios are abundant and diverse. Under the wave of the global energy revolution, China market is transforming from "policy-driven" to "product-driven"; European market is driven by "carbon emission + high subsidies + preferential taxations"; and U.S. market has introduced the largest investment program ever on the climate and energy sectors. The "green and low-carbon" development trend of the global market drove the rapid growth of lithium and lithium compound demands in new energy vehicles, energy storage, electric bicycles, electric instrument and other various application scenarios. The Company, as a leading enterprise in the lithium compound deep-processing business, capitalizing on its first-mover advantages, will continue to enhance its competitiveness to further cement and improve its industrial position.

3. *Analysis of the lithium battery market*

In 2023, the rapid development of the new energy vehicle industry drove the rapid growth of the production and sales for motive power batteries in China. According to the statistics of the China Automotive Power Battery Industry Innovation Alliance (中國汽車動力電池產業創新聯盟), the cumulative output of motive power batteries in China from January to June 2023 was 293.6GWh, representing a year-on-year increase of 36.8%, among which, the cumulative output of ternary batteries was 99.6GWh, accounting for 33.9% of the total output and representing a cumulative year-on-year increase of 12.6%, and the cumulative output of lithium iron phosphate batteries was 193.5GWh, accounting for 65.9% of the total output and representing a cumulative year-on-year increase of 53.8%. From January to June 2023, the cumulative exports of motive power batteries in China amounted to 56.7GWh, of which 39.4GWh of ternary batteries were exported, accounting for 69.4% of the total exports; while 17.2GWh of lithium iron phosphate batteries were exported, accounting for 30.3% of the total exports.

4. *Analysis of the electric vehicle market*

According to the statistics of CITIC Futures, the global sales of new energy passenger vehicles in the first half of 2023 amounted to approximately 5.44 million, representing a year-on-year increase of 38%. With the support of government policies, the technological progress in the industry, the improvement of supporting facilities and the increase of market recognition, the sales of new energy vehicles are expected to maintain a positive development trend.

According to the statistical analysis of China Association of Automobile Manufacturers, from January to June 2023, the production and sales volume of new energy vehicles in China amounted to 3.788 million and 3.747 million, representing a year-on-year increase of 42.4% and 44.1%, respectively. In June 2023, the new energy vehicles in China continued its rapid growth momentum with a steady increase in market share, the production and sales volume of which reached 0.784 million and 0.806 million, respectively, representing a month-on-month increase of 9.9% and 12.5% and a year-on-year increase of 32.8% and 35.2%, respectively. Currently, China's new energy vehicles industry has entered a new stage of scale and rapid development. According to China's New Energy Vehicle Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021年–2035年)》), the target of "sales volume of new energy vehicles being 20% of total sales volume of new vehicles by 2025" stated therein has been achieved ahead of schedule.

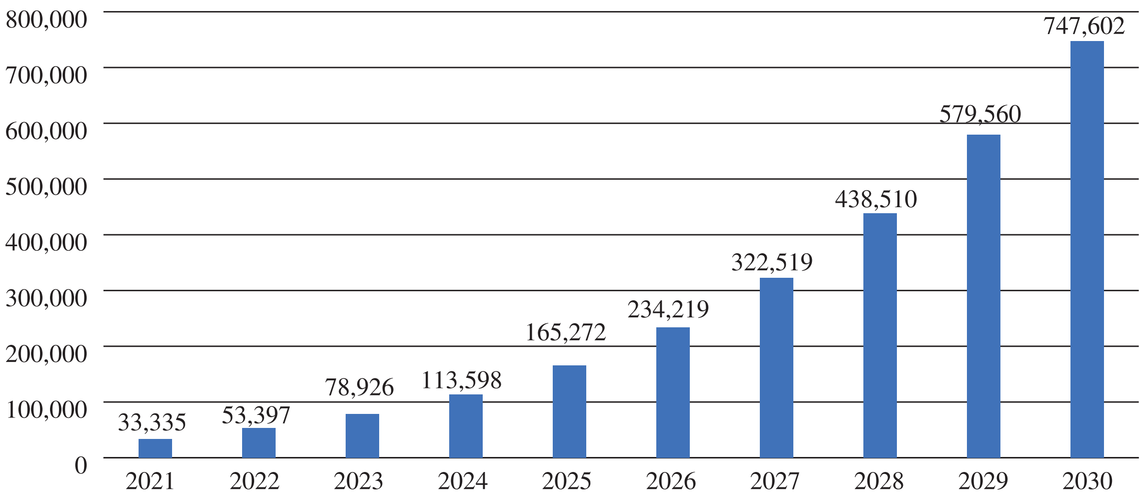
Under the backdrop of European carbon emission standards and the policy stimulus of the United States and the rise of new energy vehicles industry in China, vehicle manufacturers in various countries have accelerated the process of electrification. According to the forecast of Lixiang Research, the demand of electric vehicles in China in 2023 is expected to be 8.935 million units and the global sales volume of electric vehicles is expected to be 14.351 million units. At present, with a new round of scientific and technological revolution and industrial transformation, the new energy vehicle industry is entering into a new stage of accelerated development. The development of the new energy market was driven by policies in the early stage, and in the long term, new energy commercial vehicles will usher in a cost and technology-driven phase with the development of technology and scale. With the launch of electric models from original equipment manufacturers (OEM) in the world, the growing trend of electric vehicles manufacturing will be robust, and the growth of global electrification is expected to accelerate.

5. Analysis of the power battery recycling market

As one of the key components of electric vehicles, motive power batteries have been widely used with the rapid development of the new energy vehicle industry. As motive power batteries will enter into a large-scale decommissioning period, it is important to carry out the recycling of motive power batteries, which has drawn high concerns from countries and societies. The New Energy Vehicle Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021–2035年)》) proposes to improve the recycling system of motive power battery recovery, cascade utilization and recycling; strengthen the supervision of the whole life cycle of motive power batteries; support the innovative application of motive power battery cascade products in energy storage, energy reserve, charging and swapping; and strengthen the research and development of residual energy inspection, residual value evaluation, recombination utilization and safety management. From the perspective of layout, the upstream and downstream enterprises of the industrial chain have actively carried out the recycling layout. With the approaching of the scrapped motive power batteries, it is of great significance and necessity to reasonably recycle the scrapped power batteries. From the perspective of application, the decommissioned power batteries have great application potential in energy storage and low-speed electric vehicles.

According to Essence Securities, it is estimated that the total lithium recovery volume of decommissioned power batteries will reach approximately 165,000 tons of LCE in 2025 and the total lithium recovery volume of decommissioned power batteries will reach approximately 748,000 tons of LCE in 2030.

Total Estimated Size of Recycled Lithium of Decommissioned Motive Power Batteries in the Future (Unit: Ton(s) of LCE)



Source: Essence Securities

BUSINESS REVIEW

During the Reporting Period, the Group achieved an operating revenue of RMB18,111,570 thousand, representing an increase of 26.5% as compared with the corresponding period last year; and the profit attributable to the owners of the parent company of RMB5,876,515 thousand, representing a decrease of 19.0% as compared with the corresponding period last year. As at the end of the Reporting Period, the total assets and net assets of the Group amounted to RMB89,471,480 thousand and RMB53,573,531 thousand, representing an increase of 13.0% and 9.6%, respectively, as compared with the end of last year.

1. Upstream lithium resources of the Group: During the Reporting Period, the Group continued to acquire upstream high-quality lithium resources globally, enriching and broadening the diversified supply of raw materials on a continuous basis. The Company completed the equity acquisition in Xinyu Ganfeng Mining, thus currently holding 90% equity interest in Xinyu Ganfeng Mining and the Songshugang tantalum-niobium mine project in Shangrao; the Company completed the acquisition of 70% equity interest in Mengjin Mining, the Company currently holds 70% equity interest in Gabus niobium tantalum mine, and the construction of the Mengjin Mining project will be completed; the Cauchari-Olaroz lithium salt-lake project in Argentina has produced the first batch of lithium carbonate products, and it is expected that battery-grade products will be gradually produced with the subsequent ramp-up of production capacity and optimization of the production line, the first shipment of which has recently been sent out from the project. The 40,000-ton lithium carbonate production line of the first phase of the project is planned to reach the designed production capacity in 2024; the expansion of the Mount Marion spodumene project in Australia to 900,000 tons/year of lithium concentrate production capacity is being gradually completed, and the ramp-up of production capacity is in progress.

   As of the date of this announcement, upstream lithium resources that the Group has direct or indirect interests across the globe are shown as follows:

No.	Resource type	Project name	Ownership interest	Resources
1	Spodumene	Mount Marion spodumene project in Australia	50%	1,843,000 tons of LCE
2		Pilgangoora spodumene project in Australia	5.76%	11,768,000 tons of LCE
3		Goulamina spodumene project in Mali	50%	7,140,000 tons of LCE
4		Avalonia spodumene project in Ireland	55%	under exploration
5		Heyuan spodumene project in Ningdu	100%	100,000 tons of LCE

No.	Resource type	Project name	Ownership interest	Resources
6	Salt-lake	Cauchari-Olaroz lithium salt-lake project in Argentina	46.67%	24,580,000 tons of LCE
7		Mariana lithium salt-lake project in Argentina	100%	8,121,000 tons of LCE
8		PPG lithium salt-lake project in Argentina	100%	11,060,000 tons of LCE
9		Qinghai Mangya Fenghuangtai deep brine project	100%	under exploration
10		Yiliping salt-lake project in Qinghai	49%	1,650,000 tons of LCE
11		Jintai balenmahai project in Qinghai	39.15%	under exploration
12	Lithium clay	Sonora lithium clay project in Mexico	100%	8,820,000 tons of LCE
13	Lepidolite	Songshugang tantalum-niobium mine project in Shangrao	90%	1,490,000 tons of LCE
14		Vilasto lithium ore project in Inner Mongolia	12.5%	1,420,000 tons of LCE
15		Chenzhou Xianghuapu lithium mica mine project in Hunan	20%	under exploration
16		Inner Mongolia Gabus niobium tantalum mine	70%	1,110,000 tons of LCE

Note: 1) The resources are calculated as lithium carbonate equivalent at the lithium oxide content based on 100% interest held, with the relevant data from the public information of respective projects; 2) The calculation results of resource are the sum of proved resource, controlled resource and inferred resource, among which the calculation results of resource of Mount Marion project are the sum of proved resource and controlled resource, and the LCE data for the Qinghai Yiliping project are converted from the lithium chloride data contained in the total porosity resource reserve; 3) The ownership interest is converted to the specific projects based on the shareholding ratio.

2. Lithium chemical business: As the world's largest metal lithium producer and the largest lithium compounds supplier in China, the Company owns the industrialized technology of "lithium extracted from brine", "lithium extracted from ore" and "lithium extracted from decommissioned battery" at the same time.

As of the date of this announcement, the production capacity of the Group's existing lithium salt products is distributed as follows:

No.	**Production Base**	**Location**	**Primary Products**	**Designed production capacity**
1	10,000-ton Lithium Salt Plant	Xinyu, Jiangxi	Lithium hydroxide	81,000 tons/year
			Lithium chloride	12,000 tons/year
			Butyl lithium	1,000 tons/year
			High-purity lithium carbonate	10,000 tons/year
			Lithium fluoride	10,000 tons/year
2	Xinyu Ganfeng	Xinyu, Jiangxi	High-purity lithium carbonate	5,000 tons/year
			Lithium fluoride	1,500 tons/year
3	Ningdu Ganfeng	Ningdu, Jiangxi	Lithium carbonate	20,000 tons/year
4	Hebei Ganfeng	Cangzhou, Hebei	Lithium carbonate	6,000 tons/year
5	Yichun Ganfeng	Yichun, Jiangxi	Lithium metal	1,500 tons/year
6	Fengxin Ganfeng	Fengxin, Jiangxi	Lithium metal	650 tons/year
7	Argentina Cauchari-Olaroz	Jujuy, Argentina	Lithium carbonate	40,000 tons/year

Note: The designed production capacity of Argentina Cauchari-Olaroz is calculated based on 100% interest held

In the first half of 2023, due to factors such as fluctuations in market demand in the lithium industry and the inventory level control of downstream customers of lithium battery, the overall production and sales volume level for the Company's products in the lithium chemical segment were affected to a certain extent. In the second half of 2023, the Company will continue to prioritize prudent operation and risk control, and will expand its production capacity of lithium chemical segment and effectively manage its inventory while ensuring that the risks are controllable and that there is sufficient customer demand.

3. Lithium battery business: Based on the advantages in upstream lithium resources supply and full industrial chain of the Group, the Group's lithium battery business has been distributed to five categories of consumer batteries, small polymer cells, solid-state lithium batteries, lithium power batteries, and energy storage batteries, covering more than 20 kinds of products. The Group has set up lithium battery research and development ("**R&D**") and production bases in Xinyu, Dongguan, Ningbo, Suzhou, Huizhou, Chongqing and other places, respectively. Those products are widely used in photovoltaic energy storage, passenger vehicle battery, power buses, airport equipment, electric ships, intelligent household equipment, 5G communications, Bluetooth headphones, medical equipment and other fields.

As of the date of this announcement, the Group's existing lithium battery production bases are as below:

No.	Production bases	Location	Primary Products	Designed production capacity
1	Dongguan Ganfeng	Dongguan, Guangdong	3C polyer lithium battery	60 million pieces of polymer lithium battery per year
2	Huizhou Ganfeng	Huizhou, Guangdong	TWS battery production line, 3C polymer lithium battery production line	
3	Ganfeng LiEnergy	Xinyu, Jiangxi	Lithium motive power battery, energy storage battery, battery module and PACK system	Lithium iron phosphate battery of 3GWh per year in phase I of the motive power battery project; Lithium iron phosphate battery of 8GWh per year in phase II of the power battery project, 4GWh per year solid liquid hybrid lithium battery

No.	Production bases	Location	Primary Products	Designed production capacity
4	Ganfeng Electronics	Xinyu, Jiangxi	Polymer lithium battery specially designed for smart wearable products, TWS wireless bluetooth headset battery, electronic cigarette lithium battery	Small polymer lithium battery project with 2 billion units annual capacity
5	Jiangsu Ganfeng	Suzhou, Jiangsu	Power and energy storage battery pack for industrial vehicles, PACK system	1GWh per year
6	Huichuang New Energy	Dongguan, Guangdong	PACK system for two-wheeled vehicles, outdoor and household energy storage	4GWh per year

4. Battery recycling businesses: The Group further enhanced the industrialization technology and competitive advantages by developing new processes and technologies for comprehensive recycling of the decommissioned batteries and expanding the capacity of its decommissioned lithium battery recycling business. In 2020, Ganfeng Recycling Technology Co., Ltd. ("**Recycling Technology**") was selected in the second list of Industry Standard Conditions for the Comprehensive Utilization of Waste Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範條件》) by the Ministry of Industry and Information Technology of the PRC. Recycling Technology has formed a comprehensive recycling and processing capacity of 70,000 tons of decommissioned lithium-ion batteries and metal waste, of which the comprehensive recovery rate of lithium is over 90%, and the recovery rate of nickel and cobalt metal is over 95%, making it one of the leading enterprises in the battery recycling industry boasting the largest capacity in recycling lithium iron phosphate batteries and wastes in China and the top three enterprises in terms of comprehensive battery disposal capacity in the industry. Going forward, Recycling Technology will boost the production capacity of NCM precursor project, helping enterprises to establish an ecological recycle chain of lithium products. With mature battery recycling business, the Company's deployment of industry chain will be further enhanced to meet the low-carbon and environmentally friendly requirements of customers, which in the meantime aligns with the direction of carbon neutrality and carbon emission reduction.

FUTURE DEVELOPMENT STRATEGY

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

Securing high-quality and stable lithium resources is fundamental to the long-term sustainable growth of our business. The Company adheres to the aim of globalizing the layout of its resources, and will continuously expand its current lithium resources portfolio through further exploration, gradually collect and develop resources such as brine, and actively improve the self-sufficiency rate of resources of the Company. In terms of brine, the Company will proactively advance the development and construction of the Mariana lithium salt lake project and the progress of production capacity of the Cauchari-Olaroz lithium salt lake project in Argentina. The PPG project, as the Company's next important lithium salt lake resource layout in Argentina, will also be developed into a high-quality lithium salt lake project that is environmentally-friendly, low-carbon and low-cost. In terms of spodumene resources, the Company will continue to focus on quality spodumene projects around the world and work actively with its partners to ensure smooth production operations and capacity building at the Mt Marion project in Australia, Pilgangoora project in Australia and Goulamina project in Mali, Africa. In terms of lepidolite resources, the Inner Mongolia Gabus niobium tantalum mine project under Mengjin Mining will become an important part of the Company's development of lepidolite resources, and the Company will focus on the development of high-quality and low-cost lepidolite projects in the future. The Company will continue to actively explore the possibility of acquiring further sources of lithium by virtue of its experience in the industry value chain and its insights into the market trends in order to enrich the core portfolio of high-quality lithium resources and provide reliable and high-quality supply of lithium resources for further enhancement of midstream and downstream operations.

2. Expand the production capacity of treatment and processing facilities

The Company has planned for a series of capacity expansions of its manufacturing facilities to satisfy the growing demand for lithium and solidify its leading position in the lithium products industry. As of the date of this announcement, the Group's lithium projects currently in the pipeline and under construction are as follows:

No.	Project	Location	Capacity planning
1	50,000 tons per annum of lithium new energy materials project	Fengcheng, Jiangxi	Form an annual production capacity of 50,000 tons of lithium carbonate equivalent, which will be built in two phases, with an annual production capacity of 25,000 tons of lithium hydroxide in the phase I
2	7,000 tons per annum of lithium metal and lithium project	Yichun, Jiangxi,and Haixi Prefecture, Qinghai	Investment in the construction of 7,000 tons per annum of lithium metal and lithium project in phases, with new lines of lithium metal molten salt electrolysis, vacuum distillation for purification of lithium metal and lithium series alloys
3	50,000 tons per annum of battery-grade basic lithium salt project	Dazhou, Sichuan	Investment in the construction of lithium extraction from spodumene of 50,000 tons per annum of battery-grade basic lithium salt project in phases, with an annual production capacity of 20,000 tons of lithium salt in the phase I
4	25,000 tons per annum of lithium carbonate project	Shangrao, Jiangxi	Investment in the construction of 25,000 tons per annum of lithium carbonate project
5	20,000 tons per annum of lithium carbonate project	Xianghuangqi, Inner Mongolia	Investment in the construction of 20,000 tons per annum of lithium carbonate project

Note: The above capacity production plans include the Company's existing sole proprietorship and joint venture projects.

The Company will expand its capacity subject to future changes of market demand for lithium products and assessment. The Company plans to produce a total of no less than 600,000 tons of LCE per annum in or before 2030, which will include lithium extraction from ore, lithium extraction from brine, lithium extraction from clay and lithium extraction from recycling.

3. Develop lithium battery business

The Company has actively participated in the R&D of global cutting-edge solid-state battery technology and achieved a series of technical achievements. The Company has independently developed the solid-liquid hybrid lithium motive power battery with high-safety and high-specific energy for long-duration pure electric vehicle applications, and has joined hands with upstream battery material suppliers and production equipment suppliers, downstream new energy vehicle manufacturers and universities to carry out joint technical research and development to realize the development, installation and application of high-specific energy solid-liquid hybrid lithium power battery to achieve the development, application and industrialization of the solid-liquid hybrid lithium motive power battery with high-specific energy. At the same time, the Company maintains a leading position in the development of high-safety and long-cycle new lithium iron phosphate battery system technology, actively equalises BMS module technology, high-voltage platform polymer fast charging technology, high-capacity button battery for TWS Bluetooth headset, solid electrolyte diaphragm and all-solid battery system. The Company strives to provide customers with high safety, long life, high cost performance system solutions and high-quality services, and is committed to building the most creative lithium intelligent new energy that provides customers with high safety, long life, high cost performance system solutions and quality services, and endeavors to become the first tier of the global lithium battery industry, leading a new era of lithium battery technology innovation.

As of the date of this announcement, the lithium battery projects currently under planning and construction by the Company's controlled subsidiary Ganfeng LiEnergy are as follows:

Construction unit	Project name	Location	Capacity planning
Ganfeng LiEnergy	New-type lithium battery production project with 6GWh annual capacity (Phase III)	Xinyu, Jiangxi Province	Construction of new lithium battery assembly, cell and module automated production lines, and warehousing, power distribution, environmental protection facilities and other public facilities and living supporting facilities, upon the completion of constructing the project, it will form an annual production capacity of 6GWh of new batteries

Construction unit	Project name	Location	Capacity planning
Chongqing Ganfeng	New-type lithium battery R&D and production base project with 20GWh annual capacity	Liangjiang New District, Chongqing City	The project will increase the construction scale of the original 10GWh annual production capacity of the new lithium battery technology industrial park and advanced battery research institute project to an annual production capacity of 20GWh, construct lithium battery production line, plant, technical research institute and other supporting facilities; the project products include second generation of solid-state lithium batteries, lithium iron phosphate batteries, which are mainly used in the fields of new energy vehicle power batteries, underwater and space operation equipment power supply
Dongguan Ganfeng	New-type battery with 10GWh annual capacity and energy storage headquarters project	Mayong Town, Dognguan City, Guangdong Province	R&D bases and production lines for lithium iron phosphate, semi-solid cells, lightweight motive power batteries, outdoor portable energy storage power supply, outdoor energy storage, industrial and commercial energy storage system, etc.
Ganfeng LiEnergy	Battery production project with 10GWh annual capacity (Phase I)	Chilechuan Dairy (敕勒川乳業) Development Zone	Construction of battery production project with 10GWh annual capacity in the phase I, including the construction of production workshop, pack workshop, system integration workshop, lithium battery analysis and testing center, lithium battery module and safety testing center, lithium battery R&D center and other ancillary industrial facilities

Construction unit	Project name	Location	Capacity planning
Ganfeng LiEnergy	New energy lithium battery production and R&D base project	High-end Equipment Industrial Park, Dongjin New District, Xiangyang	Construction of new energy lithium battery cells with annual capacity of 5GWh + Pack packaging production base

4. **Develop lithium battery recycling business**

With increasing demand for decommissioned battery management growing in tandem with the use of automobiles and consumer electronics, the Company's lithium battery recycling business has promising growth potential, and enables us to further enrich our lithium raw material sources. Furthermore, the Company's ability to recycle lithium batteries offers a sustainable value-added solution to battery manufacturers and electric vehicle manufacturers, which help strengthen our close ties with such customers, expand the scale of battery recycling and improve the technologies of our battery recycling business. To promote sustainability and create additional revenue sources, the Company aims to leverage the growing number of decommissioned lithium batteries and become one of the leading players in lithium battery recycling area across the globe. The Company continues to expand downstream by expanding the production capacity of our lithium battery recycling business and developing a specialty in recycling and reusing retired batteries. In the longer-term production capacity planning, it is expected that the Company's production capacity of recycling of and lithium extraction from lithium battery will account for 30% of the Company's total lithium extraction production capacity.

5. Further enhance research and development and innovation capabilities

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

- Development and production of solid electrolytes and anodes for solid-state lithium batteries, and the R&D on solid-state lithium batteries;

- Secondary utilization and recycling of lithium batteries;

- Improvement of production techniques and levelling up automation for existing products;

- Formulation of process and extraction methods for lithium raw materials from different types of salt lake brines and lithium clay;

- Production of lithium motive power batteries and energy storage batteries.

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

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

7. Enhance capabilities in business operation and management

- Optimize comprehensive quality monitoring measures, intensify on-site management, and promote compliance of working safety rules;

- Nurture management personnel, replenish personnel reserve with technologically-adept and veteran employees, and enhance technical training for employees;

- Solidify marketing, logistics and sales service systems so as to coordinate production, warehousing and distribution, optimize logistics, reduce transportation costs, improve the ability to respond to the requests of customers and level up efficiency and service standards; and

- Protect resources and reduce carbon emissions so as to achieve sustainable growth.

FINANCIAL REVIEW

1. Overview

During the Reporting Period, the Group's revenue amounted to RMB18,111,570 thousand, representing an increase of RMB3,790,677 thousand as compared to RMB14,320,893 thousand for the six months ended 30 June 2022. The Group's gross profit amounted to RMB4,129,688 thousand, representing a decrease of RMB4,528,166 thousand as compared to RMB8,657,854 thousand for the six months ended 30 June 2022. During the Reporting Period, the Group's basic earnings per share were RMB2.92 (six months ended 30 June 2022: RMB3.60).

The profit attributable to the owners of the parent company for the Reporting Period amounted to RMB5,876,515 thousand, representing a decrease of RMB1,378,320 thousand, or 19.0%, as compared to RMB7,254,835 thousand for the six months ended 30 June 2022, which was mainly due to the decrease in gross profit as a result of the significant increase in the Company's operating costs during 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 RMB3,790,677 thousand from RMB14,320,893 thousand for the six months ended 30 June 2022 to RMB18,111,570 thousand for the six months ended 30 June 2023, which was mainly due to the release of the Company's relevant production capacity and a year-on-year increase in operating revenue during the Reporting Period.

1) Analysis of revenue by products and regions

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

By products:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	RMB'000	*%*	*RMB'000*	*%*
Lithium metal and lithium compound	**13,686,913**	**75.6**	11,994,541	83.8
Lithium battery	**4,068,066**	**22.4**	1,879,820	13.1
Others *(Note)*	**356,591**	**2.0**	446,532	3.1
Total	**18,111,570**	**100.0**	14,320,893	100.0

Note: Including NCM precursors, recycled negative plates, sodium hypochlorite and other products.

By sales regions:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	RMB'000	*%*	*RMB'000*	*%*
Mainland China	**10,224,284**	**56.5**	9,275,082	64.8
Overseas	**7,887,286**	**43.5**	5,045,811	35.2
Total	**18,111,570**	**100.0**	14,320,893	100.0

Note: Including NCM precursors, recycled negative plates, sodium hypochlorite and other products.

2) *Analysis of operating cost by products*

By products:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	RMB'000	*%*	*RMB'000*	*%*
Lithium metal and lithium compound	**10,369,598**	**74.2**	3,783,576	66.8
Lithium battery	**3,292,231**	**23.5**	1,592,800	28.1
Others *(Note)*	**320,053**	**2.3**	286,663	5.1
Total	**13,981,882**	**100.0**	5,663,039	100.0

Note: Including NCM precursors, recycled negative plates, sodium hypochlorite and other products.

3. Gross profit and gross profit margin

The gross profit margin of the Group for the Reporting Period was 22.8%, representing a decrease of 37.7% as compared with 60.5% for the six months ended 30 June 2022, which was mainly due to the significant increase in operating costs during the Reporting Period.

By products:

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	RMB'000	*%*	*RMB'000*	*%*
Lithium metal and lithium compound	**3,317,315**	**24.2**	8,210,965	68.5
Lithium battery	**775,835**	**19.1**	287,020	15.3
Others *(Note)*	**36,538**	**10.2**	159,869	35.8
Total	**4,129,688**	**22.8**	8,657,854	60.5

Note: Including NCM precursors, recycled negative plates, sodium hypochlorite and other products.

4. Other income and gains

The other income and gains of the Group were mainly comprised of net fair value gains from financial assets at fair value through profit or loss, net gain from disposal of an associate, government grants, revenue from sales of raw materials and bank interest income. During the Reporting Period, other income and gains of the Group amounted to RMB2,272,996 thousand, representing an increase of RMB1,973,702 thousand as compared with RMB299,294 thousand for the six months ended 30 June 2022, which was mainly because the increase in net fair value gains from financial assets at fair value through profit or loss, the increase in net gain from disposal of an associate and the increase in government grants during the Reporting Period.

5. Expenses

	For the six months ended 30 June 2023 *RMB'000*	For the six months ended 30 June 2022 *RMB'000*	Change %	Reason of material change
Selling and distribution expenses	**68,727**	40,601	69.3	Selling and distribution expenses mainly included employee welfare expenses, transportation, storage and port fees, rental expenses, sales commissions, travel expenses and other expenses. The increase during the Reporting Period was mainly due to the increase in sales volume, resulting in a simultaneous increase in sales-related expenses.
Administrative expenses	**1,062,846**	912,269	16.5	Administrative expenses mainly included employee welfare expenses, office expenses, travel expenses, agency fees, R&D expenses, banking services and other expenses, as well as asset depreciation and amortization. The increase during the Reporting Period was mainly due to the increase in R&D expenses.

	For the six months ended 30 June 2023 *RMB'000*	For the six months ended 30 June 2022 *RMB'000*	Change %	Reason of material change
Other expenses	**917,105**	919,832	-0.3	Other expenses mainly included net fair value loss from investment at fair value through profit or loss, cost of raw material sales, impairment loss, loss on sale of property, plant and equipment and others. There was no significant change during the Reporting Period.
Finance costs	**342,583**	194,710	75.9	Finance costs mainly included interest expenses on bank borrowings and discounted notes. The increase during the Reporting Period was mainly due to the increase in expenses of bank borrowings during the current period.

6. Other expenses

Other expenses of the Group for the Reporting Period amounted to RMB917,105 thousand, representing a decrease of RMB2,727 thousand as compared to RMB919,832 thousand for the six months ended 30 June 2022. The details are as follows:

	For the six months ended 30 June 2023 *RMB'000*	For the six months ended 30 June 2022 *RMB'000*
Fair value losses, net:		
Financial assets at fair value through profit or loss	**–**	866,589
Cost of raw materials sold	**19,454**	12,951
Impairment of trade receivables, net	**17,973**	4,895
Impairment of financial assets included in prepayments, other receivables and other assets, net	**–**	-1
Write-down of inventories to net realisable value	**824,604**	5,362
Net loss on disposal of financial assets at fair value through profit or loss	**3,608**	–
Net loss on disposal of items of property, plant and equipment	**3,273**	9,806
Exploration expenditure	**13,331**	12,371
Foreign exchange differences, net	**25,959**	–
Loss on disposal of a subsidiary	**104**	–
Others	**8,799**	7,859
Total	**917,105**	919,832

7. Research and development expenses

During the Reporting Period, the research and development expenses of the Group amounted to RMB686,612 thousand, representing an increase of 28.9% as compared to RMB532,827 thousand for the six months ended 30 June 2022, accounting for 3.8% of the Group's revenue, which was mainly due to the increase in research and development expenses for the field of solid-state batteries and materials during the Reporting Period.

8. Cash flows

	For the six months ended 30 June 2023 *RMB'000*	For the six months ended 30 June 2022 *RMB'000*	Change %	Reason of material change
Net cash flows (used in)/generated from operating activities	**(2,691,157)**	2,096,526	-228.4	Primarily due to the increase in cash paid for purchasing goods and receiving services, and relevant tax payment during the Reporting Period.
Net cash flows used in investing activities	**(4,755,078)**	(4,285,074)	11.0	Primarily due to the increase in cash paid for the purchase of property, plant and equipment during the Reporting Period.
Net cash flows generated from financing activities	**8,414,585**	2,825,546	197.8	Primarily due to the increase in cash received from the acquisition of borrowings.

9. Financial position

Non-current assets increased by RMB8,870,643 thousand from RMB47,193,874 thousand as at 31 December 2022 to RMB56,064,517 thousand as at 30 June 2023, which was mainly due to the increase in the balance of property, plant and equipment, the increase in investments in associates or joint ventures and the increase in the balance of intangible assets during the Reporting Period.

Current assets increased by RMB1,440,927 thousand from RMB31,966,036 thousand as at 31 December 2022 to RMB33,406,963 thousand as at 30 June 2023, which was mainly due to the increase in the balance of inventories, the increase in the balance of prepayments, other receivables and other assets, and the increase in the balance of cash and cash equivalents during the Reporting Period.

Current liabilities decreased by RMB596,431 thousand from RMB18,654,925 thousand as at 31 December 2022 to RMB18,058,494 thousand as at 30 June 2023, which was mainly due to the decrease in the balance of income tax payables, the decrease in the balance of trade payables and bills payables during the Reporting Period.

Non-current liabilities increased by RMB6,200,778 thousand from RMB11,638,677 thousand as at 31 December 2022 to RMB17,839,455 thousand as at 30 June 2023, which was mainly due to the increase in the balance of interest-bearing bank and other borrowings during the Reporting Period.

As at 30 June 2023 and 31 December 2022, net current assets of the Group amounted to RMB15,348,469 thousand and RMB13,311,111 thousand, respectively; net assets amounted to RMB53,573,531 thousand and RMB48,866,308 thousand, respectively.

As at 30 June 2023 and 31 December 2022, cash and cash equivalents of the Group amounted to RMB10,116,861 thousand and RMB9,073,017 thousand, respectively.

10. Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB377,635 thousand, representing a decrease of RMB688,167 thousand as compared to RMB1,065,802 thousand for the six months ended 30 June 2022, which was mainly due to the decrease in taxable income for the Reporting Period.

11. Capital expenditure

During the Reporting Period, capital expenditure of the Group was RMB5,879,424 thousand, representing an increase of RMB3,486,110 thousand as compared to RMB2,393,314 thousand for the six months ended 30 June 2022. The Group's capital expenditures mainly consist of expenditures incurred for the purchase of property, plant and equipment and the prepaid land lease payments and the additions to other intangible assets. Funds used as capital expenditure of the Group were mainly sourced from bank borrowings, proceeds from share issuance and cash flows generated from operating activities of the Group.

12. Interest-bearing bank and other borrowings

As at 30 June 2023, bank and other borrowings of the Group amounted to RMB20,941,403 thousand (31 December 2022: RMB12,783,219 thousand). Bank and other borrowings of the Group that would be due within one year, and due within two to five years amounted to RMB6,229,000 thousand, and RMB14,712,403 thousand, respectively. As at 30 June 2023, the Group's outstanding loans included Renminbi loans and foreign currency loans and approximately 44.42% (31 December 2022: 56.49%) of such outstanding loans were at fixed interest rates, with the remaining at floating interest rates.

In order to ensure the sustainable operation of the Group as a whole, support the healthy development of business and finally achieve the purpose of maximizing shareholder value, the Group takes appropriate financial control measures to reduce financing risks and control the gearing ratio within a reasonable range.

13. Restricted assets

As at 30 June 2023, assets with a total carrying value of RMB3,313,026 thousand (31 December 2022: RMB1,954,445 thousand) of the Group were used as collateral for bank borrowings and other bank facilities. Such assets included pledged deposits of RMB997,518 thousand (31 December 2022: RMB841,028 thousand), creditor's rights investment of RMB390,000 thousand (31 December 2022: RMB270,000 thousand), bills receivable of RMB778,876 thousand (31 December 2022: RMB724,828 thousand), trade receivables of RMB1,141,068 thousand (31 December 2022: RMB116,785 thousand) and other current assets of RMB5,564 thousand (31 December 2022: RMB1,804 thousand).

14. Gearing ratio

As at 30 June 2023, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 40%, which increased by 2% from that as at 31 December 2022.

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

The Group business is located in the PRC and all transactions are denominated in Renminbi. Most of our assets and liabilities are denominated in RMB, except for certain bank balances which were 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 the PRC and adopted U.S. dollars as their functional currency, and the Group did not conduct any material foreign exchange transactions in the PRC during the Reporting Period. In view of the foregoing, the Group had no material foreign exchange risks during the Reporting Period.

16. Contingent liabilities

As of 30 June 2023, the Group did not have any material contingent liability.

17. Employees and remuneration system

As of 30 June 2023, the Group had a total of 12,648 employees. The remuneration package of the Group's employees includes salaries, allowances, benefit in kind and performance related bonuses.

18. Capital commitments

The Group had the following capital commitments as at 30 June 2023:

	As at 30 June 2023 *RMB'000*	As at 31 December 2022 *RMB'000*
Contracted, but not provided for plant and machinery	**5,234,607**	4,063,297

19. Share capital

As of 30 June 2023, share capital of the Company is set out as follows:

	Number of issued shares	**Percentage**
A Shares	1,613,593,699	80.0%
H Shares	403,574,080	20.0%
Total	2,017,167,779	100%

OTHER MATTERS

Significant Equity Acquisitions During the Reporting Period

Acquisition of equity interest in Beijing Juhongda Mining Investment Co., Ltd. ("Beijing Juhongda")

As of the date of this announcement, the Company completed the acquisition of 100% equity interest in Beijing Juhongda at a total consideration of RMB910 million. Beijing Juhongda indirectly holds 12.5% interest of the mining rights of a mine project in the north mining area of Verasso, Keshikten Banner, Inner Mongolia Autonomous Region, through holding shares of Inner Mongolia Velasto Mining Co., Ltd.

Convertible bond investment in Shanghai Jujingui Enterprise Management Partnership (Limited Partnership) ("Shanghai Jujingui")

On 10 March 2023, the 56th meeting of the fifth session of the Board approved a resolution regarding the proposal on signing the supplementary agreement on convertible bond investment agreement (「《關於簽署可轉換債券投資協議補充協議的議案》」) which authorised the Company and its subsidiary, Xinyu Ganfeng Mining Co., Ltd.* (新余贛鋒礦業有限公司)("**Xinyu Ganfeng Mining**"), to sign a supplementary agreement with Shanghai Jujingui. According to the supplemental agreement, Shanghai Jujingui will transfer its 18% equity interests in Xinyu Ganfeng Mining directly to the Company as the repayment of its debt under a convertible bond with the principal amount of RMB315 million due to the Company. Upon completion of the transaction, the Company will hold 80% equity interests in Xinyu Ganfeng Mining in aggregate. As of the date of this announcement, the Group completed the transaction, and immediately following the completion of the transaction, the Company held 80% equity interests in Xinyu Ganfeng Mining. For further details, please refer to the overseas regulatory announcement of the Company dated 10 March 2023.

Acquisition of 10% equity interest in Xinyu Ganfeng Mining

At the 59th meeting of the fifth session of the Board held on 27 April 2023, a resolution regarding the acquisition of 10% equity interest of Xinyu Ganfeng Mining involving mining rights investment (「《關於收購新余贛鋒礦業10%股權涉及礦業權投資的公告》」) was considered and passed, agreeing that the Company acquire 10% equity interest of Xinyu Ganfeng Mining held by Shanghai Jujingui at a consideration of RMB360 million with its own funds. Upon completion of the transaction, the Company will hold 90% equity interest of Xinyu Ganfeng Mining. As of the date of this announcement, the Group completed the transaction and immediately following the completion of the transaction, the Company held 90% equity interests in Xinyu Ganfeng Mining. For further details, please refer to the overseas regulatory announcements of the Company dated 27 April 2023 and 8 August 2023, respectively.

The subscription for the private placement of shares in Leo Lithium Limited

At the 61th meeting of the fifth session of the Board held on 26 May 2023, a resolution regarding the subscription for the private placement of shares of Leo Lithium Limited (a listed company incorporated in Australia, the shares of which are listed on the National Stock Exchange of Australia (symbol: LLL) and Frankfurt Stock Exchange (symbol: WX0) by the Company or its subsidiary, involving mining rights investment (「《關於公司或公司子公司認購Leo Lithium Limited定增股份涉及礦業權投資的議案》」) was considered and passed, approving the subscription for the additional issuance of shares of Leo Lithium Limited by the Company or its subsidiary at AUD0.81 per share. The shareholding ratio of subscription would be no more than 9.9% of the total share capital of Leo Lithium Limited with a total trading amount of AUD106.11 million. For further details, please refer to the overseas regulatory announcement of the Company dated 29 May 2023.

CONNECTED TRANSACTIONS

During the Reporting Period, the Group did not have any connected transactions required to be disclosed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "**Hong Kong Listing Rules**") and were in compliance with the provisions of Chapter 14A of the Hong Kong Listing Rules.

Other Significant Events During the Reporting Period

Fulfillment of exercise conditions for second exercise period of the 2021 Share Option Incentive Scheme

The date of the grant of the share options under the 2021 Share Option Incentive Scheme ("**2021 Share Options**") was 7 June 2021. Given that 12 participants determined by the 2021 Share Option Incentive Scheme resigned due to personal reasons, the Company decided to cancel the qualification of the abovementioned 12 participants, and the corresponding total number of 2021 Share Options held by such participants is 483 thousand units. The Company convened the 60th meeting of the fifth session of the Board on 12 May 2023, at which the adjustments to the grant of the 2021 Share Options were made in accordance with the authorizations delegated to the Board at the 2020 annual general meeting of the Company and the class meeting of the Company. After such adjustments, the number of participants of the 2021 Share Option Incentive Scheme (the "**2021 Participants**") is adjusted from 400 to 388, and the number of the 2021 Share Options granted but had not yet been exercised is adjusted from 16,462.95 thousand units to 15,979.95 thousand units. Please refer to the announcement of the Company dated 12 May 2023 and the overseas regulatory announcement of the Company dated 12 June 2023 for further details.

The vesting period for the 2021 Share Options shall commence from the date of grant of the 2021 Share Options and end on the first exercisable date of the 2021 Share Options. The vesting periods of the 2021 Share Options are 12 months, 24 months, 36 months and 48 months, respectively. During the vesting periods, the 2021 Share Options which are granted to the 2021 Participants shall not be transferred, pledged for guarantees or used for repayment of debt. In light of the above, subject to there being no circumstances which would prohibit vesting having occurred as of the end date of the second withholding period, the exercise conditions for the second exercise period of 2021 Share Options granted have been fulfilled and a total of 5,326,650 units of 2021 Share Options will become exercisable by the 2021 Participants during the second exercise period. The second exercise period of the 2021 Share Options granted shall commence from 7 June 2023 to 6 June 2024. The first exercise period of the 2021 Share Option granted commenced from 9 June 2022 to 6 June 2023, in which 142 2021 Participants did not exercise all of the relevant 2021 Share Options and the corresponding 794,752 units of 2021 Share Options held by the relevant 2021 Participants had been cancelled by the Company during the Reporting Period.

Details of the movement in the 2021 Share Options of the 2021 Share Option Incentive Scheme 2021 during the Reporting Period are set out in the table below:

Name	**Position(s)**	**As at 31 December 2022** *(0'000 A Shares)*	**Granted during the Reporting Period** *(0'000 A Shares)*	**Exercised during the Reporting Period** *(0'000 A Shares)* *(Note 2)*	**Cancelled during the Reporting Period** *(0'000 A Shares)*	**Lapsed during the Reporting Period** *(0'000 A Shares)*	**As at 30 June 2023** *(0'000 A Shares)* *(Note 3)*
Deng Zhaonan	Executive Director	26.55	–	–	5.55	–	21.00
Shen Haibo	Executive Director and vice president	21.00	–	–	–	–	21.00
Ouyang Ming	Vice president	21.00	–	–	–	–	21.00
Xu Jianhua	Vice president	21.00	–	–	–	–	21.00
Yang Manying	Vice president and financial director (Retired on 3 February 2023)	21.00	–	–	–	–	21.00
Huang Ting	Vice president and financial director (Appointed on 3 February 2023)	9.45	–	–	–	–	9.45
Fu Lihua	Vice president	15.75	–	–	–	–	15.75
Xiong Xunman	Vice president	15.75	–	–	–	–	15.75
Luo Guanghua	Vice president (Appointed on 3 February 2023)	8.40	–	–	–	–	8.40
Core management and core technical (business) personnel		1,578.5852	–	13.1600	122.2252	–	1,443.20
Total		1,738.4852	–	13.1600	127.7752		1,597.55

Notes:

1. The 2021 Share Options were granted on 7 June 2021 at an exercise price of RMB96.28 per unit. The closing price of the A Shares immediately before the date of grant (being 4 June 2021) was RMB92.11. On 1 July 2022, the Company adjusted the number and exercise price of the 2021 Share Options granted but had not yet been exercised. The exercise price of the 2021 Share Options was adjusted from RMB96.28 per unit to RMB68.771 per unit.

2. The weighted average closing price of the A Shares immediately before the dates on which the 2021 Share Options were exercised was approximately RMB72.01 (for the 2021 Share Options exercised by core management and core technical (business) personnel).

3. As at 30 June 2023, the Company had a total of 15,975,500 outstanding 2021 Share Options, of which:

    a. 5,322,200 2021 Share Options had been vested and are exercisable;

    b. 5,326,650 2021 Share Options shall be vested and exercisable during the period commencing 7 June 2024 and ending on 6 June 2025; and

    c. 5,326,650 2021 Share Options shall be vested and exercisable during the period commencing 7 June 2025 and ending on 6 June 2026.

Significant Events after the Reporting Period

Grant of the awards under the restricted share unit (the "RSU Scheme") scheme

References are made to the supplemental circular of the Company dated 26 May 2022 and the poll results announcement of the Company dated 15 June 2022 in relation to the adoption of the RSU Scheme, which was approved by the Shareholders at the annual general meeting of the Company held on 15 June 2022. The H Shares shall be purchased from the secondary market by an independent third-party trustee (the "**Trustee**") in Hong Kong. No new H Shares will be issued under the RSU Scheme. On 12 July 2023, awards of RSUs with 3,470,000 underlying H Shares (the "**2023 Grant**") were granted to 72 eligible persons of the RSU Scheme selected by the Board or its delegatee in accordance with the rules of the RSU Scheme (the "**2023 Selected Participants**"). The 2023 Selected Participants comprise 4 connected persons and 68 independent third parties of the Company with 410,000 underlying H Shares and 3,060,000 underlying H Shares granted, respectively. The underlying H Shares under the 2023 Grant accounts for approximately 0.86% of the then total number of issued H Shares and approximately 0.17% of the then total issued share capital of the Company as of the date of the 2023 Grant. The closing price of the H Shares immediately before the day on which the 2023 Grant was made (i.e. 11 July 2023) was HKD51.50.

The summarised rules of the RSU Scheme are as follows:

1. The purposes of the RSU Scheme are: (i) to stimulate the pro-activeness of the Eligible Persons, encourage their innovation to create value, enhance profit, achieve competitive goals, and ultimately maximise return for the Shareholders; (ii) to promote the strategic development and realize the goals of the Company: to incentivise Eligible Persons to create value for customers and Shareholders, and increase the Company's competitiveness; to incentivise Eligible Persons to align the Company's development strategy with theirs and thus creating Shareholder's value as a whole; (iii) to optimise the remuneration structure of the Group's employees through RSUs and provide them with a mechanism to own equity interests in the Company for interests and risks sharing; and (iv) to attract, motivate and retain core capable talents of the Group for the future business development and expansion of the Group.

2. The eligible participants of the RSU Scheme (the "**Eligible Person(s)**") include any individual, being an employee or contractual staff of any members of the Group, director (excluding independent non-executive director), supervisor, senior management, key operating team member of any member of the Group who the Board or its delegatee considers, in their sole discretion, to have significantly contributed or will significantly contribute to the development of the Group.

3. The aggregate number of H Shares underlying the RSUs to be granted under the RSU Scheme shall not exceed 3% of the total number of entire issued H Shares as at the relevant grant date.

4. There is no maximum entitlement of each participant under the RSU Scheme.

5. The arrangement of validity period, vesting period and exercise period of the RSU Scheme are as follows:

   (1) Unless early termination of the RSU Scheme pursuant to the rules of the RSU Scheme, the RSU Scheme shall be valid and effective for the period commencing on the date on which the Shareholders approved the RSU Scheme, and ending on the business day immediately prior to the tenth (10th) anniversary of the date on which the Shareholders approved the RSU Scheme (after which no further RSUs will be granted or accepted). The Board or its delegatee may, from time to time, while the RSU Scheme and the relevant award letter are in force and subject to all applicable laws, rules and regulations, determine such vesting criteria and conditions or periods for the awards to be vested hereunder.

(2) The vesting period under the 2023 Grant are as follows [(Note)]:

Vesting arrangement	Vesting period	Vesting percentage
First vesting period	Within one year from the grant date (the first vesting date: 12 July 2024)	25%
Second vesting period	Within two years from the grant date (the second vesting date: 12 July 2025)	25%
Third vesting period	Within three years from the grant date (the third vesting date: 12 July 2026)	25%
Fourth vesting period	Within four years from the grant date (the fourth vesting date: 12 July 2027)	25%

Note: If the vesting date is not a business day, the vesting date shall, subject to any trading halt or suspension in trading of the H Shares, be the business day immediately thereafter.

(3) The exercise periods under the 2023 Grant are as follows:

Exercise arrangement	Exercise period	Exercise percentage
First exercise period	Within four years from the date of expiration of the first anniversary of the grant date (the first vesting date)	25%
Second exercise period	Within three years from the date of expiration of the second anniversary of the grant date (the second vesting date)	25%
Third exercise period	Within two years from the date of expiration of the third anniversary of the grant date (the third vesting date)	25%
Fourth exercise period	Within one year from the date of expiration of the fourth anniversary of the grant date (the fourth vesting date)	25%

The RSUs can be exercised after vesting. The RSUs shall be exercisable after the first vesting date within four years, in accordance with the vesting schedule specified in the relevant award letter and in accordance with the applicable provisions of the RSU Scheme. If RSUs are not exercised within four years after the first vesting date, the RSUs shall lapse and shall not be exercisable. In addition, the RSUs shall be subject to the provisions of rules of section 19 of the RSU Scheme.

The 2023 Selected Participants may exercise by filing a written notice of exercise which shall state the decision to elect to exercise, the full number of shares subject to the exercise and such other provisions as may be required by the Board. Upon receipt of an exercise notice, the Board and/or its delegatee may decide at its absolute discretion either to:

1) direct and procure the Trustee to, within a reasonable time, transfer the H Shares underlying the RSUs exercised (and, if applicable, the related income or dividend declared in relation to the RSUs in respect of those Shares as provided in RSU Scheme) to the 2023 Selected Participant, subject to the 2023 Selected Participant paying the exercise price (where applicable); or

2) pay, or direct and procure the Trustee to, within a reasonable time, pay, to the 2023 Selected Participant in cash the actual selling price on or about the date of exercise (and, if applicable, the related income or dividend declared in relation to the RSUs in respect of those Shares as provided in RSU Scheme) less any exercise price (where applicable) and after deduction or withholding of any tax, levies and other charges applicable to the entitlement of the 2023 Selected Participant and the sale of any H Shares to fund such payment and in relation thereto.

6. No payment is required on application or acceptance of the awards under the 2023 Grant.

7. The exercise price of the RSUs under the 2023 Grant is equivalent to 50% of the closing price of the H Shares on the grant date (i.e., the exercise price for per RSU under the 2023 Grant is HKD25.95).

8. As at the date of this announcement, the remaining life of the RSU Scheme is approximately nine years.

The Directors (including the independent non-executive Directors) are of the view that the 2023 Grant is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2023 Selected Participants

As of 12 July 2023, there were a total of 72 2023 Selected Participants, which comprise 4 connected persons of the Company and 68 independent third parties of the Company. Each grant of an award to Director or connected person of the Company was approved by all of the independent non-executive Directors and subject to the Hong Kong Listing Rules and any applicable laws and regulations. As each of the 4 connected persons who is granted awards under the 2023 Grant is a connected person at subsidiary level of the Company, and the highest percentage ratios (as defined in the Hong Kong Listing Rules) in respect of the grant of RSUs to each of the 4 connected persons under the 2023 Grant are less than 1% and the 2023 Grant are conducted on normal commercial terms, the grant of awards to the 4 connected persons under the 2023 Grant are fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1)(b) of the Hong Kong Listing Rules.

Details of the 2023 Grant comprising both vested and unvested awards are set out as follows:

Name	Position	Number of H Shares underlying the awards granted	Approximate percentage to the total number of H Shares as at 30 June 2023	Approximate percentage to the total issued share capital of the Company as at 30 June 2023
Connected persons of the Company				
Luo Xiaofeng	Director of subsidiary of the Company, general manager of subsidiary of the Company	150,000	0.0372%	0.0074%
SAM PIGOTT	Director of subsidiary of the Company	140,000	0.0347%	0.0069%
Wang Wenbo	Director of subsidiary of the Company, general manager of subsidiary of the Company	70,000	0.0173%	0.0035%
Fan Yuanhua	General manager of subsidiary of the Company	50,000	0.0124%	0.0025%
Sub-total		410,000	0.1016%	0.0203%
Others				
68 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		3,060,000	0.7582%	0.1517%
Total		3,470,000	0.8598%	0.1720%

Notes:

1. During the Reporting Period, none of the awards have been granted or vested to the five highest paid individuals of the Company and none of the awards granted to them lapsed.

2. During the Reporting Period, none of the relevant H Shares have been vested to any 2023 Selected Participants. The number of the relevant H Shares which cancelled or lapsed in accordance with the scheme rules of the RSU Scheme during the Reporting Period was nil. The number of the relevant H Shares underlying the outstanding RSUs as at the end of the Reporting Period was 3,470,000.

Vesting conditions

The vesting of the awards granted under the RSU Scheme is subject to the award letter, the following condition and any other applicable vesting conditions as set out in the RSU Scheme. If any 2023 Selected Participant fails to fulfil the vesting conditions applicable to the relevant awards, all the RSUs underlying the relevant awards which may otherwise be vesting during the respective vesting period shall not be vested and become immediately forfeited with respect to such 2023 Selected Participant. The Trustee shall be notified of such forfeiture and such forfeited shares shall be held by the Trustee as returned shares. The Board's or its delegatee's decision on whether the vesting conditions are fulfilled and satisfied shall be conclusive and final.

The vesting conditions for the 2023 Grant are set out below:

According to the position(s) of a 2023 Selected Participant, select the completion status of the company level performance goal in the financial year or the completion status of the team/subsidiary level performance goal to which the 2023 Selected Participant belongs in the financial year as the basis for determining the actual vesting amount of the award of a 2023 Selected Participant in the corresponding vesting period. The actual vesting amount of the award vested to a Selected Participant for the respective vesting periods shall be equal to the standard coefficient multiplied by the planned vesting amount for the respective vesting periods. The calculation method of the standard coefficient of the company level performance goal is that if the completion ratio of the company level performance goal in the financial year reaches 70% or above, the standard coefficient is 1.0; if the completion ratio is 50%-69%, the standard coefficient is 0.8; and if the completion ratio does not reach 50%, the standard coefficient is 0. The calculation method of the standard coefficient of the performance goal of team/subsidiary level is that if the completion ratio of the team/subsidiary level performance goal in the financial year reaches 80% or above, the standard coefficient for that financial year is the corresponding completion ratio, and if the completion ratio does not reach 80%, the standard coefficient is 0.

If the 2023 Selected Participant of Chinese nationality working in Argentina returns to China during their office period (including but not limited to reasons such as changes in job position, resignation or cessation of employment), the 2023 Selected Participant will cease to be an Eligible Person, all vested RSUs and any outstanding RSUs not yet vested shall be immediately forfeited, unless the Board or its delegatee determines otherwise at their absolute discretion.

Calculation of the fair value of the awards on grant date

(1) Accounting Treatment

In accordance with the requirements of the IFRS 2 – Share-based Payment, the Company shall, on each balance sheet date during the vesting period, adjust the estimated number of Shares as an award that may be exercised in accordance with the latest number of the participants who have fulfilled the exercise conditions and the performance indicators, and recognize the services received during the period as the relevant costs or expenses and capital reserve in accordance with the fair value of the Shares as an award on the grant date.

(2) Calculation of the Fair Value under RSU Scheme

According to the relevant provisions on the determination of fair value in the IFRS 2 – Share-based Payment, an appropriate valuation model is required to be selected to calculate the fair value under RSU Scheme. The Company chooses Black-Scholes model (B-S model) to calculate the fair value, and then uses the model to calculate the total fair value to be HKD92,850,954 as at the grant date.

The specific parameters were selected as below:

(i) Price of the underlying shares: HKD51.90 per Share (the closing price was HKD51.90 on the grant date)

(ii) Exercise price: HKD25.95 per H Share

(iii) Validity period: one, two, three and four years, respectively (based on the period commencing from grant date and ending on the first exercisable date for each respective period)

(iv) Historical volatility ratio: 46.7858% (adopted the historical volatility ratio of the H Share of the Company in the latest one year)

(v) Risk-free interest rate: 1.7882% (adopted the yield of PRC treasury bond for one year)

(vi) Dividend yield: 2.1048% (the dividend rate of the Company in one year prior to the 2023 Grant)

* The fair value is only an estimate made by the Company under the Black-Scholes model and a number of assumptions. Therefore, the fair value estimated is subject to uncertainty and the limitation of the model.

(3) Impact on the operating performance of the Company

The fair value of the Shares as an award on the grant date which is determined in accordance with the relevant valuation method, and the costs of payment of Shares under the RSU Scheme which is determined finally, will be amortized in accordance with the percentage of Shares exercised during the implementation of the RSU Scheme. The award costs incurred from the RSU Scheme will be charged to the recurring profit and loss.

The Company granted awards to the Selected Participants in July 2023, according to the requirements of the PRC accounting standards, the impact of the awards granted under the RSU Scheme on accounting costs of each period is shown in the following table:

Number of awards granted *(0'000)*	**Total costs to be amortized** *(HKD0'000)*	**2023** *(HKD0'000)*	**2024** *(HKD0'000)*	**2025** *(HKD0'000)*	**2026** *(HKD0'000)*	**2027** *(HKD0'000)*
347	9,285.0954	2,386.2644	3,651.6625	1,956.7540	990.8852	299.5293

Note: The above results do not represent the final accounting cost, in addition to the actual grant date, grant price and grant number, the actual accounting cost also relates to the number of equity which actually take effect and lapse, and the final results of the impact of the above costs amortization on the operation results of the Company is subject to the annual audit report to be issued by the accountant firm.

According to the preliminary evaluation by the Company based on the information available, without taking into account the stimulus effects of the RSU Scheme on the results of the Company, the amortization of the costs of RSU Scheme shall affect the net profit of each year during the validity period, but the effect will not be substantial. Taking into consideration the positive impact of the RSU Scheme on the development of the Company, such as motivating the management team, increasing the operational efficiency, and reducing agent costs, the benefits generated from the improvement in the Company's results due to the RSU Scheme shall far exceed the increase in expenses.

Connected transaction––Acquisition of 70% equity interest in Xianghuangqi Mengjin Mining Development Co., Ltd. ("Mengjin Mining")

On 27 July 2023, the Company, Mr. Li Liangbin, Ms. Xu Xiaowei and Mengjin Mining entered into the equity transfer agreement, pursuant to which the Company agreed to purchase, and Mr. Li Liangbin agreed to sell, 70% of the equity interest in Mengjin Mining at a total consideration of RMB1,424,072,623.39. Since Mr. Li Liangbin is the chairman and an executive Director, he is a connected person of the Company and the transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As of the date of this announcement, the Group completed this transaction. In order to manage the Company's investment risk and maximize the protection of the interests of the Company and all the Shareholders, especially the minority Shareholders, Mr. Li Liangbin, based on prudent judgment and extensive consultation with the Company, has made a supplemental undertaking as follows: (i) within 60 months after the completion of the acquisition of 70% equity interest in Mengjin Mining by Mr. Li Liangbin, in the case of any failure of renewing the mining certificate for the Gabus niobium tantalum mine owned by Mengjin Mining, the Company is entitled to engage an appraisal institution to conduct a valuation of the relevant equity interests in Mengjin Mining; and (ii) Mr. Li Liangbin will, based on the valuation, compensate to the Company the shortfall between the consideration of the Acquisition and the valuation of the relevant equity interests in Mengjin Mining. For further details of the transaction, please refer to the Company's announcements dated 27 July 2023, 7 August 2023 and 23 August 2023.

Fulfillment of exercise conditions for first exercise period of the 2022 Share Option Incentive Scheme

The date of the grant of the share options under the 2022 Share Option Incentive Scheme ("**2022 Share Options**") was 5 September 2022. Given that 5 participants determined by the 2022 Share Option Incentive Scheme resigned due to personal reasons, the Company decided to cancel the qualification of the abovementioned 5 participants, and the corresponding total number of the 2022 Share Options held by such participants is 189 thousand units. The Company convened the 66th meeting of the fifth session of the Board on 21 August 2023, at which the adjustments to the grant of the 2022 Share Options were made in accordance with the authorization delegated to the Board at the second extraordinary general meeting of the Company in 2022. After such adjustments, the number of participants of the 2022 Share Option Incentive Scheme (the "**2022 Participants**") is adjusted from 110 to 105, and the number of the 2022 Share Options granted but had not been exercised is adjusted from 2,891 thousand units to 2,702 thousand units. Please refer to the announcements of the Company dated 5 September 2022 and 23 August 2023 for further details.

The vesting period for the 2022 Share Options shall commence on the date of grant of the 2022 Share Options and end on the first exercisable date of the 2022 Share Options. The vesting periods of the 2022 Share Options are 12 months, 24 months, 36 months and 48 months, respectively. Subject to there being no circumstances which would prohibit vesting having occurred as of the end date of the first vesting period, the exercise conditions for the first exercise period of the 2022 Share Options granted have been fulfilled and a total of 675,500 units of the 2022 Share Options will become exercisable by the 2022 Participants during the first exercise period. The first exercise period of the 2022 Share Options granted shall be between 5 September 2023 and 4 September 2024.

Details of the movement in the 2022 Share Options of the 2022 Share Option Incentive Scheme during the Reporting Period are set out in the table below:

Position(s)	**As at 31 December 2022** *(0'000 A Shares)*	**Granted during the Reporting Period** *(0'000 A Shares)*	**Exercised during the Reporting Period** *(0'000 A Shares)*	**Cancelled during the Reporting Period** *(0'000 A Shares)*	**Lapsed during the Reporting Period** *(0'000 A Shares)*	**As at 30 June 2023** *(0'000 A Shares)*
105 core management and core technical or business personnel	289.10	–	–	–	–	289.10
Total (105)	289.10	–	–	–	–	289.10

Notes:

1. The 2022 Share Options were granted on 5 September 2022 at an exercise price of RMB84.90 per unit. The closing price of the A Shares immediately before the date of grant (being 2 September 2022) was RMB82.86.

2. As at 30 June 2023, the Company had a total of 2,891,000 outstanding 2022 Share Options, of which:

   a. 722,750 units of the 2022 Share Options shall be vested and exercisable during the period commencing 5 September 2023 and ending on 4 September 2024;

   b. 722,750 units of the 2022 Share Options shall be vested and exercisable during the period commencing 5 September 2024 and ending on 4 September 2025;

   c. 722,750 units of the 2022 Share Options shall be vested and exercisable during the period commencing 5 September 2025 and ending on 4 September 2026; and

   d. 722,750 units of the 2022 Share Options shall be vested and exercisable during the period commencing 5 September 2026 and ending on 4 September 2027.

THE UPDATES ON SONORA PROJECT IN MEXICO

(1) Overview of the Project

The Company has been developing the Sonora Project (the "**Project**"), an open-pit mine and lithium chemical product processing facility located in Sonora, Mexico. The principal planned lithium product for the Project is lithium hydroxide. The Company's ability to develop the Project is based on a series of concessions granted in accordance with Mexican law and held by three controlled-subsidiaries of the Company incorporated in Mexico (the "**Mexican Subsidiaries**"). The Company, in turn, wholly owns the Mexican Subsidiaries through entities incorporated and operating in the United Kingdom and Canada.

In April 2022 and May 2023, the Mexican government approved amendments to its Mining Law (the "**Mining Law Reform**"), which prohibited lithium concessions, declared lithium as a strategic sector, and granted the exclusive right to engage in lithium mining operations to a state-owned entity. The Mining Law Reform was not supposed to apply to pre-existing concessions, including those held by the Mexican Subsidiaries. The Company's position is that the Project's concessions cannot be impacted by these reforms because they were granted prior to the enactment of the Mining Law Reform. This is consistent with the terms of the Constitution of Mexico, which, among other principles and rights, recognizes the principles of legality and non-retroactivity of laws. Guided by the principles of good faith, cooperation, and mutual benefit, our Company has been proactively engaging with the Mexican government in general, and with the Secretary of Economy in particular, regarding a potential collaboration on the Sonora Project while respecting the Group's rights. We continue to seek a mutually beneficial resolution. As of now, no agreement has been reached between the Company and the Mexican Government concerning this potential collaboration.

(2) Updates on the Project

While the Company was holding discussions with the Secretary of Economy as described above, the General Directorate of Mines ("**DGM**") initiated a review of nine of the lithium concessions held by the Mexican Subsidiaries, including the principal lithium concessions for the Sonora Project. According to the DGM, if the Mexican Subsidiaries failed to submit sufficient evidence within the specified timeframe to prove that they had complied with minimum investment obligations for the development of lithium concessions in 2017–2021, there was a risk of cancellation of the above-mentioned lithium concessions. As of May 2023, the Company's Mexican Subsidiaries had submitted extensive evidence of their compliance with the minimum investment obligations of the above-mentioned lithium concessions in a timely manner. However, the DGM has issued a formal decision notice to the Mexican Subsidiaries in August 2023, indicating that the above-mentioned nine lithium concessions were cancelled.

The Company believes that the Mexican Subsidiaries have complied with their minimum investment obligations, as required by Mexican law. Indeed, the mine development investment by the Mexican Subsidiaries has significantly exceeded the minimum investment obligations, and the Mexican Subsidiaries regularly submitted to the DGM annual reports for the 2017–2021 periods detailing their operations within the prescribed period annually. The Mexican government did not raise any objections until it recently notified us that the minimum investment obligations were allegedly not met, and it took action to cancel the lithium concessions.

Moreover, the Company's position is that the resolutions cancelling the concessions violate both Mexican law and international law as they are arbitrary, unsubstantiated in both fact and law, and infringe upon the Company's and its Subsidiaries' fundamental due process rights. Therefore, the Company and the Mexican Subsidiaries have filed administrative review recourses before the Secretary of Economy against the aforementioned resolutions.

(3) Impact on the Company

1. The lithium concessions' cancellations issued by the DGM are not final. Depending on the progress of the Company's further actions and the outcome of the above-mentioned matters, whether cancellations will be revoked or maintained in place, and the scope of the concessions affected are still uncertain.

2. There is still uncertainty as to whether the above-mentioned matters may cause the Company to incur asset impairment losses, and whether they may have a certain negative impact on the results of the Company.

The Company is pursuing various remedies, including administrative review recourses to challenge the DGM's resolutions. If necessary, the Group will resort to additional remedies under Mexican or international law. The final outcome of the Company's exercise of these remedies is subject to uncertainties. The Board will pay active attention to the progress of the matter and fulfil its information disclosure obligations in a timely manner.

FUTURE PLANS AND USE OF PROCEEDS

During the Reporting period, the Company did not make any issue for cash of equity securities, and there were no proceeds brought forward from any issue of equity securities made in previous financial years to the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is firmly committed to achieving and maintaining high overall standards of corporate governance through continuous effort in improving its corporate governance practices and procedures. Through the establishment of a sound and effective corporate governance framework, the Company strives to ensure completeness and transparency in its information disclosure and enhance stable operation, so as to safeguard the interests of the Shareholders to the greatest extent. The Company has adopted all code provisions and principles as set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules (the "**Corporate Governance Code**") as the basis of its corporate governance practices.

Other than the deviation from Code Provisions B.2.2 and C.2.1 of the Corporate Governance Code, the Company has complied with the principles and code provisions of the Corporate Governance Code during the six months ended 30 June 2023.

Deviation from Code Provision B.2.2 of Corporate Governance Code

Pursuant to Code Provision B.2.2 of the Corporate Governance Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The three-year term of the fifth session of the Board and the supervisory committee ("**Supervisory Committee**") of the Company expired on 24 March 2023. As the nomination of relevant candidates for the members of the new session of the Board and Supervisory Committee has not yet been completed, and the suitability of some of the candidates is still being assessed, the election and appointment of the members of the Board and the Supervisory Committee will be postponed to maintain the continuity of the work of the Board and the Supervisory Committee. Meanwhile, the terms of the special committees under the fifth session of the Board and the senior management of the Company will be extended correspondingly. The above-mentioned matters constitutes a deviation from Code Provision B.2.2 of the Corporate Governance Code.

The Board believe that the postponement of the election and appointment will not affect the daily operations of the Company for the following reasons:

(1) the leadership of the Directors and the supervisors of the Company (the "**Supervisors**") is particularly important to the continuity and stability of the Group's business. Maintaining the original membership structure is conducive to the stability of the daily operation of the Company until suitable candidates are proposed to succeed the Directors and Supervisors;

(2) the suitability of the candidates for the Directors and the Supervisors is a key issue in the process of election and appointment and is needed to be prudently considered. The incumbent Directors have extensive experience in the corporate governance and business of the Company, with different professional backgrounds and expertise in corporate management, technology development, financial management, strategic investment and human resources management, etc. Therefore, until the completion of the suitability assessment of the candidates, extending the terms of the incumbent Directors and Supervisors is to make business decisions in the best interest of the Company;

(3) each of the independent non-executive Directors has provided the Company with an a written statement confirming his/her independence in accordance with Rule 3.13 of the Hong Kong Listing Rules. Upon assessment, the Company is of the view that each of the independent non-executive Directors is an independent party. Therefore, the current Board and Supervisory Committee still provide adequate balance of power and authority for corporate governance and internal control.

To address the deviation from Code Provision B.2.2 of the Corporate Governance Code, the Company will complete the election and appointment of members of the Board and the Supervisory Committee as soon as possible and will fulfill its corresponding information disclosure obligation in a timely manner.

Deviation from Code Provision C.2.1 of Corporate Governance Code

From 1 January 2023 to 2 February 2023, Mr. Li Liangbin was the chairman of the Board and the president of our Company which constituted a deviation from Code Provision C.2.1. With extensive experience in the lithium industry, Mr. Li Liangbin is responsible for the overall management of our Company's business strategies and operations. The Company believes that he is instrumental to the Company's growth and business expansion since its establishment in 2000. The Board considers that vesting the roles of chairman of the Board and president in the same person is beneficial to the management of our Company. The Company believes that the balance of power and authority is ensured by the operation of our senior management team and the Board, which comprise experienced and high-caliber individuals. After the re-election of the Board on 24 March 2020, the Board comprises four executive Directors (including Mr. Li Liangbin), two non-executive Directors and four independent non-executive Directors. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) there is sufficient check and balance in the Board as the decisions to be made by the Board require approval by at least a majority of the Directors and the Board has four independent non-executive Directors out of the ten Directors after 24 March 2020, which is in compliance with the Listing Rules;

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

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

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

Mr. Li Liangbin has stepped down as the president of the Company with the effect from 3 February 2023 and remains as the chairman of the Board while Mr. Wang Xiaoshen was appointed as the president of the Company with the effect from 3 February 2023. Accordingly, the Company has complied with Code Provision C.2.1 since 3 February 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any listed securities of the Company during the Reporting Period.

INTERIM DIVIDENDS

The Board proposed not to distribute any interim dividends for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

REVIEW OF 2023 INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") was established by the Board in compliance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules and Code Provision D.3.3 as set out in the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Wong Sze Wing, Mr. Wang Jinben and Ms. Xu Yixin. Ms. Wong Sze Wing serves as the chairman of the Audit Committee and possesses the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30 June 2023, and is of a 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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.ganfenglithium.com). The Company's 2023 interim report containing the information as required by the Hong Kong Listing Rules will be sent to the Shareholders and published on the website of the Hong Kong Stock Exchange and on the website of the Company in due course.

By Order of the Board
Ganfeng Lithium Group Co., Ltd.
Li Liangbin
Chairman

Jiangxi, the PRC
29 August 2023

As at the date of this announcement, the Board comprises Mr. LI Liangbin, Mr. WANG Xiaoshen, Ms. DENG Zhaonan and Mr. SHEN Haibo as executive Directors; Mr. YU Jianguo and Ms. YANG Juan as non-executive Directors; and Mr. WANG Jinben, Ms. WONG Sze Wing, Ms. XU Yixin and Mr. XU Guanghua as independent non-executive Directors.