力勤资源
LYGEND RESOURCES

宁波力勤资源科技股份有限公司
LYGEND RESOURCES & TECHNOLOGY CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 2245

2022
ANNUAL REPORT

Contents

Company Profile

We are a company with business across the entire nickel industry value chain. We are engaged in both the trading and the production of nickel products. Leveraging in-depth industry knowledge accumulated over the years, we have built a comprehensive product and service portfolio covering multiple areas across the nickel industry value chain, from upstream sourcing of nickel resources, trading and production of nickel products, to equipment manufacturing and sale. We continued to expand upstream and downstream in the nickel industry, vertically integrating across the nickel industry value chain. Our products are widely used in various downstream sectors including the NEV and stainless steel industries.

Corporate Information

BOARD OF DIRECTORS

Chairman and executive Director

Mr. CAI Jianyong

Executive Directors

Mr. JIANG Xinfang
Ms. FEI Feng
Mr. CAI Jianwei
Mr. YU Weijun

Non-executive Director

Mr. Lawrence LUA Gek Pong

Independent non-executive Directors

Dr. HE Wanpeng
Ms. ZHANG Zhengping
Dr. WANG James Jixian

SUPERVISORS

Mr. GE Kaicai *(Chairman of the Board of Supervisors)*
Mr. DONG Dong
Ms. HU Zhinong

BOARD COMMITTEE

Audit Committee

Ms. ZHANG Zhengping *(Chairperson)*
Dr. HE Wanpeng
Dr. WANG James Jixian

Remuneration Committee

Dr. HE Wanpeng *(Chairperson)*
Ms. ZHANG Zhengping
Mr. YU Weijun

Nomination Committee

Mr. CAI Jianyong *(Chairperson)*
Dr. HE Wanpeng
Ms. ZHANG Zhengping

JOINT COMPANY SECRETARIES

Ms. FEI Feng
Ms. TANG Wing Shan Winza (ACG HKACG)

AUTHORIZED REPRESENTATIVES (UNDER THE LISTING RULES)

Ms. FEI Feng
Ms. TANG Wing Shan Winza (ACG HKACG)

Corporate Information

REGISTERED OFFICE

2/F, Mingchuang Building
No. 707 Tiantong South Road
Yinzhou District
Ningbo City, Zhejiang Province
PRC

HEAD OFFICE

10-11/F, Building C10, R&D Park, Lane 299
Guanghua Road
Yinzhou District
Ningbo City, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

Agricultural Bank of China, Ningbo Branch
Bank of China, Fenghua Branch
China CITIC Bank, Ningbo Jiangdong Branch

LEGAL ADVISORS

As to Hong Kong laws:
Herbert Smith Freehills

As to PRC laws:
Zhejiang T&C Law Firm

COMPLIANCE ADVISOR

Somerley Capital Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

2245

COMPANY'S WEBSITE

www.lygend.com

DATE OF LISTING

1 December 2022

Financial Summary

The following financial information is extracted from the consolidated financial statements of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as, the "Group"), which is prepared under the International Financial Reporting Standards:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the years ended 31 December			
	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**18,289,596**	12,449,318	7,755,174	9,347,434
GROSS PROFIT	**4,493,835**	1,515,928	952,659	1,018,101
PROFIT BEFORE TAX	**3,184,970**	1,439,137	700,403	785,096
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,568,068**	1,277,212	443,465	580,503
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
OWNERS OF PARENT	**2,052,377**	1,117,740	445,283	579,361

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
NON-CURRENT ASSETS	**12,015,872**	7,637,849	1,679,358	1,324,981
CURRENT ASSETS	**8,824,522**	4,643,551	2,201,084	3,075,888
TOTAL ASSETS	**20,840,394**	12,281,400	3,880,442	4,400,869
LIABILITIES				
NON-CURRENT LIABILITIES	**3,959,308**	3,611,563	11,472	14,743
CURRENT LIABILITIES	**4,853,289**	3,496,180	2,476,915	3,239,237
TOTAL LIABILITIES	**8,812,597**	7,107,743	2,488,387	3,253,980
EQUITY				
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	**8,476,396**	3,138,398	1,389,996	1,144,232
NON-CONTROLLING INTERESTS	**3,551,401**	2,035,259	2,059	2,657
TOTAL EQUITY	**12,027,797**	5,173,657	1,392,055	1,146,889
TOTAL EQUITY AND LIABILITIES	**20,840,394**	12,281,400	3,880,442	4,400,869

Chairman Statement

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), we are pleased to present to you the annual report of the Group for the period commencing from 1 January 2022 and ending on 31 December 2022 (the "Reporting Period").

2022 is a year of great significance for the Company. As a company with business across the entire nickel industry value chain, we adhere to the corporate philosophy of "From Diligence, Toward Excellence" (力致卓越，勤無止境) to form a comprehensive product service system based on industry knowledge accumulated over the years and our business covers various industry segments including upstream nickel resources procurement, nickel product trade, smelting production, equipment manufacturing and sales, etc. On 1 December 2022, we were successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which is not only a recognition for our past efforts, but also a sign that the Company has opened a new chapter of development.

In the past year, the Company faced both opportunities and challenges. The rapid development of downstream industries such as stainless steel and new energy vehicles ("NEV") has promoted the growth of global nickel ore trade volume, and more and more investments have turned to the nickel industry value chain. Among which, Phase II of the Company's nickel product smelting project on the Obi Island, Indonesia (the "HPAL Project") was successfully put into operation, and the cumulative annual output of nickel metal from Phase I of the HPAL Project far exceeded the designed production capacity. The nickel pyrometallurgy project on the Obi Island, Indonesia (the "RKEF Project") also successfully produced iron. In the face of challenges such as the macroeconomic landscape, the epidemic and industry competition, our excellent business and financial performance in 2022 affirmed the unique value we provided to the nickel industry value chain, and gives us confidence in the Group's position in the competitive landscape to come.

Looking forward, the Group will continue to lead by innovation and development to continue to strengthen its leading position in the global nickel industry by leveraging on its well-established industrial ecosystem, first-mover advantages in key processes and procedures, high quality customer base and other competitive strengths. At the same time, the Company will expand upstream resource channels, seize growth opportunities in downstream industry, promote technological innovation, empower the development of a green and sustainable nickel industry value chain to build a more prosperous nickel resources ecosystem and further expand and deepen our business in the entire industry chain to enhance the interests of the Company and its shareholders (the "Shareholders"), and bring sustainable and stable development to the Group.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to the Group's management and staff for their commitment and dedication. I would also like to express my deep gratitude to all of our partners, customers, suppliers and the Shareholders for their continuous support.

LYGEND RESOURCES & TECHNOLOGY CO., LTD.
Cai Jianyong
Chairman and Executive Director

People's Republic of China, 31 March 2023

Management Discussion and Analysis

I. BUSINESS REVIEW

Overview

We are a company with business across the entire nickel industry value chain, and the trade volume of nickel products ranks first in the world. Meanwhile, for nickel product production, the HPAL Project which we have jointly developed with PT Trimegah Bangun Persada, a substantial shareholder of certain non-wholly owned subsidiaries of the Company, together with its associates (the "Indonesian Partner"), is one of the most technically advanced nickel-cobalt compound hydrometallurgy projects worldwide, and has the lowest cash cost among all nickel-cobalt compound production projects worldwide. 2022 is a critical year for the Company and our business. We have achieved significant growth in scale and revenue through investment and construction in nickel product production. Our trading business also continued to generate stable revenue for the Group. Our revenue increased by 46.9% from RMB12,449.3 million for the year ended 31 December 2021 to RMB18,289.6 million for the year ended 31 December 2022. At the same time, we successfully listed on the main board of the Stock Exchange on 1 December 2022, raising approximately RMB3,285.6 million (after deduction of listing expenses).

Nickel Resources Sourcing and Trading

The Company has continued to focus on the nickel industry market, making full use of its strengths in trading business and prioritising the market and has carried out strategic cooperation and determined cooperation intentions or signed strategic cooperation agreements with mainstream downstream customers.

Smelting and Production of Nickel Products

In 2022, the Group continued to deepen the smelting and production of nickel products, focus on optimizing resource allocation to fully secure the Obi project in Indonesia on all fronts, which achieved a long cycle of safe and stable production of the production line. The HPAL Project exceeded its annual production tasks. The two production lines for phase I of the hydrometallurgy project have reached full capacity. The utilisation rates of these production lines exceeded 100%. One production line for phase II of the hydrometallurgy project was put into operation and has received target output during the Reporting Period. Phase III of the hydrometallurgy project completed the filing pursuant to the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and Administrative Measures for Overseas Investment Management (《境外投資管理辦法》) promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) during the Reporting Period and the construction of the production line is in process. The production line for Phase I of the RKEF Project was put into operation in October 2022. All eight production lines are expected to be put into operation in 2023.

Manufacturing and Sales of Equipment

We have further expanded our business into the nickel product production equipment manufacturing segment since 2019. In 2022, the revenue from manufacturing and sales of equipment decreased by 34.6%. Xi'an Pengyuan Metallurgical Equipment Co., Ltd. (西安鵬遠冶金設備有限公司), one of the subsidiaries of the Group, provided key equipment including ferronickel furnaces and rotary kilns for the Obi project and cooperated with our manufacturing facilities in Suqian, Jiangsu Province, China to carry out research and development projects to provide equipment technical transformation support.

Management Discussion and Analysis

Impact of the Russia-Ukraine conflict and the London Metal Exchange ("LME") Nickel Price Spike on the Group

The Russia-Ukraine tensions have accelerated in February 2022, following which countries and regions, including the U.S. and European countries, imposed various forms of economic sanctions on Russia, Russian entities and individuals, such as ban on the export of dual-use goods, Russian flights and all Russian oil and gas imports. In addition, in relation to the geo-political conflict, since early March 2022, there has been an unprecedented price spike in the LME nickel price, exceeding US$50,000/ton. The LME nickel price has gradually normalised and fluctuated within the price range of US$22,900 per ton – US$35,000 per ton in the second quarter of 2022.

We believe that the impact of such geo-political conflicts and the resulting temporary LME nickel price spike on our business and results of operations is limited.

We have taken a number of measures to mitigate the negative impact of nickel price fluctuations:

- For the procurement of nickel ore for our trading business and ferronickel production, although we have not entered into any long-term supply agreements with nickel ore suppliers in the Philippines, attributable to our stable, long-term relationships with the Filipino nickel mining companies and our large purchase volume, we have generally been able to procure laterite nickel ore from them at a discount of the prevailing market prices and in sufficient quantities.

- Pursuant to our shareholders agreements with our Indonesian Partner, our Indonesian Partner has agreed to give priority to supplying nickel ore to the three subsidiaries and an associate we have established together with our Indonesian Partner, including PT Halmahera Persada Lygend ("HPL"), PT OBI Nickel Cobalt ("ONC"), PT Karunia Permai Sentosa ("KPS") and PT Halmahera Jaya Feronikel ("HJF"). For the HPAL Project, our supply agreements with our Indonesian Partner have set forth a minimum supply commitment (8 million metric tons per annum) as well as a price calculation formula for HPL's procurement of laterite nickel ore from our Indonesian Partner, which has enabled HPL to secure a stable supply of laterite nickel ore at competitive prices.

- We purchase futures products from licensed financial institutions to hedge against price fluctuations related risks for a portion of our ferronickel inventory. This enables us to generate income when the nickel price drops (which minimises our risk exposure to decrease in nickel prices), while incurring losses when the nickel price increases. We have a dedicated team in our sales and marketing department responsible for the purchase of futures products in a prudent manner.

Management Discussion and Analysis

II. FINANCIAL REVIEW

Revenue

The following table sets out the breakdown of total revenue by business segment in absolute amounts and as a percentage of total revenue for the years ended 31 December 2022 and 31 December 2021.

	For the years ended 31 December			
	2022		2021	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Nickel Products Trading				
Laterite Nickel	**4,234,542**	**23.2**	4,780,838	38.4
Ferronickel	**4,024,492**	**22.0**	2,739,369	22.0
Nickel-cobalt compounds	**–**	**–**	1,250,856	10.0
Subtotal	**8,259,034**	**45.2**	8,771,063	70.4
Nickel Products Production				
Ferronickel	**1,905,914**	**10.4**	1,538,886	12.4
Nickel-cobalt compounds	**7,213,301**	**39.4**	909,611	7.3
Subtotal	**9,119,215**	**49.8**	2,448,497	19.7
Equipment manufacturing and sales	**655,933**	**3.6**	1,003,392	8.1
Others	**255,414**	**1.4**	226,366	1.8
Total	**18,289,596**	**100.0**	12,449,318	100.0

Our revenue increased by 46.9% from RMB12,449.3 million in the year ended 31 December 2021 to RMB18,289.6 million in the year ended 31 December 2022. The increase in revenue was mainly attributable to the increase in revenue generated from our nickel products manufacturing business.

Revenue generated from the trading business decreased by 5.8% from RMB8,771.1 million in the year ended 31 December 2021 to RMB8,259.0 million in the year ended 31 December 2022, mainly due to (i) a slight decrease in sales volume of nickel ore in the trading business as a result of the decrease in supply, leading to a decrease in revenue of RMB546.3 million in the year ended 31 December 2022 as compared to the year ended 31 December 2021; (ii) increased customer demand and higher average selling price and sales volume of ferronickel in the trading business, resulting in an increase in revenue of RMB1,285.1 million in the year ended 31 December 2022 as compared to the year ended 31 December 2021; and (iii) a shift from nickel product trading revenue to nickel product production revenue for nickel-cobalt compounds with the acquisition of HPL, resulting in a decrease in revenue of RMB1,250.9 million in the year ended 31 December 2022 as compared to the year ended 31 December 2021.

Management Discussion and Analysis

Revenue generated from production business increased significantly from RMB2,448.5 million in the year ended 31 December 2021 to RMB9,119.2 million in the year ended 31 December 2022, mainly due to (i) our consolidation of HPL from 30 November 2021, resulting in a significant increase in revenue from self-produced nickel-cobalt compounds in the year ended 31 December 2022 as compared to the year ended 31 December 2021. (ii) increased customer demand and higher average selling price and sales volume of self-produced ferronickel, resulting in an increase in revenue of RMB367.0 million in the year ended 31 December 2022 compared to the year ended 31 December 2021.

Revenue generated from the equipment manufacturing and sales business decreased by 34.6% from RMB1,003.4 million in the year ended 31 December 2021 to RMB655.9 million in the year ended 31 December 2022, primarily due to our acquisition of an additional 18.0% equity interest in HPL on 29 November 2021. We have included the results of equipment sales to HPL in our consolidated financial statements since 30 November 2021.

Revenue generated from other business increased by 12.8% from RMB226.4 million in the year ended 31 December 2021 to RMB255.4 million in the year ended 31 December 2022, mainly due to the additional sales of ancillary materials (mainly orchid charcoal) to HJF in the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB1,515.9 million in the year ended 31 December 2021 to RMB4,493.8 million in the year ended 31 December 2022, with a increase in gross profit margin of 12.2% and 24.6% respectively.

Gross profit from our trading business decreased by 10.4% from RMB739.7 million in the year ended 31 December 2021 to RMB662.8 million in the year ended 31 December 2022. Gross profit margin of the trading business decreased from 8.4% to 8.0%, mainly due to the decrease in gross profit margin of laterite nickel ore from 13.8% in the year ended 31 December 2021 to 13.3% in the year ended 31 December 2022 as a result of the increase in unit cost and the decrease in gross profit margin of ferronickel from 2.8% in the year ended 31 December 2021 to 2.5% in the year ended 31 December 2022.

Gross profit from our production business increased significantly from RMB626.6 million in the year ended 31 December 2021 to RMB3,707.9 million in the year ended 31 December 2022. Gross profit margin of nickel products production business increased from 25.6% to 40.7%, mainly due to our consolidation of HPL, which started generating revenue from the sales of our nickel-cobalt compounds with a relatively higher gross profit margin from 30 November 2021. Gross margin on our ferronickel production decreased from 16.2% in the year ended 31 December 2021 to 8.9% in the year ended 31 December 2022, primarily due to (i) higher prices for coal, reductants and ancillary materials used in ferronickel production; and (ii) higher costs per unit of production due to increased raw material costs.

Management Discussion and Analysis

Gross profit from the equipment manufacturing and sales business decreased by 4.5% from RMB111.6 million in the year ended 31 December 2021 to RMB106.6 million in the year ended 31 December 2022. The gross profit margin of the equipment manufacturing and sales business increased from 11.1% in the year ended 31 December 2021 to 16.3% in the year ended 31 December 2022, mainly due to the higher gross profit margin of certain equipments sold to HJF in the year ended 31 December 2022.

Gross profit of other businesses decreased by 56.7% from RMB37.9 million in the year ended 31 December 2021 to RMB16.4 million in the year ended 31 December 2022. Gross profit margin of other businesses decreased from 16.8% to 6.4% in the same period, mainly due to the lower gross profit from additional sales of ancillary materials to HJF in the year ended 31 December 2022.

Other income and gains decreased by 37.5% from RMB424.9 million in the year ended 31 December 2021 to RMB265.4 million in the year ended 31 December 2022, mainly due to (i) a gain of RMB282.6 million from our stepwise acquisition of subsidiaries in the year ended 31 December 2021 compared to nil in the year ended 31 December 2022; (ii) a gain of RMB92.8 million from changes in fair value of derivative financial instruments recognised under our HPL interest rate swap agreement in the year ended 31 December 2022 compared to nil in the year ended 31 December 2021; (iii) a decrease in net foreign exchange gains of RMB40.6 million due to the upward trend of the U.S. dollar against the RMB in the year ended 31 December 2022; (iv) an increase in interest income of RMB23.6 million in the year ended 31 December 2022; and (v) an increase in government subsidies of RMB20.4 million in the year ended 31 December 2022.

Sales and Distribution Expenses

Sales and distribution expenses decreased by 22.5% from RMB124.1 million in the year ended 31 December 2021 to RMB96.2 million in the year ended 31 December 2022, mainly due to a decrease of RMB24.6 million in compensation expenses for sales and marketing staff as our existing business has matured and optimised its employee structure.

Administrative Expenses

Administrative expenses significantly increased from RMB301.1 million in the year ended 31 December 2021 to RMB791.3 million in the year ended 31 December 2022, mainly due to (i) an increase in staff costs of RMB164.1 million and an increase in travel expenses of RMB52.7 million as a result of the big increase of staff for business expansion; (ii) an increase in HPL's on-site management expenses of RMB81.0 million; (iii) an increase in professional service fees of RMB36.8 million; and (iv) a corresponding increase in office expenses, bank handling fees and taxes due to business growth.

Other Operating Expenses

Other operating expenses increased significantly from RMB91.9 million in the year ended 31 December 2021 to RMB388.9 million in the year ended 31 December 2022, mainly due to (i) increase in investment loss of RMB130.9 million for the portion of our revenue pricing linked to futures impacted by fluctuations of nickel prices; (ii) the net foreign exchange loss increased by RMB63.2 million due to the upward trend of the US dollar against the RMB in the year ended 31 December 2022; (iii) increase in the loss of futures products increased by RMB46.2 million; (iv) increase in the loss on fair value change of financial products held for trading increased by RMB35.9 million; and (v) increase in endowment expenses of RMB21.1 million in the year ended 31 December 2022.

Management Discussion and Analysis

Finance Costs

The significant increase in financing costs from RMB79.3 million in the year ended 31 December 2021 to RMB254.4 million in the year ended 31 December 2022 was mainly due to the increase in interest on bank borrowings of RMB174.9 million. The increase in interest on bank borrowings was mainly due to (i) the increase in interest on letter of credit corresponding to the growth of nickel products trading; and (ii) the interest incurred on HPL's long-term borrowings.

Share of Profits or Losses of Associates

The share of losses from our invested associates in the year ended 31 December 2022 was RMB45.2 million compared to profits of RMB99.0 million in the year ended 31 December 2021. This change is mainly due to HPL, which was our associate prior to becoming our subsidiary on 30 November 2021, starting to generate revenue from the sales of nickel-cobalt compound products in the year ended 31 December 2021. The increase in the share of loss of our associates in the year ended 31 December 2022 is due to the loss incurred by HJF as a result of the ongoing construction of the RKEF Project.

Profit before tax

As a result of the foregoing, profit before tax increased significantly from RMB1,439.1 million in the year ended 31 December 2021 to RMB3,185.0 million in the year ended 31 December 2022.

Income Tax Expenses

Income tax expense decreased by 12.5% from RMB179.2 million in the year ended 31 December 2021 to RMB156.9 million in the year ended 31 December 2022, mainly due to the decrease in profit before tax of the domestic companies, while HPL with increased profit enjoys tax preferences in Indonesia.

Profit for the Year and Net Profit Margin

As a result of the foregoing, profit for the year increased significantly from RMB1,260.0 million in the year ended 31 December 2021 to RMB3,028.1 million in the year ended 31 December 2022. Net profit margin increased from 10.1% in the year ended 31 December 2021 to 16.6% in the year ended 31 December 2022.

Management Discussion and Analysis

Liquidity, Working Capital, Financial Resources and Capital Structure

Liquidity and Source of Funds

Excluding the proceeds from the Global Offering in December 2022, our operating activities will be funded primarily by cash and cash equivalents on hand, cash generated from operations and bank borrowings. Cash and cash equivalents primarily consist of cash on hand and bank balances. As at 31 December 2022, cash and cash equivalents as stated in the consolidated statements of cash flows amounted to RMB4,426.2 million (31 December 2021: RMB1,413.3 million). A summary of the consolidated cash flow statement for the year ended 31 December 2022 and the year ended 31 December 2021 is set out in below table.

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Operating cash flows before changes in operating capital	**4,120,068**	1,254,691
Changes in operating capital	**(1,903,144)**	(227,492)
Income taxes paid	**(217,613)**	(215,878)
Net cash from operating activities	**1,999,311**	811,321
Net cash used in investing activities	**(3,780,713)**	(643,300)
Net cash from financing activities	**4,583,634**	997,235
Net increase in cash and cash equivalents	**2,802,232**	1,165,256
Cash and cash equivalents at beginning of the year	**1,413,298**	256,903
Effect of foreign exchange rate changes, net	**210,640**	(8,861)
Cash and cash equivalents at the end of the year	**4,426,170**	1,413,298

Net cash from operating activities

Cash used in operations primarily consists of profit before tax adjusted for non-cash items and changes in operating capital.

For the year ended 31 December 2022, net cash generated from operating activities was RMB1,999.3 million (2021: RMB811.3 million), mainly comprising profit before tax of RMB3,185.0 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB217.6 million. Adjustments to certain non-cash and non-operating items mainly included (i) depreciation of property, plant and equipment of RMB377.6 million and amortisation of intangible assets of RMB76.5 million; (ii) net foreign exchange loss differences of RMB103.3 million; and (iii) financing costs of RMB254.4 million, which was partially offset by fair value changes of financial assets at fair value through profit or loss of RMB51.8 million. This amount was further adjusted by changes in operating capital, including (i) an increase in receivables from related parties of RMB1,040.9 million, mainly related to the payment of guarantee deposits for nickel ore procurement; (ii) an increase in trade and bills receivables of RMB586.6 million; (iii) a decrease in contract liabilities of RMB275.6 million; and (iv) an increase in trade and bills payables of RMB236.8 million.

Management Discussion and Analysis

Net cash used in investing activities

For the year ended 31 December 2022, net cash used in investing activities amounted to RMB3,780.7 million (2021: RMB643.3 million), mainly comprising (i) purchases of property, plant and equipment items of RMB3,884.0 million, (ii) redemption of pledged time deposits of RMB260.0 million; and (iii) purchase of financial assets at fair value through profit or loss and deposits for purchases of futures of RMB165.2 million.

Net cash from financing activities

For the year ended 31 December 2022, net cash generated from financing activities amounted to RMB4,583.6 million (2021: RMB997.2 million), mainly comprising (i) proceeds from bank borrowings of RMB6,824.7 million and proceeds from other borrowings of RMB448.4 million, partially offset by repayments of bank borrowings and other borrowings of RMB5,723.4 million; (ii) proceeds from the issuance of shares of RMB3,434.0 million, partially offset by capitalized brokerage fees of RMB96.1 million; (iii) payment of interest on bank borrowings of RMB221.9 million; and (iv) payment of dividend from prior years of RMB67.1 million.

Financial assets at fair value through profit or loss including derivate financial instruments

Our financial assets at fair value through profit or loss increased from nil as at 31 December 2021 to RMB107.9 million as at 31 December 2022, mainly due to our purchases of wealth management products and interest rate swaps.

Capital Expenditures

The following table sets forth a breakdown of our capital expenditures for the periods indicated.

	For the year ended 31 December			
	2022		2021	
	RMB'000	**(%)**	*RMB'000*	*(%)*
Prepayments for property, plant and equipment	**3,883,984**	**100.0**	309,951	46.8
Interests in associates	**–**	**–**	351,691	53.2
Interest in a joint venture	**677**	**–**	–	–
Total	**3,884,661**	**100.0**	661,642	100.0

Management Discussion and Analysis

Commitments

The following table sets forth a breakdown of our capital commitments as at the dates indicated.

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Property, plant and equipment	**6,633,055**	2,374,080
Capital contributions payable to a joint venture	**–**	681
Total	**6,633,055**	2,374,761

Indebtedness

We recognised debts of RMB6,291.4 million as at 31 December 2022 (as at 31 December 2021: RMB4,762.5 million), which included interest-bearing bank and other borrowings of RMB6,232.5 million (as at 31 December 2021: RMB4,751.6 million) and lease liabilities of RMB58.9 million (as at 31 December 2021: RMB10.9 million).

Contingent liabilities

As at 31 December 2022, we had no material contingent liabilities.

Gearing ratio

Our gearing ratio is calculated as total interest-bearing bank borrowings divided by total equity. Gearing ratio decreased from 0.9 as at 31 December 2021 to 0.5 as at 31 December 2022 mainly due to the significant increase in equity as a result of the proceeds from our initial public offering of shares.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material investments, material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2022.

Financial Risks

Foreign Exchange Risk

Our financial statements are presented in RMB. Fluctuations in exchange rates between other currencies in which the Group conducts its business may affect the Group's financial position and operation results. We currently do not have a foreign currency hedging policy. However, our management will manage foreign currency risk through regular reviews and consider hedging significant foreign currency risk exposures when necessary.

Management Discussion and Analysis

Pledge of Assets

As at 31 December 2022, a portion of our loans are secured by (i) pledges of buildings and land located in the PRC and Indonesia with a carrying value of RMB1,731.8 million (as at 31 December 2021: RMB1,707.6 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB84.5 million (as at 31 December 2021: RMB17.4 million); (iii) pledges of plant and machinery, electronic and office equipment, motor vehicles and buildings under construction located in Indonesia with a carrying value of RMB2,427.5 million (as at 31 December 2021: RMB2,163.8 million); (iv) pledge of deposits with a carrying value of RMB313.9 million (as at 31 December 2021: RMB639.0 million); and (v) the Group has not pledged its inventories in 2022 (as at 31 December 2021: RMB201.7 million).

As at 31 December 2022, the Group had no other assets pledged to financial institutions other than those disclosed above.

Future Plans for Material Investments and Capital Assets

As at 31 December 2022, we did not have other plans for material investments and capital assets.

Significant investments, material acquisitions and disposals of assets and equity

During the Reporting Period, there were no significant assets acquisition or disposal, merger or equity investments of the Company.

III. OUTLOOK

In 2022, our nickel product production line is progressing smoothly, and the nickel trade is proceeding steadily. In view of the rapid development of the nickel industry value chain and the uncertainties and challenges of the macroeconomic landscape, we will enhance the Company's self – competitiveness through the following methods: enter the Shanghai-Hong Kong Stock Connect, realize the completion of the construction and put into operation of major projects, strive to facilitate the implementation of new projects and foreign cooperation, and promote mergers and developments of resources, further improve the Company's management system and build an efficient team of management and employees.

The Group will also continue to focus on the entire nickel industry value chain and explore suitable investment opportunities to enhance the interests of the Company and its shareholders and bring sustainable and stable development to the Group.

Management Discussion and Analysis

Expanding Upstream Resource Channels and Seeking High-quality Nickel Mine Investment Opportunities

As a fundamental component of our business strategy to establish a comprehensive business coverage throughout the nickel industry value chain, nickel mines are key in supporting our overall business growth and our ability to meet the market demand. As such, securing high-quality and stable nickel resources is crucial to our sustainable development. Guided by this strategic goal, we plan to continuously expand our upstream resources channels and seek high-quality nickel mine investment opportunities to ensure we can consistently acquire nickel ore resources of high and consistent quality. In particular:

- We plan to further reinforce and deepen our existing business cooperation with mines and suppliers in Indonesia and the Philippines. For example, we plan to leverage the distinctively successful experience of our Obi projects to pursue a synergistic effect and win-win situation with upstream partners in terms of production and industrial park operation and management.

- We also plan to expand our financing channels through this Listing, and actively seek investment opportunities of high-quality nickel mines overseas to expand our upstream resource reserve. Based on our experience in the nickel industry value chain and our insights into the market trends, we intend to further evaluate the industry policies in places where resources are located to produce nickel ore in a cost-effective manner and with grades compatible with our business needs.

Completing and Expanding Our Nickel Product Production Projects and Seizing Growth Opportunities in Downstream Industries

The Obi projects in Indonesia we currently invest in are pivotal for us to achieve profitable growth in the future, and thus it is essential for our business development to put these production lines into operation smoothly and efficiently as scheduled.

HPAL Project. The HPAL Project has a total of six nickel-cobalt compounds production lines planned, with an aggregate designed production capacity of 120,000 metal tons of nickel-cobalt compounds (including 14,250 metal tons of cobalt) per annum. As at the date of this annual report, two nickel-cobalt compounds production lines under phase I of the HPAL Project, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds (including 4,500 metal tons of cobalt) per annum, and another nickel-cobalt compounds production line under phase II of the project, with a designed production capacity of 18,000 metal tons of nickel-cobalt compounds (including 2,250 metal tons of cobalt) per annum have been put into operation and producing MHP. The remaining three nickel-cobalt compounds production lines under phase III of the project, with an aggregate designed production capacity of 65,000 metal tons of nickel-cobalt compounds (including 7,500 metal tons of cobalt) per annum, are expected to commence production in the fourth quarter of 2023.

At the same time, we are adding machinery and equipment, including acid production equipment, such that all six production lines of the HPAL Project will become capable of producing nickel sulfate and cobalt sulfate in the future. Once the HPAL Project's production lines and their corresponding nickel sulfate and cobalt sulfate production facilities are put into operation, we plan to flexibly adjust the allocation of production capacities among nickel-cobalt compounds in response to the demand from our customers and the relative profit margins of these products.

Management Discussion and Analysis

RKEF Project. The RKEF Project has a total of 20 ferronickel production lines planned, with an aggregate designed production capacity of 280,000 metal tons of ferronickel per annum. Among them, all eight ferronickel production lines under phase I of the RKEF Project, with an aggregate designed production capacity of 95,000 metal tons of ferronickel per annum, is expected to commence production in 2023. These production lines are owned by HJF, a company incorporated in Indonesia in which we hold a 36.9% equity interest. Another 12 ferronickel production lines under phase II of the RKEF Project, with an aggregate designed production capacity of 185,000 metal tons of ferronickel per annum, are expected to commence production in the third quarter of 2024.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

We strive to continuously enhance our research and development ("R&D") capabilities and promote technological upgrades to maintain our leading technological position in the relevant markets.

We intend to increase our investment in R&D, further upgrade our existing production techniques and equipment, continue to conduct R&D of new production techniques, expand our product portfolio, promote the sustainable development of each business segment, and look into ways to comprehensively develop and utilise our resources to improve production efficiency. We plan to establish a R&D center in China to carry out integrated R&D activities including the development of new products, application of new technologies in production processes, and green and carbon emission reduction-related technology. We plan to further enhance our R&D capabilities through establishing the new R&D center, strengthening our cooperation with various universities and research institutions and establishing a high-quality research team.

The main directions of our future R&D activities include the comprehensive utilisation of metal resources in laterite nickel ore, energy conservation and carbon emission reduction, intelligent control, development of downstream nickel-cobalt composite materials and lithium battery materials:

- With respect to the comprehensive utilisation of metal resources in laterite nickel ore, we are currently developing techniques to further explore the extraction of valuable metals from slags generated from the HPAL process, such as iron and scandium. We are also looking into the comprehensive utilisation of slags generated from the RKEF process;

- With respect to energy conservation, carbon emission reduction and intelligent control, we are optimising the techniques of the HPAL and RKEF processes, improving the degree of automation and intelligence of our production process, as well as the application of technologies and new equipment for the purposes of energy conservation and carbon emission reduction during the production process; and

- With respect to the development of downstream nickel-cobalt composite materials and lithium battery materials, we are developing nickel-cobalt composite products, ternary precursor materials and battery materials.

We charted out a step-by-step plan to enhance our R&D capabilities, and aspire to build up our domestic R&D center to a world-class R&D platform for production of nickel products and new materials development, and become a leader in the relevant areas. We further aspire to guide technological innovation in our industry to continuously improve our innovativeness and competitiveness.

Management Discussion and Analysis

Creating a More Open and Robust Nickel Resource Ecosystem

We are dedicated to constructing a more open and robust nickel resource ecosystem centered around our core competitiveness through constructing downstream production base and exporting our entire industrial park model, among others.

We plan to construct in Indonesia a number of integrated downstream production base including the Obi Island. On the Obi Island, we plan to introduce projects for the production of other metals, and utilise their reaction intermediaries, such as sulfuric acid, steam, and coal gas, to the production of nickel-cobalt compounds and ferronickel, thereby maximizing resource utilisation to achieve synergistic effects. Moreover, we intend to proceed with the construction of our planned 3,000,000-tons stainless steel project, and build up a new type of industrial park centered around nickel resources to attract more partners to join.

We further plan to actively drive the construction of infrastructure including ports and airports on the Obi Island to integrate electricity, logistics, technology and resources in the same park. We aspire to continue improving our operational efficiency throughout the entire industry value chain on the Obi Island, and minimize operation and production costs.

We also plan to expand our business into the field of new energy battery materials. As part of our initiative, we have formed Contemporary Brunp Lygend Co., Ltd., a limited liability company in which the Company indirectly holds a 30.0% interest ("CBL"). CBL will focus on a variety of projects across the NEV industry value chain, from nickel mine exploration, production of nickel products and NEV battery materials, to the manufacturing and recycling of NEV batteries.

Built on our successful experience in production, engineering design and industrial park operation and management in relation to Obi projects, we plan to replicate and export this model to other countries and regions similarly endowed with rich nickel resources, thereby further extending our business ecosystem throughout the nickel industry value chain.

In the long run, we are dedicated to promoting the low-carbon and green operation of the industrial park, and we aspire to found an industrial city that is comfortable to work and live in, and achieve the sustainable development of the local ecosystem. We may consider constructing additional photovoltaic power generation facilities for the Obi projects in collaboration with our Indonesian Partner in the future. To supplement the power generation by traditional power plants, photovoltaic installations can effectively reduce carbon emissions generated from our business operation. We aspire to achieve green and low-carbon production and operation in the industrial park.

We further plan to adequately protect the local ecosystem and environment of the industrial park and maintain a good relationship with the local government. We expect to continue building up a resource-saving, environmentally-friendly, intelligent and clustered industrial park, promote the construction of a green, ecological, safe and livable industrial city, and ultimately promote the green economy strategy of "carbon peak" and "carbon neutrality" to countries under China's Belt and Road Initiative.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. CAI Jianyong (蔡建勇), aged 52, is our founder, chairman of the Board, and an executive Director of our Company. He was first appointed as our Director on 5 January 2011 and was redesignated as our executive Director on 16 December 2021. Mr. Cai is primarily responsible for the overall management of the Group and in particular, on our resourcing, trading and investment business and the public relations department of our Company.

Prior to the establishment of our Company, Mr. Cai had nearly 10 years of experience in international commodity trade. He worked at Zhejiang Grand Resources Import and Export Co., Ltd. (浙江遠大進出口有限公司) (the predecessor of Grand Resources Group Co., Ltd. (遠大物產集團有限公司)) from April 2000 to December 2007, focusing on commodity export, import and domestic trade. He subsequently worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from January 2008 to December 2008, focusing on international commodity trade with experience in relation to ore trading activities. Since founding our Group, Mr. Cai has brought in industry expertise and leveraged his reputation and relationship from his previous experience in building our business.

Mr. Cai graduated from Shanghai Institute of Building Materials Industry (上海建築材料工業學院) (later merged into Tongji University) in May 1992 with a specialization in financial accounting.

Mr. JIANG Xinfang (江新芳), aged 49, is an executive Director and the general manager of our Company. Mr. Jiang is primarily responsible for the laterite nickel ore project and the daily operation and management of our Group. He joined our Company as the chief project manager in January 2018 and was in charge of the overall implementation of the Company's projects in Indonesia. He was appointed as the president of our Company in September 2020, and has become our general manager since September 2021. Mr. Jiang was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Mr. Jiang has more than 20 years of experience in metal-related production industry. Prior to joining our Company, he worked at Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019) from August 1998 to June 2002. Mr. Jiang also held various positions within Tsingshan Holding Group Co., Ltd. (青山控股集團有限公司). He worked at Tsingshan Holding Group Shanghai International Trading Co., Ltd. (青山控股集團上海國際貿易有限公司) from May 2005 to November 2007, and subsequently worked at Shanghai Tsingshan Mineral Co., Ltd (上海青山礦產品有限公司) from December 2007 to December 2010. He then worked at Shanghai Tsingshan Mining Investment Co., Ltd. (上海青山礦業投資有限公司) from January 2011 to October 2014. Afterwards, Mr. Jiang served as a general manager of Guangdong Century Tsingshan Nickel Industry Company Limited (廣東世紀青山鎳業有限公司) until April 2016.

Mr. Jiang obtained a bachelor of engineering degree in electrochemistry manufacturing technology and a master of engineering degree in applied chemistry from Harbin Institute of Technology in July 1996 and June 1998, respectively. He further completed the Executive MBA program at China Europe International Business School in October 2011.

Directors, Supervisors and Senior Management

Ms. FEI Feng (費鳳), aged 46, is an executive Director and a deputy general manager of our Company. She is primarily responsible for the coordination and management of our Company's day-to-day operation. Ms. Fei has been serving as a deputy general manager of our Company since she joined our Company in July 2009, and has been in charge of coordination and management of our Company's internal affairs across various departments such as finance, risk management, human resources and administrative affairs. She was appointed as the secretary to our Board in November 2021. Ms. Fei was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Prior to joining our Company, Ms. Fei worked at Zhejiang Grand Resources Import and Export Co., Ltd. (浙江遠大進出口有限公司) (the predecessor of Grand Resources Group Co., Ltd. (遠大物產集團有限公司)) from September 1999 to December 2007, and worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from January 2008 to June 2009.

Ms. Fei obtained a bachelor's degree in auditing from Zhengzhou University of Aeronautics in July 1999.

Mr. CAI Jianwei (蔡建威), aged 51, is an executive Director and a deputy general manager of our Company. He joined our Company as a business officer in February 2009. He served as a sales manager from April 2009 to October 2011 and later as a sales director from October 2011 to September 2021. During this period, he was involved in the Company's trading activities, business development, personnel management, market penetration and other activities. In September 2021, he was appointed as a deputy general manager of our Company and has been primarily responsible for managing the trade affairs of our Company, which include the international trading and domestic sales of nickel ore and ferronickel products. Mr. Cai Jianwei was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Mr. YU Weijun (余衛軍), aged 54, is an executive Director and a deputy general manager of our Company. Mr. Yu is primarily responsible for managing the financial affairs of our Company and providing professional support to our day-to-day operation. He joined our Company in August 2011 and was responsible for financial, external and investigative affairs of our Company. Since 2015, Mr. Yu has been responsible for our projects in Suqian, Jiangsu Province, China as well as the financial planning and coordination of our projects on the Obi Island in Indonesia. Mr. Yu has been serving as a deputy general manager of our Company since August 2020. Mr. Yu was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Mr. Yu has over 22 years of experience in financial accounting and management. From May 1999 to April 2006, he served as the chief financial officer of Ningbo Hualv Communications Co., Ltd. (寧波華旅通訊有限公司), a company focusing on telecommunications, television broadcast and satellite transmission services. Mr. Yu subsequently worked at Ningbo Tianhan Holding Group Co., Ltd. (寧波天漢控股集團股份有限公司) from September 2007 to February 2008, a company engaged in the real estate industry.

Mr. Yu graduated from Zhejiang Radio and TV University (currently known as Zhejiang Open University) in July 1988 with a specialization in financial accounting. He was qualified as an accountant specializing in enterprise accounting under the Ministry of Personnel (now Ministry of Human Resources and Social Security) of the PRC in May 1996. He further graduated from Hangzhou College of Commerce (currently known as Zhejiang Gongshang University) in June 1996 with a specialization in accountancy.

Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Lawrence LUA Gek Pong, aged 65, was appointed as our Director on December 7, 2021 and was redesignated as a Non-executive Director on December 16, 2021. Mr. Lua is responsible for providing guidance and advice on corporate and business strategies.

Mr. Lua has extensive banking, management and advisory experience across major banks. He joined DBS Private Bank in 2011 and was a Managing Director and Group Head of its Private Bank before stepping down as its Senior Advisor on December 31, 2022. Prior to joining DBS, Mr. Lua held various senior banking positions, including serving as a Managing Director (Investment) in Merrill Lynch International Bank Limited and a Managing Director and Senior Advisor of Bank Julius Baer & Co., Ltd.

Based in Singapore, Mr Lua is currently the Chairman of Miclyn Express Offshore Ltd and is also Chairman of Azura Investment Partners Pte Ltd. He continues to serve as an Independent Director of Bumitama Agri Ltd (a company listed on the Singapore Stock Exchange (stock code: P8Z)) since January 2020 and Board Member of Maitri Asset Management Pte Ltd since November 2021. He served as an Independent Director of SingHaiyi Group Ltd, a company previously listed on the Singapore Stock Exchange which was privatized in January 2022, from August 2020 to January 2022.

Mr Lua has been a Member of the Advisory Board for Wealth Management at the Singapore Management University since May 1, 2018. He was Chairman of the Institute of Banking and Finance Singapore ("IBF") Private Banking Industry Workgroup and a Member of the IBF Standards Committee from February 2017 to December 2020.

Mr. Lua obtained a Bachelor of Social Science with Honors in Economics from the National University of Singapore in 1982. He was conferred a Fellow of IBF in 2014 and in 2021 received the Public Service Medal Award (Pingat Bakti Masyarakat) from the President of Singapore.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. HE Wanpeng (何萬篷), aged 49, was appointed as our Director on 7 December 2021 and was redesignated as an independent non-executive Director on 16 December 2021. Dr. He is responsible for providing independent advice to the Board.

Dr. He is a renowned policy researcher in China. He has served as the dean and chief researcher of Shanghai Research Center for Emerging Industries in the Foreshore (上海前灘新興產業研究院) since 2016, primarily engaged in providing solutions for government departments and enterprise groups. He was a vice-dean and chief professional researcher of regional economics of Shanghai Fuka Economic Forecasting Research Institute Co., Ltd. (上海福卡經濟預測研究所有限公司), a company engaged in research planning and consultation on various topics in the field of social sciences.

Dr. He holds various government and academic appointments. He was appointed as a member of the Ningbo "Made in China 2025" and Smart Economy Strategic Advisory Committee in May 2018 and the Ningbo City Manufacturing Industry High-quality Development and Smart Economy Strategic Advisory Committee by the Ningbo Municipal Government in September 2019. He was further appointed as a member of the Intelligent City Expert Advisory Committee by the Shanghai Jinshan District Government in May 2020 and a policy consultant expert by the Shanghai Municipal Human Resources and Social Security Bureau in October 2020. In addition, he has served as an expert of the metropolitan governance research center at Tongji University since March 2017 and an adjunct professor of the school of politics and international relations at Central China Normal University since October 2020.

Directors, Supervisors and Senior Management

Dr. He has also served as an independent director of Shanghai International Airport Co., Ltd. (上海國際機場股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600009)) from June 2016 to August 2022, Shanghai Shibei HI-Tech Co., Ltd. (上海市北高新股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600604)) since February 2019 and Shanghai Lujiazui Fin and Trade (上海陸家嘴金融貿易區開發股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600663)) since April 2021. In addition, he has served as a director of Cisci (Shanghai) Supply Chain Management Co., Ltd. (賽世(上海)供應鏈管理股份有限公司) since January 2014 and Shanghai Qianzhuang Asset Management Co., Ltd. (上海前莊資產管理有限公司) since July 2015. He was a former independent director of Long Yuan Construction Group Co., Ltd. (龍元建設集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600491)) from May 2013 to May 2019.

Dr. He obtained a bachelor's degree in global politics, economy and international relations from Renmin University of China in July 1995. He further received a master degree in technical economics and management from Tongji University in May 2006 and a doctoral degree in management science and engineering from Tongji University in November 2013. He qualified as a professorate senior economist under the Shanghai Economic Series Senior Professional Title Review Committee (上海經濟系列正高級職稱評審委員會) in October 2021.

Ms. ZHANG Zhengping (張爭萍), aged 43, was appointed as our Director on 7 December 2021 and was redesignated as an independent non-executive Director on 16 December 2021. Ms. Zhang is responsible for providing independent advice to the Board.

Ms. Zhang is a notable individual in the field of tax. Since July 2000, Ms. Zhang has worked at Ningbo Zhengyuan Tax Agent Co., Ltd. (寧波正源稅務師事務所有限公司), focusing on providing tax advice, consulting, auditing, verification, training and due diligence and other intermediary services. She is currently a senior project manager and shareholder of Ningbo Zhengyuan Tax Agent Co., Ltd., a company based in Qinzhou, Ningbo and engaged in providing tax-related services. In 2014, she was nominated as one of the Leading Talents of the National Registered Tax Agent Industry (全國註冊稅務師行業高端人才).

Ms. Zhang completed undergraduate studies in accounting from Zhejiang College of Finance & Economics (currently known as Zhejiang University of Finance & Economics) in June 2002. She further obtained an executive master of professional accountancy degree from Chinese University of Hong Kong in November 2019. She has been a registered accountant with the Chinese Institute of Certified Public Accountants since December 2007 and has been a registered tax agent with the Ministry of Personnel and State Administration of Taxation since September 2004.

Dr. WANG James Jixian (王緝憲), aged 69, was appointed as our Director on 7 December 2021 and was redesignated as an independent non-executive Director on 16 December 2021. Dr. Wang is responsible for providing independent advice to the Board.

Based in Hong Kong, Dr. Wang is a specialist in transport geography and has served as a research director of the Bay Area Hong Kong Center and Belt & Road Hong Kong Center since October 2019. He was also a member of the expert advisory panel of the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" study conducted by the Planning Department of the Government of HKSAR.

Directors, Supervisors and Senior Management

Dr. Wang had 24 years of teaching and research experience as an assistant lecturer, assistant professor and associate professor at the department of geography of the University of Hong Kong from 1993 to 2017. He was also a visiting associate professor at the department of management science of City University of Hong Kong. Dr. Wang specialized in transport geography with a research focus in port development, port-city relations and public transport in China. He published several books and served as an editorial board member of the internationally refereed journal, Journal of Transport Geography. He has served as a steering committee member of the IGU Transport & Geography Commission since 2016.

Dr. Wang obtained a bachelor's degree in production allocation from Renmin University of China in July 1982. He obtained a doctor of philosophy degree in geography from University of Toronto in November 1994. He was conferred a fellow membership of the Chartered Institute of Logistics and Transport in Hong Kong in December 2008.

SUPERVISORS

Mr. GE Kaicai (葛凱財, formerly 葛凱才), aged 40, has been the chief Supervisor and a shareholder representative Supervisor of our Company since 16 September 2021. Mr. Ge is primarily responsible for the supervision of business unit relating to investment and development.

Mr. Ge has also been serving as a director of HPL and Kang Xuan Pte. Ltd. (both of which are subsidiaries of our Company) since July 2018 and November 2021, respectively.

Prior to joining our Company in January 2009, Mr. Ge worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from June 2008 to December 2008. From 2009 to 2015, he was an assistant manager of our Company's business unit in Indonesia, where he further served as a manager from 2015 to September 2021 and was responsible for overseeing our business operations in Indonesia.

Mr. Ge obtained a bachelor of engineering degree in materials science and engineering and a master of engineering degree in materials science from Tongji University in July 2005 and May 2008, respectively.

Mr. DONG Dong (董棟), aged 41, has been a shareholder representative Supervisor of our Company since 16 September 2021. He has also been a supervisor of Lygend Shanghai since June 2018. Mr. Dong is primarily responsible for overseeing the trade affairs department of our Company.

Since April 2009, Mr. Dong has been the manager of our Company's business unit in the Philippines and responsible for the nickel ore trading business, mining rights investment and other related business activities in the Philippines. He was also mainly responsible for managing overseas procurement activities in respect of our nickel ore trading business.

Mr. Dong obtained a bachelor's degree in building environment and equipment engineering from Wuhan University of Science and Technology in June 2005 and a master's degree in business management from University of Science and Technology Beijing in July 2007.

Ms. HU Zhinong (胡志濃), aged 43, has been an employee representative Supervisor of our Company since 16 September 2021 and the documentation supervisor of our Company since September 2010. Ms. Hu is primarily responsible for overseeing the documentation department.

Directors, Supervisors and Senior Management

Prior to joining our Company in 2010, Ms. Hu served as a documentation supervisor of Ningbo Joint International Trade Co., Ltd (寧波相與國際貿易有限公司) from January 2008 to September 2010, a company engaged in clothing export business.

Ms. Hu graduated from Zhejiang Business Technology Institute in July 2000 with a specialization in public relations secretarial studies. She further graduated from Central Radio and TV University (now the Open University of China) in March 2005 with a specialization in business English. She also holds a certificate in international commercial documents issued by the Ningbo Foreign Trade and Economic Cooperation Bureau in October 2006.

SENIOR MANAGEMENT

Mr. SONG Zhen (宋臻), aged 45, is a deputy general manager of our Company and is primarily responsible for the public relations aspects of our Company. He joined our Company in January 2009 and served as a manager of our Indonesian business unit until 2015, mainly responsible for the market development and business management in Indonesia. He then served as the chairman of the board of Jiangsu Wisdom, a wholly-owned subsidiary of our Company, from August 2015 to October 2020, focusing on the management of ferronickel production. He has also served as the director of Lygend Shanghai since April 2018 and was appointed as a deputy general manager of our Company in September 2021. Mr. Song was also a founding supervisor of our Company from December 2008 to September 2021.

Mr. Song obtained an executive MBA degree from Hong Kong Asia Business College (香港亞洲商學院) in July 2016.

Mr. WANG Ling (王凌), aged 45, has been the person in charge of the Company's financial affairs since joining our Company in April 2018 and was appointed as a financial controller of our Company on 16 September 2021. He has been responsible for the financial accounting and management, tax management, capital allocation and approval, and building and maintenance of the enterprise resource planning system of our Company.

Mr. Wang has over 17 years of experience in financial accounting and management. He served as a consultant at Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Nanjing branch) and as a senior consultant at PricewaterhouseCoopers (Shenzhen) Co., Ltd. (Shanghai branch). From August 2008 to February 2012, he worked at the finance department of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600177), and was responsible for tax planning and financial management. He then served as a manager of the finance department of Grand Resources Group Co., Ltd. (遠大物產集團有限公司) from February 2012 to June 2014. Immediately prior to joining our Company, Mr. Wang was the general manager of the finance department of Grand Petrochemical Co., Ltd (遠大石化有限公司) (a major business unit of Grand Resources Group Co., Ltd.) from July 2014 to April 2018.

Mr. Wang obtained a bachelor of economics degree in accounting from East China Shipbuilding Institute (華東船舶工業學院) (now Jiangsu University of Science and Technology) in June 2000 and a master's degree in accounting from Zhejiang University in March 2004. Mr. Wang obtained a legal professional qualification after passing the national judicial examination of the Ministry of Justice of the PRC in February 2006. He was registered as a certified tax agent (non-practicing) with the Jiangsu Certified Tax Agents Association in December 2007 and a certified member (non-practicing) of the Zhejiang Institute of Certified Public Accountants in December 2009.

Corporate Governance Report

The board of directors of the Company (the "Board" or "Director(s)") is pleased to report to its Shareholders on the corporate governance of the Company for the period from 1 December 2022 (the "Listing Date") to 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance principles ensuring ethical business integrity, sustainable economic, environmental, and social development will enable the Group's stakeholders, including Shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the basis of the Company's corporate governance practices. Save as disclosed herein, the Group has complied with the applicable code provisions under the CG Code during the period from the Listing Date to 31 December 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all the Directors and supervisors (the "Supervisors") of the Company in the securities of the Company. Having made specific enquiry of all the Directors and Supervisors, they have confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date to 31 December 2022.

According to the Company's requirements, the relevant management personnel and employees are also subject to the Model Code, which prohibits them from dealing in the Company's securities whenever they possess inside information related to the securities. The Company was not aware of any incidents of non-compliance with the Model Code by relevant personnel and employees.

Culture and Value

The Board is committed towards lawful, ethical and responsible operation of our business to achieve our core corporate culture "From Diligence, Toward Excellence" (力致卓越，勤無止境). In order to promote honesty-based and win-win cooperation in the operating environment, the Company has designed and adopted strict internal procedures to ensure the compliance of its business operations with the relevant rules and regulations. The Company has also implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters which enables the Company to improve long-term sustainable performance through investigations by the audit committee of the Board (the "Audit Committee"). The Company also has in place a whistleblowing mechanism such that any potential non-compliance incidents can be reported and investigated in a timely manner.

Corporate Governance Report

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Group and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

BOARD COMPOSITION

As at the date of this annual report, the Board consists of 9 Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors as follow:

Chairman and executive Director
Mr. CAI Jianyong[1]

Executive Directors
Mr. JIANG Xinfang
Ms. FEI Feng
Mr. CAI Jianwei[2]
Mr. YU Weijun

Non-executive Director
Mr. Lawrence LUA Gek Pong

Independent non-executive Directors
Dr. HE Wanpeng
Ms. ZHANG Zhengping
Dr. WANG James Jixian

1 Brother of CAI Jianwei
2 Brother of CAI Jianyong

The biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 20 to 25 of this annual report.

Save as disclosed in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationship(s) among the Directors.

Corporate Governance Report

BOARD AND BOARD COMMITTEES MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Company has adopted the practice of holding Board meetings regularly. Notice of not less than 14 days is given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. The agenda and accompanying board papers are despatched to the Directors or members of the committees of our Board (the "Board Committee(s)") at least three days before meetings to ensure that they have sufficient time to review these documents and be adequately prepared. When Directors or Board Committee members are unable to attend a meeting, they are advised of the matters to be discussed and are given an opportunity to make their views known to the chairman of the Board (the "Chairman") prior to the meeting.

Minutes of the Board meetings and the Board Committee meetings are recorded in detail and include the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held so that they have an opportunity to request amendments.

The Company has implemented different mechanisms to ensure independent views and input are available to the Board:

- **Composition of the Board:** Throughout the period from the Listing Date to 31 December 2022, the Board had at all times complied with Rules 3.10 and 3.10A of the Listing Rules. The Company has three independent non-executive Directors, representing more than one-third of the Board. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise.

- **Independence assessment:** Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

- **Board decision-making:** A Director who has a material interest in any transaction, contract or arrangement shall not vote (nor shall be counted in the quorum) on any Board resolution approving the same. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, such matter shall be dealt with in a Board meeting rather than by a written resolution.

- **Communication between the Chairman and the independent non-executive Directors:** The Chairman of the Board values communication with the independent non-executive Directors highly and holds meetings with them at least once each year without the presence of other Directors.

- **Remuneration of independent non-executive Directors:** Independent non-executive Directors receive fixed fees for their role as members of the Board and Board committees. No equity-based compensation with performance-related elements is granted to the independent non-executive Directors to avoid potential bias in their decision-making or compromise to their objectivity and independence.

Corporate Governance Report

- **Board evaluation:** The Board assesses and reviews the time contributed by each independent non-executive Director and their attendance at Board and Board committee meetings, so as to ensure that every independent non-executive Director has devoted sufficient time to the Board to discharge his responsibilities as a Director of the Company.

The Company has established formal and informal channels of communication to ensure that independent views and inputs are available to the Board. Our Articles of Association and the terms of references of various board committee have set out a formal framework to ensure that the independent non-executive Directors remain independent and free to express their views, and their views are systematically considered by the Board. The executive Directors and the chairman also engage regularly and directly with the independent non-executive Directors to receive their independent views and inputs in a relation to a wide variety of matters.

The implementation and effectiveness of the above mechanisms are reviewed on an annual basis. The Board considers that such mechanisms had been implemented properly and effectively in the year ended 31 December 2022.

Code provision C.2.1 of the CG Code provides that the roles of the Chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the period from the Listing Date to 31 December 2022, the Chairman is Mr. Cai Jianyong and the general manager of the Company (the "General Manager") is Mr. Jiang Xinfang, but the office of the chief executive officer of the Company is vacated. The Chairman is responsible for the overall management of the Group and in particular, on resourcing, trading and investment business and the public relations departments of the Company. The daily operation and management of the Company is monitored by the General Manager, the executive Directors as well as the senior management. The General Manager is also responsible for the Company's laterite nickel ore project. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

Code provision C.2.7 of the CG Code provides that the Chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors. As the Company was only listed on the Stock Exchange on 1 December 2022, which is less than one month away from 31 December 2022, the Chairman did not hold any meeting with the independent non-executive Directors since the Listing Date and up to 31 December 2022.

Code provision C.5.1 of the CG Code provides that Board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Stock Exchange on 1 December 2022, which is less than one month away from 31 December 2022, no Board meeting, Audit Committee meeting. Nomination Committee meeting and Remuneration Committee meeting has been held by the Company since the Listing Date and up to 31 December 2022.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the articles of association of the Company as amended from time to time (the "Articles of Association"), Directors shall be elected by general meeting and the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session. The term of each session of the Board is three years, and the Directors are eligible for re-election upon expiry of the term.

At any time before the expiration of the Director's term, the Shareholders may remove any Director by an ordinary resolution at any general meeting convened and held in accordance with the Articles of Association, despite the existence of any agreement reached between the Company and the Director (but without prejudice to any claim for damages under that agreement).

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision-making body of the Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation

The Board directly, and indirectly through the Board Committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including executive Directors, non-executive Director, and independent non-executive Directors, bring a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors bring independent judgment to the decision-making process of our Board.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to management team.

The Directors are authorized to seek independent professional advice from external consultants or experts at the Company's expense, to assist them perform their duties to the Company.

The Company has arranged appropriate liability insurance on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management of the Company ("Senior Management") arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company.

To ensure that each Director's better understanding in respect of the Company's conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors.

All of Mr. Cai Jianyong, Mr. Jiang Xinfang, Ms. Fei Feng, Mr. Cai Jianwei, Mr. Yu Weijun, Mr. Lawrence Lua Gek Pong, Dr. He Wanpeng, Ms. Zhang Zhengping and Dr. Wang James Jixian have participated in appropriate continuous professional development, including attending seminars and/or trainings; and reading materials that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors and each of the Directors have provided the Company with records of their training they received for the year ended 31 December 2022.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, a remuneration committee (the "Remuneration Committee), and a nomination committee (the "Nomination Committee") to oversee particular aspects of the Company's affairs. All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties.

The terms of reference of the Audit Committee, Remuneration Committee, and Nomination Committee are posted on the Company's website (www.lygend.com) and the Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request. The chairman and members of each Board Committee is set out under "Corporate Information" on page 3 of this annual report.

AUDIT COMMITTEE

The Audit Committee was established by the Board with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this annual report, the Audit Committee consists of three Independent non-executive Directors, namely Ms. Zhang Zhengping, Dr. He Wanpeng and Dr. Wang James Jixian. Ms. Zhang Zhengping is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are set out in the written terms of reference which include the appointments of external auditors, overseeing the financial reporting system, risk management and internal control system of our Group, reviewing the financial information of the Group and reviewing policies and practices in relation to corporate governance. The written terms of reference of the Audit Committee are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk).

Corporate Governance Report

Code provision D.3.3(e)(i) of the CG Code provides that members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditors. As the Company was only listed on the Stock Exchange on 1 December 2022, which is less than one month away from 31 December 2022, no meeting was held by the Audit Committee since the Listing Date and up to 31 December 2022. From 1 January 2023 onwards, the Audit Committee will schedule to meet at least twice per year.

Subsequent to 31 December 2022 and up to the date of this annual report, one Audit Committee meeting was held on 15 March 2023 to review the re-appointment of the auditor, the consolidated annual financial statements of the Group for the year ended 31 December 2022 and report of independent auditor, the independence and audit scope of independent auditor, and to review and discuss the risk management, internal control system, financial information and policies and practices in relation to corporate governance of the Group.

The Company's annual results announcement for the year ended 31 December 2022 and this annual report have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code adopting the model to make recommendations to the Board on the remuneration packages, bonuses and other compensation payable of individual Directors and senior management. As at the date of this annual report, the Remuneration Committee consists of three members, being one executive Director and two independent non-executive Directors, namely Dr. He Wanpeng, Ms. Zhang Zhengping and Mr. Yu Weijun. The majority of the members are independent non-executive Directors. Dr. He Wanpeng is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are set out in the written terms of reference which include making recommendations on the Company's remuneration policy and structure, remuneration packages of Directors and senior management, review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules and reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time. The written terms of reference of the Remuneration Committee are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk).

The remuneration of the Directors and senior management is determined with reference to the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities. The level of remuneration takes into consideration the remuneration required to attract and retain to manage the Company successfully. No Director or senior management of the Company is involved in deciding his/her own remuneration.

As the Company was only listed on the Stock Exchange on 1 December 2022, which is less than one month away from 31 December 2022, no meeting was held by the Remuneration Committee since the Listing Date and up to 31 December 2022. From 1 January 2023 onwards, the Remuneration Committee will schedule to meet at least once per year.

Subsequent to 31 December 2022 and up to the date of this annual report, the Remuneration Committee held one meeting on 15 March 2023 to review the remuneration policy and structure of the Directors and senior management and make recommendations to the Board on the remuneration of the Directors and senior management.

Corporate Governance Report

Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's Directors or Supervisors for the years ended 31 December 2022 and 2021.

No emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

The remuneration paid or payable to the senior management of the Company by bands during the year ended 31 December 2022 is set out below:

Remuneration bands (HK$)	Number of persons
HK$Nil to HK$5,000,000	2

NOMINATION COMMITTEE

The Nomination Committee was established by the Board with its written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. As at the date of this annual report, the Nomination Committee consists of three members, being our Chairman and two independent non-executive Directors, namely Mr. Cai Jianyong, Dr. He Wanpeng and Ms. Zhang Zhengping. The majority of the members are independent non-executive Directors. Mr. Cai Jianyong is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are set out in the written terms of reference which include reviewing the structure, size and composition of the Board, selecting and recommending individuals for directorship to the Board, and assessing the independence of the independent non-executive Directors. The written terms of reference of the Nomination Committee are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk).

In assessing the Board composition, the Nomination Committee takes into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "Board Diversity Policy"). The Nomination Committee discusses and agrees on measurable objectives for achieving diversity on the Board, where necessary, and recommends them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee considers the candidate's relevant criteria that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company was only listed on the Stock Exchange on 1 December 2022, which is less than one month away from 31 December 2022, no Nomination Committee meeting was held during the period from the Listing Date to 31 December 2022. From 1 January 2023 onwards, the Nomination Committee will schedule to meet at least once per year.

Subsequent to 31 December 2022 and up to the date of this annual report, the Nomination Committee held one meeting on 15 March 2023 to, among other businesses, review the existing structure, size and composition of the Board, consider the retirement and re-election of Directors and assess the independence of the independent non-executive Directors.

BOARD DIVERSITY POLICY

The Nomination Committee is authorised by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the General Manager.

Corporate Governance Report

The Board has adopted the Board Diversity Policy in accordance with Rule 13.92 of the Listing Rules, which sets out the objective and approach to achieve diversity to strengthen the performance of the Board. Our Board is of the view that having diversity will help the Company better understand and maintain our leading position in both the trading and the production of nickel products. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited skills, experience, cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules.

The Nomination Committee will continue monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy on an annual basis to ensure its effectiveness.

As at the date of this annual report, the Board comprises nine members, including two female Directors and seven male Directors with a balanced mix of knowledge and skills, including in overall management and strategic development, finance and accounting, policy research and corporate governance, as well as industry experience in metals production and trading. The Company has three independent non-executive Directors who have different industry backgrounds, including accounting, economics, engineering and geography. Furthermore, the Board has a relatively wide range of ages, ranging from 42 to 68 years old.

Following a review of the Board's composition, expertise and experience, as well as its diversity, the Nomination Committee and the Board are of the view that the current Board composition is sufficiently diverse in terms of gender, skills and experience and therefore, are satisfied with the implementation and effectiveness of the Board Diversity Policy.

Going forward, we will continue to work to ensure gender diversity of our Board through measures to be implemented by our Nomination Committee in accordance with the Board Diversity Policy. In particular, we will aim to maintain at least two female Directors and at least 20% female representation on our Board, whichever is lower. The Nomination Committee and the Board will take opportunities to increase the proportion of female Directors on the Board over time when selecting and making recommendations on suitable candidates as Directors. We will also continue to ensure that (i) there is gender diversity when recruiting staff at mid to senior level; and (ii) sufficient training and long-term development opportunities are provided to our female talent, so that we will have a pipeline of female senior management and potential successors to our Board in due course to ensure gender diversity of our Board.

DIVERSE WORKFORCE

Traditionally, the nickel industry has been short of female talent due to cultural influences. However, the Group maintained a workforce (including the senior management which comprised approximately 80% male and 20% female) of which approximately 90.7% were male and 9.3% were female as at 31 December 2022.

Nonetheless, the Board places emphasis on diversity (including gender diversity) across all levels of the Group and acknowledges the importance of having a diverse workforce. We strictly prohibit any discrimination in recruitment on the basis of ethnicity, race, nationality, religious beliefs, gender, age and other circumstances. We provide equal opportunities to each applicant, and fully respect and accommodate the diversity of employees. Looking ahead, the Company will adjust its recruitment practices and leverage more channels, both online and offline, to attract outstanding talents from all walks of life to increase the female proportion in its workforce.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code. The Board recognizes that corporate governance should be the collective responsibility of Directors, which include:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

As there has been discussion among the Directors on the relevant matters prior to the Listing Date and the Company was only listed on the Stock Exchange on 1 December 2022, which is less than one month away from 31 December 2022, there was no meeting convened by the Board since the Listing Date and up to 31 December 2022 for the purpose of code provision A.2.1 of the CG Code.

The Board held one meeting on 31 March 2023 to review the Company's compliance with the CG Code, the Model Code and the disclosure requirements in the Corporate Governance Report during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests and review the effectiveness of the Group's internal control and risk management systems (including ESG risks) on an annual basis so as to ensure that internal control and risk management systems in place are adequate. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to management rather than eliminate risks of failure in the Group's operational systems and in achievement of the Group's business objectives.

We have in place a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations, including but not limited to procurement management, sales management, inventory management, research and development management, investment management, regulatory compliance, anti-bribery and corruption risk management, credit risk, controls on connected transaction, controls on information disclosure, human resources, IT management and other various financial and operational controls and monitoring procedures.

Corporate Governance Report

In order to adequately and effectively manage our compliance and legal risk exposures, including for our business operation in overseas jurisdictions, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal audit department reports to and is authorized by the Audit Committee to monitor and prevent relevant regulatory misconduct.

The Audit Committee consists of all of the independent non-executive Directors, as part of our measures to improve risk management and corporate governance. The primary duties of the Audit Committee are to annually review and supervise the financial report of process and internal control system of the Group, and to advise our Board accordingly. The Audit Committee also ensure the internal audit function is adequately resourced and has appropriate standing within the Company.

The Board, as supported by the Audit Committee and the management monitors the implementation of our risk management and internal control systems, including the financial, operational and compliance controls, for the period from Listing Date to 31 December 2022. Subsequent to 31 December 2022 and up to the date of this annual report, the Audit Committee held one meeting on 15 March 2023 and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Group also implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. Our internal anti-bribery and corruption policies and procedures include the following:

(1) requiring our employees to report any bribery and corruption incident when they became aware of such an incident;

(2) prohibiting our employees and other engaged working parties from receiving bribes, including financial benefits and benefit-in-kind (such as gifts);

(3) performing financial and internal audits by our internal audit department and external audit agency on a regular basis to identity any risk of bribery and corruption;

(4) regularly evaluating the anti-bribery and corruption policies by our internal audit department to ensure the effectiveness; and

(5) regularly providing training to our employees on how to identify and report misconduct.

In case our internal audit department has identified a material risk of bribery and corruption, it will promptly initiate investigation. The investigation results will be reported to our Board (including to our independent non-executive Directors). Our internal audit department is required to keep all information about and related to the investigation, including the fact that an investigation has been filed, the nature of the complaint and the persons involved, in strict confidence. We also require all new employees to go through anti-bribery and corruption training as part of their orientation training programs.

In addition, we have in place an employee handbook and code of conduct issued by our human resources department and distributed to all our employees, which contains internal rules and guidelines covering various aspects, such as compliance and integrity, conflict of interest, work ethics, fraud prevention mechanism and anti-bribery and corruption issues.

The Company has procedures and internal controls for the handling and dissemination of inside information. In practice, employees of the Group who become aware of any events and/or matters which he/she considers potentially inside information, will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and disclosure of which shall be made immediately.

We actively monitor applicable laws and regulations within the industry we operate, including those relating to the operation of the Obi projects in Indonesia. We have implemented internal measures to ensure our compliance, which primarily include establishing guidelines and providing regular trainings and resources to keep our employees, senior management and overseas staff abreast of the relevant rules and guidelines. During the Reporting Period, there was no material incidents or complaints in relation to corruption or bribery-related matters in the course of our operations.

In addition, the Group's internal control system includes various enhanced internal control measures as elaborated in "– BUSINESS – Enhanced Internal Control Measures" in the prospectus of the Company dated 21 November 2022 (the "Prospectus"). The Group also has established internal control mechanisms to identify connected transactions. The Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to the Company business sustainability.

The Board is responsible for overseeing our overall risk management. After due consideration, the Directors are of the view that our current internal control measures are adequate and effective.

The Company has in place a whistleblowing mechanism such that any potential non-compliance incidents can be reported and investigated in a timely manner. The Board has designated the Audit Committee to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to Audit Committee for consideration by the Board.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 71 to 76.

Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to RMB5,328,000 and RMB450,000, respectively. An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Fees Paid/Payable *RMB'000*
Audit services:	
Annual audit	5,328
Non-audit services:	
Transfer pricing advisory services	350
Tax advisory service	100

JOINT COMPANY SECRETARIES

Ms. Fei Feng and Ms. Tang Wing Shan Winza have been appointed as the Company's joint company secretaries. Ms. Tang Wing Shan Winza is an assistant vice president of the governance services of Computershare Hong Kong Development Limited.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Ms. Fei Feng, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Ms. Tang Wing Shan Winza on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2022, Ms. Fei Feng and Ms. Tang Wing Shan Winza have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Articles of Association were adopted with effect from the Listing Date, and are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk). Save as disclosed in this annual report, there is no other change in constitutional documents of the Company during the period from the Listing Date to 31 December 2022.

DIVIDEND POLICY

With respect to the dividend policy, the Board may consider, among other things, the following factors when proposing dividends and determining the amount of dividends: the Company's actual and projected financial performance, our estimated working capital requirements, capital expenditure requirements and future business expansion plan, our present and future cash flow, other internal and external factors that may have an impact on our business operations or financial performance and position, and other factors that our Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of Shareholders. The declaration and payment of dividends, as well as the amount of dividends, will be subject to our Articles of Association, the relevant PRC laws and any loan or other agreements that the Group has entered into or may enter into in the future. We currently do not have any fixed dividend pay-out ratio. According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

SHAREHOLDERS' RIGHTS

The Company engages with its Shareholders through various communication channels. To safeguard Shareholders' interests and rights, separate resolution(s) should be proposed for each substantially separate issue at general meetings, including the election of an individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AT THE REQUEST OF SHAREHOLDERS

Pursuant to the Articles of Association, the Board may convene an extraordinary general meeting as it thinks fit. Shareholders requesting to convene an extraordinary general meeting or a class meeting of shareholders shall follow the following procedures:

(I) on the basis of one share one vote, shareholders individually or collectively holding 10% or more of the voting rights attached to the Company's share capital have the right to request the board of directors to convene an extraordinary general meeting or a class meeting of shareholders by way of written request(s), setting out the subject matters of the meeting. The aforementioned number of shareholdings shall be calculated as at the date of the shareholders' written request. The board of directors shall reply in writing regarding the acceptance or refusal to convene an extraordinary general meeting within ten (10) days upon receiving the request in accordance with the requirements of the laws, administrative regulations, the listing rules of the securities regulatory authority at the place where the Company's shares are listed and these Articles of Association;

Corporate Governance Report

(II) if the board of directors agrees to convene an extraordinary general meeting or class meeting of shareholders, notice convening the meeting shall be issued within five (5) days after the board of directors resolved to do so. If the board of directors makes alterations to the original proposal in the notice, consent has to be obtained from the related shareholders;

(III) if the board of directors does not agree to convene the extraordinary general meeting or class meeting of shareholders, or does not reply within ten (10) days upon receiving the request, on the basis of one share one vote, shareholders individually or collectively holding 10% or more of voting rights attached to the Company's share capital have the right to request the supervisory board to convene an extraordinary general meeting or class meeting of shareholders by way of written request(s);

(IV) if the supervisory board agrees to convene the extraordinary general meeting or class meeting of shareholders, notice convening the meeting shall be issued within five (5) days upon receiving the request. Should there be alterations to the original proposal in the notice, consent has to be obtained from the related shareholders.

If the supervisory board does not issue notice of the general meeting or class meeting within the required period, it will be regarded as that the supervisory board will not convene and preside over the general meeting or class meeting, and on the basis of one share one vote, shareholders individually or collectively holding 10% or more of voting rights attached to the Company's share capital for ninety (90) consecutive days have the right to convene and preside over the meeting by themselves.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

According to the Articles of Association, when the Company convenes a Shareholders' general meeting, the Shareholders, individually or in aggregate, holding 3% or more of the voting rights attached to the Company's share capital shall have the right to propose provisional proposals and submit it the provisional proposals in writing to the convener 10 business days prior to the Shareholders' general meeting. The convener of the Shareholders' general meeting shall dispatch a supplementary notice of the Shareholders' general meeting and announce the contents of such provisional proposal within 2 days upon the receipt of the proposal.

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, shareholders of the Company may send written enquiries to the Company, the contact details of which are as follows:

Address: 10-11/F, Building C10, R&D Park, Lane 299, Guanghua Road, Yinzhou District, Ningbo City, Zhejiang Province, PRC (For the attention of the Board of Directors)

Email: dept.securities@lygend.com

Please also refer to the "Communications with Shareholders and Investors" section below for other means of communication with Shareholders.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with its Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

A dedicated "Investor Relations" section is available on the Company's website (www.lygend.com). We will promptly respond to both telephone and written enquiries from Shareholders. Shareholders' enquiries and concerns will be forwarded to the Board and/or the relevant Board Committees, where appropriate, which will answer the Shareholders' questions. Information on the Company's website is updated regularly. At the annual general meeting, Directors (or their delegates as appropriate) are also available to meet Shareholders and answer their enquiries.

ENGAGEMENT WITH SHAREHOLDERS

The Company recognises the importance of good communication with its Shareholders and the investment community and also recognises the value of providing current and relevant information to the Shareholders and the investors. The Company has established a Shareholders Communication Policy with the objective of ensuring the Shareholders and the investment community are provided with ready, equal and timely access to current and relevant information about the Company. The policy is available on the website of the Company (www.lygend.com).

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed and timely information that concerns the Group to Shareholders and on a regular basis. This is achieved through our interim and annual reports, investor presentations as well as circulars, notices and other announcements.

Apart from formal communication channels mentioned-above, the Company maintains its website at www.lygend.com as a communication platform with Shareholders and other stakeholders, where Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

The Board regularly reviews existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. The Board has reviewed the engagement with Shareholders during the year ended 31 December 2022 and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

Report of Directors

The Board is pleased to present this report and the audited financial statements of the Group for the year ended 31 December 2022.

The biographical details of the Directors, Supervisors and senior management of the Group are set out on pages 20 to 25 of this annual report.

GLOBAL OFFERING

The Company was established as a limited liability company under the laws of the PRC on 5 January 2009. The H Shares of the Company were listed on the main board of the Stock Exchange on 1 December 2022. For details of the Global Offering, please refer to the Prospectus.

PRINCIPAL BUSINESS

We started as a nickel product trading company, focusing on the import and domestic trade of nickel ore and ferronickel. We have deployed the nickel product production sector and acquired a majority equity interest in Jiangsu Wisdom Industrial Co., Ltd. (江蘇惠然實業有限公司) since 2017. In 2018, we jointly invested in the nickel product production project on Obi Island in Indonesia with our Indonesian Partner. Since 2019, we have further expanded our business to the nickel product production equipment manufacturing sector. We have formed a comprehensive product service system in the nickel industry value chain, and our business covers (1) upstream procurement of nickel resources, (2) nickel product trade, (3) smelting production and (4) equipment manufacturing and sales.

There were no significant changes in the nature of the principal activities of the Group for the year ended 31 December 2022.

An analysis of the Group's revenue and operating profit for the year ended 31 December 2022 by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 7 to 19 in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to financial risks, including foreign exchange risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 41 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the section headed "Management Discussion and Analysis" and "Chairman Statement" in this annual report.

OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

RESULTS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income page on 77 to 78.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the Reporting Period are set out in "Management Discussion and Analysis" of this annual report on pages 7 to 19.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2022, the Company had not entered into any off-balance sheet arrangements.

FINAL DIVIDEND

The Board has resolved not to recommend the distribution of a final dividend for the year ended 31 December 2022.

EQUITY FUND RAISING ACTIVITIES

Details of equity fund raising activities of the Group are set out in note 31 to the consolidated financial statements and the paragraph headed "Use of Proceeds from the Listing" below. Save as disclosed therein, there was no other equity fund raising activity of the Company since the Listing Date and up to 31 December 2022.

USE OF PROCEEDS FROM THE LISTING

Our H Shares were listed on the Main Board of the Stock Exchange on 1 December 2022 (the "Listing Date"). The net proceeds from the Global Offering were approximately HK$3,600.4 million (including the additional net proceeds received by the Company from the issue of the Over-allotment Shares) after deducting underwriting commissions and offering expenses paid or payable. We intend to use the proceeds from the Global Offering according to the purposes and proportions disclosed in the Prospectus. See the table below for details:

Purpose	**Net proceeds from the Listing available** *(HK$ million)*	**Actual net amount utilised for the year ended 31 December 2022** *(HK$ million)*	**Unused net proceeds up to 31 December 2022** *(HK$ million)*	**Expected timeline for utilising unutilised net amount**
Development and construction of our nickel product production projects on the Obi Island	2,030.7	–	2,030.7	by the end of 2024
Contribute additional capital to CBL	864.1	–	864.1	by the end of 2023
Making potential minority investments in nickel mines in Indonesia	345.6	–	345.6	by the end of 2024
Working capital and general corporate purposes	360.0	360.0	–	
Total	3,600.4	360.0	3,240.4	

Report of Directors

Since the Listing Date and as at 31 December 2022, the Group has utilised approximately HK$360.0 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 10% of all raised funds, and the remaining unutilised proceeds is approximately HK$3,240.4 million. The balance of the proceeds from the Listing will continue to be utilised according to the intended purposes as mentioned above.

COMPLIANCE WITH LAWS AND REGULATIONS AND LEGAL PROCEEDINGS

The Group is up to date with the requirements under the relevant laws and regulations in jurisdictions in which it operates, particularly in the PRC and Indonesia, applicable to it to ensure compliance. Relevant laws and regulations include environmental, chemical manufacturing, health and safety and employment-related laws and regulations. The Group has allocated abundant resources to ensure ongoing compliance with applicable laws and regulations and to maintain healthy relationships with regulators through effective communications. During the Reporting Period, to the best knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the business operations of the Group.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this report were:

Chairman and Executive Director

Mr. Cai Jianyong

Executive Directors

Mr. Jiang Xinfang
Ms. Fei Feng
Mr. Cai Jianwei
Mr. Yu Weijun

Non-executive Directors

Mr. Lawrence Lua Gek Pong

Independent Non-executive Directors

Dr. He Wanpeng
Ms. Zhang Zhengping
Dr. Wang James Jixian

SUPERVISORS

The Supervisors during the year ended 31 December 2022 and up to the date of this report were:

Mr. Ge Kaicai *(Chairman of the Board of Supervisors)*
Mr. Dong Dong
Ms. Hu Zhinong

The Board of Supervisors held 2 meetings during 2022. Details of the events conducted by the Board of Supervisors during 2022 are set out in the section headed "Report of Supervisors" of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors entered into a contract with our Company in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration, which became effective on 1 December 2022.

The appointments are subject to the relevant provisions of the Articles of Association with regard to vacation of office of Directors and Supervisors, removal and retirement by rotation of Directors.

Save as disclosed above and the respective contracts entered into by our Directors and Supervisors in respect of other management roles in the Group, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

The Directors and Supervisors have confirmed that other than the business of the Group, none of the Directors and Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors on a named basis during the Reporting Period are set out in note 8 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 6,694 full-time employees.

Report of Directors

We recruit primarily through job search websites, employee referrals programs and campus recruiting for our recruitment needs. Our employees typically enter into standard employment contracts with us. The remuneration packages for our employees include base salary, bonuses and allowances. We set performance targets for our employees based on their position and periodically review their performance. We provide orientation programs for new employees and continuous training to enhance our employee's industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards.

As required by PRC laws and regulations, we participate in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans and medical and work-related injury insurance schemes for our employees. We also contribute to unemployment insurance plans as well as housing accumulation funds for our employees.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's remuneration policy, operating results, individual performance and comparable market statistics.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the Reporting Period, Directors and Supervisors and their associates did not have any interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors of the Group, all the Directors confirmed that they have strictly complied with the Model Code since the Listing Date and up to 31 December 2022.

CONNECTED TRANSACTIONS

One-off Connected Transactions

As disclosed in the Prospectus, during the year ended 31 December 2022, the Group conducted the following one-off connected transactions:

(1) the Company and a member of the PT Harita Guna Dharma Bhakti ("HG", together with its subsidiaries, the "HG Group") have guaranteed (i) certain bank borrowings of HPL; and (ii) certain bank borrowings of HJF; and

Report of Directors

(2) a member of the HG Group, a connected subsidiary of the Company, has provided a guarantee to HPL.

The provision of guarantee from the Company and a member of the HG Group to each of HPL and HJF constitutes financial assistance provided by the Group to a connected person and thus a one-off connected transaction under the Listing Rules.

The provision of guarantee from a member of the HG Group to HPL constitutes financial assistance provided by a connected person to the Group and thus a one-off connected transaction under the Listing Rules. However, given that such guarantee is not secured by the assets of the Group and the Directors consider it to be on normal commercial terms, it is fully exempt from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.90.

Continuing Connected Transactions

During the year ended 31 December 2022, the Group conducted the following continuing connected transactions:

Continuing connected transactions	Connected parties	Transaction value for the year ended 31 December 2022 *(US$ million)*	Annual cap amount *(US$ million)*
1. **GSP Stevedoring Framework Agreement**	GSP Group		
Expense-based			
Provision of stevedoring services to our Group		0.2	1.5
2. **Mutual Supply Framework Agreement**	HG Group and/or associates of HG		
Expense-based			
(a) Supply of nickel ore to our Group		165.9	261.8
(b) Supply of nickel products to our Group		1,389.8	2,882.5
(c) Supply of coal to our Group		17.5	46.7
(d) Lease of construction equipment to our Group		4.6	14.8
(e) Provision of administrative services to our Group		3.0	67.8
Revenue-based			
(f) Supply of production equipment, repair materials and raw and auxiliary materials to our Group		297.4	626.7

Report of Directors

1. GSP Stevedoring Framework Agreement

Background and reasons for the transactions

Prior to the Reporting Period, PT Gema Selaras Perkasa ("GSP"), one of the entities of our Indonesian Partner, (together with its subsidiaries, the "GSP Group") has provided stevedoring services to our Group in connection with the operation of our Obi projects. During the Reporting Period, the Group and GSP entered into a framework agreement on 31 May 2022 (the "GSP Stevedoring Framework Agreement"), effective upon 1 December 2022 until 31 December 2024 in respect of the continued provision of such services to our Group.

Given our involvement in the Obi projects with our Indonesian Partner, their familiarity with our business operations on the Obi Islands and the geographical proximity of the GSP Group's docks to our manufacturing facilities on the Obi Islands, it would be more convenient and cost-effective for the GSP Group to provide such stevedoring services to us.

Principal terms

During the term of the GSP Stevedoring Framework Agreement, our Group and the GSP Group may from time to time enter into separate definitive agreements which shall set out specific terms and conditions for the transactions under the GSP Stevedoring Framework Agreement. The consideration payable by our Group under the GSP Stevedoring Framework Agreement will be paid at the time and according to the settlement method to be agreed in the definitive agreements. Such definitive agreements must in any event be subject to and in compliance with the terms and conditions of the GSP Stevedoring Framework Agreement. The GSP Stevedoring Framework Agreement will be renewable subject to the negotiation between the parties and compliance with the requirements of the Listing Rules.

Pricing

The consideration under the GSP Stevedoring Framework Agreement is determined between the parties following arm's length negotiations and are on normal commercial terms, on a cost basis depending on actual usage of such stevedoring services. In any event, we will ensure that the consideration payable by our Group shall be no less favorable than the price that is available from Independent Third Party (as defined in the Prospectus) suppliers for the same or comparable services, if any.

Annual caps

The proposed annual caps for the aggregate payments to be made by our Group under the GSP Stevedoring Framework Agreement for each of the years ending 31 December 2022, 2023 and 2024 are as follows:

	For the years ending 31 December[1]		
	2022	**2023**	**2024**
	(US$ million)	*(US$ million)*	*(US$ million)*
Provision of stevedoring services to our Group (Expense based)	1.5	2.1	2.2

In arriving at the above proposed annual caps, our Directors have considered:

(a) the expected scale of operations of the Indonesian Entities on the Obi Islands and corresponding need for stevedoring services in connection with the Obi projects;

(b) the historical transaction amounts paid for such stevedoring services during the Track Record Period, whilst noting the limited reference value as various phases of the Obi projects are expected to complete construction and commence production in December 2022, 2023 and 2024; and

(c) any upward adjustment due to macro-economic factors such as inflation.

2. Mutual Supply Framework Agreement

Background and reasons for the transactions

Prior to the Reporting Period, the HG Group and/or associates of HG (including certain subsidiaries of the Company from time to time which have PT Trimegah Bangun Persada ("TBP") as a substantial shareholder, including HPL, KPS, ONC, PT Obi Stainless Steel ("OSS") and PT Dharma Cipta Mulia ("DCM") (collectively referred to as the "Indonesian Entities") have supplied nickel ore, nickel products and coal to our Group, and provided equipment rental and certain administrative services to our Group. In addition, our Group (excluding the Indonesian Entities) has supplied production equipment and supplies, repair materials and raw and auxiliary materials to the HG Group and/or associates of HG (including certain Indonesian Entities).

During the Reporting Period, we and HG entered into a framework agreement on 31 May 2022 (the "Mutual Supply Framework Agreement"), effective upon the Listing Date until 31 December 2024 in respect of the following transactions:

(a) the HG Group shall supply our Group with nickel ore;

(b) the HG Group and/or associates of HG and/or the Indonesian Entities (which are our subsidiaries) shall supply our Group (excluding the Indonesian Entities) with nickel products;

Report of Directors

(c) the HG Group shall supply coal to our Group, which is used to generate electricity required for the operation of our Obi projects;

(d) the HG Group and/or associates of HG shall lease site construction equipment and machinery used in the construction of our production facilities on the Obi Island ("Construction Equipment") to our Group;

(e) the HG Group and/or associates of HG shall provide our Group with administrative services ancillary to the day-to-day administration and operation of our Group in connection with the Obi projects. For example, the making of payments of fees required to be made to the relevant local government authority in Indonesia for the use of certain land located on the Obi Island, Indonesia ("Land Use Fees") on behalf of our Group, as well as the leasing of vessels to our Group; and

(f) our Group (excluding the Indonesian Entities) shall supply (i) equipment and supplies used for the production of nickel products; (ii) repair materials; and (iii) raw and auxiliary materials required for the nickel product production operations, to the HG Group and/or associates of HG and/or the Indonesian Entities.

The reasons for and benefits of the mutual supply of products and services are as follows:

(a) the purchases of nickel ore, nickel products and coal by our Group are at competitive prices which are no less favorable than those that our Group can obtain from Independent Third Parties;

(b) in view of our Group's past experience in procuring nickel ore and coal from the HG Group, our Directors are of the view that the HG Group can effectively fulfill our Group's demands in terms of volume and quality in a timely and reliable manner;

(c) the nickel ore mines owned by the HG Group are in close proximity to the manufacturing facilities of our Group, such that our Group's procurement of nickel ores from the HG Group can save transportation and logistics costs;

(d) the supply of nickel products by the Indonesian Entities, which are subsidiaries of our Company, to our Group are intra-group transactions entered into in the ordinary course of our nickel product production business. The nickel products acquired by our Group (excluding the Indonesian Entities) pursuant to these transactions will be sold to downstream customers of our Group;

(e) it would be more cost effective to obtain Construction Equipment through leasing from the HG Group and/or associates of HG as compared to purchasing such equipment. Given our well-established business relationship with our Indonesian Partner in building our HPAL Project on the Obi Island, HG understands the requirements and logistics relevant to the construction of our nickel production facilities and is able to offer leasing arrangements that suit our needs most appropriately;

(f) given our involvement in the Obi projects with our Indonesian Partner, it is (a) mutually beneficial for us to sell a stable and sizable amount of production equipment and supplies, repair materials and raw and auxiliary materials, including critical components for certain production equipment used in the HPAL Project and the RKEF Project on the Obi Island, to satisfy the production needs of the Indonesian Entities and of other associates of HG; and (b) more convenient for the HG Group and/or associates of HG to provide related administrative services to us; and

(g) the terms offered by our Group in respect of sales to the HG Group and/or associates of HG and/or the Indonesian Entities are on normal commercial terms and no more favorable than those provided to Independent Third Party purchasers.

Principal terms

During the term of the Mutual Supply Framework Agreement, relevant members of our Group (excluding the Indonesian Entities), the HG Group and/or associates of HG and/or the Indonesian Entities, may from time to time enter into separate definitive agreements which shall set out specific terms and conditions for the transactions under the Mutual Supply Framework Agreement. The consideration payable by or to our Group under the Mutual Supply Framework Agreement will be paid at the time and according to the settlement method to be agreed in the definitive agreements. Such definitive agreements must in any event be subject to and in compliance with the terms and conditions of the Mutual Supply Framework Agreement. The Mutual Supply Framework Agreement will be renewable subject to the negotiation between the parties and compliance with the requirements of the Listing Rules.

Report of Directors

Pricing

The consideration under the Mutual Supply Framework Agreement is determined between the parties following arm's length negotiations and are on normal commercial terms. Further details are set out in the table below:

Type of transaction	Pricing Policy
(a) Supply of nickel ore to our Group	The purchase price for nickel ore is determined with reference to the following: (i) the price for nickel ore adjusted for nickel content and moisture content issued by appointed independent surveyors; and (ii) a calculation formula taking into account the mineral benchmark price in accordance with the relevant decree issued by the Minister of Energy and Mineral Resources of Indonesia plus shipping or other transportation costs, as further set out in each definitive agreement. The calculation formula set out in the definitive agreements is typically as follows: Nickel ore purchase price = Mineral Benchmark Price x Nickel Content x (1-Moisture Content) x Correction Factor *Notes:* 1. "Mineral Benchmark Price" means the benchmark price of nickel ore periodically published by the Indonesian government. 2. "Nickel Content" means the nickel content percentage of the relevant batch of nickel ore, as determined by the independent surveyor appointed by the parties to the definitive agreement. 3. "Moisture Content" means the content percentage of water contained in the relevant batch of nickel ore, as determined by the independent surveyor appointed by the parties to the definitive agreement. 4. "Correction Factor" is a fixed percentage that shall be adjusted upward or downward proportionately based on the percentage increment or decrement in Nickel Content over or below the benchmark nickel content as set forth in the definitive agreement. 5. Our nickel ore purchase price also includes shipping or other transportation costs, which refer to costs occurred in relation to the shipping and transportation of the nickel ore.

Report of Directors

Type of transaction		Pricing Policy
(b)	Supply of nickel products to our Group	The purchase price for the nickel products is determined with reference to the prevailing market price for the relevant type of nickel product, including the prices at which Independent Third Party suppliers are willing to sell the same or comparable nickel products, and taking into account the purchase price for nickel ore.
(c)	Supply of coal to our Group	The supply price for coal is calculated by multiplying the unit price by actual weight. The unit price of coal shall be determined with reference to (a) market price and conditions; (b) relevant local industry index prices; (c) changes in local policies; (d) coal quality characteristics; and (e) transportation costs.
(d)	Lease of Construction Equipment to our Group	The rental consideration for each type of Construction Equipment is determined with reference to the prevailing market prices of the same or comparable equipment or machinery leased in the ordinary and usual course of business. The total rent payable is based on the quantity of each type of Construction Equipment used and the recorded rental usage of the same, as further set out in each definitive agreement.
(e)	Provision of administrative services to our Group	The fees for the administrative services is generally determined on a cost basis depending on actual usage of the relevant services. Rental payable for the lease of vessels is based on the type and/or size of vessels, and is determined with reference to the prices charged by Independent Third Parties. We shall reimburse the HG Group for the amount of Land Use Fees paid by them on our behalf, which is calculated with reference to the area of land used by the relevant member of our Group and the rate of fees charged by the relevant local government authority in Indonesia.
(f)	Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group	The price for our sale of production equipment and supplies, repair materials and raw and auxiliary materials is determined based on a cost plus basis, taking into reference our procurement costs and related expenses (e.g. labor and logistics costs).

In any event, we will ensure that (i) the consideration payable by our Group shall be no less favorable than the price that is available from Independent Third Party suppliers for the same or comparable products and services; and (ii) the consideration payable to our Group shall be no more favorable to the HG Group and/or associates of HG and/or the Indonesian Entities than the price that is available to Independent Third Party purchasers for the same or comparable products.

Report of Directors

Annual caps

The proposed annual caps for the aggregate payments to be made by our Group, or to our Group, under the Mutual Supply Framework Agreement for each of the years ending 31 December 2022, 2023 and 2024 are as follows:

		For the years ending 31 December[1]		
		2022	**2023**	**2024**
		(US$ million)	*(US$ million)*	*(US$ million)*
Expense-based				
(a)	Supply of nickel ore to our Group	261.8	423.7	1,026.7
(b)	Supply of nickel products to our Group[1]	2,882.5	6,336.4	8,843.3
(c)	Supply of coal to our Group	46.7	109.6	251.1
(d)	Lease of Construction Equipment to our Group	14.8	25.9	39.6
(e)	Provision of administrative services to our Group	67.8	124.2	185.6
Revenue-based				
(f)	Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group[1]	626.7	2,377.1	350.1

Notes:

(1) Includes intra-group transactions involving the supply of nickel products by the Indonesian Entities, which are connected subsidiaries or our Company and project companies of the Obi projects, to other members of our Group, as well as the purchase of production equipment and supplies, repair materials and raw and auxiliary materials by the Indonesian Entities from our Group.

Basis of significant increase in annual caps

The proposed annual caps for the years ending 31 December 2022 to 2024 are expected to significantly increase, in particular as compared to the corresponding historical transaction figures for the years ended 31 December 2019, 2020 and 2021, mainly due to the significant increase in production capacity of the Obi projects, which are expected to complete construction and commence operations in phases between December 2022 and July 2024.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions were:

(1) entered into in the ordinary and usual course of business of the Group;

(2) conducted on normal commercial terms or better terms; and

(3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of Shareholders and the Company as a whole.

During the year ended 31 December 2022, save as disclosed in the section headed "Connected Transactions" of this annual report, no related party transactions as disclosed in note 36 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Ernst & Young, was engaged to report on the Group's continuing connected transactions.

Below was set out in the letter from the auditor containing their findings and conclusions of the review in respect of the disclosed continuing connected transactions:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) as for the transactions that involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

A summary of all significant transactions with related parties (the "Related Party Transactions") entered into by the Group during the Reporting Period is contained in note 36 to the consolidated financial statements. During the Reporting Period, other than the continuing connected transactions of the Group set out in the section headed "Connected Transactions" of this annual report which should be disclosed pursuant to the Listing Rules, no related party transactions disclosed in note 36 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.

Report of Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the largest and the five largest customers of the Group accounted for approximately 9.0% and 35.8% of the Group's revenue, respectively. The largest and the five largest suppliers of the Group accounted for approximately 26.1% and 43.3% of the Group's purchases, respectively.

None of the Directors, their close associates (as defined under the Listing Rules), or any Shareholder which to the knowledge of the Directors owns more than 5% of the Company's share capital has any interest in the Group's five largest customers or the Group's five largest suppliers for the year, except for our Indonesian Partner.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2022, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Directors', Supervisors' and Chief Executive's Interests in the Company

Name of Director, Supervisor or Chief Executive	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares[2]	Percentage of Total Shares[3]
Mr. Cai Jianyong[4]	Domestic Shares and Unlisted Foreign Shares ("Unlisted Shares")	Beneficial owner, interest held by controlled corporations and interest of spouse	955,581,000 (L)[1]	72.52%	61.42%
Mr. Cai Jianwei[4]	Unlisted Shares	Beneficial owner	10,406,000 (L)	0.79%	0.67%
Ms. Fei Feng[5]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	33,719,500 (L)	2.56%	2.17%

Note:

1. The letter "L" denotes the person's long position in the shares.
2. The calculation is based on 1,317,768,750 Unlisted Shares or 238,162,600 H Shares issued by the Company as at 31 December 2022.
3. The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as at 31 December 2022.

4. (i) Mr. Cai Jianyong, one of our executive Directors and the chairman of the Board, directly held 416,732,000 Unlisted Shares; (ii) Zhejiang Lygend Investment Co., Ltd. (浙江力勤投資有限公司) ("Lygend Investment"), 88% of the equity interest of which was held by Mr. Cai Jianyong, directly held 507,000,000 Unlisted Shares; (iii) Ningbo Lizhan Trade Co., Ltd. (寧波勵展貿易有限公司) ("Ningbo Lizhan"), a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares; and (iv) Ms. Xie Wen (謝雯), the spouse of Mr. Cai Jianyong, directly held 30,849,000 Unlisted Shares. Therefore by virtue of the SFO, (i) Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan; (ii) Mr. Cai Jianyong is deemed to be interested in the aggregate number of Shares held by Lygend Investment, Ningbo Lizhan and Ms. Xie Wen; and (iii) Ms. Xie Wen is deemed to be interested in the Shares in which Mr. Cai has an interest.
5. Ms. Fei Feng directly held 7,804,500 Unlisted Shares, and was the general partner of each of our Employee Incentive Platforms. Therefore by virtue of the SFO, Ms. Fei Feng is deemed to be interested in the aggregate number of 25,915,000 Unlisted Shares held by our Employee Incentive Platforms.

Directors', Supervisors' and Chief Executive's Interests in Associated Corporations of the Company

Name of Director, Supervisor or Chief Executive	Name of associated corporation	Number of shares	Nature of interest	Approximate percentage
Mr. Cai Jianyong	Lygend Investment[1]	N/A	Beneficial owner	88%
Mr. Cai Jianyong	Ningbo Lizhan[2]	N/A	Interest held by controlled corporations	100%

Notes:

(1) Lygend Investment, one of our Controlling Shareholders, is a limited liability company established in the PRC and did not issue any shares. As at 31 December 2022, Mr. Cai directly held 88% equity interest in Lygend Investment.

(2) Ningbo Lizhan, one of our Controlling Shareholders and a wholly-owned subsidiary of Lygend Investment, is a limited liability company established in the PRC and did not issue any shares. As at 31 December 2022, Mr. Cai is deemed to be interested in the 100% equity interest in Ningbo Lizhan held by Lygend Investment.

Save as disclosed above, as at 31 December 2022, none of the Director, Supervisors and chief executive of the Company or their associates had any interests or short positions in any Shares, underlying Shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to any Directors or chief executives of the Company, as at 31 December 2022, other than the interests and short positions of the Directors, Supervisors or chief executives of the Company, in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares(%)[2]	Approximate percentage of the interest in the Company's issued share capital[3]
Ms. Xie Wen (謝雯)[4]	Unlisted Shares	Beneficial owner and interest of spouse	955,581,000 (L)	90.64%	61.42%
Zhejiang Lygend Investment Co., Ltd. (浙江力勤投資有限公司) ("Lygend Investment")[4]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	508,000,000 (L)	48.19%	32.65%
Feng Yi Pte. Ltd ("Feng Yi")[5]	Unlisted Shares	Beneficial owner	263,553,750 (L)	20.00%	16.94%
Ms. Lim Shu Hua, Cheryl[5]	Unlisted Shares	Interest held by controlled	263,553,750 (L)	20.00%	16.94%
Oakswood Group Ltd[4]	Unlisted Shares	Interest held by controlled	263,553,750 (L)	20.00%	16.94%
GEM Co., Ltd. (格林美股份有限公司)[6]	H Shares	Interest held by controlled corporations	24,805,200 (L)	10.67%	1.59%
GEM Hong Kong International Co., Limited (格林美香港國際物流有限公司)[6]	H Shares	Beneficial owner	24,805,200 (L)	10.67%	1.59%
廣發資管容百電池單一資產管理計劃[7]	H Shares	Trustee	24,805,200 (L)	10.67%	1.59%
Ningbo Ronbay New Energy Technology Co., Ltd. (寧波容百新能源科技股份有限公司)[7]	H Shares	Interest held by controlled corporations	24,805,200 (L)	10.67%	1.59%

Report of Directors

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares(%)[2]	Approximate percentage of the interest in the Company's issued share capital[3]
Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership) (湖北容百電池三角壹號股權投資基金合夥企業(有限合夥))[7]	H Shares	Beneficial owner	24,805,200 (L)	10.67%	1.59%
Xiantao High-tech Industry Investment Co., Ltd. (仙桃市高新技術產業投資有限公司)[7]	H Shares	Interest held by controlled corporations	24,805,200 (L)	10.42%	1.59%
Ningbo Yinzhou District Financial Holding Co., Ltd. (寧波市鄞州區金融控股有限公司)[8]	H Shares	Beneficiary of a trust (other than a discretionary interest)	27,052,600 (L)	11.63%	1.74%
HWABAO TRUST CO., LTD[8]	H Shares	Trustee	27,052,600 (L)	11.63%	1.74%
ICBC Credit Suisse Asset Management Co., Ltd. (工銀瑞信基金管理有限公司)(代工銀瑞信泰宏61號QDII單一資產管理計劃)[9]	H Shares	Investment manager	34,810,000 (L)	14.97%	2.24%
China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司)[9]	H Shares	Interest held by controlled corporations	34,810,000 (L)	14.97%	2.24%
The China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)[9]	H Shares	Beneficial owner	34,810,000 (L)	14.97%	2.24%
China International Capital Corporation (International) Limited[10]	H Shares	Interest held by controlled corporations	42,900,600 (L) 42,248,400 (S)	18.45% 18.17%	2.76% 2.72%

Report of Directors

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares(%)[2]	Approximate percentage of the interest in the Company's issued share capital[3]
China International Capital Corporation Hong Kong Securities Limited[10]	H Shares	Underwriter	35,534,200 (L) 34,882,000 (S)	15.28% 15.00%	2.28% 2.24%
廣東邦普迴圈科技有限公司[11]	H Shares	Interest held by controlled corporations	49,610,600 (L)	21.33%	3.19%
Hongkong Brunp and Catl Co., Limited (香港邦普時代新能源有限公司)[11]	H Shares	Beneficial owner	49,610,600 (L)	21.33%	3.19%
Ningbo Brunp Contemporary New Energy Co., Ltd (寧波邦普時代新能源有限公司)[11]	H Shares	Interest held by controlled corporations	49,610,600 (L)	21.33%	3.19%

Notes:

1. The letter "L" denotes the person's long position in the Shares, and the letter "S" denotes the person's short position in the Shares.
2. The calculation is based on 1,317,768,750 Unlisted Shares or 238,162,600 H Shares issued by the Company as at 31 December 2022.
3. The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as at 31 December 2022.
4. (i) Mr. Cai Jianyong, one of our executive Directors and the chairman of the Board, directly held 416,732,000 Unlisted Shares; (ii) Lygend Investment, 88% of the equity interest of which was held by Mr. Cai Jianyong, directly held 507,000,000 Unlisted Shares; (iii) Ningbo Lizhan Trade Co., Ltd. (寧波勵展貿易有限公司) ("Ningbo Lizhan"), a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares; and (iv) Ms. Xie Wen (謝雯), the spouse of Mr. Cai Jianyong, directly held 30,849,000 Unlisted Shares. Therefore by virtue of the SFO, (i) Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan; (ii) Mr. Cai Jianyong is deemed to be interested in the aggregate number of Shares held by Lygend Investment, Ningbo Lizhan and Ms. Xie Wen; and (iii) Ms. Xie Wen is deemed to be interested in the Shares in which Mr. Cai has an interest.
5. Feng Yi was wholly-owned by Oakswood Group Ltd, which was in turn solely held by Ms. Lim Shu Hua, Cheryl. Therefore by virtue of the SFO, each of Oakswood Group Ltd and Ms. Lim Shu Hua, Cheryl are deemed to be interested in the Shares held by Feng Yi.
6. GEM Co., Ltd. (格林美股份有限公司) ("GEM China") was established in 2001 and listed on the Shenzhen Stock Exchange since 2010 (stock code: 002340), as well as the Swiss Stock Exchange since 2022 (symbol: GEM). GEM Hong Kong International Co., Limited (格林美香港國際物流有限公司) ("GEM Hong Kong"), incorporated in Hong Kong, is wholly-owned by GEM China.

Report of Directors

7. Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership) (湖北容百電池三角壹號股權投資基金合夥企業（有限合夥)) ("Battery Triangle Fund") was established in Hubei, PRC in April 2022. The executive partner and general partner of Battery Triangle Fund is Beijing Ronbay New Energy Investment Management Co., Ltd. (北京容百新能源投資管理有限公司), which held 0.8% fund interests and is ultimately controlled by Mr. Bai Houshan (白厚善), the founder of Ningbo Ronbay New Energy Technology Co., Ltd. (寧波容百新能源科技股份有限公司) ("Ronbay Technology"). The limited partners of the Battery Triangle Fund are Ronbay Technology and Xiantao High-tech Industry Investment Co., Ltd. (仙桃市高新技術產業投資有限公司) (a company controlled by the Stateowned Assets Supervision and Administration Commission of the Xiantao People's Government (仙桃市人民政府國有資產監督管理委員會)), which held 51.2% and 48.0% fund interests, respectively. For the purpose of the cornerstone investment, Battery Triangle Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理（廣東）有限公司) a QDII as approved by the relevant PRC authority, to subscribe for and hold the H Shares on a discretionary basis on its behalf under the name 廣發資管容百電池單一資產管理計劃.
8. Ningbo Yinzhou District Financial Holding Co., Ltd. (寧波市鄞州區金融控股有限公司) ("Yinzhou Financial Holding") is a SOE directly under the People's Government of Ningbo City (寧波市人民政府), and ultimately controlled by Ningbo City Yinzhou District State-owned Assets Supervision and Administration Commission (寧波市鄞州區國有資產管理委員會). For the purpose of the cornerstone investment, Yinzhou Financial Holding has engaged Hwabao Trust Co., Ltd. (華寶信託有限責任公司), a trust company that is a QDII as approved by the relevant PRC authority, to subscribe for and hold the H Shares on a discretionary basis on its behalf.
9. China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) ("China Chengtong") initiated the China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) ("Mixed-ownership Reform Fund"), which is a national fund approved by the State Council, entrusted by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). The Mixed-Ownership Reform Fund has engaged ICBC Credit Suisse Asset Management Co., Ltd. (工銀瑞信基金管理有限公司), an asset manager that is a QDII as approved by the relevant PRC authority to subscribe for and hold the H Shares on its behalf.
10. Based on the disclosure of interests form submitted by China International Capital Corporation (International) Limited on 6 December 2022 (the date of the relevant event set out in the form was 1 December 2022, these shares comprised (i) 35,534,200 shares (long position) and 34,882,000 (short position) held through China International Capital Corporation Hong Kong Securities Limited; (ii) 4,216,400 shares (long position) and 4,216,400 shares (short position) held through CICC Financial Trading Limited; and (iii) 3,150,000 shares (long position) and 3,150,000 shares (short position) held through CICC Wealth Investment Limited.
11. Hongkong Brunp and Catl Co., Limited (香港邦普時代新能源有限公司) ("Hong Kong CATL") hold the H Shares of the Company and is a direct Shareholder of the Company. Hong Kong CATL is an indirectly controlled subsidiary of Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司) ("CATL"), a company established in 2011 and listed on the Shenzhen Stock Exchange since 2018 (stock code: 300750). The Company jointly established CBL with a subsidiary of CATL, Ningbo Brunp Contemporary New Energy Co., Ltd (寧波邦普時代新能源有限公司) ("Ningbo Brunp"), and Ningbo Ruiting Investment (the largest shareholder of CATL as at 31 December 2021).

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any entities/persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of Directors

PRE-IPO SHARE INCENTIVE SCHEME

On 20 October 2021, the Board passed a resolution in relation to a pre-IPO share incentive scheme (the "Scheme"), to issue 25,915,000 domestic shares ("Restricted Domestic Shares") to eligible employees (including directors and supervisors) in order to provide incentives and rewards to participants for the business development of the Group. The terms of the Scheme are not subject to the provisions of Chapter 17 of Listing Rules when it was adopted, as the Scheme does not involve the grant of options or share awards by our Company after the Listing. Given the underlying Shares under the Scheme have already been issued, there will not be any dilution effect to the issued Shares as a result of the operation of the Scheme. No further awards will be granted after Listing under the Scheme. The Restricted Domestic Shares were subscribed at the price of RMB3.02 per share by the four Employee Incentive Platforms. The aggregate amount of five highest paid individuals during the financial year is 8,600,000 Restricted Domestic Shares. The aggregate number of grants of shares of other grantees is 17,315,000 Restricted Domestic Shares.

Purpose

The purpose of the Scheme is to build an incentive mechanism for management and core employees of our Company, attract, retain and motivate the talent necessary for our Company's strategic goals, and to promote the long-term success of our Company and the interests of our Shareholders.

Administration

The Scheme shall be subject to the administration of our Board and the supervision of the Supervisors of our Company. Our Shareholders in general meeting will be of the highest authority regarding administration of the Scheme. Our Board is responsible for determining and revising the terms of the Scheme, and reporting to our Shareholders in general meeting. Our Board is also entitled to authorize a management committee (the "Management Committee") to administrate and implement the specific terms of the Scheme.

Eligibility of Participants

Participants must continuously meet the following criteria to be, or to remain, eligible under the Scheme:

- an employee of our Company or its subsidiaries who has signed an employment contract, and who aligns with our Company's corporate culture;

- (i) an employee who has been working for our Company for more than five years, or management staff who has been working for our Company for more than two years; (ii) an employee who have been introduced into our Company by the Management Committee as being essential to our development; or (iii) a core technology-related employee or key management staff working in one of our subsidiaries; and

- an employee who has abided by our Company's rules and regulations, and who has demonstrated good work performance during his/her period of employment.

Maximum entitlement of each participant under the Scheme

There is no limit on the entitlement of each participant under the Scheme.

Report of Directors

Term of the Scheme

The Scheme commenced on 20 October 2021 and shall continue to be in effect unless terminated earlier in accordance with applicable laws and provisions of the Scheme or otherwise approved by the Board.

No further awards will be granted under the Scheme, as the right to do so has been terminated upon Listing.

Details of the awarded Restricted Domestic Shares during the Reporting Period are set out below:–

Name/ category of grantees	Date of grant	Vesting period	Purchase price of share awards	Closing price immediately before the date of grant	Fair value of awards on the date of grant(3)	Unvested awards as at 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of the shares immediately before the vesting date	Cancelled/ forfeited during the Reporting Period	Lapsed during the Reporting Period	Unvested awards as at 31 December 2022
Directors												
Jiang Xinfang	15 December 2021	1 December 2023 – 15 December 2026	RMB3.02 per share	N/A(2)	RMB3.02 per share	3,000,000	0	0	N/A(4)	–	–	3,000,000
Fei Feng	15 December 2021	1 December 2023 – 15 December 2026	RMB3.02 per share	N/A(2)	RMB3.02 per share	70,000	0	0	N/A(4)	–	–	70,000
Yu Weijun	15 December 2021	1 December 2023 – 15 December 2026	RMB3.02 per share	N/A(2)	RMB3.02 per share	1,500,000	0	0	N/A(4)	–	–	1,500,000
Employees of the Group (in aggregate)	15 December 2021	1 December 2023 – 15 December 2026	RMB3.02 per share	N/A(2)	RMB3.02 per share	21,345,000	0	0	N/A(4)	–	–	21,345,000

Note:

(1) Granted Restricted Domestic Shares will be unlocked over a four-year period, with up to 25% of the awards unlocking on each of the first, second, third, fourth anniversary of the Listing Date.

(2) The grant was made prior to the Company's Listing on the Stock Exchange.

(3) The fair value of the awards is determined by an external valuer by the discounted cash flow method.

(4) The awards were vested prior to Company's Listing on the Stock Exchange.

Report of Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities throughout the period from the Listing Date up to the date of this annual report.

PRINCIPAL SUBSIDIARIES

Details of the principal activities of the principal subsidiaries of the Company are set out in note 1 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out in note 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the Companies Law in the Company's place of incorporation, were retained profits amounted to RMB595.3 million (as at 31 December 2021: RMB91.7 million).

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

Our Directors believe that our Group is capable of carrying on our business independently of our controlling shareholder(s) (as defined under the Listing Rules) (the "Controlling Shareholders") in view that the Group has maintained management independence, operational independence and financial independence since the Listing Date. Details of the independence from the Controlling Shareholders are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus.

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders of the Company, as at 31 December 2022, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the PRC that would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules, such that the minimum percentage of the Shares from time to time held by the public will be the higher of (a) 15% and (b) such percentage of H Shares to be held by the public upon any exercise of the Over-allotment Option (as defined in the Prospectus) of the enlarged issued share capital of the Company. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date and up to 31 December 2022.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 26 to 41 of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

Our business operations have complied in all material respects with the environmental protection and occupational health and safety laws and regulations in the regions in which we operate, primarily the PRC and Indonesia, and we have not been subject to any significant fines or other penalties for non-compliance with health, work safety, social or environmental regulations. The Board will continue to assess and manage the risks associated with environmental, occupational health and safety, social and corporate governance matters.

During the Reporting Period, we appointed RISKORY, an independent environmental, social and governance consultant, to advise and assist the Company in preparing an environmental, social and governance ("ESG") report (the "ESG Report") to ensure that we are aware of and comply with the latest ESG requirements of the regulatory authorities and to meet our ESG related obligations.

We are committed to operate our business in a manner that protects the environment and improves environmental sustainability. For example, in relation to the HPAL Project, we have installed various facilities, including desulfurization equipment and dust control systems, to reduce exhaust gas emissions. In addition, to reduce the amount of sewage produced and its impact on the ecosystem, we have installed filtration and extraction equipment for wastewater and sewage treatment. We are also committed to establishing an ESG committee within six months of our listing and developing a management system for the Group's environmental and social authorities. During the Reporting Period, we have initiated the relevant work and expect to complete it by the date of this annual report. In accordance with Rule 13.91 of the Listing Rules, the ESG Report will be published at the same time as this annual report.

Report of Directors

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationships with employees, please refer to the section headed "Employees and Remuneration Policy".

The Group attaches great importance to maintaining good relationships with customers, values all customers' opinions and views, and understands customers' needs through different methods and channels to ensure the provision of quality products and services to customers.

The Group has built stable and long-term relationships with suppliers, while we regularly evaluate and seek new suppliers in order to maintain competitiveness. All departments work closely together to ensure that the bidding and procurement process is conducted in an open, fair and equitable manner. The Group also communicates its rules and standards to suppliers to ensure that projects are carried out with all parties fully understanding the rules.

DONATIONS

During the Reporting Period, the Company donated RMB20 million to Ningbo Charity Federation for the establishment of the "Chiji Siming Medical Development Trust". All of the proceeds will be used to promote the development of primary health care and medical services in Ningbo City, at the county, regional and lower levels, and help build the city into a pilot demonstration zone for common prosperity. The Company and its core businesses also donated RMB2 million to the Red Cross Society of Suyu District, Suqian City, for the prevention and control of the epidemic in Suqian; RMB200,000 to the Charity Association of Suyu District, Suquan City for supporting education, and RMB100,000 to the Charity Association of Suyu District, Suquan City for the restoration of community facilities.

EVENTS AFTER THE REPORTING PERIOD

Declaration and Payment of Special Dividend

On 3 January 2023, a special dividend of RMB466,779,405 (tax inclusive) was declared to be paid on 28 January 2023 to the Shareholders whose names appeared on the register of members of the Company on 22 January 2023. Holders of the Domestic Shares were paid in RMB and holders of the H Shares were paid in HKD (HKD0.3357 per H Share of the Company, at the exchange rate being the average benchmark exchange rate of HKD to RMB as published by the PRC during the five business days immediately before 3 January 2023, HKD1.0: RMB0.89364). For details of the declaration and payment of Special Dividend, please refer to the Company's announcement dated 3 January 2023.

Proposed Amendments to the Articles of Association

On 3 January 2023, the Company announced its proposal in relation to the application of certain Shareholders holding Domestic Shares to apply for conversion to overseas listed shares and listing on the Main Board and its proposal to make certain amendments to the Articles of Association. The Articles of Association have not been amended as at the date of this annual report and shall not take effect until the approval of the Company's shareholders' meeting, which is proposed to be held on 28 April 2023. For details of, among others, the proposed amendments to the Articles of Association and notice of the Shareholders' meeting, please refer to in the Company's circular dated 3 January 2023.

Report of Directors

Possible Connected Transactions

Reference is made to the announcement of the Company dated 22 February 2023, the circular of the Company dated 15 March 2023 and the poll results announcement of the Company dated 31 March 2023 in relation to, among other things, the provision of financial assistance to PT Halmahera Persada Lygend and PT OBI Nickel Cobalt, connected subsidiaries of the Company, and the receiving of financial assistance from connected persons of the Company (the "Possible Connected Transactions"). The Company is expected to enter into the agreements relevant to the Possible Connected Transactions and a further announcement will be made by the Company as soon as practicable when such agreements have been entered into. Save as disclosed above, as at the date of this annual report, the Group had no other material events after the Reporting Period.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young, who will retire and being eligible, offer themselves for re-appointment. A resolution will be proposed in the forthcoming annual general meeting to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board
CAI Jianyong
Chairman of the Board and Executive Director
31 March 2023

Report of Supervisors

During the Reporting Period, based on the principle of being responsible to the Company and its Shareholders, the board of Supervisors (the "Board of Supervisors") has conscientiously and comprehensively performed its supervisory duties, including supervising and inspecting the lawful operation and financial situation of the Company, and supervising the members of the Board of Directors and the management of the Company, in strict accordance with the Company Law of the PRC (中華人民共和國公司法), as amended from time to time, the Articles of Association and other relevant laws and regulations.

The Board of Supervisors performs its supervisory duties by convening regular meetings; being present at and attending the general meetings of Shareholders and relevant meetings of the Board of Directors; through the above work, the Board of Supervisors comprehensively supervises the Company's operations, risk management, internal control, and duty performance of directors and senior management, and puts forward constructive and targeted operation and management suggestions and supervision opinions.

WORKS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

During the Reporting Period, the Supervisory Committee organized and convened two meetings in accordance with relevant rules:

(1) On 31 May 2022, an online meeting was convened, at which the following proposals were made:

(i) Proposal on the Formulation of the Work Report of the Supervisory Committee and its Proposal at the 2021 Annual General Meeting for Consideration "《關於擬定<監事會工作報告>並提交二零二一年年度股東大會審議的議案》";

(ii) Proposal on the Re-appointment/Appointment of the External Auditors "《關於續聘／聘任二零二二年外部審計機構的議案》":

(iii) Proposal on the Company's Decision not to Recommend the Distribution of a Dividend "《關於公司擬不進行利潤分配的議案》".

(2) On 14 November 2022, a second online meeting was convened, the agenda of which was Reviewing the Report on Progress of Listing "《聽取關於上市進展的報告》".

During the Reporting Period, members of the Supervisory Committee attended all Board meetings of the Company held prior to Listing and conscientiously supervised the procedures and contents of such meetings. The reasonable suggestions and recommendations proposed by them were all adopted.

The Supervisory Committee continued to strengthen its self-improvement, focused on enhancing communications with the Board and the management, communicated adequately on important supervision matters, proposed reasonable suggestions and recommendations and improved the effectiveness of supervision work to protect the rights and interests of the Shareholders, the Company and the employees effectively.

Report of Supervisors

COMMENTS OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2022

Lawful Operation of the Company

During the Reporting Period, the Company operated and managed its businesses in accordance with the laws and regulations, and its operational results were objective and true. There was substantial development and improvement in the depth and breadth of its internal control management, and the Company's operational decision-making processes were legitimate. The Directors and Senior Management were honest, diligent and conscientious in the business operations and management processes, and they were not found to have breached any laws, regulations, or the Articles of Association or harmed the interests of the Shareholders.

Financial Position of the Group

The Board of Supervisors has carefully reviewed the audited consolidated financial statements of the Company during the Reporting Period, and believes that these consolidated financial statements are objective, practical and reasonable, conform to relevant provisions of the laws, regulations and the Articles of Association, and completely and objectively reflect the situation of the Company, without any false records, misleading statements or major omissions. The Board of Supervisors believes that the preparation of the Annual Report complies with relevant provisions of the laws, regulations and the Articles of Association, and the information disclosed therein completely and truly reflects the operation, management and financial status of the Company during the Reporting Period.

USE OF PROCEEDS FROM IPO

During the Reporting Period, the use of the proceeds from IPO strictly observed relevant provisions and the use disclosed, and no illegal use of the proceeds was found.

RELATED PARTY TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" in this annual report, the related party transactions (including continuing related party transactions) entered into by the Group during the Reporting Period as disclosed in note 36 to the consolidated financial statements did not constitute connected transactions as defined under Chapter 14A of the Listing Rules which should be disclosed pursuant to the Listing Rules. They were found in compliance with relevant laws and regulations including Chapter 14A of the Listing Rules, and in conformity to the provisions of relevant agreements on related party transactions. They were fair and reasonable to the Group and its Shareholders, and did not harm the interests of the Company and its Shareholders.

Report of Supervisors

2023 OUTLOOK

In 2022, the Board of Supervisors will continue to abide by the principle of being responsible to all the Shareholders, and perform its supervisory duties in strict accordance with relevant laws and regulations and the requirements of the Articles of Association, so as to safeguard the legitimate rights and interests of the Group and its shareholders, and play a positive role in achieving the standardized operation and development of the Group.

By order of the Board of Supervisors

GE Kaicai
Chairman of the Board of Supervisors
31 March 2023

Independent Auditor's Report

Ernst & Young
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Independent auditor's report
To the shareholders of Lygend Resources & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 77 to 198, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Independent auditor's report (continued)
To the shareholders of Lygend Resources & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue	
The Group generates revenues primarily from the trading and production of nickel products, equipment sale, and other businesses. The Group's revenue for the year ended 31 December 2022 amounted to RMB18,289,596,000. The Group has certain provisionally priced sales where the contract terms for the Group's nickel products sales allow for a price adjustment based on a final assay of the goods determined after discharge. The Group assesses such provisional pricing to be a variable consideration and recognises revenue at a most likely amount. For certain contracts, the sales price is determined on a provisional basis at the date of sale as the final sales price is often based on the average quoted market prices during a subsequent period (the "QP") which normally is the next month after the month of shipment on board (provisionally priced sales). Revenue on such provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The QP pricing exposures embedded within such provisionally priced sales arrangements are accounted for as embedded derivatives. Revenue as an important key performance indicator of how the Group measures its performance creates financial incentives and pressures that entice management to falsify accounting records.	Our audit procedures included, but not limited to, the following: – reviewing the Group's accounting policies on revenue recognition to assess the compliance with the requirements of IFRSs; – reviewing the key terms of major contracts with customers and assessed the accounting policy applied by the Group; – Obtaining an understanding of the revenue cycle and performing walkthroughs for all significant streams and tested controls in revenue recognition; – performing confirmation procedures to confirm revenue and balances of trade receivables from certain customers; – evaluating management's assumptions adopted in estimating variable consideration by analysing contract terms, historical information and commercial practice; – performing substantive analytical reviews to understand how the revenue has trended over the year and detailed testing on transactions during the year by tracing to agreements, invoices and shipment records; – testing revenue transactions close to the year end to verify whether they were recorded in the correct periods;

Independent Auditor's Report

EY 安永

Independent auditor's report (continued)
To the shareholders of Lygend Resources & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue (continued)	
The Group's disclosures about revenue recognition are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 5 *Revenue, other income and gains* to the financial statements.	– testing the journal entries related to revenue recognition focusing on unusual or irregular transactions; and – evaluating the adequacy of the related disclosures about revenue in the financial statements.
Impairment testing of goodwill	
The carrying amount of goodwill at 31 December 2022 was RMB218,037,000. The Group performs its impairment test of goodwill at least on an annual basis. Management's annual impairment test is important to our audit because the assessment process is complex and requires significant judgement and estimates including allocation of goodwill to cash-generating unit, annual revenue growth rate, pre-tax discount rate and terminal growth rate. The Group's disclosures about impairment testing of goodwill are included in note 2.4 *Summary of significant accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Goodwill* to the financial statements.	Our audit procedures included, but not limited to, the following: – evaluating management's allocation of goodwill to cash-generating units within the Group; – reviewing and testing management's future forecasted cash flows and key assumptions by comparing to the Group's development plan, budget and financial projections and analysis of the industry; – involving our valuation specialist to assist us in evaluating the key valuation parameters such as the pre-tax discount rate, the terminal growth rate applied and the valuation model with forecasted cash flows; and – evaluating the adequacy of the related disclosures about impairment testing of goodwill in the financial statements.

Independent Auditor's Report

Independent auditor's report (continued)
To the shareholders of Lygend Resources & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman Statement, the Report of Directors, the Report of Supervisors and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Chairman Statement, the Report of Directors, the Report of Supervisors and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditor's Report

EY 安永

Independent auditor's report (continued)
To the shareholders of Lygend Resources & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

EY 安永

Independent auditor's report (continued)
To the shareholders of Lygend Resources & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	18,289,596	12,449,318
Cost of sales		(13,795,761)	(10,933,390)
Gross profit		4,493,835	1,515,928
Other income and gains	5	265,412	424,900
Selling and distribution expenses		(96,156)	(124,124)
Administrative expenses		(791,266)	(301,134)
Impairment losses on financial assets, net		1,619	(4,172)
Other operating expenses		(388,884)	(91,944)
Finance costs	7	(254,425)	(79,325)
Share of profits and losses of associates		(45,165)	99,008
PROFIT BEFORE TAX	6	3,184,970	1,439,137
Income tax expense	10	(156,856)	(179,174)
PROFIT FOR THE YEAR		3,028,114	1,259,963

continued/…

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR		3,028,114	1,259,963
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of associates		52,607	(21,581)
Reclassification adjustments for losses included in profit or loss		–	50,756
		52,607	29,175
Exchange differences on translation of foreign operations		487,347	(11,926)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		539,954	17,249
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,568,068	1,277,212
Profit attributable to:			
Owners of the parent		1,735,238	1,099,508
Non-controlling interest		1,292,876	160,455
		3,028,114	1,259,963
Total comprehensive income for the year attributable to:			
Owners of the parent		2,052,377	1,117,740
Non-controlling interest		1,515,691	159,472
		3,568,068	1,277,212
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	1.30 Yuan	1.69 Yuan

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	9,620,632	5,775,059
Intangible assets	15	516,553	527,524
Right-of-use assets	14(a)	128,051	99,301
Deferred tax assets	29	66,552	43,183
Interests in joint ventures	17	–	677
Interests in associates	18	544,963	581,878
Derivative financial instruments	22	95,680	–
Pledged deposits	23	–	40,633
Goodwill	16	218,037	218,037
Prepayments, other receivables and other assets	21	825,404	351,557
Total non-current assets		12,015,872	7,637,849
CURRENT ASSETS			
Inventories	19	1,150,638	974,573
Trade and bills receivables	20	1,141,923	1,025,203
Prepayments, other receivables and other assets	21	627,707	528,601
Due from related parties	36	1,143,516	103,478
Financial assets at fair value through profit or loss	22	12,183	–
Pledged deposits	23	313,850	598,398
Cash and cash equivalents	23	4,434,705	1,413,298
Total current assets		8,824,522	4,643,551
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	2,347,670	1,155,912
Trade and bills payables	24	965,245	728,414
Lease liabilities	14(b)	11,849	8,638
Derivative financial instruments	28	42,686	6,771
Other payables and accruals	25	1,139,279	836,247
Contract liabilities	27	21,352	296,921
Income tax payable		193,015	230,549
Due to related parties	36	132,193	232,728
Total current liabilities		4,853,289	3,496,180

continued/…

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
NET CURRENT ASSETS		**3,971,233**	1,147,371
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,987,105**	8,785,220
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*26*	**3,884,795**	3,595,682
Lease liabilities	*14(b)*	**47,090**	2,229
Other payables and accruals	*25*	**4,572**	–
Employee benefits liability	*30*	**18,197**	8,731
Deferred tax liabilities	*29*	**4,654**	4,921
Total non-current liabilities		**3,959,308**	3,611,563
NET ASSETS		**12,027,797**	5,173,657
EQUITY			
Equity attributable to owners of the parent			
Share capital	*31*	**1,555,931**	1,317,769
Reserves	*32*	**6,920,465**	1,820,629
		8,476,396	3,138,398
Non-controlling interests		**3,551,401**	2,035,259
Total equity		**12,027,797**	5,173,657

Mr. Cai Jianyong
Director

Ms. Fei Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital *RMB'000* (note 31)	Share premium* *RMB'000* (note 32)	Statutory surplus reserve* *RMB'000* (note 32)	Exchange fluctuation reserve* *RMB'000* (note 32)	Safety production reserve* *RMB'000* (note 32)	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	1,317,769	759,538	89,792	27,563	16,193	927,543	3,138,398	2,035,259	5,173,657
Profit for the year	–	–	–	–	–	1,735,238	1,735,238	1,292,876	3,028,114
Exchange differences on translation of foreign operations	–	–	–	264,532	–	–	264,532	222,815	487,347
Share of other comprehensive income of associates	–	–	–	52,607	–	–	52,607	–	52,607
Total comprehensive income for the year	–	–	–	317,139	–	1,735,238	2,052,377	1,515,691	3,568,068
Issue of shares from initial public offering	232,547	3,122,192	–	–	–	–	3,354,739	–	3,354,739
Exercise of the over-allotment option	5,615	73,633	–	–	–	–	79,248	–	79,248
Share issue expenses	–	(148,366)	–	–	–	–	(148,366)	–	(148,366)
Transfer to statutory surplus reserves	–	–	55,957	–	–	(55,957)	–	–	–
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	451	451
Safety production reserve	–	–	–	–	6,941	(6,941)	–	–	–
At 31 December 2022	1,555,931	3,806,997	145,749	344,702	23,134	2,599,883	8,476,396	3,551,401	12,027,797

continued/…

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent										
	Share capital RMB'000 (note 31)	Share premium* RMB'000 (note 32)	Paid-in capital RMB'000 (note 31)	Other reserves* RMB'000 (note 32)	Statutory surplus reserve* RMB'000 (note 32)	Exchange fluctuation reserve* RMB'000 (note 32)	Safety production reserve* RMB'000 (note 32)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	–	–	508,000	2,000	81,217	(59,631)	11,593	846,817	1,389,996	2,059	1,392,055
Profit for the year	–	–	–	–	–	–	–	1,099,508	1,099,508	160,455	1,259,963
Exchange differences on translation of foreign operations	–	–	–	–	–	(10,943)	–	–	(10,943)	(983)	(11,926)
Share of other comprehensive loss of associates	–	–	–	–	–	(21,581)	–	–	(21,581)	–	(21,581)
Reclassification adjustments for losses included in profit or loss	–	–	–	–	–	50,756	–	–	50,756	–	50,756
Total comprehensive income for the year	–	–	–	–	–	18,232	–	1,099,508	1,117,740	159,472	1,277,212
Safety production reserve	–	–	–	–	–	–	4,600	(4,600)	–	–	–
Consideration for a subsidiary acquired under common control	–	–	–	(2,000)	–	–	–	(4,535)	(6,535)	–	(6,535)
Dividends declared (note 11)	–	–	–	–	–	–	–	(845,750)	(845,750)	–	(845,750)
Conversion into a joint stock company	508,000	86,360	(508,000)	–	(150,702)	68,962	–	(4,620)	–	–	–
Issue of shares	546,215	140,800	–	–	–	–	–	–	687,015	–	687,015
Transfer to statutory surplus reserves from retained profits	–	–	–	–	159,277	–	–	(159,277)	–	–	–
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	221,042	221,042
Acquisition of subsidiaries	263,554	532,378	–	–	–	–	–	–	795,932	1,652,686	2,448,618
At 31 December 2021	1,317,769	759,538	–	–	89,792	27,563	16,193	927,543	3,138,398	2,035,259	5,173,657

* As at 31 December 2022, these reserve accounts comprise the consolidated reserves of RMB6,920,465,000 (2021: RMB1,820,629,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,184,970**	1,439,137
Adjustments for:			
Finance costs	7	**254,425**	79,325
Share of profits and losses of associates		**89,522**	(99,008)
Bank interest income	5	**(20,913)**	(14,786)
Investment loss from derivative financial instruments, net		**87,398**	41,075
Fair value (gains)/loss on derivative financial instruments, net		**(51,807)**	6,771
Loss on disposal of items of property, plant and equipment		**8,269**	9,020
Gain on a finance lease as a sublease lessor		**(6,498)**	–
Gain on early termination of leases		**(7)**	–
Gain on step acquisition of subsidiaries	5	**–**	(282,574)
Depreciation of property, plant and equipment	6	**377,552**	74,784
Depreciation of right-of-use assets	14(a)	**19,015**	6,794
Amortisation of intangible assets	15	**76,457**	6,702
Impairment of financial assets, net		**(1,619)**	4,172
Foreign exchange differences, net		**103,304**	(16,721)
		4,120,068	1,254,691
(Increase)/decrease in inventories		**(176,065)**	58,038
Increase in trade and bills receivables		**(586,632)**	(676,275)
(Increase)/decrease in prepayments, other receivables and other assets		**(64,509)**	117,863
Decrease/(increase) in pledged deposits		**65,222**	(15,798)
(Increase)/decrease in amounts due from related parties		**(1,040,880)**	195,438
Increase/(decrease) in trade and bills payables		**236,831**	(51,050)
(Decrease)/increase in other payables and accruals		**(28,102)**	173
(Decrease)/increase in amounts due to related parties		**(33,440)**	165,633
Decrease in contract liabilities		**(275,569)**	(21,514)
Cash generated from operations		**2,216,924**	1,027,199
Income tax paid		**(217,613)**	(215,878)
Net cash flows from operating activities		**1,999,311**	811,321

continued/…

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from a finance lease as a sublease lessor	773	–
Purchases of items of property, plant and equipment	(3,883,984)	(309,951)
Proceeds from disposal of property, plant and equipment	2,757	2,295
Prepayment for land use right	–	(71,066)
Purchases of intangible assets	(19,509)	(2,503)
Purchases of financial assets at fair value through profit or loss	(34,183)	(31,572)
Deposits for purchases of futures	(131,007)	(96,490)
Interests in associates	–	(351,691)
Repayment of pledged time deposits	260,000	–
Payment for previous purchase of a shareholding in a joint venture	(677)	–
Proceeds from acquisition of a subsidiary, net of cash acquired	848	1,500
Proceeds from disposal of financial assets at fair value through profit or loss	22,000	183,970
Repayment of deposits for purchases of futures	70,000	58,497
Investment loss from derivatives	(80,068)	(41,075)
Interest received	12,337	14,786
Net cash flows used in investing activities	(3,780,713)	(643,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,433,987	1,277,015
Capital injection from non-controlling shareholders	–	126,627
Proceeds from bank borrowings	6,824,703	6,137,149
Proceeds from other borrowings	448,394	643,391
Proceeds from a related party	–	20,000
Repayment of bank borrowings	(5,718,001)	(6,184,637)
Repayment of other borrowings	(5,360)	–
Repayment to a related party	(34)	(20,000)
Payment of consideration for a subsidiary acquired under common control	–	(6,535)
Principal portion of lease payments	(14,914)	(5,062)
Interest paid	(221,938)	(150,834)
Dividend paid	(67,061)	(838,013)
Listing expenses	(96,142)	(1,866)
Net cash flows from financing activities	4,583,634	997,235

continued/…

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,802,232	1,165,256
Cash and cash equivalents at beginning of year		1,413,298	256,903
Effect of foreign exchange rate changes, net		210,640	(8,861)
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,426,170	1,413,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	4,434,705	1,413,298
Cash and cash equivalents as stated in the consolidated statement of financial position	23	4,434,705	1,413,298
Accrued interest income from non-pledged time deposits with original maturity of less than three months when acquired		(8,535)	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		4,426,170	1,413,298

Notes to Financial Statements

31 December 2022

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at No. 707 Tiantong South Street, Yinzhou District, Ningbo, Zhejiang, China.

The Company and its subsidiaries were principally engaged in the nickel industry, with business covering the entire nickel industry value chain including upstream nickel resource integration, trading of laterite nickel ore and ferronickel, smelting and production, machinery and equipment manufacturing.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 December 2022.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningbo Yiwei Mining Co., Ltd. 寧波毅威礦業有限公司*	PRC/ Mainland China 15 October 2015	RMB 2,000,000	100	–	Export of machinery and equipment
Ningbo Lygend Wisdom Co., Ltd. ("Ningbo Huiran") 寧波力勤惠然貿易有限公司*	PRC/ Mainland China 7 June 2017	RMB 1,000,000	100	–	Trading of laterite nickel ore and ferronickel
Shanghai Lygend International Trade Co., Ltd. 上海力勤國際貿易有限公司*	PRC/ Mainland China 11 June 2018	RMB 20,000,000	100	–	Project management
Jiangsu Wisdom Industrial Co., Ltd. ("Jiangsu Wisdom") 江蘇惠然實業有限公司*	PRC/ Mainland China 21 March 2011	RMB 120,000,000	100	–	Smelting and production
Xi'an Pengyuan Metallurgical Equipment Co., Ltd. ("Xi'an Pengyuan") 西安鵬遠冶金設備有限公司*	PRC/ Mainland China 20 February 2017	RMB 50,000,000	70	–	Manufacture and sale of machinery and equipment
Lygend Resources Pte., Ltd. ("Lygend Singapore") 新加坡力勤資源有限公司	Singapore 16 August 2018	USD 2,000,000	100	–	Trading of laterite nickel ore and ferronickel
Ningbo Lygend New Energy Co., Ltd. * ("Lygend New Energy") 寧波力勤新能源有限公司*	PRC/ Mainland China 30 September 2020	RMB 200,000,000	100	–	New energy technological development
Ningbo Leda International Logistics Co., Ltd. * ("Lida Logistics") 寧波勵達國際物流有限公司*	PRC/ Mainland China 17 March 2021	RMB 100,000,000	100	–	Logistics services
Hong Kong Blue Whale International Limited ** ("Hong Kong Bwhale")	Hong Kong 29 March 2016	USD 1,000,000	100	–	Investment holding

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Kang Xuan PTE. LTD. ("Kang Xuan")	Singapore 14 June 2021	USD 66,062,412	100	–	Investment holding
PT. Halmahera Persada Lygend ("HPL")	Indonesia 27 July 2018	Rp 5,030,000,000,000	36.9	18	Smelting and production
PT. OBI Nickel Cobalt ("ONC")	Indonesia 26 August 2021	Rp 4,350,000,000,000	–	60	Smelting and production
PT. Karunia Permai Sentosa ("KPS")	Indonesia 26 November 2021	Rp 809,400,000,000	–	65	Smelting and production
PT. Dharma Cipta Mulia ("DCM")	Indonesia 5 November 2007	Rp 10,100,000,000,000	–	60	Industrial estate business
HPAL International Trading (Ningbo) Co., Ltd. ("趣柏") 趣柏國際貿易(寧波)有限公司*	PRC/ Mainland China 20 September 2022	USD 49,990,000	–	54.9	Trading of laterite nickel ore and ferronickel
ONC International Trading (Ningbo) Co., Ltd. ("歐恩司") 歐恩司國際貿易(寧波)有限公司*	PRC/ Mainland China 24 August 2022	USD 49,990,000	–	60	Trading of laterite nickel ore and ferronickel
KPS International Trading (Ningbo) Co., Ltd. ("凱帕斯") 凱帕斯國際貿易(寧波)有限公司*	PRC/ Mainland China 24 August 2022	USD 49,990,000	–	65	Trading of laterite nickel ore and ferronickel
OSS International Trading (Ningbo) Co., Ltd. ("歐司斯") 歐司斯國際貿易(寧波)有限公司*	PRC/ Mainland China 24 August 2022	USD 49,990,000	–	65	Trading of laterite nickel ore and ferronickel

Notes:

* These entities are limited liability enterprises established under the PRC law. The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

** Hong Kong Lygend International Limited ("Lygend Hong Kong") changed its company name to Hong Kong Blue Whale International Limited ("Hong Kong Bwhale") on 23 February 2022.

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

Notes to Financial Statements

31 December 2022

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain trade and bills receivables, derivative financial instruments and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

Notes to Financial Statements

31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Notes to Financial Statements

31 December 2022

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* 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. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

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 amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 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 are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its derivative financial instruments and equity investments at the end of each of the reporting periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75% to 12.5%
Plant and machinery	4.75% to 33.3%
Electronic and office equipment	9.5% to 32%
Motor vehicles	9.5% to 23.75%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant under construction and machinery under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 years.

Customer relationship

Customer relationship represents eight-year long-term offtake agreements with customers upon nickel-cobalt compounds. The useful life of customer relationship is determined based on the agreement period, which represents its useful economic life expected to generate net cash inflows from the sale of nickel-cobalt compounds to such customers. Customer relationship is stated at cost less accumulated amortisation and identified impairment loss and amortised on the straight-line basis over its remaining agreement period.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office premises and warehouses	1 to 7 years
Vessels	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

The Group’s lease liabilities are presented separately in the statement of financial position.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, amounts due to related parties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, the financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the individual or weighted average basis, in the case of work in progress and finished goods, costs comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of nickel products

Revenue from the sale of nickel products is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment on board incoterms or delivery of goods to the destination specified by the customer.

When the Group is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which the Group has lost control of the goods. Revenue related to the provision of shipping-and-insurance activities is recognised overtime as the service is rendered.

Variable consideration

The Group has certain provisionally priced sales where the contract terms for the Group's nickel products sales allow for a price adjustment based on a final assay of the goods determined after discharge. The Group assesses such provisional pricing to be a variable consideration and recognises revenue at a most likely amount. The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of products with price adjustment, given that supplier is capable to provide the weight and inspection results at the port of loading. This amount is based on the most recently determined estimate of product assays. The Group applies judgement regarding the likelihood of significant reversals to ensure that revenue is only recognised to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognised as revenue.

Contracts with quotational period pricing exposures

For certain contracts, sales price is determined on a provisional basis at the date of sale as the final sales price is based on the average quoted market prices during a subsequent period (the "quotational period" or "QP") which normally is the next month after the month of shipment on board (provisionally priced sales). Revenue on such provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The QP pricing exposures embedded within such provisionally priced sales arrangements are accounted for as embedded derivatives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Contracts with quotational period pricing exposures (Continued)

(b) Sale of equipment

Revenue from the sale of equipment without installation services is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment on board.

In some instances, the sale of equipment includes installation services. The sale of equipment and installation services are considered as one performance obligation since the promises to transfer the equipment and the provision of installation services are not capable of being distinct and separately identifiable. Revenue from the sale of equipment with installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the services, because the assets generated during the Group's performance have irreplaceable utilisation, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the performance obligation. In addition to the terms of the contract, the promised consideration is variable and has been partially constrained when the Group intend to offer a price concession to the customer. Such promised consideration is accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of variable consideration because this method best predicts the amount of variable consideration to which the Group will be entitled.

(c) Sale of others

Others include the sale of wastes and shipping services to customers. Revenue from the sale of wastes is recognised at the point in time when control of the asset is transferred to the customer. Revenue related to the provision of shipping services is recognised over time as the services are rendered.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share-based payment scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the discounted cash flow method, further details of which are given in note 38 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Post-employment benefits

The Group provides post-employment benefits to its employees in Indonesia in conformity with the requirements of Indonesia's Labor Law No. 13/2003 dated 25 March 2003. The provision for post-employment benefits is determined using the projected-unit-credit actuarial valuation method. Re-measurements, comprising actuarial gains and losses, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

i) The date of the plan amendment or curtailment; or

ii) The date of the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation in profit or loss:

i) Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

ii) Net interest expense or income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The functional currency of the Company is RMB. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the financial statements. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

Notes to Financial Statements

31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining the method to estimate variable consideration and assessing the constraint for the sale of nickel products

Contracts for the sale of nickel products include price adjustments subject to the quality and weight of nickel products inspected by independent surveyor at the discharging port that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Determining the method to estimate variable consideration and assessing the constraint for the sale of nickel products (Continued)

The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of products with price adjustment, given that the supplier is capable to provide the weight and inspection results at the port of loading. The selected method that better predicts the amount of variable consideration related to price adjustment is primarily driven by management will not expect material variances between weight and quality results provided by the supplier at the port of loading and those inspected at the discharging port.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group applies the simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Notes to Financial Statements

31 December 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was approximately RMB218,037,000 (2021: RMB218,037,000) during the year. Further details are included in note 16 to the financial statements.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are included in note 29 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. As at 31 December 2022, the carrying amount of inventories was RMB1,150,638,000 (2021: RMB974,573,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2022 *RMB'000*	2021 *RMB'000*
Mainland China	**16,028,582**	10,379,462
Others	**2,261,014**	2,069,856
	18,289,596	12,449,318

Most of the revenue information above is based on the shipment destinations except for the revenue from shipping services is based on where the customer is registered.

Notes to Financial Statements

31 December 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**1,213,647**	1,024,324
Indonesia	**10,639,993**	6,529,709
	11,853,640	7,554,033

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021 is set out below:

	2022	2021
	RMB'000	*RMB'000*
Customer A	**N/A***	1,545,269

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers	**18,289,596**	12,449,318

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 *RMB'000*	2021 *RMB'000*
Types of goods or services		
Sale of nickel products	**17,378,249**	11,219,560
Sale of equipment	**655,933**	1,003,392
Others	**255,414**	226,366
	18,289,596	12,449,318
Geographical markets		
Mainland China	**16,028,582**	10,379,462
Others	**2,261,014**	2,069,856
	18,289,596	12,449,318
Timing of revenue recognition		
Goods transferred at a point in time	**16,743,081**	10,704,552
Services transferred over time	**1,546,515**	1,744,766
	18,289,596	12,449,318

Notes to Financial Statements

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current year that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of nickel products	136,906	43,921
Sale of equipment	138,443	271,182
Others	21,572	3,332
	296,921	318,435

	2022 RMB'000	2021 RMB'000
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of equipment not previously recognised due to constraints on variable consideration	18,519	–

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of nickel products

For the sale of nickel products, the performance obligation is satisfied upon shipment on board of nickel products and the contract payment is generally made using letters of credit or upfront payments. For the sales delivered to the destination specified by the customer, the performance obligation is satisfied upon delivery of nickel products to the destination specified by the customer.

The performance obligation of shipping and insurance services in relation to the sale of nickel products is satisfied over time as the service is rendered. The revenue is included in the sale of nickel products.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (continued)

Sale of equipment

For the sale of equipment, the performance obligation is satisfied upon shipment on board. For some customised equipment, the performance obligation is satisfied over time as the manufacturing and installation progress. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the equipment quality by the customers over a certain period as stipulated in the contracts.

The performance obligation of shipping services in relation to the sale of equipment is satisfied over time as the service is rendered. The revenue is included in the sale of equipment.

Sale of others

For the sale of wastes, the performance obligation is satisfied upon delivery of wastes to buyers and short-term advances are normally required before delivery. The performance obligation of shipping service is satisfied over time as the service is rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,367,211**	1,231,899

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year relate to the sales of nickel products, of which the performance obligations are to be satisfied. The amounts disclosed above do not include variable consideration which is constrained.

Notes to Financial Statements

31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (continued)

Sale of others (Continued)

In addition, for the nickel-cobalt compounds produced by HPL, the Group has entered into eight-year long-term offtake agreements with two customers in 2021. The offtake agreements specify the customers' commitment to purchase specified quantities (in terms of metal tons of nickel and cobalt) of nickel-cobalt compounds produced by HPL during the agreement period. The agreements also set forth the nickel-cobalt compounds will be priced based on market price.

An analysis of other income and gains is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Other income		
Government grants*	100,643	80,196
Bank interest income	38,429	14,786
Sales of raw materials	15,932	–
Investment income from financial assets at fair value through profit or loss	–	141
Others	15,915	6,576
	170,919	101,699
Gains		
Fair value gains, net:		
Derivative financial instruments	92,832	–
Trade receivables containing provisional pricing features	1,661	–
Gain on step acquisition of subsidiaries	–	282,574
Foreign exchange gains, net	–	40,627
	94,493	323,201
	265,412	424,900

* The amount represents grants received from local PRC government authorities by the Group in connection with certain financial support to local business enterprises for the purpose of encouraging business development.

6. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold*		12,259,921	9,362,704
Depreciation of property, plant and equipment**		355,955	74,784
Depreciation of right-of-use assets***		19,015	6,794
Amortisation of intangible assets****	15	76,457	6,702
Government grants	5	(100,643)	(80,196)
Bank interest income	5	(38,429)	(14,786)
Loss on disposal of items of property, plant and equipment		1,764	9,020
Gain on step acquisition of subsidiaries		–	(282,574)
Loss on debt restructuring		1,840	–
Impairment of financial assets, net			
Impairment of trade receivables, net	20	(1,907)	4,267
Impairment of other receivables, net	21	288	(95)
		(1,619)	4,172
Lease payments not included in the measurement of lease liabilities	14(c)	25,672	19,990
Foreign exchange differences, net		63,232	(40,627)
Auditor's remuneration		5,328	2,080
Listing expenses		4,787	1,083
Fair value (gains)/loss, net:			
Derivative financial instruments		(50,146)	6,771
Trade receivables containing provisional pricing features		(1,661)	–
Investment loss from financial assets at fair value through profit or loss, net:			
Derivative financial instruments		218,312	41,216
Other unlisted investments		–	(141)
		218,312	41,075
Employee benefit expense (excluding directors' and supervisors' remuneration (note 8)):			
Wages and salaries		547,321	305,697
Pension scheme contributions*****		28,065	22,951
Staff welfare expenses		95,311	12,618
		670,697	341,266

Notes to Financial Statements

31 December 2022

6. PROFIT BEFORE TAX (CONTINUED)

* The cost of inventories sold includes RMB301,761,000 (2021: RMB180,123,000) relating to staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets during the year, which are also included in the respective total amounts disclosed above for each type of expenses.

** The depreciation of property, plant and equipment is included in "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

*** The depreciation of right-of-use assets is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

**** The amortisation of intangible assets is included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

***** At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Interest on bank borrowings	326,664	79,556
Interest on other borrowings	2,642	5,077
Interest on lease liabilities (note 14(c))	2,876	244
	332,182	84,877
Less: interest capitalised	(77,757)	(5,552)
Total	254,425	79,325

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Certain of the directors received remuneration from subsidiaries for their appointment as directors of the subsidiaries. Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Fees	900	66
Other emoluments:		
Salaries, allowances and benefits in kind	30,620	11,719
Performance related bonuses*	41,349	38,814
Pension scheme contributions	196	123
	73,065	50,722

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	2022 *RMB'000*	2021 *RMB'000*
Dr. HE Wanpeng [(1)]	300	22
Ms. ZHANG Zhengping [(1)]	300	22
Dr. WANG James Jixian [(1)]	300	22
	900	66

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2022 (2021: Nil).

Notes to Financial Statements

31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and supervisors

Executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses* *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022					
Mr. CAI Jianyong (2)	–	8,167	6,995	27	15,189
Mr. JIANG Xinfang (3)	–	6,964	4,445	21	11,430
Ms. FEI Feng (4)	–	2,949	7,416	27	10,392
Mr. CAI Jianwei (4)	–	2,953	11,381	27	14,361
Mr. YU Weijun (4)	–	2,248	182	26	2,456
	–	23,281	30,419	128	53,828
2021					
Mr. CAI Jianyong (2)	–	411	8,044	18	8,473
Mr. JIANG Xinfang (3)	–	8,090	613	21	8,724
Ms. FEI Feng (4)	–	397	5,048	17	5,462
Mr. CAI Jianwei (4)	–	401	10,644	17	11,062
Mr. YU Weijun (4)	–	332	921	13	1,266
	–	9,631	25,270	86	34,987

Notes to Financial Statements

31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and supervisors (Continued)

Non-executive director

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses* *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022					
Mr. Lawrence Lua Gek Pong [(5)]	–	300	–	–	300
2021					
Mr. Lawrence Lua Gek Pong [(5)]	–	22	–	–	22

Supervisors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses* *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022					
Mr. GE Kaicai[(6)]	–	3,302	1,200	25	4,527
Mr. DONG Dong[(6)]	–	3,302	9,484	25	12,811
Ms. HU Zhinong[(6)]	–	435	246	18	699
	–	7,039	10,930	68	18,037
2021					
Mr. GE Kaicai [(6)]	–	1,465	2,074	13	3,552
Mr. DONG Dong [(6)]	–	376	11,263	13	11,652
Ms. HU Zhinong [(6)]	–	225	207	11	443
	–	2,066	13,544	37	15,647

Notes to Financial Statements

31 December 2022

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and supervisors (Continued)

(1) Dr. HE Wanpeng, Ms. ZHANG Zhengping and Dr. WANG James Jixian were appointed as independent non-executive directors on 7 December 2021 and were redesignated as independent non-executive directors on 16 December 2021.

(2) Mr. CAI Jianyong was the founder of the Group, the chairman of the board and a director of the Company. He was redesignated as an executive director on 16 December 2021.

(3) Mr. JIANG Xinfang was the general manager of the Company. He was appointed as a director on 16 September 2021, and then was redesignated as an executive director on 16 December 2021.

(4) Ms. FEI Feng, Mr. CAI Jianwei and Mr. YU Weijun were deputy general managers of the Company. They were appointed as directors on 16 September 2021, and then were redesignated as executive directors on 16 December 2021.

(5) Mr. Lawrence Lua Gek Pong was appointed as a director of the Company on 7 December 2021, and then was redesignated as a non-executive director on 16 December 2021.

(6) Mr. GE Kaicai, Mr. DONG Dong and Ms. HU Zhinong were senior management of the Group. They were appointed as supervisors on 16 September 2021.

* The Company does not have a position of chief executive during the year.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2021: four) directors and one (2021: one) supervisor, details of whose remuneration are set out in note 8 above. During the year, there are no remaining highest paid employees who are neither a director nor a supervisor of the Company.

10. 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.

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the companies which operate in Mainland China are subject to CIT at a rate of 25% (2021: 25%) on the taxable income of the year. A preferential tax treatment is available to a subsidiary of the Company, since it was recognised as a High and New Technology Enterprise on 4 November 2022, and was entitled to a preferential tax rate of 15% (2021: 15%) during the year.

Indonesia

Pursuant to the Corporate Income Tax Law of Indonesia and the respective regulations (the "CIT Law"), the companies which operate in Indonesia are subject to CIT at a rate of 25% on the taxable income. On 31 March 2020, the Government issued a Government Regulation in lieu of the Law of the Republic of Indonesia Number 1 Year 2020 which stipulates, among others, a reduction of the tax rates for corporate income tax payers and entities with permanent establishment from previously 25% to 22% for the fiscal years 2020 and 2021 and 20% starting the fiscal year 2022 and onwards, and a further reduction of 3% for corporate income tax payers that fulfil certain criteria. Subsequently, on 7 November 2021, the Government ratified the Tax Regulation Harmonization Law/Undang-Undang Harmonisasi Peraturan Perpajakan ("UU HPP"). The UU HPP reinstated the corporate income tax rate of 22%.

Based on the Decree of the Minister of Finance of the Republic of Indonesia number 721/KMK.03/2018 concerning Corporate Income Tax Reduction Facility to HPL dated 1 November 2018, HPL was granted a 100% corporate income tax reduction for 10 fiscal years and an additional 50% corporate income tax reduction for the following 2 fiscal years.

The income tax expense of the Group during the year is analysed as follows:

	2022 *RMB'000*	2021 *RMB'000*
Current tax:		
Charge for the period	**180,079**	200,921
Deferred tax (note 29)	**(23,223)**	(21,747)
Total tax expense for the year	**156,856**	179,174

Notes to Financial Statements

31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Profit before tax	3,184,970	1,439,137
Tax at the statutory tax rate of 25%	796,243	359,784
Preferential tax rates enacted by local authority	(674,209)	(89,775)
Expenses not deductible for tax	6,810	2,950
Additional deductible allowance for research and development costs	(668)	(590)
Adjustments in respect of current tax of previous periods	(4,782)	–
Tax losses utilised from previous periods	(108)	(938)
Profits and losses attributable to associates	11,291	(29,729)
Gain on step acquisition of subsidiaries	–	(70,643)
Income not subject to tax	(2,842)	–
Effect of withholding tax on the distributable profit of foreign subsidiaries of the Company	441	2,201
Tax losses not recognised	26,388	5,914
Environmental protection input to deduct tax	(1,708)	–
Tax charge at the Group's effective tax rate	156,856	179,174

11. DIVIDENDS

The board of directors has resolved not to recommend payment of a final dividend for the year ended 31 December 2022.

On 1 August 2021, the Company declared a cash dividend of RMB845,750,000 to the shareholders of the Company, among which RMB778,689,000 has been paid in 2021, and RMB67,061,000 has been paid in 2022.

12. 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 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,337,550,135 (2021: 650,333,069) in issue during the year.

The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 upon transformation into a joint stock company in September 2021.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

Notes to Financial Statements

31 December 2022

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	2,373,358	2,806,604	26,806	161,189	726	887,509	6,256,192
Accumulated depreciation	(138,585)	(283,741)	(14,426)	(43,729)	(652)	–	(481,133)
Net carrying amount	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
At 1 January 2022, net of accumulated depreciation	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
Additions	133,566	82,436	19,295	186,215	16,988	3,307,190	3,745,690
Disposals	(1,674)	(1,363)	(3,430)	(378)	(4,181)	–	(11,026)
Acquisition of a subsidiary (note 33)	–	–	7	–	–	–	7
Exchange realignment	195,209	210,272	456	9,273	–	77,531	492,741
Transfers	27,891	23,021	–	–	–	(50,912)	–
Depreciation provided during the year	(131,567)	(209,924)	(5,127)	(34,659)	(562)	–	(381,839)
At 31 December 2022, net of accumulated depreciation	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
At 31 December 2022:							
Cost	2,737,717	3,131,432	41,840	360,418	12,882	4,221,318	10,505,607
Accumulated depreciation	(279,519)	(504,127)	(18,259)	(82,507)	(563)	–	(884,975)
Net carrying amount	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Plant and machinery RMB'000	Electronic and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	148,237	372,406	20,311	14,424	726	228	556,332
Accumulated depreciation	(54,041)	(170,848)	(13,356)	(7,825)	(365)	–	(246,435)
Net carrying amount	94,196	201,558	6,955	6,599	361	228	309,897
At 1 January 2021, net of accumulated depreciation	94,196	201,558	6,955	6,599	361	228	309,897
Additions	–	1,528	1,392	10,768	–	276,353	290,041
Disposals	(1,937)	(8,906)	(290)	(182)	–	–	(11,315)
Acquisition of subsidiaries (note 33)	2,164,161	2,346,745	5,487	104,941	–	643,960	5,265,294
Exchange realignment	(1,149)	(1,217)	(4)	(37)	–	(373)	(2,780)
Transfers	4,457	28,202	–	–	–	(32,659)	–
Depreciation provided during the year	(24,955)	(45,047)	(1,160)	(4,629)	(287)	–	(76,078)
At 31 December 2021, net of accumulated depreciation	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
At 31 December 2021:							
Cost	2,373,358	2,806,604	26,806	161,189	726	887,509	6,256,192
Accumulated depreciation	(138,585)	(283,741)	(14,426)	(43,729)	(652)	–	(481,133)
Net carrying amount	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059

At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB1,731,773,000 (2021: RMB1,707,633,000) as at 31 December 2022 were pledged to secure bank loans (note 26).

At 31 December 2022, certain of the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress with a net carrying amount of approximately RMB2,427,480,000 (2021: RMB2,163,771,000) as at 31 December 2022 were pledged to secure bank loans (note 26).

At 31 December 2022, certain of the Group's buildings have not obtained the relevant building ownership certificates.

Notes to Financial Statements

31 December 2022

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises, warehouses and vessels used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises, warehouses and vessels generally have lease terms between 1 and 3 years. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Vessels *RMB'000*	Leasehold land *RMB'000*	Office premises and warehouses *RMB'000*	Total *RMB'000*
As at 1 January 2021	–	17,781	6,608	24,389
Additions	–	71,066	7,676	78,742
Acquisition of subsidiaries (note 33)	2,963	–	–	2,963
Exchange realignment	1	–	–	1
Depreciation charge (note 6)	(230)	(1,475)	(5,089)	(6,794)
As at 31 December 2021 and 1 January 2022	2,734	87,372	9,195	99,301
Additions	–	–	63,780	63,780
A finance lease as a sublease lessor	–	–	(13,700)	(13,700)
Early termination	–	–	(1,056)	(1,056)
Exchange realignment	163	–	–	163
Depreciation charge	(2,897)	(1,830)	(15,710)	(20,437)
As at 31 December 2022	**–**	**85,542**	**42,509**	**128,051**

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	10,867	5,164
New leases	63,780	7,676
Accretion of interest recognised during the year	2,876	244
Acquisition of subsidiaries (note 33)	–	2,963
Early termination	(1,063)	–
Exchange realignment	269	126
Payments	(17,790)	(5,306)
Carrying amount at 31 December	58,939	10,867
Analysed into:		
Current portion	11,849	8,638
Non-current portion	47,090	2,229

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities (note 7)	2,876	244
Depreciation charge of right-of-use assets	19,015	6,794
Expense relating to short-term leases (included in cost of sales, administrative expenses and selling expenses) (note 6)	25,672	19,990
Total amount recognised in profit or loss	47,563	27,028

(d) The total cash outflow for leases is disclosed in note 34(c) to the financial statements.

As at 31 December 2022, certain of the Group's leasehold land with a net carrying amount of approximately RMB84,488,000 (2021: RMB17,373,000) were pledged to secure bank loans (note 26).

Notes to Financial Statements

31 December 2022

14. LEASES (CONTINUED)

The Group as a lessor

The Group subleases certain of its right-of-use assets (note 14) to an associate, which are office premises and warehouses in Mainland China under financial lease arrangements in 2022, which is considered as a finance lease. The total unearned finance income was RMB2,885,000 and finance income recognised by the Group during the year was RMB231,000.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable financial lease arrangements with its tenants and the reconciliation of the unearned finance income relating to the lease payments receivable are as follows:

	2022 RMB'000	2021 *RMB'000*
Within one year	4,014	–
After one year but within two years	4,014	–
After two years but within three years	4,014	–
After three years but within four years	4,014	–
After four years but within five years	4,014	–
After five years	2,009	–
Unearned finance income	(2,654)	–
	19,425	–
Analysed into:		
Current portion (note 21)	3,180	–
Non-current portion (note 21)	16,245	–

At 31 December 2022, lease payments receivable included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB19,425,000.

15. INTANGIBLE ASSETS

	Customer relationship *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2022			
At 1 January 2022:			
Cost	529,183	5,324	534,507
Accumulated amortisation	(5,880)	(1,103)	(6,983)
Net carrying amount	523,303	4,221	527,524
Cost at 1 January 2022, net of accumulated amortisation	523,303	4,221	527,524
Additions	–	19,444	19,444
Amortisation provided during the year (note 6)	(74,781)	(1,676)	(76,457)
Exchange realignment	46,042	–	46,042
At 31 December 2022, net of accumulated amortisation	494,564	21,989	516,553
At 31 December 2022:			
Cost	578,062	24,768	602,830
Accumulated amortisation	(83,498)	(2,779)	(86,277)
Net carrying amount	494,564	21,989	516,553
31 December 2021			
At 1 January 2021:			
Cost	–	2,821	2,821
Accumulated amortisation	–	(347)	(347)
Net carrying amount	–	2,474	2,474
Cost at 1 January 2021, net of accumulated amortisation	–	2,474	2,474
Additions	–	2,503	2,503
Acquisition of subsidiaries (note 33)	529,490*	–	529,490
Amortisation provided during the year (note 6)	(5,946)	(756)	(6,702)
Exchange realignment	(241)	–	(241)
At 31 December 2021, net of accumulated amortisation	523,303	4,221	527,524
At 31 December 2021:			
Cost	529,183	5,324	534,507
Accumulated amortisation	(5,880)	(1,103)	(6,983)
Net carrying amount	523,303	4,221	527,524

* Customer relationship represents eight-year long-term offtake agreements with customers upon nickel-cobalt compounds.

Notes to Financial Statements

31 December 2022

16. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost and carrying amount at beginning of year	218,037	–
Acquisition of subsidiaries	–	218,037
Cost and net carrying amount at end of year	218,037	218,037

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the HPL cash-generating unit mainly engaged in smelting and production for impairment testing.

The recoverable amount of the HPL cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The budgeted gross margin applied to the cash flow projections, the terminal growth rate and pre-tax discount rate used to extrapolate the cash flows of the HPL cash-generating unit beyond the five-year period are as follows:

	As at 31 December 2022 %
Budgeted gross margin	37 – 40
Terminal growth rate	–
Pre-tax discount rate	20.76

The calculation of value in use is based on the following assumptions:

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, changed for expected market development.

Pre-tax discount rate – the rate reflects management's estimate of the risks specific to the unit.

Terminal growth rate – the rate is based on the historical data in the same industry and management's expectation of the future market.

The values assigned to the key assumptions on budgeted gross margin, pre-tax discount rate and terminal growth rate are consistent with management's past experience and external information sources.

17. INTERESTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	–	677

Particulars of the Group's joint ventures are as follows:

Company	Place of incorporation/ registration and business	Authorised share capital	Percentage of ownership interest attributable to the Group	Principal activities
PT Dharma Cipta Mulia ("DCM")*	Indonesia	Rp. 10,100,000,000,000	60%	Industrial estate business
PT OBI Nickel Cobalt ("ONC")**	Indonesia	Rp. 4,350,000,000,000	60%	Smelting and processing sales of nickel compounds

* DCM was incorporated on 5 November 2007, which has not commenced any business or operation since its incorporation. A subsidiary of the Company acquired 60% of its shareholdings in July 2021 and recognised it as a joint venture considering that the decisions about the key operating activities require the unanimous consent of all of its investors. DCM has become a subsidiary of the Group since 4 April 2022.

** ONC was incorporated on 20 August 2021 as a joint venture of the Group as the decisions about the key operating activities require the unanimous consent of all of its investors. It has become a subsidiary of the Group since 29 November 2021 as the Group obtained control of the key operating and financial activities of ONC by obtaining control of the board of directors in accordance with the amended shareholder agreement on 29 November 2021.

The Group's shareholdings in the joint ventures are held through wholly-owned subsidiaries of the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
Profit and total comprehensive income for the year	–	–
Aggregate carrying amount of the Group's investments in the joint ventures	–	677

Notes to Financial Statements

31 December 2022

18. INTERESTS IN ASSOCIATES

	2022 *RMB'000*	2021 *RMB'000*
Share of net assets	**544,963**	581,878

The Group's trade receivables from associates and amounts due to an associate are disclosed in note 36 to the financial statements.

Particulars of the Group's material associates are as follows:

Company	Place of incorporation/ registration and business	Nominal value of issued/registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
PT Halmahera Jaya Feronickel ("HJF")	Indonesia	Rp. 4,000,000,000,000	36.9%	Smelting and processing sales of nickel compounds
HPL*	Indonesia	Rp. 5,030,000,000,000	36.9%	Smelting and processing sales of nickel compounds

* HPL has become a subsidiary of the Group since 30 November 2021.

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Contemporary Brunp Lygend Co., Ltd., which is an immaterial associate of the Group, the shareholding in which is held through a wholly-owned subsidiary of the Company.

18. INTERESTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of HJF adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	1,193,938	515,440
Non-current assets	7,010,582	3,563,989
Current liabilities	1,796,420	947,136
Non-current liabilities	4,809,356	1,582,326
Net assets	1,598,744	1,549,967
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	36.9%	36.9%
Group's share of net assets of the associate	589,937	571,938
Accumulated unrealised gain	(58,504)	(14,148)
Carrying amount of the investment	531,433	557,790
Revenue	–	–
Loss for the year	(93,584)	(55,929)
Other comprehensive income/(loss)	142,361	(41,018)
Total comprehensive income/(loss) for the year	48,777	(96,947)

The following table illustrates the financial information of the Group's associate that is not individually material:

	2022 RMB'000	2021 RMB'000
Loss for the year	(35,441)	(19,760)
Total comprehensive income for the year	295	44
Aggregate carrying amount of the Group's investment in the associate	13,530	24,088

Notes to Financial Statements

31 December 2022

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	880,928	588,522
Work in progress	94,974	75,649
Finished goods	174,736	310,402
	1,150,638	974,573

The Group's inventories, which have an aggregate net carrying value of approximately RMB201,729,000, were pledged to secure the Group's bank loans as at 31 December 2021 (note 26).

20. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Financial assets at amortised cost:		
Trade receivables	705,787	1,015,990
Bills receivable	705	11,199
Impairment	(4,388)	(6,396)
	702,104	1,020,793
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	439,819	–
Financial assets at fair value through other comprehensive income:		
Bills receivable	–	4,410
	1,141,923	1,025,203

Trade receivables containing provisional pricing features are exposed to future movements in market prices, which have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss. This requires an assessment of the exposure of the underlying trade receivable to future movements in market prices at the date of initial recognition of such receivable. For those receivables that are not exposed to future movements in market prices, a further assessment of the business model for managing the receivables is required to determine the appropriate classification and measurement. The business model pertaining to those receivables that do not contain provisional pricing features is to hold the assets to collect the contractual cash flows and as such, these financial assets are classified as at "amortised cost".

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group usually considers upfront payments or use of letters of credit. The final payment is usually paid within one month to three months and sometimes extended to one year, when the final commercial invoices are issued. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**684,216**	1,005,516
3 to 6 months	**17,136**	187
6 to 12 months	**47**	3,891
	701,399	1,009,594

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**6,396**	2,130
Impairment losses, net (note 6)	**(1,907)**	4,267
Amount written off as uncollected	**(113)**	–
Exchange realignment	**12**	(1)
At end of year	**4,388**	6,396

The Group applies the simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes to Financial Statements

31 December 2022

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *RMB'000*
Current:	**684,626**	**0.26%**	**1,790**
Past due:			
Less than 3 months	**1,399**	**1.36%**	**19**
3 to 6 months	**17,705**	**3.21%**	**569**
6 to 12 months	**74**	**36.49%**	**27**
Over 1 year	**1,983**	**100.00%**	**1,983**
	705,787	**0.62%**	**4,388**

As at 31 December 2021

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *RMB'000*
Current:	902,918	0.29%	2,590
Past due:			
Less than 3 months	106,750	1.33%	1,423
3 to 6 months	116	3.45%	4
6 to 12 months	5,163	25.88%	1,336
1 to 2 years	1,043	100.00%	1,043
	1,015,990	0.63%	6,396

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 31 December 2022, bills receivable of nil (2021: RMB4,410,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, and the remaining bills receivable of RMB705,000 (2021: RMB11,199,000) were measured at amortised cost.

As at 31 December 2022, the Group endorsed certain bills receivable accepted by certain banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB16,161,000 (2021: RMB19,731,000) (the "Endorsement"). In addition, the Group discounted certain bills receivable accepted by certain banks in the PRC (the "Discounted Bills") with a carrying amount in aggregate of RMB181,900,000 (2021: RMB435,000,000) (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, as at 31 December 2022, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Bills with amounts of RMB15,616,000 (2021: RMB11,582,000) and Discounted Bills with amounts of RMB181,900,000 (2021: RMB435,000,000) accepted by large and reputable banks (the "Derecognised Bills"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Bills and the associated trade payables settled by the Endorsed Bills.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

As at 31 December 2022, the Group continued to recognise the full carrying amounts of the remaining Endorsed Bills and the associated trade payables settled with an amount of RMB545,000 (2021: RMB8,149,000), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Bills and Discounted Bills.

The Group's bills receivable were all aged within six months and were neither past due nor impaired.

Notes to Financial Statements

31 December 2022

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Current		
Prepayments	324,167	275,772
Other receivables	197,290	145,885
Lease payments receivable (note 14)	3,180	–
Other current assets	103,943	107,529
	628,580	529,186
Impairment allowance	(873)	(585)
	627,707	528,601
Non-current		
Lease payments receivable (note 14)	16,245	–
Prepayments for property, plant and equipment	809,159	351,557
	825,404	351,557
	1,453,111	880,158

An impairment analysis is performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables and lease payments receivable under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

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

	Expected credit losses			
	Stage 1 ***RMB'000***	**Stage 2** ***RMB'000***	**Stage 3** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2021	680	–	–	680
Impairment losses, net (note 6)	(95)	–	–	(95)
At 31 December 2021 and 1 January 2022	585	–	–	585
Impairment losses, net (note 6)	288	–	–	288
At 31 December 2022	873	–	–	873

At 31 December 2022, included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB21,661,000 (2021: Nil).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

	2022 *RMB'000*	2021 *RMB'000*
Current		
Unlisted investments, at fair value	12,183	–
Non-current		
Derivative financial instruments		
– interest rate swaps, at fair value	95,680	–
	107,863	–

The unlisted investments were wealth management products issued by commercial banks and financial institutions in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The non-current derivative financial instruments were interest rate swap agreements with ending dates varying from January 2026 until March 2026.

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to RMB92,832,000 (2021: Nil) were recognised in profit or loss during the year. For information about the methods and assumptions used in determining fair value, please refer to note 40 to the financial statements.

Notes to Financial Statements

31 December 2022

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 *RMB'000*	2021 *RMB'000*
Cash and bank balances	4,434,705	1,413,298
Time deposits	313,850	639,031
Less:		
Current portion:		
Pledged deposits for bank loans	(78,288)	(115,859)
Pledged deposits for bills payable	(45,826)	(260,304)
Pledged deposits for letters of credit and letters of guarantee	(189,736)	(222,235)
Non-current portion:		
Pledged deposits for bank loans	–	(40,633)
Cash and cash equivalents	4,434,705	1,413,298
Denominated in:		
RMB	258,625	312,622
United States dollar ("USD")	978,948	929,318
Hong Kong dollar ("HKD")	2,998,746	–
Indonesian rupiah ("IDR")	196,025	171,189
Singapore dollar ("SGD")	2,361	169
Total cash and cash equivalents	4,434,705	1,413,298

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between 1 month and 1 year depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Notes to Financial Statements

31 December 2022

24. TRADE AND BILLS PAYABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade payables	**945,984**	725,434
Bills payable	**19,261**	2,980
	965,245	728,414

The trade payables are non-interest-bearing and are normally settled within 90 days.

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

	2022 *RMB'000*	2021 *RMB'000*
Within 3 months	**469,973**	564,315
3 to 6 months	**138,530**	24,130
6 to 12 months	**150,973**	13,798
1 to 2 years	**103,474**	77,687
Over 2 years	**83,034**	45,504
	945,984	725,434

25. OTHER PAYABLES AND ACCRUALS

	2022 *RMB'000*	2021 *RMB'000*
Current		
Taxes payable other than corporate income tax	**88,395**	97,941
Accrued payroll	**12,397**	29,576
Advance from customers	**886**	6,954
Other accruals	**25,622**	23,456
Other payables	**1,007,706**	678,320
Deferred revenue	**4,273**	–
	1,139,279	836,247
Non-current		
Deferred revenue	**4,572**	–
	1,143,851	836,247

Other payables are non-interest-bearing and repayable on demand.

Notes to Financial Statements

31 December 2022

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2022		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank borrowings – secured	3.1-5.65	2023	1,289,794
Other borrowing	2.35-5.8	2023	750,602
Current portion of long term bank borrowings – secured	LIBOR+3.75-4.45	2023	307,274
			2,347,670
Non-current			
Bank borrowings – secured	LIBOR+3.00-4.45	2027-2034	3,884,795
			6,232,465

	As at 31 December 2021		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank borrowings – secured	1.7-4.40	2022	1,121,096
Other borrowing	5.61	2022	30,434
Current portion of long term bank borrowings – secured	LIBOR+3.75	2022	4,382
			1,155,912
Non-current			
Bank borrowings – secured	LIBOR+3.00-3.75	2027	3,595,682
			4,751,594

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,347,670**	1,155,912
Between one year and two years	**676,384**	257,266
Between two year and three years	**908,640**	596,021
Between three year and four years	**1,017,077**	797,005
Between four year and five years	**1,200,766**	892,080
Beyond five years	**81,928**	1,053,310
	6,232,465	4,751,594

Notes :

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings situated in Mainland China and Indonesia, which had an aggregate net carrying value of RMB1,731,773,000 (2021: RMB1,707,633,000) (note 13);

(ii) mortgages over the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress situated in Indonesia with an aggregate net carrying value of approximately RMB2,427,480,000 (2021 RMB2,163,771,000) (note 13);

(iii) mortgages over the Group's leasehold lands situated in Mainland China, which had an aggregate net carrying value of RMB84,488,000 (2021: RMB17,373,000) (note 14);

(iv) mortgages over leasehold lands and buildings situated in Mainland China of a related party, Suqian Xiangxiang Industry Co., Ltd. ("Suqian Xiangxiang"), which were released in December 2022;

(v) mortgages over leasehold lands and buildings situated in Mainland China of Mr. CAI Jianyong, an executive director, which were released in December 2022;

(vi) mortgages over leasehold lands and buildings situated in Mainland China of Mrs. CHEN Saihong, a related party, which were released in December 2022;

(vii) mortgages over leasehold lands and buildings situated in Mainland China of Ningbo Red House Obstetrics and Gynecology Hospital ("Red House Hospital"), an entity controlled by the ultimate holding company, which were released in December 2022;

(viii) mortgages over leasehold lands and buildings situated in Mainland China of Mrs. HAN Lansu, the spouse of an executive director, which were released in December 2022; and

(ix) mortgages over buildings situated in Mainland China of Ms. CAI Xiao'ou, the daughter of an executive director, which were released in December 2022.

Notes to Financial Statements

31 December 2022

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes : (Continued)

(b) The Group's pledged time deposits, which have an aggregate net carrying value of approximately RMB313,850,000 (2021: RMB639,031,000), were pledged to secure the Group's bank loans (note 23).

(c) An executive director of the Group, Mr. CAI Jianyong, and his spouse have guaranteed the Group's bank loans up to RMB1,805,000,000 as at 31 December 2021.

(d) The ultimate holding company of the Group guaranteed the Group's bank loans up to RMB1,314,500,000 as at 31 December 2021.

(e) The ultimate holding company of the Group and a senior management of the Group, Mr. SONG Zhen, guaranteed the Group's bank loans up to RMB70,000,000 as at 31 December 2021.

(f) The ultimate holding company of the Group and a related party of the Group, Suqian Xiangxiang, guaranteed the Group's bank loans up to RMB405,000,000 as at 31 December 2021.

(g) A related party of the Group, Suqian Xiangxiang, guaranteed the Group's bank loans up to RMB285,000,000 as at 31 December 2021.

(h) The ultimate holding company of the Group, Suqian Xiangxiang, Mr. CAI Jianyong and the spouse of Mr. CAI Jiansong have guaranteed the Group's bank loans up to RMB201,729,000 as at 31 December 2021.

(i) The ultimate holding company of the Group pledged certain equity of a related party to secure the Group's bank loans up to RMB201,729,000 as at 31 December 2021.

(j) The Group's inventories, which have an aggregate net carrying value of approximately RMB201,729,000, were pledged to secure the Group's bank loans (note 19) as at 31 December 2021.

(k) The long term bank borrowings are pledged with corporate guarantee from PT. Harita Jayaraya ("HJR"), and share pledges of PT Trimegah Bangun Persada ("TBP").

27. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2022 RMB'000	2021 RMB'000
Sale of nickel products	20,752	136,906
Sale of equipment	53	138,443
Others	547	21,572
	21,352	296,921

At 31 December 2022, included in the Group's contract liabilities were amounts due to the Group's related parties of nil (2021: RMB131,887,000).

Contract liabilities include short-term advances received to deliver nickel products, equipment and others, and to provide shipping services. The decrease in contract liabilities in 2022 was mainly due to the fluctuation in advances received from customers in relation to the provision of nickel products and shipping services during the year.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Derivative financial instruments, at fair value		
Foreign currency forward contracts	31,202	–
Futures	11,484	6,771
	42,686	6,771

Foreign currency forward contracts and futures are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivative financial instruments amounting to RMB42,686,000 (2021: RMB6,771,000) were charged to profit or loss during the year. For information about the methods and assumptions used in determining fair value, please refer to note 40 to the financial statements.

Notes to Financial Statements

31 December 2022

29. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Accrued expenses RMB'000	Impairment of trade receivables RMB'000	Impairment of other receivables RMB'000	Unrealised profit attributable to the intra-group transactions RMB'000	Payroll payable RMB'000	Lease liabilities RMB'000	Provision RMB'000	Changes in fair value of financial liabilities at fair value through profit or loss RMB'000	Estimated liabilities for employees' benefits RMB'000	Tax loss RMB'000	Deferred income RMB'000	Total RMB'000
At 1 January 2021	5,314	510	70	14,016	4,390	1,067	–	–	–	–	–	25,367
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	(3,974)	826	18	9,233	5,150	444	3,988	1,693	220	–	–	17,598
Acquisition of subsidiaries (note 33)	–	–	–	–	–	–	–	–	1,727	–	–	1,727
At 31 December 2021 and 1 January 2022	1,340	1,336	88	23,249	9,540	1,511	3,988	1,693	1,947	-	-	44,692
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	(600)	(423)	67	(3,117)	(9,540)	12,373	(4,356)	9,821	2,037	26,858	2,211	35,331
Exchange realignment	-	-	-	-	-	-	368	-	45	-	-	413
Gross deferred tax assets at 31 December 2022	740	913	155	20,132	-	13,884	-	11,514	4,029	26,858	2,211	80,436

29. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	Finance lease receivables *RMB'000*	Right-of-use assets *RMB'000*	Withholding tax *RMB'000*	Revaluation of property, plant and equipment *RMB'000*	Total *RMB'000*
At 1 January 2021	–	1,275	5,057	4,247	10,579
Deferred tax charged/(credited) to profit or loss during the year (note 10)	–	446	(3,298)	(1,297)	(4,149)
At 31 December 2021 and 1 January 2022	**–**	**1,721**	**1,759**	**2,950**	**6,430**
Deferred tax charged/(credited) to profit or loss during the year (note 10)	**4,856**	**8,109**	**441**	**(1,298)**	**12,108**
Gross deferred tax liabilities at 31 December 2022	**4,856**	**9,830**	**2,200**	**1,652**	**18,538**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 *RMB'000*	2021 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**66,552**	43,183
Net deferred tax liabilities recognised in the consolidated statement of financial position	**4,654**	4,921

At 31 December 2022, the Group has tax losses arising in Mainland China of RMB159,681,000 (2021: RMB57,031,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised except the Company.

At the end of year, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Indonesia. In the opinion of the directors, it is not probable that these companies will distribute such earnings in the foreseeable future. As at 31 December 2022, the aggregate amount of temporary differences associated with investments in subsidiaries in Indonesia for which deferred tax liabilities have not been recognised totalled approximately RMB3,481,617,000 (2021: RMB580,224,000).

Notes to Financial Statements

31 December 2022

30. EMPLOYEE BENEFITS LIABILITY

HPL and ONC, subsidiaries of the Group, provide post-employment benefits to their employees in conformity with the requirements of Indonesia's Labor Law No. 13/2003 dated 25 March 2003. HPL and ONC recorded the estimated liabilities for employees' benefits as at 31 December 2022 based on the actuarial calculation prepared by Kantor Konsultan Aktuaria Tubagus Syafrial & Amran Nangasan, an independent actuary, which applied the "Projected Unit Credit" method.

Key assumptions used for actuarial calculation are as follows:

	2022 *RMB'000*	2021 *RMB'000*
Discount rate	7.25%-7.27%	7.10%
Mortality table	TMI-IV 2019	TMI-IV 2019
Retirement age	55 years	55 years
Annual salary increase rate	10.00%	10.00%

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the post-employment benefits to the employees is as follows:

a. Estimated liabilities for employees' benefits

	2022 *RMB'000*	2021 *RMB'000*
Present value of employees' benefit obligation	18,197	8,731
Net liabilities recognised in the statement of financial position	18,197	8,731

b. Employee benefit expense

	2022 *RMB'000*	2021 *RMB'000*
Current service cost	9,751	638
Interest costs	628	26
Curtailment effect	415	219
Past service cost	(865)	(619)
Employee benefit expense for the year	9,929	264

30. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the post-employment benefit to the employees is as follows: (continued)

c. Change in liabilities of employees' benefits

	2022 *RMB'000*	2021 *RMB'000*
Beginning balance	8,731	–
Acquisition of subsidiaries (note 33)	–	8,505
Employee benefit expense for the year	9,929	264
Foreign exchange difference	(463)	(38)
Ending balance	18,197	8,731

Sensitivity analysis to the key assumptions used in determining employee benefit obligations is as follows:

	Discount rate			
	2021 1% increase *RMB'000*	2021 1% decrease *RMB'000*	2022 1% increase *RMB'000*	2022 1% decrease *RMB'000*
Impact on the defined benefit obligations	(478)	561	1,052	1,207

The sensitivity analysis above has been determined based on a deterministic method to value the impact on the benefit obligations as a result of reasonable changes in key assumptions occurring at 31 December 2021 and 2022.

Notes to Financial Statements

31 December 2022

30. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

c. Change in liabilities of employees' benefits (Continued)

The following payments are expected contributions to the benefit obligations in future years:

	2022 *RMB'000*	2021 *RMB'000*
Within the next 12 months	135	–
Between 1 and 2 years	484	51
Between 3 and 5 years	6,322	1,486
Between 6 and 10 years	23,964	19,306
Beyond 10 years	843,021	283,884
Total	873,926	304,727

At 31 December 2022, the average duration of the benefit obligations of HPL was 21.20 years (2021: 19.27 years); and the average duration of the benefit obligations of ONC was 27.24 years.

31. SHARE CAPITAL

Share capital

	Number of ordinary shares	Total *RMB'000*
Issued and fully paid as at 1 January 2021	–	–
Issue of ordinary shares upon conversion into a joint stock company (note a)	508,000,000	508,000
Issue of ordinary shares	809,768,750	809,769
Issued and fully paid as at 31 December 2021 and 1 January 2022	1,317,768,750	1,317,769
Issue of shares from initial public offering (note b)	232,547,600	232,547
Exercise of the over-allotment option (note c)	5,615,000	5,615
Issued and fully paid as at 31 December 2022	1,555,931,350	1,555,931

31. SHARE CAPITAL (CONTINUED)

Paid-in capital

	Total *RMB'000*
As at 1 January 2021	508,000
Conversion into a joint stock company (note a)	(508,000)
As at 31 December 2021, 1 January 2022 and 31 December 2022	–

Notes:

(a) On 16 September 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion base date, including paid-in capital, other reserves and retained profits, amounting to RMB594,360,000 were converted into 508,000,000 ordinary shares of RMB1.00 each. The excess of the net assets of RMB86,360,000 converted over the nominal value of the ordinary shares was credited to the Company's share premium.

(b) On 1 December 2022, 232,547,600 ordinary shares of par value of RMB1.00 each were issued at a price of HKD15.8 per share in connection with the Company's initial public offering. The proceeds of HKD254,696,000 (equivalent to RMB232,547,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD3,419,556,000 (equivalent to RMB3,122,192,000) before issuing expenses were credited to the share premium account.

(c) On 30 December 2022, 5,615,000 ordinary shares of par value of RMB1.00 each were issued at a price of HKD15.8 per share in connection with the Company's over-allotment option. The proceeds of HKD6,286,000 (equivalent to RMB5,615,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD82,431,000 (equivalent to RMB73,633,000) before issuing expenses were credited to the share premium account.

Notes to Financial Statements

31 December 2022

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in September 2021 and the share premium raised from the Company's initial public offering and over-allotment option in December 2022.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

Other reserves

Other reserves of the Group mainly arose from the capital injection and acquisition of subsidiaries under common control.

33. BUSINESS COMBINATIONS

(a) Pursuant to a capital increase agreement dated 8 November 2021 entered into by and amongst Feng Yi Pte. Ltd. ("Feng Yi"), a third party, our then shareholders and the Company, the registered capital of the Company was increased by RMB263,554,000, which Feng Yi agreed to subscribe at a total amount of RMB590,000,000 and thereby acquiring a 20% equity interest in the Company. On the same date, the Company entered into a share purchase agreement to acquire a 100% shareholding interest of Kang Xuan, which holds a 18% shareholding interest in HPL, from Feng Yi at a total amount of RMB590,000,000 which was fully settled by 24 December 2021.

After the acquisition of Kang Xuan, the Company's aggregate shareholding interest in HPL increased from 36.9% to 54.9% and HPL became a subsidiary of the Company. The substance of the above transactions is that the Company issued its 20% equity interest in exchange for the 18% shareholding interest in HPL. The consideration for the acquisition is the fair value of the 20% equity interest of the Company as at the acquisition date. The acquisition was completed on 30 November 2021 (the "Acquisition Date").

Notes to Financial Statements

31 December 2022

33. BUSINESS COMBINATIONS (CONTINUED)

(a) (Continued)

The fair values of the identifiable assets and liabilities of HPL and Kang Xuan as at the Acquisition Date were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	5,265,294
Intangible asset	*15*	529,490
Prepayments for property, plant and equipment		363,987
Right-of-use assets	*14(a)*	2,963
Deferred tax assets	*29*	1,727
Other non-current assets		630
Inventories		636,339
Trade receivables		416,943
Prepayments, other receivables and other assets		147,218
Due from related parties		5,958
Pledged deposits		120,446
Cash and cash equivalents		396,666
Interest-bearing bank borrowings		(3,834,964)
Employee benefits liability	*30*	(8,505)
Lease liabilities	*14(b)*	(2,963)
Trade payables		(147,141)
Other payables and accruals*		(511,113)
Due to a related party		(151,319)
Total identifiable net assets at fair value		3,231,656
Non-controlling interests		(1,457,491)
Goodwill on acquisition	*16*	218,037
Fair value of the issued 20% equity interest of the Company		795,932
Fair value of 36.9% of shareholding interest in HPL previously held		1,196,270
Total consideration		1,992,202

* Included in other payables and accruals are other payables with carrying amounts of RMB31,000 recorded in Kang Xuan.

33. BUSINESS COMBINATIONS (CONTINUED)

The goodwill of RMB218,037,000 recognised above comprises the value of expected synergies arising from this acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash received from Feng Yi	(590,000)
Cash and cash equivalents acquired	396,666
Net outflow of cash and cash equivalents included in cash flows from investing activities	(193,334)
Transaction costs of the acquisition included in cash flows from operating activities	(379)
	(193,713)

The fair values of the trade receivables and prepayments, other receivables and other assets at the Acquisition Date amounted to RMB416,943,000 and RMB147,218,000, respectively. The gross contractual amounts of trade receivables and prepayments, other receivables and other assets were RMB416,943,000 and RMB147,218,000, respectively.

The Group incurred transaction costs of RMB379,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Since the acquisition, HPL contributed nil to the Group's revenue and RMB463,148,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB12,140,677,000 and RMB1,620,887,000, respectively.

Notes to Financial Statements

31 December 2022

33. BUSINESS COMBINATIONS (CONTINUED)

(b) ONC was incorporated on 20 August 2021, which has not commenced any business or operation since its incorporation. ONC became a subsidiary of the Group as the Group obtained control over it with the amendments on the shareholders agreement on 29 November 2021.

The fair values of the identifiable assets of ONC as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Due from the Group	288,787
Cash and cash equivalents	194,834
Total identifiable net assets at fair value	483,621
Non-controlling interests	(195,195)
Goodwill on acquisition	–
Cash consideration	–
Fair value of shareholding interest previously held	288,426
Total consideration	288,426

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents acquired	194,834
Net inflow of cash and cash equivalents included in cash flows from investing activities	194,834

Since the acquisition, ONC contributed nil to the Group's revenue and RMB2,540,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB12,449,318,000 and RMB1,259,963,000, respectively.

33. BUSINESS COMBINATIONS (CONTINUED)

(c) DCM was incorporated on 5 November 2007, which has not commenced any business or operation since its incorporation. DCM became a subsidiary of the Group as the Group obtained control over it with the amendments on the shareholders agreement on 4 April 2022, which is a step acquisition without consideration. Refer to note 17 to the financial statements for the details.

The fair values of the identifiable assets of DCM as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	7
Prepayments, other receivables and other assets	280
Cash and cash equivalents	848
Other payables and accruals	(7)
Total identifiable net assets at fair value	1,128
Non-controlling interests	(451)
Goodwill on acquisition	–
Cash consideration	–
Fair value of shareholding interest previously held	677
Total consideration	677

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	
Cash and cash equivalents acquired	848
Net inflow of cash and cash equivalents included in cash flows from investing activities	848

Since the acquisition, DCM contributed nil to the Group's revenue and a loss of RMB526,000 to the Group's loss for the year of 2022.

Had the combination taken place at the beginning of the year of 2022, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB18,289,596,000 and RMB3,184,970,000, respectively.

Notes to Financial Statements

31 December 2022

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB63,780,000 (2021: RMB7,676,000) and RMB63,780,000 (2021: RMB7,676,000), respectively, in respect of lease arrangements for office premises.

The Company records payments received from certain financiers (the "Lender") as loans, which amounts are determined based on certain future trade receivables from customers (the "Customer") for the provision of sale of nickel products, and recognises trade receivables when delivering products to the Customer. Such loans and trade receivables are offset when all of the following steps are completed: (i) the Lender makes payment to the Company, (ii) the Company delivers products to the Customer, and (iii) the Customer makes repayment to the Lender. During the year, the aggregate amount of such non-cash settlement was RMB473,468,000 (2021: RMB612,958,000).

During the year, HPL had non-cash additions of construction in progress from capitalisation of depreciation of fixed assets of RMB4,287,000 (2021: RMB1,294,000).

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2022

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Due to the ultimate holding company *RMB'000*
At 1 January 2022	**4,751,594**	**10,867**	**67,095**
Changes from financing cash flows	**1,330,674**	**(17,790)**	**(67,095)**
Non-cash settlement	**(473,468)**	**–**	**–**
New leases	**–**	**63,780**	**–**
Interest accrued	**251,549**	**2,876**	**–**
Early termination	**–**	**(1,063)**	**–**
Exchange realignment	**372,116**	**269**	**–**
At 31 December 2022	**6,232,465**	**58,939**	**–**

2021

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Due to the ultimate holding company *RMB'000*
At 1 January 2021	1,024,498	5,164	59,324
Changes from financing cash flows	445,313	(5,306)	(838,013)
Non-cash settlement	(612,958)	–	–
Dividend declared	–	–	845,750
New leases	–	7,676	–
Interest accrued	79,047	244	34
Acquisition of subsidiaries	3,834,964	2,963	–
Exchange realignment	(19,270)	126	–
At 31 December 2021	4,751,594	10,867	67,095

Notes to Financial Statements

31 December 2022

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within operating activities	25,672	19,990
Within financing activities	17,790	5,306
	43,462	25,296

35. COMMITMENTS

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

	2022 *RMB'000*	2021 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	6,633,055	2,374,080
Capital contributions payable to joint ventures	–	681
	6,633,055	2,374,761

36. RELATED PARTY TRANSACTIONS

Name	Relationship
HPL*	An associate (before 30 November 2021)
HJF	An associate
DCM**	A joint venture (before 4 April 2022)
Suqian Xiangxiang	Subsidiary of the ultimate holding company
Zhejiang Lygend Investment Co., Ltd. (“Lygend Investment”)	The ultimate holding company
PT. Trimegah Bangun Persada (“TBP”)	Shareholder of HPL which has significant influence
PT. Megah Surya Pertiwi (“MSP”)	Entity under common control of TBP
PT. Harita Jayaraya (“HJR”)	Parent entity of TBP
PT. Gane Permai Sentosa (“GPS”)	Entity under common control of HJR
PT. Antar Sarana Rekas (“ASR”)	Entity under common control of HJR’s ultimate beneficial owner
PT Gema Selaras Perkasa (“GSP”)	Entity under common control of HJR’s ultimate beneficial owner
PT OBI SINAR TIMUR (“OST”)	Entity under common control of HJR
PT Lima Srikandi Jaya (“LSJ”)	Entity under common control of HJR
PT. Pesona Khatulistiwa Nusantara (“PKN”)	Entity under common control of HJR
PT. Mitra Kemakmuran Line (“MKL”)	Entity under common control of HJR
Feng Yi	Shareholder of the Company which has significant influence

* HPL became a subsidiary of the Group on 30 November 2021.

** DCM became a subsidiary of the Group on 4 April 2022 (note 33(c)).

Notes to Financial Statements

31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 14, 21, 22, 26 and 27, the Group had the following transactions with related parties during the year:

	Notes	2022 *RMB'000*	2021 *RMB'000*
Sale of equipment to:			
HJF	*(i)*	557,483	577,119
HPL	*(i)&(ii)*	N/A	308,641
		557,483	885,760
Sale of materials to:			
HJF	*(i)*	118,725	–
Purchase of equipment from:			
Lygend Investment	*(i)*	–	1,154
Suqian Xiangxiang	*(i)*	–	2,313
		–	3,467
Purchase of nickel products from:			
HPL	*(i)&(ii)*	N/A	1,212,143
MSP	*(i)*	2,440,732	2,552,036
GPS	*(i)*	316,453	1,079
TBP	*(i)*	804,495	66,144
PKN	*(i)*	118,223	–
		3,679,903	3,831,402
Purchase of services from:			
TBP	*(i)*	29,309	15,666
LSJ	*(i)*	2,878	1,124
MSP	*(i)*	1,915	1,514
ASR	*(i)*	10,971	896
MKL	*(i)*	6,610	–
GPS	*(i)*	53	–
GSP	*(i)*	1,643	243
		53,379	19,443
Loans from:			
Lygend Investment	*(iii)*	–	20,000
Interest payment to:			
Lygend Investment	*(iii)*	–	34

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 14, 21, 22, 26 and 27, the Group had the following transactions with related parties during the year: (continued)

	Notes	**2022** **RMB'000**	2021 RMB'000
Payment on behalf of by:			
TBP	*(iv)*	**3,287**	–
HJF	*(iv)*	**14,337**	–
		17,624	–
Payment on behalf of:			
MSP	*(iv)*	**84**	–
OST	*(iv)*	**103**	–
HJF	*(iv)*	**59,334**	–
		59,425	–

Notes:

(i) The purchases from and sales to the related parties were made according to the published prices and conditions between the Group and its major customers and suppliers.

(ii) The purchases from and sales to HPL during the year of 2021 represent the transaction for the eleven months ended the Acquisition Date. Since 30 November 2021, HPL has become a subsidiary of the Group.

(iii) The loans from Lygend Investment bore interest at the rate of 4.35% per annum. The balance was unsecured and repayable on demand.

(iv) The payment on behalf of and on behalf of by the related parties were reimbursements for miscellaneous site expenses.

Notes to Financial Statements

31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

As at the Acquisition Date, the Company has guaranteed certain of the bank borrowings made to its associate, HPL, amounting to RMB3,600,699,000. As at 31 December 2022, the Company has guaranteed certain of the bank borrowings made to its associate, HJF, amounting to RMB3,652,095,000 (2021: RMB1,581,481,000). The above bank borrowings were also jointly guaranteed by HJR. The Company's shareholdings in HPL and HJF are also pledged to secure the above bank borrowings.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Company are insignificant at initial recognition as at 31 December 2022 and 2021, accordingly, no value has been recognised at the inception of the guarantee contracts and on the consolidated statement of financial position as at 31 December 2022 and 2021. The directors of the Company consider that the loss rate of these guarantees is low.

HPL entered into agreements which are effective from 12 April 2021 to 31 December 2030 with GPS and TBP to purchase nickel ore for HPL's production. HPL expects total purchases from GPS and TBP from 2023 to 2030 to be approximately USD243,880,000 and USD171,655,000, respectively. In 2022, HPL made a payment of USD100,000,000 to TBP as a refundable security deposit for the purchase of nickel products according to a purchase agreement entered into between HPL and TBP at the end of December 2022.

HPL entered into an agreement with TBP for the payment of levy related to the use of certain land located on the Obi Island, Indonesia, which includes the license (IPPKH – Izin Pinjam Pakai Kawasan Hutan) obtained by TBP from the government to permit TBP to operate in OBI Island. The payment is calculated with reference to the area of land used by HPL and the rate of fees charged by the relevant local government authority in Indonesia.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	Notes	2022 *RMB'000*	2021 *RMB'000*
Due from an associate:			
HJF	(i)	**352,508**	9,118
Due from related parties:			
TBP	(ii)	**93,518**	94,360
TBP		**794**	–
TBP	(v)	**696,460**	–
MSP	(i)	**123**	–
OST		**106**	–
LSJ		**7**	–
		791,008	94,360
Due to the ultimate holding company:			
Lygend Investment	(i)	**–**	1,282
Lygend Investment	(iii)	**–**	67,061
Lygend Investment	(iv)	**–**	34
		–	68,377
Due to an associate:			
HJF		**14**	–

Notes to Financial Statements

31 December 2022

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties: (continued)

	Note	2022 RMB'000	2021 RMB'000
Due to related parties:			
TBP	*(i)*	**84,411**	160,355
GSP	*(i)*	**–**	327
MSP	*(i)*	**597**	1,213
PKN	*(i)*	**14,406**	–
ASR	*(i)*	**1,446**	601
GPS	*(i)*	**30,136**	1,554
LSJ	*(i)*	**–**	294
MKL	*(i)*	**1,035**	–
Feng Yi		**34**	–
OST		**114**	7
		132,179	164,351

Notes:

(i) The balances with related parties are trade in nature.

(ii) The balance represents a capital contribution receivable for 25% of the authorised capital of a subsidiary of the Group under the laws of Indonesia, which is non-trade in nature.

(iii) The balance represents dividend payables by the Company, which are non-trade in nature and have been settled by June 2022.

(iv) The balance represents an interest payable by the Company, which is non-trade in nature.

(v) The balance represents deposits for other receivables by the subsidiaries, which are trade in nature.

Other outstanding balances with related parties were non-trade in nature.

36. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2022 *RMB'000*	2021 *RMB'000*
Salaries, allowances and benefits in kind	**36,392**	15,188
Performance related bonuses	**43,762**	39,780
Pension scheme contributions	**260**	171
	80,414	55,139

Further details of directors' emoluments are included in note 8 to the financial statements.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2022 *RMB'000*	2021 *RMB'000*
Percentage of equity interest held by non-controlling interests:		
HPL	**45.1%**	45.1%
Accumulated balances of non-controlling interests:		
HPL	**3,105,987**	1,610,012

	2022 *RMB'000*	From the Acquisition Date to 31 December 2021 *RMB'000*
Profit for the year allocated to non-controlling interests:		
HPL	**1,308,528**	153,504

Notes to Financial Statements

31 December 2022

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2022 *RMB'000*	2021 *RMB'000*
Current assets	**2,535,892**	1,755,465
Non-current assets	**9,590,803**	6,291,773
Current liabilities	**1,401,775**	878,587
Non-current liabilities	**3,816,978**	3,604,413

	2022 *RMB'000*	From the Acquisition Date to 31 December 2021 *RMB'000*
Revenue	**6,940,197**	926,414
Other income	**29,970**	4,772
Total expenses	**(4,048,351)**	(590,822)
Profit for the year	**2,921,816**	340,364
Other comprehensive income/(loss) for the year	**419,704**	(2,181)
Net cash flows from operating activities	**2,662,154**	550,041
Net cash flows used in investing activities	**(2,577,619)**	(1,828,018)
Net cash flows (used in)/from financing activities	**(169,869)**	1,830,333
Net (decrease)/increase in cash and cash equivalents	**(85,334)**	552,356

38. SHARE-BASED PAYMENT

On 20 October 2021, the board of directors of the Company passed a resolution in relation to a pre-IPO share incentive scheme, to issue 25,915,000 domestic shares ("Restricted Domestic Shares") to eligible employees (including directors and supervisors) in order to provide incentives and rewards to participants for the business development of the Group. The Restricted Domestic Shares were subscribed at the price of RMB3.02 per share by the four Employee Incentive Platforms. A cash consideration of RMB78,264,000, in aggregate, was received by the Company in December 2021 (note 32).

There are service period requirements, but no performance target requirements for the share grants. If the eligible participant resigns during the period of service period requirements, the management committee of the Employee Incentive Platforms shall have the right (but not the liability) to purchase his/her share at cost plus market interest. These granted Restricted Domestic Shares will be unlocked over a four-year period, with up to 25%, 25%, 25% and 25% of the awards unlocking on the first, second, third and fourth anniversary dates of 12 months immediately following the date of the Company's listing of H shares.

Restricted Domestic Shares were issued at fair value at the grant date, which was determined by an external valuer by the discounted cash flow method. Thus, during the year ended 31 December 2021 and the six months ended 30 June 2022, no share-based payment expense was charged to profit or loss.

The following table lists the inputs to the model used:

	Year ended 31 December 2021
Risk-free interest rate	3.4%
Discount rate	15.0%
Discount for lack of marketability	14.0%

Notes to Financial Statements

31 December 2022

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2022

	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Trade receivables	439,819	701,399	1,141,218
Bills receivable	–	705	705
Financial assets included in prepayments, other receivables and other assets	–	215,842	215,842
Due from related parties	–	1,143,516	1,143,516
Derivative financial instruments	95,680	–	95,680
Financial assets at fair value through profit or loss	12,183	–	12,183
Pledged deposits	–	313,850	313,850
Cash and cash equivalents	–	4,434,705	4,434,705
	547,682	6,810,017	7,357,699

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial assets (Continued)

2021

	Financial assets at fair value through other comprehensive income		
	Debt investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	1,009,594	1,009,594
Bills receivable	4,410	11,199	15,609
Financial assets included in prepayments, other receivables and other assets	–	129,689	129,689
Due from related parties	–	103,478	103,478
Pledged deposits	–	639,031	639,031
Cash and cash equivalents	–	1,413,298	1,413,298
	4,410	3,306,289	3,310,699

Notes to Financial Statements

31 December 2022

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities

2022

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition *RMB'000*	**Financial liabilities at amortised cost** *RMB'000*	**Total** *RMB'000*
Trade and bills payables	–	965,245	965,245
Financial liabilities included in other payables and accruals	–	1,033,328	1,033,328
Derivative financial instruments	42,686	–	42,686
Interest-bearing bank and other borrowings	–	6,232,465	6,232,465
Due to related parties	–	132,193	132,193
	42,686	8,363,231	8,405,917

39. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Financial liabilities (Continued)

2021

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	728,414	728,414
Financial liabilities included in other payables and accruals	–	637,687	637,687
Derivative financial instruments	6,771	–	6,771
Interest-bearing bank and other borrowings	–	4,751,594	4,751,594
Due to related parties	–	232,728	232,728
	6,771	6,350,423	6,357,194

Notes to Financial Statements

31 December 2022

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade receivables, the current portion of pledged deposits, trade and bills payables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

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

The fair values of the non-current portion of pledged deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2022 were assessed to be insignificant. All the carrying amounts of the Group's non-current portion of pledged deposits and interest-bearing bank borrowings approximate to their fair values.

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Trade receivables containing provisional pricing features	**–**	**439,819**	**–**	**439,819**
Derivative financial instruments	**–**	**95,680**	**–**	**95,680**
Financial assets at fair value through profit or loss	**–**	**12,183**	**–**	**12,183**
	–	**547,682**	**–**	**547,682**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	–	4,410	–	4,410

Notes to Financial Statements

31 December 2022

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

Fair value hierarchy (Continued)

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

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Derivative financial instruments	**–**	**42,686**	**–**	**42,686**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments	–	6,771	–	6,771

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the financial statements.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 63.4% (2021: 63.4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 80.2% (2021: 41.9%) of costs were denominated in the units' functional currencies.

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

Notes to Financial Statements

31 December 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity as at the end of reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2022			
If the RMB weakens against the USD	**5**	**64,910**	**48,738**
If the RMB strengthens against the USD	**(5)**	**(64,910)**	**(48,738)**
If the RMB weakens against the HKD	**5**	**149,937**	**112,453**
If the RMB strengthens against the HKD	**(5)**	**(149,937)**	**(112,453)**
If the RMB weakens against the IDR	**5**	**4,148**	**3,115**
If the RMB strengthens against the IDR	**(5)**	**(4,148)**	**(3,115)**
If the RMB weakens against the SGD	**5**	**118**	**89**
If the RMB strengthens against the SGD	**(5)**	**(118)**	**(89)**
31 December 2021			
If the RMB weakens against the USD	5	16,346	17,446
If the RMB strengthens against the USD	(5)	(16,346)	(17,446)
If the RMB weakens against the IDR	5	(1,743)	(643)
If the RMB strengthens against the IDR	(5)	1,743	643

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	1,145,606	1,145,606
Bills receivable**	705	–	–	–	705
Financial assets included in prepayments, other receivables and other assets					
– Normal**	216,715	–	–	–	216,715
Due from related parties					
– Normal**	1,143,516	–	–	–	1,143,516
Pledged deposits					
– Normal**	313,850	–	–	–	313,850
Cash and cash equivalents					
– Not yet past due	4,434,705	–	–	–	4,434,705
	6,109,491	–	–	1,145,606	7,255,097

Notes to Financial Statements

31 December 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	1,015,990	1,015,990
Bills receivable**	15,609	–	–	–	15,609
Financial assets included in prepayments, other receivables and other assets					
– Normal**	130,274	–	–	–	130,274
Due from related parties					
– Normal**	103,478	–	–	–	103,478
Pledged deposits					
– Normal**	639,031	–	–	–	639,031
Cash and cash equivalents					
– Not yet past due	1,413,298	–	–	–	1,413,298
	2,301,690	–	–	1,015,990	3,317,680

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the bills receivable, financial assets included in prepayments, other receivables and other assets, pledged deposits and amounts due from related parties are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing loans.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to 12 months** *RMB'000*	**More than 1 years** *RMB'000*	**Total** *RMB'000*
Trade and bills payables	759,476	186,508	19,261	–	965,245
Financial liabilities included in other payables and accruals	1,033,328	–	–	–	1,033,328
Lease liabilities	–	3,632	10,886	51,808	66,326
Due to related parties	132,193	–	–	–	132,193
Financial guarantee contracts	–	–	626,814	3,025,281	3,652,095
Interest-bearing bank and other borrowings	–	1,318,285	1,054,776	4,068,786	6,441,847
	1,924,997	1,508,425	1,711,737	7,145,875	12,291,034

Notes to Financial Statements

31 December 2022

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	As at 31 December 2021				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	567,099	161,315	–	–	728,414
Financial liabilities included in other payables and accruals	588,437	45,785	3,465	–	637,687
Lease liabilities	–	4,202	4,636	2,254	11,092
Due to related parties	232,728	–	–	–	232,728
Financial guarantee contracts	–	–	1,617,569	–	1,617,569
Interest-bearing bank and other borrowings	–	768,690	391,047	3,730,520	4,890,257
	1,388,264	979,992	2,016,717	3,732,774	8,117,747

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

	2022 *RMB'000*	2021 *RMB'000*
Interest-bearing bank and other borrowings	**6,232,465**	4,751,594
Trade and bills payables	**965,245**	728,414
Lease liabilities	**58,939**	10,867
Other payables and accruals	**1,139,279**	836,247
Due to related parties	**132,193**	232,728
Less: Cash and cash equivalents	**4,434,705**	1,413,298
Pledged deposits	**313,850**	639,031
Net debt	**3,779,566**	4,507,521
Equity attributable to owners of the parent	**8,476,396**	3,138,398
Capital and net debt	**12,255,962**	7,645,919
Gearing ratio	**31%**	59%

42. EVENTS AFTER THE REPORTING PERIOD

On 3 January 2023, a special dividend of RMB466,779,000 (tax inclusive) was declared to the shareholders of the Company whose names appeared on the register of members of the Company on 22 January 2023. Holders of the Domestic Shares were paid in RMB and holders of the H Shares were paid in HKD (HKD0.3357 per H Share of the Company, at the exchange rate being the average benchmark exchange rate of HKD to RMB as published by the PRC during the five business days immediately before 3 January 2023, HKD1.0: RMB0.89364).

Notes to Financial Statements

31 December 2022

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	26,300	24,286
Intangible assets	21,271	4,110
Right-of-use assets	873	–
Deferred tax assets	35,849	22,192
Interests in associates	537,499	557,790
Investments in subsidiaries	3,384,365	1,980,230
Total non-current assets	4,006,157	2,588,608
CURRENT ASSETS		
Inventories	97,775	233,864
Trade and bills receivables	173,075	328,553
Prepayments, other receivables and other assets	236,438	201,018
Due from subsidiaries	1,185,192	637,902
Pledged deposits	111,361	222,066
Cash and cash equivalents	3,079,579	104,700
Total current assets	4,883,420	1,728,103
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,554,465	842,116
Trade and bills payables	386,632	369,151
Lease liabilities	355	–
Derivative financial instruments	31,202	1,741
Other payables and accruals	78,986	154,176
Contract liabilities	6,760	44,747
Income tax payable	2,632	32,839
Due to related parties	–	67,095
Due to subsidiaries	696,679	571,124
Total current liabilities	2,757,711	2,082,989
NET CURRENT ASSETS/(LIABILITIES)	2,125,709	(354,886)
TOTAL ASSETS LESS CURRENT LIABILITIES	6,131,866	2,233,722

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES		
Lease liabilities	370	–
Deferred tax liabilities	37	–
Total non-current liabilities	407	–
Net assets	6,131,459	2,233,722
EQUITY		
Share capital	1,555,931	1,317,769
Reserves (note)	4,575,528	915,953
Total equity	6,131,459	2,233,722

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Exchange fluctuation reserves RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	–	(54,994)	63,756	197,223	205,985
Profit for the year	–	–	–	905,530	905,530
Share of other comprehensive loss of associates	–	(21,593)	–	–	(21,593)
Total comprehensive income for the year	–	(21,593)	–	905,530	883,937
Business combination under common control	–	–	–	(1,397)	(1,397)
Conversion into a joint stock company	86,360	68,962	(150,702)	(4,620)	–
Issue of shares	140,800	–	–	–	140,800
Acquisition of subsidiaries	532,378	–	–	–	532,378
Transfer to statutory reserves	–	–	159,277	(159,277)	–
Dividends declared	–	–	–	(845,750)	(845,750)
At 31 December 2021	759,538	(7,625)	72,331	91,709	915,953

Notes to Financial Statements

31 December 2022

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: (continued)

A summary of the Company's reserves is as follows: (continued)

	Share premium account *RMB'000*	Exchange fluctuation reserves *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 31 December 2021 and 1 January 2022	759,538	(7,625)	72,331	91,709	915,953
Profit for the year	–	–	–	559,584	559,584
Share of other comprehensive income of associates	–	52,532	–	–	52,532
Total comprehensive income for the year	–	52,532	–	559,584	612,116
Initial public offering and over-allotment option	3,195,825	–	–	–	3,195,825
Share issue expenses	(148,366)	–	–	–	(148,366)
Transfer to statutory reserves	–	–	55,957	(55,957)	–
At 31 December 2022	3,806,997	44,907	128,288	595,336	4,575,528

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.