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

2023
INTERIM REPORT

Contents

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

BOARD OF 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

ESG committee

Mr. CAI Jianyong *(Chairperson)*
Mr. JIANG Xinfang
Mr. QIAN Feng (Non-Director)
Mr. YUAN Shuangcheng (Non-Director)
Mr. ZHANG Baodong (Non-Director)
Mr. YU Hai (Non-Director)
Mr. LIAO Zhengquan (Non-Director)
Mr. LIU Xuanliang (Non-Director)

Corporate Information

JOINT COMPANY SECRETARIES

Ms. FEI Feng (resigned in June 2023)
Mr. CAO Zheng (appointed in June 2023)
Ms. TANG Wing Shan Winza (ACG HKACG)

AUTHORIZED REPRESENTATIVES (UNDER THE LISTING RULES)

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

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

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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 law:
Herbert Smith Freehills

As to PRC law:
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

Chairman Statement

To Shareholders,

On behalf of the board of directors of Lygend Resources & Technology Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), we are pleased to present to you the 2023 interim results of the Group.

In the first half of 2023, the Company promoted the development of various projects in an orderly manner, released its production capacity as scheduled, and achieved solid growth in productivity and sales volume of various businesses. The results of principal activities of the Company were as follows:

Nickel ore and ferronickel trading: Fully leveraging on its dominant position and resource channels in the nickel ore and ferronickel markets, the Company actively explored domestic and overseas markets, maintained stable customer relationships and enhanced service quality, thus achieving steady growth in nickel ore and ferronickel trading volume. During the Reporting Period, the Company imported a total of 4.5 million tons of nickel ore. The sales of ferronickel reached 0.03 million metal tons, representing a year-on-year increase of 131.1%.

Pyrometallurgy production: Eight production lines of phase I of the Company's pyrometallurgy project were successfully put into operation to produce iron at the end of May. We will continue to strengthen the technical upgrade and maintenance management of the RKEF process to enhance production efficiency and product quality, so as to reduce the production cost and energy consumption, thereby achieving the steady increase in ferronickel production volume and gradual decline in cost.

Hydrometallurgy production: Leveraging on the advanced high pressure acid leaching process, the Company improved the quality of products by optimizing production process and specifications on an ongoing basis, with an aim to fulfill the market demand with the rapid increase in the production volume of MHP. During the Reporting Period, phase I and II of the hydrometallurgy project of the Company produced 26 thousand metal tons of MHP in aggregate. Meanwhile, phase III (ONC) of the hydrometallurgy project has obtained a syndicated loan of the RMB equivalent of US$780 million and the construction work is now in full swing.

Production of battery-grade nickel sulfate: The Company kept abreast of the development trend and changes in demand of the new energy vehicle industry, and accelerated the construction and production commencement of battery-grade nickel sulfate project through the construction of high-end, high-efficiency and eco-friendly production bases for new energy materials, leading to the substantial increase in the production volume of battery-grade nickel sulfate. During the Reporting Period, the Company produced an aggregate of 3 thousand metal tons of battery-grade nickel sulfate. This marked a significant step for the transformation of Indonesia from a resource-rich country to a manufacturing powerhouse.

During the Reporting Period, with the new projects around the globe successively commencing production, supply constraints are expected to slow down further and price may gradually return to a rational state. We consider that the nickel price may be supported by the costs of pyrometallurgy project. Furthermore, the downward trend of nickel price will reduce the cost of high-nickel ternary batteries at the same time, which is expected to stabilize the market share of nickel-cobalt ternary batteries, stimulate the installed capacity of ternary batteries, and thus the demand for batteries may increase.

Chairman Statement

Under such market conditions, leveraging the advantage of vertical integration across the nickel industry value chain, the Company has effectively seized the market opportunity. It has also enhanced its brand influence by leveraging its first-mover advantages and product quality. In respect of the nickel ore and ferronickel trading, the Company has established long-term and stable relationships with partners in Indonesia, mining companies in the Philippines and well-known international trading companies, securing the stability and credibility of raw materials and sales channels. Regarding the production of nickel products, the Company has enhanced the product quality and production efficiency through strengthening the technological innovation and management optimization on an ongoing basis, leading to a reduction in production cost and energy consumption. For equipment manufacturing, the Company focused on fulfilling the corresponding equipment demands for the production of nickel products. In the face of the intensifying competition in the industry and the temporary downward trend of market prices, the Company is confident that it will consolidate its competitiveness in terms of technology and cost control, and continue to provide high-quality nickel products and services based on its deep understanding of the nickel industry.

Looking forward, adhering to the operating philosophy of “people-oriented, technological innovation, green development, mutual benefit and prosperity”, the Company maintains its “seek progress amidst stability with transformation and upgrade” development direction, and strives to achieve the vision of “becoming the world-leading supplier for nickel and its related products”.

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

People’s Republic of China, 28 August 2023

Management Discussion and Analysis

I. PRINCIPAL ACTIVITIES OF THE COMPANY

We are a company with business across the entire nickel industry value chain. Positioning in the "nickel" segment of the industry, the Company has established its presence across the entire nickel industry value chain and pioneered in the trading and production of nickel products in the industry, including the integration and trading of nickel resources, trading and production of nickel products, equipment manufacturing and sales. The Company and its Indonesian Partner have jointly invested in the construction of an independent industrial park on Obi Island in Indonesia, in which hydrometallurgy and pyrometallurgy projects for nickel products were established with related production ancillary facilities being provided simultaneously. This ensured our autonomy in aspects such as smelting and production, raw material and energy supply, and public ancillary facilities, and has helped us achieve various breakthroughs and significant progress in the field of smelting of nickel products.

Adhering to the concept of integrating Chinese technology with global resources, the Company has devoted efforts in the nickel industry for 14 years and fully taken advantage of its strengths to strive for the development and construction of the entire nickel industry chain. Headquartered in Ningbo, the Company initially completed its business layout with resources secured overseas, manufacturing and smelting in Indonesia and has established market presence globally, thereby establishing an industrial pattern of "upstream nickel resource integration and trading, midstream smelting production and equipment manufacturing and expansion of downstream application scenarios".

Nickel resources sourcing and trading

Since venturing into the laterite nickel ore trading business in 2009, we have established stable business relationship with upstream nickel mining companies. During the Reporting Period, we primarily sourced laterite nickel ore from countries and regions with the most abundant laterite nickel resources in the world, including the Philippines, Indonesia, New Caledonia and Turkey. Among these countries and regions, the Philippines is currently the world's largest exporter of laterite nickel ore. We have established long-term and stable business relationship with leading Filipino nickel mining companies including Nickel Asia Corporation and CTP Construction and Mining Corp., enabling us to secure a stable and long-term supply of laterite nickel ore. During the Reporting Period, we were also engaged in the trading of ferronickel and primarily sourced ferronickel for our trading business from Indonesia.

We have a deep understanding of, and forward-looking insights into the global distribution, supply and demand, industry trends and pricing dynamics of nickel resources. These strong capabilities have enabled us to form long-term cooperation with many reputable and established downstream enterprise customers, including Tsingshan Holdings, Zhenshi Group Eastern Special Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd. and POSCO Group.

Management Discussion and Analysis

Smelting and production

To expand the breadth and depth of our products and service offerings, we have expanded our product and service portfolio to areas including nickel product production.

Since expanding our business to cover nickel product production in 2017, we have mastered the complete pyrometallurgy and hydrometallurgy processes for nickel product production. Starting from Jiangsu Province, China, we have gradually built up our production capacity for nickel products worldwide. Our manufacturing facilities in Suqian, Jiangsu Province, China (the "Jiangsu Facilities") have three ferronickel production lines using the Rotary Kiln-Electric Furnace process (the "RKEF process"). The aggregate designed production capacity of our Jiangsu Facilities is 18 thousand metal tons of ferronickel per annum. On the Obi Island, Indonesia, we have jointly invested in two nickel product production projects with our Indonesian Partner, including (i) the HPAL project, a hydrometallurgy project with an aggregate designed production capacity of 120 thousand metal tons of nickel-cobalt compound per annum (including 14.25 thousand metal tons of cobalt), and (ii) the RKEF project, a pyrometallurgy project using the RKEF process (the "RKEF project," together with the HPAL project, the "Obi projects"), with an aggregate designed production capacity of 280 thousand metal tons of ferronickel. As of the Reporting Period, a total of three production lines under phase I and phase II of the HPAL project with an aggregate designed production capacity of 55 thousand metal tons of nickel-cobalt compound (including 6.75 thousand metal tons of cobalt) per annum have been successfully put into operation, while eight production lines under phase I of the RKEF with an aggregate designed production capacity of 95 thousand metal tons of nickel per annum have been successfully put into operation. Our nickel-cobalt compounds and ferronickel products are widely used in the rapidly growing NEV and stainless steel markets.

Our Obi projects have received various awards and recognitions, including being named as the Belt and Road Major Strategic Construction Project and the Overseas Chinese-Standard Demonstration Project.

Equipment Manufacturing and Sale

We further expanded our business to the manufacturing of equipment for the production of nickel products in 2019. Xi'an Pengyuan, one of our subsidiaries, is focused on the manufacturing and sale of equipment for nickel product production. During the Reporting Period, Xi'an Pengyuan provided critical components for certain production equipment of the Obi projects, and provided technical support to upgrade the equipment of our Jiangsu Facilities, further enhancing our production process. In the meantime, we also sell equipment we procure from third parties to HPL, the project company of phases I and II of the HPAL project, and HJF, the project company of phase I of the RKEF project, according to the design of the Obi projects.

Management Discussion and Analysis

II. CORE COMPETITIVENESS

1. We have formed a complete industry ecosystem centered around nickel resources

The Company's business spans across the entire nickel industry value chain, including upstream nickel resources integration, trading, smelting and production of nickel products, equipment manufacturing and sale, with interactions between all segments to create synergistic effects for business growth.

With respect to the upstream sourcing and trading of nickel resources, the Company has adequate and stable supply of nickel resources. We have established stable upstream supply channels in both Indonesia and the Philippines, the world's major exporters of nickel ore and ferronickel. In addition, the Company has a dedicated in-house nickel ore inspection department for the analysis of the grades, characteristics and associated metals of nickel ores from different countries and regions, which enables us to procure nickel ore products for our customers that are most suitable for their business, thereby deepening our understanding of industry trends and customer demands and enabling us to form our differentiated knowledge base.

In terms of smelting, production, manufacturing and sale of equipment, the Company has established its own production bases in China and Indonesia, which can effectively connect upstream and downstream resources. The Company's capabilities in the manufacturing and sales of professional nickel products production equipment provide additional technical safeguard to further enhance its production processes and techniques.

2. Through breakthroughs in key processes and techniques, we have achieved first-mover advantages and developed the lowest cash cost nickel-cobalt compound production project worldwide

Our technological innovation and industry experience not only enables us to have a product portfolio with different production paths, but also allows us to achieve first-mover advantages in terms of operational efficiency and profitability. Our HPAL project is located at the left end of the cost curve and has the lowest cash cost among all nickel-cobalt compound production projects.

Hydrometallurgy

We led the industry in learning and mastering one of the most advanced nickel hydrometallurgy processes and techniques in the industry. We have also accumulated extensive experience in the design, construction, management and operation of nickel hydrometallurgy projects. Compared with other previous nickel hydrometallurgy projects which failed to commence production or took a long time to reach full production capacity, the three production lines under phase I and phase II of the HPAL project had successfully reached full production capacity within two months after commencement of operation, breaking multiple records in the industry, including the shortest construction time for a greenfield project, the lowest cash cost, the lowest average investment cost per metal tons of nickel, and the shortest ramp-up time.

Management Discussion and Analysis

The third-generation HPAL process adopted in the HPAL project is the mainstream nickel hydrometallurgy technique and currently the most advanced process used to process low-to medium-grade laterite nickel ore. However, the HPAL process is technically demanding and involves a complicated production process that needs to be carried out under a high-temperature and high-pressure environment using concentrated sulfuric acid. This process imposes high technical and operational requirements on the producer and has low fault tolerance. With industry-leading technological capabilities and technical personnel with extensive experience, we are able to execute every step across the production process in a precise manner and ensure the smooth operation of the production lines. The HPAL project has implemented various enhancements and adjustments to the production process, techniques and production equipment of the third-generation HPAL process, which have further improved the HPAL project's production capacity while reducing its energy consumption and cost of production.

Pyrometallurgy

We have mastered the mature nickel pyrometallurgy techniques and processes, and accumulated corresponding experiences in the design, construction, management and operation of nickel pyrometallurgy projects, thereby facilitating the deployment for domestic and overseas production capacity.

We have applied the valuable experience we have accumulated from our Jiangsu Facilities in relation to technical upgrades and project operation and management to our RKEF project. In addition, we have made further innovations and upgrades to the RKEF process and production equipment used at our Jiangsu Facilities by taking into consideration the characteristics of laterite nickel ore and other raw materials in Indonesia, further improving the utilization of thermal energy and reducing the repair and maintenance expenses for machine and equipment, which in turn reduces the energy consumption and production costs of the entire production process.

Management Discussion and Analysis

Continuous technique improvements and R&D

We continuously improved our techniques and conducted R&D innovations through our in-house R&D and technical team and collaborations with third-party organizations:

- As of June 30, 2023, the Company registered 74 patents in China (including five granted invention patents), the majority of which are related to nickel products production equipment, and had seven invention patents under application.

- To support our in-house R&D initiatives, we collaborate with reputable educational and research institutions and engineering design institutions in China, including Beijing University of Technology, China ENFI Engineering Corporation ("ENFI") and Beijing General Research Institute of Mining and Metallurgy. These collaborations cover various aspects including improvements of processes and techniques and optimization of production cost. In December 2021, the "Key Technologies for Clean Extraction and Efficient Utilization of Nickel, Cobalt and Scandium" project led by ENFI, in which we also participated, was approved by the Ministry of Science and Technology. With respect to equipment manufacturing, we have established a R&D center for ferroalloy engineering technology with Xi'an University of Architecture and Technology.

3. We maintain a long-term, stable supply of core upstream resources

Due to the scarcity of global nickel resources as energy metal, securing a stable and sufficient supply of nickel ore is crucial for solidifying our industry position, expanding our business scale and achieving the sustainable development of our business. Indonesia and the Philippines are currently the world's top two countries in terms of production volume of nickel ore and are also our major sources of nickel resources. We have established long-term and stable supply channels with upstream mines located in these countries to ensure an uninterrupted access to nickel ore and ferronickel products which are also of high and consistent quality, thereby strengthening and solidifying our competitive position in the industry.

We have formed stable and in-depth cooperation with our local partner in Indonesia by jointly investing in our HPAL and RKEF projects on the Obi Island. The raw materials required for HPAL project are mainly from our Indonesian Partner's mines, and we had entered into a supply guarantee agreement for a term of twenty years with them.

We have established long-term cooperation relationships of over ten years with leading nickel ore miners in the Philippines, including Nickel Asia Corporation and CTP Construction and Mining Corp.

Management Discussion and Analysis

4. We have formed long-term cooperation with a high-quality customer base

Leveraging our involvement across the nickel industry value chain over the years, we have cultivated strong credibility and reputation, and established long-term and stable collaborative relationships with large and leading domestic and foreign manufacturers:

Stainless steel industry. As the largest trading company of nickel ore in China, we are resourceful in securing nickel resources from Southeast Asia, and have maintained stable supply chain and competent quality control system. As a result, we have established long-term and stable relationships to supply nickel ore and ferronickel to large and industry-leading companies including Tsingshan Holding Group, Zhenshi Group Eastern Special Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd. and POSCO Group.

NEV industry. As the production capacity of our HPAL project has gradually increased, we have entered into long-term cooperation agreements with multiple precursor/cathode enterprises, including GEM Co., Ltd. (002340.SZ), a subsidiary of Contemporary Amperex Technology Co., Limited (300750.SZ) and Ningbo Ronbay New Energy Technology Co., Ltd. (688005.SH). In addition, well-known domestic and overseas companies including Huayou Cobalt Co., Ltd. (603799.SH) and Jinchuan Group Ltd. are also our major customers.

5. We adhere to the concept of ESG sustainable development

In the face of new challenges such as global sustainable development and climate change, the Company has formulated a well-established ESG operation mechanism, and adopted the concept of sustainability in every aspect of trading, production, equipment manufacturing and sales. The by-products generated during the production process will be recycled. 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.

During the Reporting Period, we have honoured our commitment made prior to our listing by the formulation of the ESG policy and the establishment of the ESG Committee of the Board. The ESG Committee is responsible for identifying ESG-related risks and opportunities, and reporting regularly to the Board on the management, in a bid to act as an internal organization between the Board of Directors and the various business units and subsidiaries which is responsible for the communication between the upper and lower levels to coordinate the ESG issues. Under the guidance of the Company's ESG policy and the committee, the Company made an application for ISO9001 certification for nickel-cobalt intermediaries, and ensured that the ISO14001 environmental management certification, ISO45001 occupational health and safety certification and ISO product quality management certification of the Group remain valid.

Management Discussion and Analysis

III. BUSINESS REVIEW

During the Reporting Period, the Company stayed committed to the general principle of seeking progress while maintaining stability, promoted the development of various projects in an orderly manner, released its production capacity as scheduled, and achieved solid growth in productivity and sales volume of various businesses. From January to June 2023, the Company realized a total operating revenue of RMB9,284.1 million, representing a decrease of 7.0% as compared with the same period last year and a period-on-period increase of 11.7%. The net profit attributable to shareholders of the Company was RMB338.4 million, representing a decrease of 74.9% as compared with the same period last year and a period-on-period decrease of 12.1%. The decrease was mainly attributable to the explosive growth in LME nickel prices in March last year that was rarely seen in history, which, coupled with the tight supply of nickel products, directly led to a surge in prices of nickel products during the same period last year. As the nickel prices gradually returned to normal levels, the production capacity of nickel products, such as hydrometallurgy reaction intermediates, was gradually released to align with the downstream demands, which has in turn further driven the decline in prices of the related nickel products. In addition, the upward trend of both the US dollar and Hong Kong dollar against the RMB during the Reporting Period led to a foreign exchange loss of the Company, further affecting the profitability of the Company.

We believe that there is still an increase in market demand for nickel products in the future. On the one hand, we will continue to benefit from the further expansion of the domestic and international NEV consumption markets. According to the data of the China Association of Automobile Manufacturers, from January to June 2023, the production and sales volume of NEV were 3.788 million and 3.747 million respectively, representing a year-on-year growth of 42.4% and 44.1%, with the penetration rate of NEV reaching 28.3%. In June 2023, the five departments, including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Commerce, the Ministry of Agriculture and Rural Affairs and the National Energy Administration of the PRC, issued a notice stating that a program of getting rural residents to purchase NEV will be organized and launched in 2023, and the relevant policies have been rolled out successively, which will further increase the policy support for the penetration of NEV in the PRC. In addition, the penetration rate of NEV in countries and regions other than China is likely to further increase, coupled with the reduction in the cost of high-nickel ternary batteries as a result of the decrease in prices of nickel intermediate products, it is expected that the installed capacity of ternary batteries will increase, leading to a potential growth in the demand for batteries. On the other hand, with the gradual release of ferronickel production capacity in the industry, the prices of ferronickel will decline, which will result in further decrease in the cost of its downstream stainless steel products, hence facilitating the expansion of end-use application scenarios and increasing its market demand. In addition, given that the ferronickel production project jointly invested and constructed by us and the Indonesian Partner has been put into operation, we will also benefit from the increased market demand for ferronickel.

Nickel resources procurement and trading:

The Company fully leveraged its dominant position and resource channels in the nickel ore and ferronickel markets, actively explored domestic and overseas markets, maintained stable customer relationships and enhanced service quality, and achieved steady growth in nickel ore and ferronickel trading volume. During the Reporting Period, the Company's nickel ore trading volume was 4.452 million tons and continued to consolidate its existing market share. The sales of ferronickel reached 0.03 million metal tons, representing a year-on-year increase of 131.1%.

Management Discussion and Analysis

Smelting and production of nickel products and equipment manufacturing:

Giving full play to its synergistic advantages in equipment manufacturing with a focus on the smelting and production of nickel products, the Company adhered to the principle of openness and cooperation, and cooperated with PT Trimegah Bangun Persada, a substantial shareholder of certain non-wholly owned subsidiaries of the Company, together with its associates (the "Indonesian Partner") to optimize the allocation of resources, with a view to securing the OBI project in Indonesia on all fronts.

Hydrometallurgy project:

Relying on the advanced high pressure acid leaching process, the Company has continuously optimized the production process and improved production efficiency, with a capacity utilization rate exceeding 100%. In addition, the Company closely followed the development trend and changes in demand of the NEV industry, and improved its product structure based on the existing production capacity plan. The battery-grade nickel sulfate and cobalt sulfate were successfully put into production for the first time in Indonesia in order to meet the market demand. During the Reporting Period, phase II of the Company's hydrometallurgy project was successfully put into operation and reached full production capacity while the HPAL project produced a total of 26 thousand metal tons of MHP and 3 thousand metal tons of battery-grade nickel sulfate. During the Reporting Period, the Company successfully obtained a syndicated loan of the RMB equivalent of US$780 million for phase III (ONC) of the hydrometallurgy project. The high-pressure reactor, which is the core production equipment of phase III of the hydrometallurgy project, was successfully transported to the project site, and the production lines are now under construction in an orderly manner.

Pyrometallurgy project:

All eight production lines of phase I of the RKEF project have commenced production during the Reporting Period, and certain production lines are currently in a ramp-up stage. We continued to strengthen the optimization and maintenance management of the pyrometallurgy process to enhance production efficiency and product quality to achieve cost reduction and improvement in efficiency.

Management Discussion and Analysis

IV. 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 six months ended 30 June 2023 and 30 June 2022:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	***(%)***	*RMB'000*	*(%)*
	(Unaudited)		(Audited)	
Nickel Products Trading				
Laterite nickel ore	**1,324,447**	**14.3**	2,311,259	23.2
Ferronickel	**3,231,814**	**34.8**	1,898,965	19.0
Nickel-cobalt compounds	**323,113**	**3.5**	–	–
Subtotal	**4,879,374**	**52.6**	4,210,224	42.2
Nickel Products Production				
Ferronickel	**866,620**	**9.3**	983,785	9.9
Nickel-cobalt compounds	**3,206,154**	**34.5**	3,966,929	39.8
Subtotal	**4,072,774**	**43.8**	4,950,714	49.7
Equipment manufacturing and sales	**100,425**	**1.1**	671,375	6.7
Others	**231,533**	**2.5**	145,970	1.4
Total	**9,284,106**	**100.0**	9,978,283	100.0

Our revenue decreased by 7.0% from RMB9,978.3 million for the six months ended 30 June 2022 to RMB9,284.1 million for the six months ended 30 June 2023. The decrease in revenue was mainly attributable to the decrease in revenue generated from our nickel product manufacturing business.

Management Discussion and Analysis

Revenue generated from the trading business increased by 15.9% from RMB4,210.2 million for the six months ended 30 June 2022 to RMB4,879.4 million for the six months ended 30 June 2023, mainly due to (i) the decrease in market demand for the trading business of nickel ore as well as the decline in market price, resulting in a decrease in revenue of nickel ore of RMB986.8 million as compared with the revenue for the corresponding period in 2022; (ii) the increase in revenue of RMB1,332.8 million from trading of ferronickel as a result of the sales of ferronickel, which we procured from HJF, our associate, to third parties since the commencement of ferronickel production of RKEF project; and (iii) prior to the release of production capacity of nickel sulphate, we intend to procure and sell nickel-cobalt compounds (nickel sulphate) to meet the demand of the long-term agreement, resulting in an increase in revenue from the trading of nickel-cobalt compounds to RMB323.1 million.

Revenue generated from production business decreased by 17.7% from RMB4,950.7 million for the six months ended 30 June 2022 to RMB4,072.8 million for the six months ended 30 June 2023, mainly due to the decrease in market prices of both cobalt and nickel, resulting in a decrease in revenue of RMB760.8 million from nickel-cobalt compounds.

Revenue generated from the equipment manufacturing and sales business decreased by 85.0% from RMB671.4 million for the six months ended 30 June 2022 to RMB100.4 million for the six months ended 30 June 2023, primarily due to the completion of equipment installation and commencement of production of HJF's eight ferronickel production lines, resulting in a decrease in the revenue from sales of equipment to HJF by the Company.

Other revenue increased by 58.6% from RMB146.0 million for the six months ended 30 June 2022 to RMB231.5 million for the six months ended 30 June 2023, mainly due to the increase in sales of ancillary materials to HJF by the Company during the production ramp-up stage of HJF.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 49.2% from RMB3,048.2 million for the six months ended 30 June 2022 to RMB1,567.4 million for the six months ended 30 June 2023, with a decrease in gross profit margin from 30.9% to 16.9%.

Gross profit from our trading business decreased by 60.6% from RMB435.7 million for the six months ended 30 June 2022 to RMB172.9 million for the six months ended 30 June 2023. Gross profit margin of the trading business decreased from 10.3% to 3.5%, mainly due to (i) decline in market price; and (ii) increase in proportion of sales of low-gross-profit-margin trading of ferronickel.

Gross profit from our production business decreased by 45.8% from RMB2,524.1 million for the six months ended 30 June 2022 to RMB1,367.3 million for the six months ended 30 June 2023. Gross profit margin of nickel product production business decreased from 51.0% to 33.6%, mainly due to (i) the decrease in gross profit margin of self-produced ferronickel from 12.4% for the six months ended 30 June 2022 to 8.6% as a result of the decrease in market price; and (ii) the decrease in gross profit of nickel-cobalt compounds from RMB2,402.2 million for the six months ended 30 June 2022 to RMB1,292.9 million for the six months ended 30 June 2023, with a decrease of gross profit margin from 60.6% to 40.3%.

Management Discussion and Analysis

Gross profit from the equipment manufacturing and sales business decreased significantly from RMB114.6 million for the six months ended 30 June 2022 to RMB4.8 million for the six months ended 30 June 2023. The gross profit margin of the equipment manufacturing and sales business decreased to 4.8% from 17.1%, mainly due to the higher gross profit margin of certain equipment sold to HJF in 2022.

Gross profit of other businesses increased from RMB9.8 million for the six months ended 30 June 2022 to RMB22.4 million for the six months ended 30 June 2023. Gross profit margin of other businesses increased from 6.7% to 9.7% in the same period.

Sales and Distribution Expenses

Sales and distribution expenses decreased by 32.4% from RMB43.2 million for the six months ended 30 June 2022 to RMB29.2 million for the six months ended 30 June 2023, mainly due to a decrease of RMB11.5 million in compensation expenses for sales and marketing staff as our existing business has matured and optimized its employee structure.

Administrative Expenses

Administrative expenses decreased by 6.4% from RMB480.2 million for the six months ended 30 June 2022 to RMB449.3 million for the six months ended 30 June 2023, mainly due to (i) the decrease in staff costs of RMB110.8 million as a result of the decrease in bonus during the current period; (ii) the increase in taxes of RMB26.3 million; (iii) the increase in OBI's on-site management expenses of RMB14.8 million; and (iv) the increase in professional service fees and bank handling fees of RMB27.5 million.

Other Operating Expenses

Other operating expenses increased significantly from RMB111.3 million for the six months ended 30 June 2022 to RMB327.8 million for the six months ended 30 June 2023, mainly due to (i) the increase in investment loss of RMB162.0 million for the portion of our revenue pricing linked to the futures impacted by fluctuations of nickel prices; and (ii) the increase in net foreign exchange loss of RMB136.7 million due to the upward trend of the US dollar and Hong Kong dollar against the RMB in the six months ended 30 June 2023.

Finance Costs

The significant increase in finance costs from RMB108.5 million for the six months ended 30 June 2022 to RMB232.5 million for the six months ended 30 June 2023 was mainly due to the increased bank borrowings and higher interest rates.

Share of Profits and Losses of Associates

Share of profits from our invested associates for the six months ended 30 June 2023 was RMB10.1 million compared to the share of losses from our invested associates of RMB54.7 million for the six months ended 30 June 2022. The change was mainly due to the profits generated by HJF as a result of the commencement of production of RKEF project.

Management Discussion and Analysis

Profit before tax

As a result of the decrease in gross profit due to the decline in market prices of cobalt and nickel, profit before tax decreased by 73.4% from RMB2,392.5 million for the six months ended 30 June 2022 to RMB636.2 million for the six months ended 30 June 2023.

Income Tax Expenses

Income tax expense decreased from a tax expense of RMB102.9 million for the six months ended 30 June 2022 to a tax credit of RMB25.8 million for the six months ended 30 June 2023, mainly due to the uncovered deficit incurred by domestic companies.

Profit for the First Half of the Year and Net Profit Margin

As a result of the foregoing, profit for the first half of the year decreased significantly from RMB2,289.6 million for the six months ended 30 June 2022 to RMB662.0 million for the six months ended 30 June 2023. Net profit margin decreased from 22.9% for the six months ended 30 June 2022 to 7.1% for the six months ended 30 June 2023.

Liquidity, Financial Resources and Current Ratio

During the six months ended 30 June 2023, the Group maintained a stable financial position. As at 30 June 2023, current assets amounted to RMB11,862.8 million, representing an increase of 34.4% from RMB8,824.5 million as at 31 December 2022. As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB5,629.8 million, which increased by 27.2% as compared with that of RMB4,426.2 million as at 31 December 2022.

The Group's current ratio (current assets divided by current liabilities) dropped from 1.8 times as at 31 December 2022 to 1.4 times as at 30 June 2023.

Capital Expenditures

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

	For the six months ended 30 June			
	2023		2022	
	RMB'000 **(Unaudited)**	***(%)***	*RMB'000* (Audited)	*(%)*
Property, plant and equipment	**2,937,234**	**75.9**	1,679,303	99.9
Land use right	**161,640**	**4.2**	–	–
Interest in a joint venture	**–**	**–**	677	0.1
Interest in an associate	**770,000**	**19.9**	–	–
Total	**3,868,874**	**100.0**	1,679,980	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 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**10,204,234**	6,633,055

Indebtedness

We recognised debts of RMB11,698.7 million as at 30 June 2023 (as at 30 June 2022: RMB6,291.4 million), which included interest-bearing bank and other borrowings of RMB11,635.3 million (as at 30 June 2022: RMB6,232.5 million) and lease liabilities of RMB63.4 million (as at 30 June 2022: RMB58.9 million).

Contingent liabilities

As at 30 June 2023, 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 increased from 0.5 for the six months ended 30 June 2022 to 0.9 for the six months ended 30 June 2023, mainly due to the significant increase in debts as a result of the loans newly obtained by ONC in 2023 for phase II of the hydrometallurgy project.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material investments, material acquisitions or disposals of subsidiaries and associates for the six months ended 30 June 2023.

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 30 June 2023, 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 RMB2,813.5 million (as at 30 June 2022: RMB1,731.8 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB83.6 million (as at 30 June 2022: RMB84.5 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 RMB4,097.9 million (as at 30 June 2022: RMB2,427.5 million); and (iv) pledge of deposits with a carrying value of RMB406.4 million (as at 30 June 2022: RMB313.9 million).

As at 30 June 2023, 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 30 June 2023, 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.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Grant of Listing Approval in relation to the Proposed H Share Full Circulation

The Company recently submitted filing (the "CSRC Filing") to the China Securities Regulatory Commission (the "CSRC") regarding the proposed application made on behalf of certain shareholders of the Company for the conversion of a total of 265,453,750 unlisted domestic shares of the Company held by such shareholders into H shares of the Company and the listing thereof on the Stock Exchange (the "Conversion and Listing") and was granted approval by the Stock Exchange for implementation of the Conversion and Listing on 24 July 2023.

For details of the Conversion and Listing, please refer to (i) the announcements of the Company dated 3 January 2023, 20 July 2023 and 23 August 2023; (ii) the circular of the Company dated 12 April 2023; and (iii) the extraordinary general meeting poll results announcement of the Company dated 28 April 2023.

Connected Transaction in relation to Equipment Purchase Agreement

On 10 August 2023, PT Karunia Permai Sentosa ("KPS"), a non-wholly owned subsidiary of the Company entered into the equipment purchase agreement (the "Equipment Purchase Agreement") with Ningbo Lihua Port Machinery Heavy Industry Co., Ltd.* (寧波力華港機重工有限公司) ("Ningbo Lihua"), pursuant to which KPS agreed to purchase and Ningbo Lihua agreed to sell the equipment comprising of six sets of 40t-37/38m portal cranes at a consideration of US$13,518,100. The transaction contemplated under the Equipment Purchase Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

For details of the Equipment Purchase Agreement, please refer to the announcement of the Company dated 10 August 2023.

Save as disclosed above, as at the date of this announcement, the Group has no other discloseable material events after the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 8,314 employees.

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.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2023, the Company had not entered into any off-balance sheet arrangements.

V. MARKET VOLATILITY RISK

Changes in supply and demand due to the continuous release of production capacity of nickel products in the industry

During the Reporting Period, the commissioning of a number of laterite nickel ore smelting projects in the industry resulted in a significant increase of the supply of nickel products in the market. The continuous supply of nickel products alleviated the shortage of raw materials for ferronickel and nickel sulfate, which further lowered the production costs. The further optimization of the supply and demand structure of nickel products has also driven the market prices of nickel products to gradually return to a reasonable range from the abnormally high levels in the first half of 2022. The major customers of products produced by the Company's OBI project, such as nickel-cobalt compound (MHP) and nickel sulphate, are located in the Mainland China. As affected by the significant fluctuations in LME prices last year, the pricing of products between downstream customers and us have been gradually unpegged from the LME nickel prices, and the mainland market is more inclined to use the prices of nickel sulphate, which is regularly disclosed in the market, as the basis for price negotiation.

We believe that changes in the supply and demand structure may attract new production capacity to enter the nickel product smelting industry. Although indicators such as the investment cost and construction cycle of nickel product hydrometallurgy projects have witnessed significant optimization as compared with that in the past, the construction cycle of 2 to 3 years and the sustained high investment cost per tonne will be an obvious barrier in terms of time and capital. Being the first company to start nickel product smelting in the industry in Indonesia, as well as the first company to put hydrometallurgy projects into operation and reach full production capacity in Indonesia, we enjoy a unique first-mover advantage to realize technological breakthroughs and improvements, production optimization, cost reduction and efficiency enhancement, and a positive cycle that ties production capacity expansion with customers' demand at certain earlier dates.

Fluctuation in nickel metal price

The Company is principally engaged in the production and trading of nickel products, thus its principal operating activities may be affected by fluctuations in nickel metal prices. The selling prices of nickel products produced by the Company were mainly affected by the demand and supply during the Reporting Period. Taking into consideration that the nickel metal price is susceptible to the global economy, global demand and supply, market expectations, speculation and other factors and subject to high volatility, and that fluctuations in nickel metal prices would also be affected by market condition to a certain extent, the selling prices of our products were affected by the fluctuations in nickel metal price to varying degrees.

The Company has adopted relevant measures to reduce costs and improve efficiency, with a view to addressing market volatility risks.

Firstly, in respect of the smelting of nickel products, the Company has always insisted on adopting a diversified production approach for nickel products. We have mastered the third-generation HPAL nickel hydrometallurgy process and mature RKEF nickel pyrometallurgy techniques, and accumulated experience in design, construction, management and operation of projects supporting two technology paths. Leveraging our extensive technical and operational experience, we jointly invested and operated the HPAL and RKEF projects with the Indonesian Partner on the OBI Island of Indonesia. At the same time, we fully capitalized on low-, medium- and high-grade laterite nickel ore in Indonesia to achieve profitability through synergistic production of nickel products of all grades. In addition, the capacity utilization rate of the Company's HPAL and RKEF projects were maintained at a high level, ensuring production continuity and stability.

Secondly, the Company has taken measures on the supply side of nickel ore to further stabilize the costs of raw materials. With respect to the supply of nickel ore for the production of nickel products, the Company has entered into a nickel ore guaranteed supply agreement with its Indonesian Partner, under which its Indonesian Partner will prioritize the supply of nickel ore of the quality and quantity required to four project companies of the OBI projects, namely, HPL, HJF, ONC and KPS, at a competitive price. In addition, the nickel ore used in the production of the Company's nickel products is of high quality with lower concentration of magnesium, hence the costs generated from the consumption of sulfuric acid were under effective control.

VI. OUTLOOK

Completing and Expanding Our Nickel Product Production Projects

The Obi project in Indonesia we currently invest in is pivotal for us to achieve profit growth in the future, and thus it is essential for our business development to put these production lines of the Obi project into operation smoothly and efficiently as scheduled. We will focus on pushing ahead with the construction of Phase III of the HPAL project and Phase II of the RKEF project in an orderly manner as planned with a view to achieving the gradual release of production capacity. At present, the core production equipment required for ONC of Phase III of the HPAL project has been shipped to Obi Island, and the construction of the relevant plant is progressing gradually. Meanwhile, the syndicated loan required for ONC has already been granted, which will provide sufficient protection for the construction and operation of the project. The construction of KPS of Phase II of the RKEF project and the procurement of the equipment thereof are being pushed forward as planned in an orderly manner.

Management Discussion and Analysis

Enhancing Research and Development Capabilities and Promoting Technological Innovation

We will 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 will further enhance our R&D capabilities through establishing a new R&D center, strengthening our cooperation with various universities and research institutions and establishing a high-quality research team. In the future, the main R&D activities include the comprehensive utilisation of metal resources in laterite nickel ore, energy conservation and carbon emission reduction and intelligent control.

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

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

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.

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.

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.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strength accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the Reporting Period.

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

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' and Supervisors' securities transactions. Having made specific enquiry of all the Directors and Supervisors of the Group, all the Directors and Supervisors have confirmed that they have strictly complied with the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities at any time during the six months ended 30 June 2023.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, Ms. FEI Feng has resigned as a joint company secretary of the Company ("Joint Company Secretary") and the secretary to the Board of the Company (the "Board Secretary"). Following her resignations, Ms. FEI continued to serve as an executive Director and deputy general manager of the Company. Mr. CAO Zheng has been appointed as a Joint Company Secretary and the Board Secretary in replacement of Ms. FEI in June 2023. For details of the changes, please refer to the announcement of the Company dated 15 June 2023.

Save as the above, there has been no disclosable change in information of the Directors, supervisors and senior management of the Company pursuant to Rule 13.51(B) of the Listing Rules since the publication of the 2022 annual report of the Company.

Corporate Governance and Other Information

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

As at 30 June 2023, 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 Executives' Interests in the Company

Name of Director, Supervisor or Chief Executive	Class of Shares	Capacity and nature of interest	Number of Shares held[1]	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)	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 of 30 June 2023.

3. The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as of 30 June 2023.

Corporate Governance and Other Information

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 Executives' 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 30 June 2023, 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 30 June 2023, 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 30 June 2023, 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.

Corporate Governance and Other Information

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 30 June 2023, 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%

Corporate Governance and Other Information

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%
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%

Corporate Governance and Other Information

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]
Guangdong Brunp Recycling Technology Co., Ltd. (廣東邦普循環科技有限公司)[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 of 30 June 2023.

3. The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as of 30 June 2023.

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.

Corporate Governance and Other Information

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 State-owned 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 30 June 2023, 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.

Corporate Governance and Other Information

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.

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 Shares during the Reporting Period are set out below:

Name/category of grantees	Date of grant	Vesting period	Purchase price	Closing price immediately before the date of grant	Fair value of awards on the date of grant[3]	Unvested awards as at 1 January 2023	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 30 June 2023
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]	0	0	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	300,000[5]	0	N/A[4]	0	0	370,000
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]	0	0	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]	300,000	0	21,045,000

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.

(5) These awards represented awards previously held by employees of the Group, who had left the employment of the Group and withdrew from the Scheme. As such, these awards were transferred to Fei Feng as the the general partner and executive partner of the relevant employee incentive platform pursuant to the applicable rules.

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, so 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.

Corporate Governance and Other Information

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the Listing Rules and the CG Code (the "Audit Committee"). As at the date of this 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 Audit Committee has reviewed the unaudited interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company.

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 up to 30 June 2023** *(HK$ million)*	**Unutilised amount up to 30 June 2023** *(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	1,150.0	880.7	by the end of 2024
Contribute additional capital to CBL	864.1	864.1	0.0	
Making potential minority investments in nickel mines in Indonesia	345.6	0.0	345.6	by the end of 2024
Working capital and general corporate purposes	360.0	360.0	0.0	
Total	3,600.4	2,374.1	1,226.3	

Since the Listing Date and as at 30 June 2023, the Group has utilised approximately HK$2,374.1 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 66% of all raised funds, and the remaining unutilised proceeds is approximately HK$1,226.3 million. The balance of the proceeds from the Listing will continue to be utilised according to the intended purposes as mentioned above.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2023.

Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	2023 (Unaudited) *RMB'000*	2022 (Audited) *RMB'000*
REVENUE	*4*	**9,284,106**	9,978,283
Cost of sales		**(7,716,702)**	(6,894,081)
Gross profit		**1,567,404**	3,084,202
Other income and gains		**108,498**	108,924
Selling and distribution expenses		**(29,188)**	(43,170)
Administrative expenses		**(449,347)**	(480,192)
Impairment losses on financial assets, net		**(10,960)**	(2,685)
Other operating expenses		**(327,820)**	(111,330)
Finance costs		**(232,472)**	(108,517)
Share of profits and losses of associates		**10,100**	(54,713)
PROFIT BEFORE TAX	*5*	**636,215**	2,392,519
Income tax credit/(expense)	*6*	**25,809**	(102,896)
PROFIT FOR THE PERIOD		**662,024**	2,289,623
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**21,040**	29,398
Exchange differences on translation of foreign operations		**378,947**	288,642
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**399,987**	318,040
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,062,011**	2,607,663
Profit attributable to:			
Owners of the parent		**338,386**	1,350,119
Non-controlling interest		**323,638**	939,504
		662,024	2,289,623
Total comprehensive income for the period attributable to:			
Owners of the parent		**594,867**	1,537,882
Non-controlling interest		**467,144**	1,069,781
		1,062,011	2,607,663
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*8*	**0.22**	1.02

Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	12,317,340	9,620,632
Intangible assets		493,250	516,553
Right-of-use assets		136,658	128,051
Deferred tax assets		115,989	66,552
Interests in associates	*10*	1,352,302	544,963
Derivative financial instruments		87,680	95,680
Goodwill		218,037	218,037
Prepayments, other receivables and other assets		1,561,697	825,404
Total non-current assets		16,282,953	12,015,872
CURRENT ASSETS			
Inventories		1,784,884	1,150,638
Trade and bills receivables	*11*	1,586,709	1,141,923
Prepayments, other receivables and other assets		833,460	627,707
Due from related parties	*15*	1,576,867	1,143,516
Financial assets at fair value through profit or loss		44,700	12,183
Pledged deposits		406,416	313,850
Cash and cash equivalents		5,629,780	4,434,705
Total current assets		11,862,816	8,824,522
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		4,600,506	2,347,670
Trade and bills payables	*12*	1,306,629	965,245
Lease liabilities		9,862	11,849
Derivative financial instruments		409	42,686
Other payables and accruals		1,407,080	1,139,279
Contract liabilities		280,048	21,352
Income tax payable		39,340	193,015
Due to related parties	*15*	744,614	132,193
Total current liabilities		8,388,488	4,853,289

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Unaudited Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Note	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NET CURRENT ASSETS		3,474,328	3,971,233
TOTAL ASSETS LESS CURRENT LIABILITIES		19,757,281	15,987,105
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		7,034,816	3,884,795
Lease liabilities		53,508	47,090
Other payables and accruals		4,289	4,572
Employee benefits liability		25,773	18,197
Deferred tax liabilities		5,167	4,654
Total non-current liabilities		7,123,553	3,959,308
NET ASSETS		12,633,728	12,027,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	1,555,931	1,555,931
Reserves		7,058,631	6,920,465
		8,614,562	8,476,396
Non-controlling interests		4,019,166	3,551,401
Total equity		12,633,728	12,027,797

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the parent									
	Share capital RMB'000 (Note 13)	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Safety production reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2022 (audited) and 1 January 2023	1,555,931	3,806,997	145,749	344,702	23,134	–	2,599,883	8,476,396	3,551,401	12,027,797
Profit for the period	–	–	–	–	–	–	338,386	338,386	323,638	662,024
Exchange differences on translation of foreign operations	–	–	–	235,441	–	–	–	235,441	143,506	378,947
Share of other comprehensive income of associates	–	–	–	21,040	–	–	–	21,040	–	21,040
Total comprehensive income for the period	–	–	–	256,481	–	–	338,386	594,867	467,144	1,062,011
Capital injection from other shareholders of an associate	–	–	–	–	–	10,699	–	10,699	–	10,699
Dividends declared (note 7)	–	–	–	–	–	–	(466,779)	(466,779)	–	(466,779)
Safety production reserve	–	–	–	–	3,421	–	(4,042)	(621)	621	–
At 30 June 2023 (unaudited)	1,555,931	3,806,997	145,749	601,183	26,555	10,699	2,467,448	8,614,562	4,019,166	12,633,728

	Attributable to owners of the parent								
	Share capital RMB'000 (Note 13)	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Safety production reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	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 period	–	–	–	–	–	1,350,119	1,350,119	939,504	2,289,623
Exchange differences on translation of foreign operations	–	–	–	158,365	–	–	158,365	130,277	288,642
Share of other comprehensive income of associates	–	–	–	29,398	–	–	29,398	–	29,398
Total comprehensive income for the period	–	–	–	187,763	–	1,350,119	1,537,882	1,069,781	2,607,663
Safety production reserve	–	–	–	–	3,002	(3,002)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	451	451
At 30 June 2022 (audited)	1,317,769	759,538	89,792	215,326	19,195	2,274,660	4,676,280	3,105,491	7,781,771

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) *RMB'000*	2022 (Audited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	636,215	2,392,519
Adjustments for:		
Finance costs	232,472	108,517
Share of profits and losses of associates	(1,120)	54,713
Bank interest income	(25,746)	(7,131)
Investment (gains)/loss from derivative financial instruments, net	(17,485)	87,078
Fair value loss/(gains) on derivative financial instruments, net	10,755	(44,382)
(Gains)/loss on disposal of items of property, plant and equipment	(956)	2,743
Gain on a finance lease as a sublease lessor	(47)	–
Depreciation of property, plant and equipment	255,951	181,377
Depreciation of right-of-use assets	6,245	10,550
Amortisation of intangible assets	40,365	36,547
Impairment of financial assets, net	10,960	2,685
Foreign exchange differences, net	103,712	123,269
	1,251,321	2,948,485
Increase in inventories	(638,726)	(253,804)
Increase in trade and bills receivables	(454,910)	(1,208,534)
Increase in prepayments, other receivables and other assets	(124,844)	(83,959)
Increase in pledged deposits	(132,607)	(4,822)
Increase in amounts due from related parties	(433,351)	(50,351)
Increase in trade and bills payables	341,384	276,649
Increase in other payables and accruals	2,309	78,647
Increase in amounts due to related parties	211,018	248,273
Increase/(decrease) in contract liabilities	258,696	(144,769)
Cash generated from operations	280,290	1,805,815
Income tax paid	(176,246)	(159,293)
Net cash flows from operating activities	104,044	1,646,522

continued/…

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	2023 (Unaudited) *RMB'000*	2022 (Audited) *RMB'000*
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from a finance lease as a sublease lessor	1,600	–
Purchases of items of property, plant and equipment	(2,937,234)	(1,679,303)
Proceeds from disposal of property, plant and equipment	1,058	525
Prepayment for land use right	(161,640)	–
Purchases of intangible assets	(1,106)	(1,692)
Purchases of financial assets at fair value through profit or loss	(32,400)	(116,800)
Deposits for purchases of futures	–	(81,007)
Repayment of pledged time deposits	40,000	–
Payment for purchase of a shareholding in an associate	(770,000)	–
Payment for purchase of a shareholding in a joint venture	–	(677)
Proceeds from acquisition of a subsidiary, net of cash acquired	–	848
Proceeds from disposal of financial assets at fair value through profit or loss	–	40,700
Repayment of deposits for purchases of futures	–	70,000
Payment for Investment loss from derivatives	(36,500)	(79,346)
Interest received	33,369	1,731
Net cash flows used in investing activities	(3,862,853)	(1,845,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advanced capital injection from non-controlling shareholders	401,403	–
Proceeds from bank borrowings	10,574,258	3,742,701
Proceeds from other borrowings	–	448,418
Repayment of bank borrowings	(5,320,976)	(2,306,810)
Repayment of other borrowings	–	(2,400)
Repayment to a related party	–	(34)
Principal portion of lease payments	(11,324)	(8,212)
Interest paid	(277,399)	(105,093)
Dividend paid	(466,779)	(67,061)
Listing expenses	(47,799)	(21,679)
Net cash flows from financing activities	4,851,384	1,679,830
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,092,575	1,481,331
Cash and cash equivalents at beginning of period	4,426,170	1,413,298
Effect of foreign exchange rate changes, net	111,035	64,762
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,629,780	2,959,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	5,629,780	2,959,391
Cash and cash equivalents as stated in the consolidated statement of cash flows	5,629,780	2,959,391

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

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

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is 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.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers	**9,284,106**	9,978,283

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Types of goods or services		
Sale of nickel products	**8,952,148**	9,160,938
Sale of equipment	**100,425**	671,375
Others	**231,533**	145,970
Total revenue from contracts with customers	**9,284,106**	9,978,283
Geographical markets		
Mainland China	**8,915,732**	7,788,705
Others	**368,374**	2,189,578
Total revenue from contracts with customers	**9,284,106**	9,978,283
Timing of revenue recognition		
Goods transferred at a point in time	**8,824,796**	9,121,870
Services transferred over time	**459,310**	856,413
Total revenue from contracts with customers	**9,284,106**	9,978,283

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**7,234,979**	6,118,972
Depreciation of property, plant and equipment	**255,951**	149,195
(Gains)/loss on disposal of items of property, plant and equipment	**(956)**	2,743
Gain on a finance lease as a sublease lessor	**(47)**	–
Impairment of financial assets, net		
Impairment of trade receivables, net	**10,754**	2,539
Impairment of other receivables, net	**206**	146
	10,960	2,685
Foreign exchange differences, net	**152,542**	15,829
Fair value (gains)/loss, net:		
Derivative financial instruments	**11,585**	(44,325)
Trade receivables containing provisional pricing features	**(630)**	–
Other unlisted investments	**(200)**	(57)
Investment (gains)/loss from financial assets at fair value through profit or loss, net:		
Derivative financial instruments	**(17,480)**	87,078
Trade receivables containing provisional pricing features	**162,020**	–
Other unlisted investments	**(5)**	–
	144,535	87,078

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

6. INCOME TAX (CREDIT)/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% (2022: 25%) on the taxable income of the period. 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% (2022: 15%) during the period.

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 PT. Halmahera Persada Lygend ("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.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

6. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

Indonesia (Continued)

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
Charge for the period	**22,571**	116,757
Deferred tax	**(48,380)**	(13,861)
Total tax (credit)/expense for the period	**(25,809)**	102,896

7. DIVIDENDS

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, which was fully paid as at 30 June 2023.

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 the six months ended 30 June 2022.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

8. 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 1,555,931,350 (2022: 1,317,768,750) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023 and 2022.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Carrying amount at beginning of period/year	**9,620,632**	5,775,059
Additions	**2,622,899**	3,745,690
Acquisition of a subsidiary	**–**	7
Depreciation provided during the period/year	**(270,219)**	(381,839)
Disposals	**(102)**	(11,026)
Exchange realignment	**344,130**	492,741
Carrying amount at end of period/year	**12,317,340**	9,620,632

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

10. INTERESTS IN ASSOCIATES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Share of net assets	1,352,302	544,963

The Group's trade receivables from associates and amounts due to an associate are disclosed in note 15.

Particulars of the Group's material associate 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

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, and the shareholding in which is held through a wholly-owned subsidiary of the Company.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

10. 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 interim financial statements:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Current assets	2,062,408	1,193,938
Non-current assets	7,696,432	7,010,582
Current liabilities	2,850,751	1,796,420
Non-current liabilities	5,215,093	4,809,356
Net assets	1,692,996	1,598,744
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	624,716	589,937
Accumulated unrealised gain	(65,490)	(58,504)
Carrying amount of the investment	559,226	531,433
Revenue	2,328,528	–
Profit/(loss) for the period/year	36,222	(93,584)
Other comprehensive income for the period/year	58,030	142,361
Total comprehensive income for the period/year	94,252	48,777

The following table illustrates the financial information of the Group's associate that is not individually material:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Loss for the period/year	(5,064)	(35,441)
Other comprehensive (loss)/income for the period/year	(1,894)	251
Aggregate carrying amount of the Group's investment in the associate	793,076	13,530

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

11. TRADE AND BILLS RECEIVABLES

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Financial assets at amortised cost:		
Trade receivables	737,667	705,787
Bills receivable	275,796	705
Impairment	(15,165)	(4,388)
	998,298	702,104
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	249,153	439,819
Financial assets at fair value through other comprehensive income:		
Bills receivable	339,258	–
	1,586,709	1,141,923

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".

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.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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:

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 3 months	**676,326**	684,216
3 to 6 months	**30,228**	17,136
6 to 12 months	**15,948**	47
	722,502	701,399

12. TRADE AND BILLS PAYABLES

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 3 months	**781,256**	469,973
3 to 6 months	**45,506**	140,196
6 to 12 months	**76,250**	168,568
1 to 2 years	**218,233**	103,474
Over 2 years	**185,384**	83,034
	1,306,629	965,245

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

13. SHARE CAPITAL

	Number of ordinary shares	Total
		RMB'000
Issued and fully paid as at 31 December 2021 (audited) and 1 January 2022	1,317,768,750	1,317,769
Issue of shares from initial public offering (note a)	232,547,600	232,547
Exercise of the over-allotment option (note b)	5,615,000	5,615
Issued and fully paid as at 31 December 2022 (audited), 1 January 2023 and 30 June 2023	**1,555,931,350**	**1,555,931**

Notes:

(a) 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.

(b) 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 Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

14. COMMITMENTS

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

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Contracted, but not provided for:		
Property, plant and equipment	**10,204,234**	6,633,055

15. RELATED PARTY TRANSACTIONS

Name	**Relationship**
HJF	An associate
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

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following transactions with related parties during the period:

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Sale of equipment to:			
HJF	*(i)*	82,268	621,509
Sale of materials to:			
HJF	*(i)*	201,830	42,629
Purchase of nickel products from:			
HJF	*(i)*	2,324,918	–
MSP	*(i)*	736,630	1,132,366
GPS	*(i)*	390,935	132,632
TBP	*(i)*	375,432	443,529
PKN	*(i)*	72,861	61,545
		3,900,776	1,770,072
Purchase of services from:			
TBP	*(i)*	13,873	23,799
LSJ	*(i)*	–	1,615
MSP	*(i)*	97	1,207
ASR	*(i)*	7,058	4,250
MKL	*(i)*	9,475	4,371
GSP	*(i)*	1,072	1,071
		31,575	36,313
Payment on behalf of by:			
TBP	*(ii)*	269	37,851
GPS	*(ii)*	4,526	40
MSP	*(ii)*	–	117
HJF	*(ii)*	394	12,177
		5,189	50,185
Payment on behalf of:			
HJF	*(ii)*	25	43,981

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The Group had the following transactions with related parties during the period: (Continued)

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 payment on behalf of and on behalf of by the related parties were reimbursements for miscellaneous site expenses.

(b) Other transactions with related parties:

As at 30 June 2023, the Company has guaranteed certain of the bank borrowings made to its associate, HJF, amounting to RMB3,795,657,000 (six months ended 30 June 2022: RMB3,511,576,000). The above bank borrowings were also jointly guaranteed by HJR. The Company's shareholdings in 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 30 June 2023 and 2022, accordingly, no value has been recognised at the inception of the guarantee contracts and on the consolidated statement of financial position as at 30 June 2023 and 2022. 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 1 July 2023 to 2030 to be approximately USD187,786,000 and USD117,786,000, 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. As at 30 June 2023, amount of USD30,000,000 of the security deposit has been settled.

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.

As at 30 June 2023, advanced capital injection of RMB72,534,000 and RMB328,869,000 from TBP is paid to increase share capital of PT. OBI Nickel Cobalt and PT. Karunia Permai Sentosa, respectively.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	Notes	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Due from an associate:			
HJF	*(i)*	968,419	352,508
Due from related parties:			
TBP	*(ii)*	102,096	93,518
TBP		308	794
TBP	*(iii)*	505,806	696,460
MSP	*(i)*	237	123
OST		–	106
GSP		1	–
LSJ		–	7
		608,448	791,008
Due to an associate:			
HJF		207,527	14
Due to related parties:			
TBP	*(i)*	55,981	84,411
TBP	*(iv)*	401,403	–
GSP	*(i)*	213	–
MSP	*(i)*	255	597
PKN	*(i)*	–	14,406
ASR	*(i)*	1,988	1,446
GPS	*(i)*	77,214	30,136
MKL	*(i)*	–	1,035
Feng Yi		35	34
OST		–	114
		537,089	132,179

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties: (Continued)

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 deposits for other receivables by the subsidiaries, which are trade in nature.

(iv) The balance represents advanced capital injection from non-controlling shareholders.

Other outstanding balances with related parties were non-trade in nature.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Salaries, allowances and benefits in kind	**14,735**	15,498
Performance related bonuses	**6,769**	26,318
Pension scheme contributions	**138**	112
	21,642	41,928

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

16. 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 and bills 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 date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. 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 30 June 2023 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.

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

16. 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 30 June 2023

	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***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Trade receivables containing provisional pricing features	**–**	**249,153**	**–**	**249,153**
Bills receivable	**–**	**339,258**	**–**	**339,258**
Derivative financial instruments	**–**	**87,680**	**–**	**87,680**
Financial assets at fair value through profit or loss	**–**	**44,700**	**–**	**44,700**
	–	**720,791**	**–**	**720,791**

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*
	(Audited)	(Audited)	(Audited)	(Audited)
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

Notes to Unaudited Interim Condensed Consolidated Financial Information

30 June 2023

16. 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 30 June 2023

	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***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Derivative financial instruments	**–**	**409**	**–**	**409**

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*
	(Audited)	(Audited)	(Audited)	(Audited)
Derivative financial instruments	–	42,686	–	42,686

During the period, 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 (six months ended 30 June 2022: Nil).

17. EVENTS AFTER THE REPORTING PERIOD

The Company submitted filing to the China Securities Regulatory Commission on 28 April 2023, regarding the proposed application made on behalf of certain shareholders of the Company for the conversion of a total of 265,453,750 unlisted domestic shares of the Company held by such shareholders into H shares of the Company and the listing thereof on the Stock Exchange (the "Conversion and Listing") and was granted approval by the Stock Exchange for implementation of the Conversion and Listing on 24 July 2023.