赣锋锂业
GanfengLithium

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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1772)

INSIDE INFORMATION
ANNOUNCEMENT IN RELATION TO THE PROVISION FOR ASSETS IMPAIRMENT

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

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

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

I. OVERVIEW OF PROVISION FOR ASSETS IMPAIRMENT

1. Reasons for provision for assets impairment

In order to objectively, truly and accurately reflect the financial position, assets value and operating conditions of the Company as at December 31, 2020, based on the principle of prudence, the Company and each of the subsidiaries within the scope of the consolidated statements conducted impairment tests against their respective assets in accordance with the Accounting Standards for Business Enterprises (the "**ASBE**") (企業會計準則) and the relevant accounting policies of the Company, and propose to make corresponding provision for assets impairment of the Company within the scope of the consolidated statements as at December 31, 2020.

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

After full inspection and impairment tests against assets that indicate impairment at the end of 2020, including receivables, inventories, goodwill, long-term equity investment, etc., the Company and each of the subsidiaries propose to make provision for impairment of each item of assets amounting to approximately RMB133,550,500 in total in 2020. Details are as follows:

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

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

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

3. Approval procedures for the provision for assets impairment.

The provision for assets impairment was considered and approved at the 18th meeting of the fifth session of the Board and the 14th meeting of the fifth session of the supervisory committee of the Company. The audit committee of the Board has made explanation on the reasonableness of the proposed provision for assets impairment. The provision for assets impairment shall not be subject to the consideration and approval at the general meeting of the Company.

II. DETAILS OF PROVISION FOR ASSETS IMPAIRMENT

(I) Loss on Credit Impairment:

1. Approach of provision for credit impairment

Based on the expected credit losses (the "**ECLs**"), the Company performs the impairment treatment on financial assets measured at amortized cost, and debt instruments investment at fair value through other comprehensive income and recognizes the loss provision. For trade receivables and contract assets which do not contain significant financing component, the Company uses a simplified measurement method to measure the loss provision based on the amount of lifetime ECLs.

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

The Company assesses the ECLs of financial instruments individually and collectively. The Company considers the nature of credit risks of different customers, and assesses the ECLs of receivables based on aging portfolio of overdue debts.

2. Credit impairment

By adopting the ECLs model, the provisions of impairment loss for receivables and debt investment amount to RMB32.0755 million and RMB78.7391 million, respectively.

(II) Assets Impairment Loss

1. Inventory impairment

On the balance sheet date, inventories are measured by the Company at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in the value of inventories is recognized in profit or loss for the current period. If factors that previously resulted in the provision for decline in the value of inventories no longer exist and result in the net realizable value being higher than their carrying amount, the amount of the write-down is reversed to the extent of the amount of the provision for the decline in value of inventories and is recognized in profit or loss for the current period.

Net realizable value is the estimated selling price of the inventories in the ordinary course of business deducting the estimated costs upon completion, the estimated selling expenses and the related taxes. Provision is considered individually for all inventories. For inventories that relate to a product series that is produced and marketed in the same geographical area, have the same or similar uses or purposes, and cannot be practicably measured separately from other items, provision for decline in the value of inventories can be determined in aggregate.

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

2. Goodwill impairment

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

The Company determines if there is any indication of assets impairment on the balance sheet date. If there is any indication of assets impairment, recoverable amount shall be estimated for impairment test. Goodwill arising from business combinations and intangible assets with an indefinite useful life will be tested for impairment at least at the end of each year, regardless of whether there is any indication of impairment. The intangible assets which are not ready for use will be tested for impairment annually as well. The recoverable amount of an asset is the higher of its fair value less the cost of disposal and the present value of the future cash flows expected to be derived from the asset. The Company estimates the recoverable amount of an individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company shall determine the recoverable amount of the asset group to which the asset belongs. The determination of an asset group is based on whether major cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups. When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and a provision of assets impairment is made accordingly.

For the purpose of impairment test of goodwill, the carrying amount of goodwill arising from a business combination is allocated to the relevant asset group on a reasonable basis from the acquisition date. Where it is difficult to allocate the carrying amount to the relevant asset group, it is allocated to the combination of relevant asset group. The relevant asset group or combination of asset group are those which can benefit from the synergies of the business combination and are not more than the reportable segments identified by the Company.

For the purpose of impairment test of the relevant asset group or asset group combination that includes goodwill, where there is any indication of impairment in the asset group or asset group combination in relation to goodwill, the Company will first conduct impairment tests on the asset group or asset group combination that does not include goodwill to calculate the recoverable amount and confirms the corresponding impairment loss. Then, the Company will conduct impairment tests on the asset group or asset group combination that includes goodwill and compare its carrying value against its recoverable amount. If the recoverable amount is lower than its carrying value, the amount of impairment loss is first offset against the carrying value of the goodwill allocated to the asset group or asset group combination, then, based on the proportion of the carrying value of other assets in the asset group or asset group combination other than goodwill, offset against the carrying value of other assets proportionally.

The impairment loss of the above assets recognized shall not be recovered in the subsequent reporting period.

According to the above accounting policies, the Company has conducted impairment test on the relevant asset group or asset group combination that includes goodwill as at the end of the reporting period. The test showed that the Company's goodwill arising from the acquisition of Ningbo Lisaikang New Material Technology Co., Ltd. (寧波力賽康新材料科技有限公司) has been impaired. As of the date of the announcement, according to the preliminary estimation of the finance department of the Company and based on the principle of prudence, it is estimated that the provision for goodwill impairment for 2020 will be RMB18.3022 million. The data has not been audited, and the determination of the final result is subject to review by appraisal institution and accounting firm.

3. Impairment of long-term equity investment

On the balance sheet date, the Company assesses whether there is any indication of impairment on long-term equity investment in joint ventures. If there is any indication that an asset may be impaired, the recoverable amount of the asset is estimated and impairment test will be conducted. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. When the recoverable amount of an asset is less than its carrying amount, the Company will write down its carrying value to the recoverable amount, and the amount written down will be booked into the current profits and losses, and the corresponding provision for assets impairment will be made. The test shows that the long-term equity investment held by the Company in Dalian Eco-power Technology Co., Ltd. (大連伊科能源科技有限公司) has been impaired. As of the date of the announcement, according to the preliminary estimation of the finance department of the Company and based on the principle of prudence, it is estimated that the provision for impairment of the long-term equity investment for 2020 will be RMB4.9769 million. The data has not been audited, and the determination of the final result is subject to review by appraisal institution and accounting firm.

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

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

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

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

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

The independent directors of the Company are of the view that the provision for assets impairment is in line with the ASBE and the relevant accounting policies of the Company. Based on the principle of prudence, its provision method and amount can objectively and fairly reflect the financial position and operating results of the Company and does not prejudice the interest of the Company and its shareholders, in particular minority shareholders. The decision-making process of the provision for assets impairment complies with the requirements of relevant laws, regulations and the articles of association of the Company. All independent directors agree to the provision for assets impairment.

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

The audit committee of the Board is of the view that the provision for assets impairment is in line with the ASBE and the relevant accounting policies of the Company. Based on the principle of prudence, the provision method and amount can objectively and fairly reflect the financial position and operating results of the Company and does not prejudice the interest of the Company and its shareholders, in particular minority shareholders as a whole. All members of the audit committee approve the provision for assets impairment and submit it to the Board for consideration.

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

The fourteenth meeting of the fifth session of the supervisory committee of the Company was convened on February 25, 2021, at which the Impairment Resolution was considered and approved. The supervisory committee of the Company is of the view that the provision for assets impairment is in line with the ASBE and the relevant accounting policies of the Company. Based on the principle of prudence, the accurate and complete impairment test shows that the provision method and amount can objectively and fairly reflect the financial position and operating results of the Company and does not prejudice the interest of the Company and its shareholders, in particular minority shareholders as a whole. The decision-making process of the provision for assets impairment complies with the requirements of relevant laws, regulations and the articles of association of the Company. All supervisors approve the provision for assets impairment.

The board of directors
Ganfeng Lithium Co., Ltd.

February 25, 2021

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