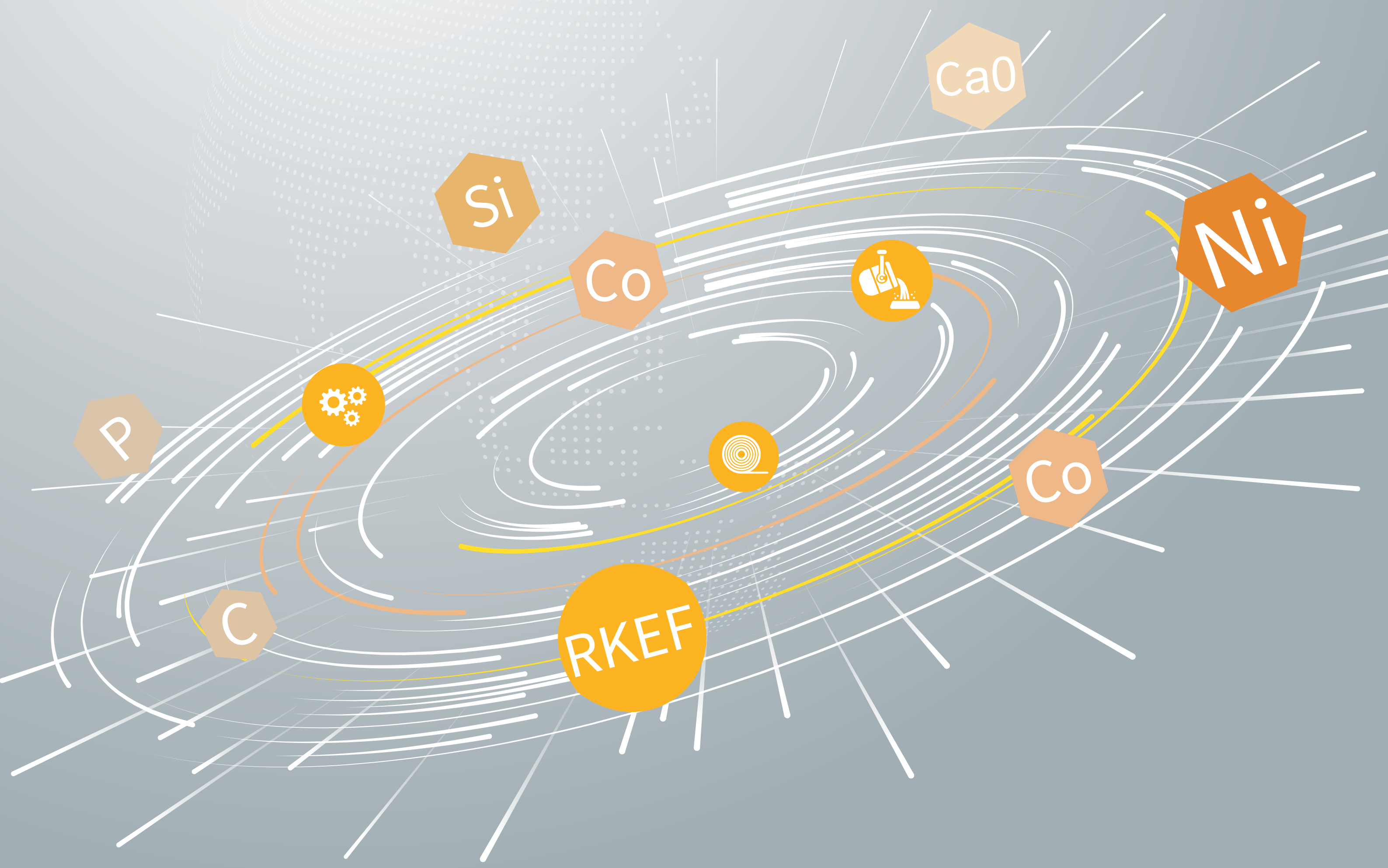
力勤资源
LYGEND RESOURCES

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



2024
ANNUAL REPORT

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Company Profile

We are a company with businesses 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, and trading, production and sales of nickel products. The Company and its Indonesian Partner have jointly invested in the construction of an independent industrial park on Obi Island in Indonesia, on 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 16 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 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 sales, 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. 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. We are 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.

Company Profile

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 (among which, the pyrometallurgy production capacity of HJF, in which the Company holds equity interests, is 95,000 metal tons of ferronickel). 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.

Corporate Information

BOARD OF DIRECTORS

Chairman and executive Director

Mr. CAI Jianyong

Executive Directors

Mr. JIANG Xinfang *(resigned on 28 March 2024)*
Ms. FEI Feng
Mr. CAI Jianwei
Mr. YU Weijun
Mr. WANG Ling *(appointed on 9 December 2024)*

Non-executive Director

Mr. Lawrence LUA Gek Pong

Independent non-executive Directors

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

SUPERVISORS

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

BOARD COMMITTEE

Audit committee

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

Remuneration committee

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

Nomination committee

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

ESG committee

Mr. CAI Jianyong *(Chairperson)*
Mr. JIANG Xinfang *(resigned on 28 March 2024)*
Mr. QIAN Feng *(Non-director)*
Mr. YUAN Shuangcheng *(Non-director)*
Mr. ZHANG Baodong *(Non-director) (resigned on 4 July 2024)*
Mr. YU Hai *(Non-director)*
Mr. LIAO Zhengquan *(Non-director)*
Mr. LIU Xuanliang *(Non-director)*
Mr. QI Hui *(Non-director) (appointed on 28 March 2024)*
Mr. WANG Duodong *(Non-director) (appointed on 28 March 2024)*
Mr. SHI Wentang *(Non-director) (appointed on 28 March 2024)*
Mr. SONG Zhen *(Non-director) (appointed on 28 March 2024 and resigned on 9 December 2024)*
Mr. CAI Jiansong *(Non-director) (appointed on 9 December 2024)*
Ms. CAI Xiaoou *(Non-director) (appointed on 4 July 2024)*

JOINT COMPANY SECRETARIES

Mr. CAO Zheng
Ms. TANG Wing Shan Winza (ACG HKACG) *(resigned on 28 February 2024)*
Ms. CHAN Yuen Mui (ACG HKACG) *(appointed on 28 February 2024)*

AUTHORIZED REPRESENTATIVES (UNDER THE LISTING RULES)

Ms. FEI Feng
Ms. TANG Wing Shan Winza (ACG HKACG) *(resigned on 28 February 2024)*
Ms. CHAN Yuen Mui (ACG HKACG) *(appointed on 28 February 2024)*

Corporate Information

REGISTERED OFFICE

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

HEAD OFFICE

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

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

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

H SHARE REGISTRAR

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

PRINCIPAL BANKS

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

LEGAL ADVISORS

As to Hong Kong laws:
Cleary Gottlieb Steen & Hamilton (Hong Kong)

As to PRC laws:
Zhejiang T&C Law Firm

COMPLIANCE ADVISOR

Somerley Capital Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

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

STOCK CODE

2245

COMPANY'S WEBSITE

www.lygend.com

DATE OF LISTING

1 December 2022

Financial Summary

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the years ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**29,232,958**	21,059,316	18,289,596	12,449,318	7,755,174
GROSS PROFIT	**5,352,458**	3,381,965	4,493,835	1,515,928	952,659
PROFIT BEFORE TAX	**3,817,046**	1,761,514	3,184,970	1,439,137	700,403
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,370,089**	1,897,695	3,568,068	1,277,212	443,465
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
OWNERS OF PARENT	**1,773,150**	1,166,043	2,052,377	1,117,740	445,283

Financial Summary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2024 *RMB'000*	2023 *RMB'000*	2022 *RMB'000*	2021 *RMB'000*	2020 *RMB'000*
ASSETS					
NON-CURRENT ASSETS	**25,357,700**	20,400,855	12,015,872	7,637,849	1,679,358
CURRENT ASSETS	**12,599,311**	10,278,853	8,824,522	4,643,551	2,201,084
TOTAL ASSETS	**37,957,011**	30,679,708	20,840,394	12,281,400	3,880,442
LIABILITIES					
NON-CURRENT LIABILITIES	**6,476,076**	7,908,785	3,959,308	3,611,563	11,472
CURRENT LIABILITIES	**13,798,359**	9,285,573	4,853,289	3,496,180	2,476,915
TOTAL LIABILITIES	**20,274,435**	17,194,358	8,812,597	7,107,743	2,488,387
EQUITY					
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	**10,758,904**	9,185,546	8,476,396	3,138,398	1,389,996
NON-CONTROLLING INTERESTS	**6,923,672**	4,299,804	3,551,401	2,035,259	2,059
TOTAL EQUITY	**17,682,576**	13,485,350	12,027,797	5,173,657	1,392,055
TOTAL EQUITY AND LIABILITIES	**37,957,011**	30,679,708	20,840,394	12,281,400	3,880,442

Chairman Statement

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), we are pleased to present to you the annual report of the Group for the year ended 31 December 2024 (the "Reporting Period").

During 2024, the production capacity of the Company was intensively released, and the steady increase in the production volume of various nickel products laid the foundation for the growth in the Company's results. Facing the impact brought by the supply of nickel ore, macro disruptions and overcapacity pressures, the Company adopted flexible sales and procurement strategies to achieve cost reduction and improvement in efficiency. The Company's major operating results are as follows:

During 2024, the Company realized a total operating revenue of RMB29,233.0 million, representing a year-on-year growth of 38.8%, The net profit attributable to shareholders of the Company was RMB1,773.2 million, representing a year-on-year growth of 68.7%.

Procurement and trading of nickel resource: During the Reporting Period, the Company kept abreast of the market trends, utilized its market insights as a trader, optimized its sales strategy in a precise manner, and expanded the product portfolio and scope of its trading business, thereby achieving steady growth in resources procurement and trading business.

Hydrometallurgy production: During the Reporting Period, all hydrometallurgy projects of the Company reached full production capacity, which further enhanced the production efficiency and enriched its product structure, thereby realizing the adjustment and control on the production of nickel-cobalt hydroxide, battery-grade nickel sulphate, cobalt sulfate and electrodeposited cobalt. The HPL project continued to operate steadily and reached full production capacity, achieving the annual production target ahead of schedule. The ONC project was put into operation in July and reached full production capacity successfully in September. The electrodeposited cobalt project has been constructed, tested and launched to reach its full production capacity successfully. It is also one of the projects on the Obi Island with the shortest construction period.

Pyrometallurgy production: During the Reporting Period, the Company continued to strengthen the optimization and maintenance management of the pyrometallurgy process and fully capitalized on its experience and advantage of skilled labor in respect of the RKEF process to enhance its production efficiency and product quality. During the Reporting period, phase I of the laterite nickel ore pyrometallurgy project (HJF project, which the Company holds equity interests) maintained a steady production pace, and the construction of the phase II of the laterite nickel ore pyrometallurgy project (KPS project) is in steady progress, and the construction of all production lines is expected to be completed in 2026.

Chairman Statement

In 2024, the global nickel resource and product market showed a complex landscape of supply and demand changes and price fluctuations, presenting with both market opportunities and challenges. In the first half of the year, the supply and demand of nickel products displayed a periodic improvement, mainly due to the release of demand for new energy vehicles, which drove the increasing demand for nickel sulphate, with the slow approval progress of Rencana Kerja dan Anggaran Biaya (RKAB approval) in Indonesia, accompanied by the political unrest in New Caledonia, leading to the tightened supply of nickel ore, and hence the nickel price had been supported to a certain extent. In the second half of the year, the nickel price weakened with the expected discouraging macroeconomic data from major economies along with the impact of the U.S. election, and bottomed out as a result of the implementation of the USD interest rate cuts policy and a series of economic stimulus policies.

Going forward, despite the nickel prices being under pressure in general, with the acceleration of the global green economy transformation, the application of nickel in new energy and high-end manufacturing aspects has a broad prospect. With the promotion of domestic energy transformation and new energy subsidy policy, the major development trend of NEV is not expected to change. In addition, with the further expansion of trade-in scope, policies continue to be stepped-up, further boosting downstream demand, and hence the Company is also expected to benefit from the increase in demand resulting from the recovery of consumption. Amidst the increasingly fierce competition landscape of the industry, the Company will further strengthen its competitiveness by way of technological innovation and cost control, and continue to provide quality nickel products and services with keen market insights. Adhering to the philosophy of “From Diligence, Toward Excellence” (力致卓越,勤無止境) as always, the Company will persist with its “seek progress amidst stability with transformation and upgrade” development direction, and strive to achieve the vision of “becoming the world-leading nickel industry chain service provider”.

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 sincere gratitude to all of our partners, customers, suppliers and the shareholders of the Company (the “Shareholders”) for their continuous support.

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

People’s Republic of China, 28 March 2025

Management Discussion and Analysis

OVERVIEW

During 2024, the production capacity of the Company was intensively released, and the further increase in the production volume of various nickel products laid the foundation for the growth in the Company's results. Facing the impact brought by the supply of nickel ore, macro disruptions and overcapacity pressures, the Company optimized its business model and adopted flexible sales and procurement strategies to achieve cost reduction and improvement in efficiency, leading to the breakthroughs in the progress of each project. In 2024, the Company achieved an operating revenue of RMB29,233.0 million, representing a year-on-year increase of 38.8%. Net profit attributable to owners of the parent amounted to RMB1,773.2 million, representing a year-on-year increase of 68.7%. During the Reporting Period, the HPL project, which is phases I and II of the laterite nickel ore hydrometallurgy project (HPAL project), jointly invested and constructed by the Company and its Indonesian Partner on Obi Island, Indonesia, continued to operate steadily and reached full production capacity. The ONC project, which is phase III of the HPAL project, has been fully put into operation and reached full production capacity as planned. The HJF project, which is phase I of the laterite nickel ore pyrometallurgy project (RKEF project), in which the Company holds equity interests, has also reached full production capacity. The construction of the KPS project, which is phase II of the RKEF project, has been progressing in a steady manner. The electrodeposited cobalt project, which was one of the projects with the shortest construction cycle on Obi Island, has realized construction, commission, production and reached full production during the Reporting Period. Adhering to the concept of scientific management, the Company further standardized the management of each business segment, and continued to reduce costs and increase efficiency, thereby securing its cost advantage. Meanwhile, the Company actively practiced the concept of ESG development and proactively fulfilled its social responsibilities. The Company is deeply involved in community construction and environmental protection projects in the places where the Obi projects are located, demonstrating its corporate responsibility through practical actions.

In 2024, the global nickel resource and product market showed a complex landscape of supply and demand changes and price fluctuations. In terms of the changes in nickel ore supply and nickel futures prices, Indonesia, as a major reserve of laterite nickel ore in the world, continued to maintain a relatively balanced but tight nickel ore supply; nickel futures prices were supported to a certain extent by the delay in Rencana Kerja dan Anggaran Biaya (RKAB approval), coupled with the impact of the geopolitics of New Caledonia itself. In terms of the production layout of nickel products in the industry, with the suspension or cessation of multiple nickel products production projects, the nickel products suppliers were further concentrated to Indonesia; during 2024, many of the industry hydrometallurgy and pyrometallurgy production lines in Indonesia were put into operation successively, and meanwhile, a number of domestic refined nickel projects in China have completed the registration of LME delivery products, which will facilitate the continued expansion of domestic refined nickel production capacity. From the downstream demand side of nickel products, the end-users' demand for nickel is gradually shifting from the traditional demand for stainless steel to the new demand areas, i.e. new energy and high-end manufacturing. For traditional demand, despite the introduction of national policies to stimulate demand in the property market, the real estate cycle is still weak and demand for stainless steel continues to be under pressure. For new demand, despite the growth in demand for high purity nickel in new energy vehicle's batteries, the overall growth in demand has slowed down and the demand in the nickel sulphate market is gradually decreased after a phasal shortage in 2024.

Management Discussion and Analysis

In 2024, the nickel price movement showed a downward trend from the peaks with fluctuation. In the first quarter, the supply and demand of nickel products displayed a periodic improvement, mainly due to the release of demand for new energy vehicles, which drove the increasing demand for nickel sulphate, with the slow approval progress of RKAB in Indonesia, leading to the tightened supply of nickel ore and hence the nickel price had been supported to a certain extent. In the second quarter, as affected by the expectations of USD interest rate cuts and catalyzed by the changes in political situation in New Caledonia, nickel price continued to rise along with volatility, with the main futures contract of nickel on the London Metal Exchange once hitting 21,750 points. In the third quarter, the nickel price weakened with the expected discouraging macroeconomic data from major economies along with the impact of the U.S. election. Subsequently, the main futures contract of nickel on the London Metal Exchange bottomed out at 18,290 points as a result of the implementation of the USD interest rate cuts policy and a series of economic stimulus policies introduced by China. The fluctuation and decline of nickel price remained until the fourth quarter and closed at 15,300 points at the end of the year.

In 2024, despite the nickel prices being under pressure in general, with the acceleration of the global green economy transformation, the application of nickel in new energy and high-end manufacturing aspects has a broad prospect. According to public data, the markets in which the Company's major products are located have better development expectations and can foster a suitable macro-environment for the Company's business development. The nickel product smelting business of the Company mainly comprises ferronickel, a pyrometallurgical product, and nickel-cobalt hydroxide and nickel sulphate, hydrometallurgical products, which are applied in the sectors of steel and new energy vehicles (NEV) respectively. The business development of the Company is also closely related to the above industries. With the promotion of domestic energy transformation and new energy subsidy policy, the major development trend of NEV is not expected to change. In addition, with the further expansion of trade-in scope, policies continue to be stepped-up, further boosting downstream demand, and hence the Company is also expected to benefit from the increase in demand resulting from the recovery of consumption.

New energy

In 2024, the NEV market in China achieved remarkable growth under the strong impetus of national policies. Thanks to the introduction of the trade-in policy in 2024, the NEV market has continued to maintain its relatively rapid growth. According to the data of China Association of Automobile Manufacturers, the production volume and sales volume of NEV amounted to 12.888 million and 12.866 million respectively in 2024, with a year-on-year growth of 34.4% and 35.5% respectively. The sales volume of NEV accounts for 40.9% of the total sales volume of new automobiles, representing an increase of 9.3 percentage points as compared with 2023, and continued to be an important growth point of China's automobile industry. Meanwhile, exports of NEV in 2024 amounted to 1.284 million vehicles, representing a 6.7% increase over the previous year, which continued to be world-leading. With the implementation of the Notice of Increasing Efforts to Expand the Scope of Implementation of the Policies Regarding Large-scale Equipment Renewals and Consumer Goods Trade-ins in 2025 (關於二零二五年加力擴圍實施大規模設備更新和消費品以舊換新政策的通知), the supporting scope for vehicle scrapping and renewal will be further broadened, and the subsidy standard for vehicle replacement and renewal will be improved, which will boost the incremental demand for NEV.

Management Discussion and Analysis

Stainless steel

As a fundamental industrial material, stainless steel has a wide range of applications in different sectors, including transport, industrial, construction, consumer home electrical appliances and equipment manufacturing. According to Shanghai Metals Market (SMM) statistics, among the sectors of stainless steel applications, 22% are in equipment sector, 21% are in petrochemicals sector, 19% are in construction and decoration sector, 16% are in food and beverage sector, 9% are in rail transportation sector, 7% are in consumer home electrical appliances sector, and 6% are in other sectors. In 2024, driven by the demand in sectors such as construction and infrastructure, the global stainless steel market demand continued to grow and remained its steady performance. In addition, with the gradual recovery of manufacturing activities, both domestic demand and export markets for stainless steel improved. During the Reporting Period, Chinese stainless steel industry maintained its upward momentum in both production and apparent consumption. According to the statistics from the Stainless Steel Council of China Iron & Steel Association, China's crude steel production of stainless steel in 2024 amounted to 39.4411 million tons, representing a year-on-year increase of 2.7652 million tons or 7.54%, while apparent consumption amounted to 32.4919 million tons, representing a year-on-year increase of 1.4097 million tons or 4.54%.

BUSINESS REVIEW

We are a company with businesses across the entire nickel industry chain. Positioning in the "nickel" segment of the industry, our business covers the nickel industry value chain, which includes multiple areas from sourcing of nickel resources, and the trading, smelting, production and sale of nickel products. In the area of smelting and production of nickel products, under the guidance of the "Belt and Road" initiative, we have jointly invested in the construction of a series of nickel product smelting projects and the supporting public ancillary facilities in the Obi industrial park with our Indonesian Partner, including hydrometallurgy and pyrometallurgy projects, with a total design capacity of 400,000 metal tons of nickel, of which 120,000 metal tons of nickel-cobalt compounds are produced by hydrometallurgy and 280,000 metal tons of ferronickel are produced by pyrometallurgy (among which, the pyrometallurgy production capacity of HJF, in which the Company holds equity interests, was 95,000 metal tons of nickel). We have adopted the third-generation HPAL techniques to effectively utilize the low-grade laterite nickel ore, and used the mature RKEF techniques to supply high-quality nickel products to downstream customers such as renowned new energy automobile, iron and steel manufacturers at home and abroad. In the area of nickel products trading, the Company is the largest nickel ore trader in China, and has ranked first in China in terms of nickel ore trading volume for consecutive years.

The Company always adheres to the concept of "green, low-carbon and innovation-driven", and is committed to combining advanced Chinese technology with global resources to promote the sustainable development of the nickel industry. In 2024, the Company actively responded to the national call for ramping up the overall green transition in economic and social development, and promoted the green and low-carbon concept in the whole process of industrial upgrading to develop a green and low-carbon production system, thereby promoting the high-quality development of the nickel industry chain.

Management Discussion and Analysis

The Company began its development from nickel ore and ferronickel trading, and has since then continued to devote efforts in the market and tapped into its potential, improve the quality of development and actively respond to market changes. Under the guidance of the concept "integrating Chinese technology with global resources", the Company is constantly engaging in promoting the development of the nickel industry through continuous technological innovation and international cooperation, and is committed to providing higher quality products and services to its customers in China and across the globe, with a view to achieving the sustainable development and common prosperity of the nickel industry. During the Reporting Period, the Company stayed committed to the general principle of seeking progress while maintaining stability, and further optimized the layout of its industrial chain driven by technological innovation with a green and low-carbon orientation, and steadily facilitated the construction of projects in Obi industrial park in Indonesia. With the production capacity of both hydrometallurgy and pyrometallurgy techniques and processes being released as scheduled, the Company's position in the global nickel industry chain was further consolidated.

In 2024, the Company realized a total operating revenue of RMB29,233.0 million, representing an increase of 38.8% as compared with the same period last year. The net profit attributable to shareholders of the Company was RMB1,773.2 million, representing an increase of 68.7% as compared with the same period last year. The Company achieved growth both in its operating revenue and profits, which was mainly due to the release of the production capacity of the ONC project (phase III of the HPAL project) and the HJF project (phase I of the RKEF project), in which the Company holds equity interests, and the increase in production capacity resulting from the further improvement in capacity utilization rate.

The Company actively gave full play to its strengths. It continued to promote the construction and development of the Obi projects, with a focus on technological R&D and optimization of the overall construction of the park. Through the introduction of industry-leading technology and equipment, coupled with the advanced process control and plant management system, the manufacturing facilities of the Obi industrial park were able to perform production monitoring, testing, optimization and management throughout the entire production process from input of raw materials to output of products. Through these measures, we have not only significantly enhanced our production efficiency, but also further ensured the safety and health of our employees, which laid a solid foundation for the sustainable development of the Company. The successful implementation of the Obi projects by the Company demonstrated its technological strengths and innovation capability in the nickel industry, and further reinforced its leading position in the international nickel industry value chain.

Procurement and trading of nickel resources

As a leading nickel ore trading enterprise in China, the Company leveraged its outstanding capability in securing nickel resources and the solid foundation in the industry to continuously explore the domestic and overseas markets. It adhered to the customer-centric approach, deepened customer relationships, and optimized its trading processes and service system on an ongoing basis. During the Reporting Period, the Company kept abreast of the market trends, utilized its market insights as a trader, and optimized its sales strategy in a precise manner. This not only drove the stable growth in nickel ore and nickel product trading volume, but also significantly enhanced the overall profitability.

Management Discussion and Analysis

Smelting and production of nickel products

As indicated in the study of the United States Geological Survey (USGS) on the world's nickel deposits, in 2024, global nickel resources exceeded 350 million metal tons, with 54% in laterite nickel ore, 35% in magmatic sulfide deposits, 10% in volcanogenic massive sulfide deposits and 1% in tailings and others. Among the identified nickel resources, Indonesia is the country with the richest nickel reserves in the world, accounting for 42% of the total nickel reserves around the globe. With a focus on the smelting and production of nickel products, the Company adhered to the principle of openness and cooperation, and collaborated with the Indonesian Partner in an effort to optimize the allocation of resources, with a view of securing the Obi projects in Indonesia on all fronts.

Hydrometallurgy project/HPAL project

The Company has adopted the third-generation HPAL smelting process, which is one of the most cutting-edge smelting techniques for processing low-grade laterite nickel ore in the industry. Its hydrometallurgy project in Indonesia was implemented in three phases, featuring a total of 6 production lines with a combined designed capacity of 120,000 metal tons of nickel and 14,250 metal tons of cobalt. Based on market demand, the project was set to produce products such as nickel-cobalt hydroxide, nickel sulphate, cobalt sulfate and electrodeposited cobalt. Within two months after the operation commenced in 2021, two production lines of phase I of the HPAL project reached full production capacity, setting the record for the shortest construction time for new production capacity, the lowest cash cost, the lowest average investment cost per metal ton of nickel, and the shortest time to reach full production capacity in the industry.

During the Reporting Period, all hydrometallurgy projects of the Company reached full production capacity and continued to make progress in applying the high-pressure acid leaching smelting technology for laterite nickel ore, which further enhanced the production efficiency. The HPL project continued to operate steadily and reached full production capacity throughout the year, achieving the annual production target ahead of schedule. The ONC project was put into operation and reached full production capacity successfully. The electrodeposited cobalt project has been successfully constructed, tested and launched to reach its full production capacity. It is also one of the projects on the Obi Island with the shortest construction period. This array of achievements reflected the optimization of the production processes and further enhancement of the technological innovation capabilities of the Company.

Management Discussion and Analysis

Pyrometallurgy project/RKEF project

The Company has adopted mature RKEF smelting techniques and established a business presence in the domestic and overseas markets. Its pyrometallurgy project in Indonesia features a total of 20 production lines with a combined annual production capacity of 280,000 metal tons of ferronickel, of which, phase I of the pyrometallurgy project is owned by HJF (in which the Company holds equity interests) with an annual designed capacity of 95,000 metal tons of ferronickel, and phase II of the pyrometallurgy project is owned by PT Karunia Permai Sentosa ("KPS") (of which the Company is the holding company) with an annual designed capacity of 185,000 metal tons of ferronickel. Furthermore, the Company has set up a ferronickel smelter in Jiangsu, which also adopts the RKEF process and has an annual designed capacity of 18,000 metal tons of ferronickel.

During the Reporting Period, the Company continued to strengthen the optimization and maintenance management of the pyrometallurgy process and fully capitalized on its experience and advantage of skilled labor in respect of the RKEF process to enhance its production efficiency and product quality. The production lines of the HJF project, in which the Company holds equity interests, began production in October 2022 and all of them reached full production capacity in August 2023. During the Reporting Period, the project maintained a steady production pace. Currently, the construction of the KPS project is in steady progress, and the construction of all production lines is expected to be completed in 2026.

RISK ANALYSIS

Fluctuation in Nickel Metal Price

The global macroeconomic environment and policy factors continue to affect nickel prices. On the one hand, the uncertainty of the global economic recovery and the high interest rate will remain headwinds for commodity prices. On the other hand, geopolitical changes and power play between countries may affect the trade flow and procurement pattern of nickel. Moreover, policy changes in Indonesia, such as nickel ore export policy or capacity restriction measures, may become the main driving forces for nickel price volatility.

The Group is principally engaged in the production and trading of nickel products, thus its principal operating activities are affected by fluctuations in nickel metal prices. The nickel metal price is susceptible to the global economy, global demand and supply, market expectations, speculation and other factors and is subject to high volatility. Changes in market supply and demand will directly affect the pricing of the Company's products. In 2024, nickel price was driven up by the supply shortfall, before gradually stabilizing when the shortage eased off, which reflected the sensitivity and uncertainty of the market to changes in supply and demand. As one of the first Indonesian local enterprises to adopt the hydrometallurgy production process for nickel products, we will face this challenge by constantly optimizing the production process, reducing costs and improving efficiency to keep our production capacity expansion closely aligned with market demand. Meanwhile, the Company will also give play to the synergy of the trading business, and closely monitor the dynamics of supply and demand as well as price fluctuations in the global nickel market, so as to flexibly adjust its sales strategy to cope with market risks effectively.

Management Discussion and Analysis

Risk of Changes in Exchange Rates

The Company's operating activities involve transactions in various foreign currencies, resulting in significant foreign exchange risk exposure. In particular, the overseas subsidiaries of the Company often adopt USD as the base currency for accounting purposes. Changes in exchange rates not only affect the daily operations of the Company, but also give rise to translation risks of financial statements.

To address the risk of exchange rate fluctuations, the Company regularly identifies and quantifies its foreign exchange risk exposures. By analyzing the structure of its foreign exchange assets and liabilities, it assesses the potential impact of exchange rate fluctuations on its financial position. It also reduces its net foreign exchange exposures by matching its foreign currency assets and liabilities. When necessary, it takes measures to hedge its significant foreign exchange risk exposures. Adopting the principle of "risk neutrality", the Company focuses on minimizing the negative impact of exchange rate fluctuations on its principal businesses, so as to ensure financial stability and operational predictability.

CORE COMPETITIVENESS OF THE COMPANY

The Company has formed a complete industry ecosystem centered around nickel resources

The Company's business covers the entire value chain of the nickel industry, spanning across a number of areas including nickel resources integration, and the trading, smelting, production and sale of nickel products. After 16 years of business expansion, we have accumulated extensive industry knowledge and have possessed the ability to make strategic planning for our business on a global scale, which enables us to effectively connect key areas across the nickel industry value chain, from sourcing of nickel resources and the smelting, production and sale of nickel products.

With respect to the upstream sourcing and trading of nickel resources, the Company has established solid supply chain networks in both Indonesia and the Philippines, securing its rich and stable supplies of nickel resources and significantly enhancing the Company's competitive advantage in terms of acquisition of raw materials. A professional nickel ore inspection department was established within the Company, which conducted detailed analyses on the grades, characteristics, associated metals and other aspects of nickel ores from around the world. This strategy enabled us to accurately procure nickel ore products that are most suitable for our business needs, thereby effectively enhancing the production efficiency and overall results. By providing these value added services, we not only deepened our understanding of industry trends and insight into customer demands, but also developed a unique positioning with industry recognition within the industry.

Management Discussion and Analysis

In terms of smelting, production and sale, the Company has built its production bases in China and Indonesia, achieving effective integration with the upstream and downstream of the supply chain. The Company has established an independent industrial park on the Obi Island, making full use of rich local laterite nickel resources to produce high-quality nickel-cobalt compounds and ferronickel products. Meanwhile, adhering to the principles of green production and recycling economy, the Company collects and reuses the by-products generated during the production process, such as sulfuric acid, steam and coal gas, in the production of nickel-cobalt compounds and ferronickel through innovative planning, thereby maximizing the comprehensive utilization rate of resources as far as possible. This demonstrates the Company's unwavering commitment to environmental protection and sustainability. In addition, the Company is actively promoting the construction of key infrastructure including ports and airports on the Obi Island, which will help us efficiently integrate logistics, technology and resources within the park, bolstering the Company's substantial intensive industrial advantage. The Company will further optimize the operational efficiency throughout the entire industry value chain on the Obi Island while minimizing operation and production costs, with an aim to enhance its corporate competitiveness in the market.

Through breakthroughs in key processes and techniques, we have achieved first-mover advantages and given play to our technological advantages to lowered production costs

Leveraging the technological innovation and in-depth industry experience, the Company established a diversified product portfolio covering different production paths. Meanwhile, this allows us to gain the leading competitive advantages in terms of operational efficiency and profitability.

Hydrometallurgy

The Company has fully mastered one of the industry-leading nickel hydrometallurgy techniques, and accumulated extensive experience in the design, construction, management and operation of nickel hydrometallurgy projects. Compared with other nickel hydrometallurgy projects which failed to commence production or experienced long ramp-up time, the production line of the HPAL project of the Company had successfully reached the design capacity within two months after commencement of operation, breaking multiple records in the industry. Remaining at the left end on the cost curve, our HPAL project is one of the nickel-cobalt compound production projects with the lowest cash cost within the industry.

The third-generation HPAL process adopted in the HPAL project is currently one of the most competitive technologies in the primary nickel ore production sector. As a cutting edge nickel hydrometallurgy technique, it marks the world's top-notch level processing of low-to-medium-grade laterite nickel ore. Involving complicated production process, it is technologically challenging and operates under tough environment such as high temperature, high pressure and with the use of concentrated sulfuric acid. It is highly demanding in terms of technical and operational capabilities. Despite this, with industry-leading technologies and a seasoned technical team, the Company has continued to introduce the latest technological innovations and equipment in the industry as well as advanced process control and plant management systems. These innovative management and monitoring approaches enable us to monitor, survey, optimize and manage the whole production processes in real time, from the input of raw materials to the output of products, thereby ensuring the stability and continuity of production and the production safety of the project personnel. In the HPAL project, the Company has extensively enhanced and adjusted the production process, technical details and production equipment of the third-generation HPAL process, which have significantly improved the project's production efficiency while effectively reducing its energy consumption and production cost.

Management Discussion and Analysis

Pyrometallurgy

We have mastered 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 of domestic and overseas production capacity for laterite nickel ore pyrometallurgy projects.

We have successfully 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 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. These improvements have enhanced the utilization efficiency 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.

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.

The Company continued to deepen its collaborations with leading educational and research institutes in China during 2024 to further drive its technological innovation and industrial upgrade. Currently, the development of technologies related to tailings treatment of the HPAL project is almost completed and is expected to create a new profit growth point for the Company, while effectively alleviating environmental pressure and reducing treatment costs. On this basis, the Company plans to prepare for the construction of a demonstration plant to accelerate the industrial application of these technologies, thereby further consolidating its technologically leading position in the sector of hydrometallurgy of laterite nickel ores. In addition, the Company further enriched its product types, successfully commenced the production of electrodeposited cobalt and maintained a reserve of technologies for smelting of electrodeposited cobalt, with a view to extending the application scenarios of the Company's products and increasing the economic added value to cope with the complex and ever-changing market environment. In the future, the Company will further strengthen the synergistic innovation with domestic and overseas partners, constantly explore and apply new technologies and processes, and drive high-quality development of our business with technological innovations, so as to create greater value for shareholders and the society.

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

Nickel resources, as a key energy metal, are notably scarce globally. Securing a stable and sufficient supply of nickel ore is crucial to reinforcing and strengthening the Company's position in the industry, expanding its business scale and achieving long-term sustainable development.

Management Discussion and Analysis

As the global leaders in nickel ore production, Indonesia and the Philippines have always been our major supplier of nickel resources. Among the proved nickel resources distribution, Indonesia ranks first in the world with its rich nickel reserves, accounting for 42% of the total reserves around the globe. According to the data from S&P Global Market Intelligence, the Philippines produced 387,000 tons of nickel ore in 2024, making it the second largest nickel ore producing country in the globe after Indonesia. By establishing a long-term and stable supply relationship with the upstream mines located in these countries, we are able to ensure continuous and uninterrupted supply of high-quality nickel products, which further consolidates our competitive edge in the industry. In 2024, we continued to deepen our partnerships with mines in Indonesia and the Philippines, and strengthened the stability and risk resistance ability of our supply chain through strategic investments and technological innovations. Meanwhile, we also actively explored new resource channels and diversified supply strategies to cope with changes in the global market and potential geopolitical risks, establishing a solid foundation for the Company's long-term development.

We jointly invested in the HPAL and RKEF projects on the Obi Island of Indonesia with our Indonesian Partner, and a stable and in-depth cooperation relationship has been formed between the parties. The resources from the Indonesian Partner's mines on the Obi Island would provide a stable supply of nickel ore raw materials for the Company's smelting projects.

In the Philippines, the Company has established long-term cooperation relationships of over ten years with leading miners, including Nickel Asia Corporation, CTP Construction and Mining Corp., which is able to provide a stable supply of nickel ore for the Company's nickel ore trading business.

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

Leveraging the in-depth involvement across the nickel industry value chain for 16 years, we have cultivated strong credibility and reputation in the industry, and established long-term and stable collaborative relationships with large-scale and leading domestic and foreign manufacturers:

NEV industry. The Company continued to expand its presence in the NEV industry in 2024, especially with the gradual increase in production capacity of the HPAL project, which has presented new growth opportunities for the Company. The Company has entered into long-term cooperation agreements with multiple precursor/cathode enterprises.

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 a stable supply chain and a competent quality control system. As a result, we have established long-term and stable relationships in supplying nickel ore and ferronickel to large-scale and industry-leading companies.

Management Discussion and Analysis

We adhere to the concept of ESG sustainable development

The Company has established a sound ESG operation system, formulated corresponding ESG policies and set up the ESG Committee of the Board. The primary duties of the Committee are identifying ESG-related risks and opportunities, and reporting regularly to the Board on the management. In 2024, the Company continued to adhere to the established policies and the guiding principles of the Committee to ensure the proper management and continuous enhancement of ESG-related matters. The Company incorporated the concept of sustainability in every aspect of trading, production and sale, pressing on with its effort in the recycling of the by-products generated during the production process. It is expected to build up a resource-saving and environmentally-friendly, intelligent and clustered industrial park.

OUTLOOK

Completing the Construction of Existing Projects and Enriching Our Product Range

The Company invested in the Obi projects in Indonesia, which are pivotal for us to achieve profit growth in the future. Therefore, it is important for our business development to ensure that the production lines of the Obi projects are put into operation smoothly and efficiently as scheduled. We will concentrate our resources to push ahead with the development of the KPS project under the RKEF project in an orderly manner as planned with a view to gradually building our production capacity. Meanwhile, the Company focuses on enhancing its research and development capability to adapt to the production of a variety of downstream products. It will also take the initiative to conduct research on the comprehensive utilization process of tailings of the HPAL project and the production techniques of nickel, cobalt metal and other products, so as to persistently enrich its product lines in response to the increasingly complicated and ever-changing market environment.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

In active response to the development trends of the industry, the Company successfully upgraded the existing production processes and introduced more advanced equipment through continuous research and development efforts, in a bid to improve production efficiency and ensure the high-quality standard of its products. The Company is committed to promoting the sustainable development of all business segments and boosting the efficiency of resource utilization and environmental friendliness in the production process through technological innovation and process improvement. The Company has also developed extensive technical knowhow in expanding various product lines including the comprehensive utilization of slag resources from the hydrometallurgy process, thereby laying a solid foundation for further technological upgrade and product innovation in the future. In addition, by setting up new research centers, reinforcing collaboration with universities and research institutes, as well as forming high-quality research teams, the Company has significantly enhanced its research and development capability and identified major directions for future research and development activities, including the comprehensive utilization of metal resources in laterite nickel ore, energy conservation and emission reduction technology, intelligent control, technological upgrade of projects and other key areas.

Management Discussion and Analysis

Creating a More Open and Robust Nickel Resource Ecosystem

The Company is dedicated to constructing an advanced nickel resource ecosystem. To strengthen its core competitiveness, the Company formulates meticulous plans for the construction of industrial parks with comprehensive ancillary infrastructure, and downstream industry clusters are introduced strategically. Moreover, the Company will uphold an open attitude towards the promotion of technological innovation and industrial synergy, through which it will actively develop a sustainable nickel resource ecosystem.

In 2024, the Company pushed forward the construction of infrastructure on the Obi Island at full steam. It devoted strenuous efforts to the efficient integration of logistics, technology and resources in the industrial park, so as to enhance the operating efficiency and sustainability of the park in all aspects. In terms of the construction of the water supply system, the Company refined the management approach and took into consideration both the industrial and domestic water demand of the park to optimize the allocation of water resources during rainy/dry seasons. This ensured a stable and reliable water supply and provided strong support for the ongoing operation of the park. In terms of the construction of living areas, the Company embraced the eco-friendly concept to build a high-quality living environment for local residents. In the meantime, it also provided high-standard living facilities for employees of the project companies, which safeguarded the harmony and stability of the community and maintained the quality of lives of the employees. In terms of the construction of transportation infrastructure, the Company proactively forged ahead with the building of ports and airports to greatly facilitate logistics and transportation as well as the commuting of employees, which drastically enhanced the external connections and internal mobility of the park. Through these measures, the Company has significantly improved the overall operational efficiency of the industrial park on the Obi Island, while contributing positively to the development of the local community and the well-being of its employees, thereby fully demonstrating its commitment to excellence in terms of infrastructure construction and fulfillment of social responsibility.

FINANCIAL REVIEW

Change in Revenue Category

With effect from 31 December 2024, we have changed our financial disclosure to report our revenue in two main categories: (i) nickel products trading, which primarily reflects revenues derived from the trading of laterite nickel ore, ferronickel and nickel-cobalt compounds; and (ii) nickel products production, which primarily reflects revenues derived from the production of ferronickel and nickel-cobalt compounds. This change in revenue category was mainly due to the fact that the equipment manufacturing business mainly serves the Company's Obi projects. With the substantial completion of the construction of the HJF project, the revenue from the equipment manufacturing business at the level of consolidated statements has declined, while the commissioning of the Obi projects has further enhanced the Company's overall revenue, which led to a significant decrease in the proportion of revenue from the equipment manufacturing business. As this business no longer constitutes a principal business of the Group, we consider it more appropriate to merge the revenue generated from this business into the "Others" category. We retrospectively revised our comparative figures for the prior year to conform to the current year's presentation. This change in revenue category does not affect our consolidated balance sheet or consolidated statement of cash flows.

Management Discussion and Analysis

Revenue

The following table sets out the breakdown of total revenue by business and product in absolute amounts and as a percentage of total revenue for the years ended 31 December 2024 and 31 December 2023:

	For the years ended 31 December			
	2024		2023	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Nickel Products Trading				
Laterite nickel ore	**3,708,890**	**12.7**	3,174,286	15.1
Ferronickel	**12,143,422**	**41.5**	8,035,189	38.2
Nickel-cobalt compounds	**–**	**–**	414,790	2.0
Subtotal	**15,852,312**	**54.2**	11,624,265	55.3
Nickel Products Production				
Ferronickel	**1,302,192**	**4.5**	1,511,280	7.2
Nickel-cobalt compounds	**11,100,635**	**38.0**	7,241,258	34.4
Subtotal	**12,402,827**	**42.5**	8,752,538	41.6
Others[1]	**977,819**	**3.3**	682,513	3.1
Total	**29,232,958**	**100.0**	21,059,316	100.0

Note:

(1) With effect from 31 December 2024, we have changed our financial disclosure to report our business in two main categories: (i) nickel products trading, which primarily reflects revenues derived from the trading of laterite nickel ore, ferronickel and nickel-cobalt compounds; and (ii) nickel products production, which primarily reflects revenues derived from the production of ferronickel and nickel-cobalt compounds. Please refer to the section headed "Change in Revenue Category" in this report.

Revenue increased by 38.8% from RMB21,059.3 million in the year ended 31 December 2023 to RMB29,233.0 million in the year ended 31 December 2024. The increase in revenue was mainly attributable to the increase in revenue generated from our nickel products trading business and nickel product production business.

Management Discussion and Analysis

Revenue generated from the trading business increased by 36.4% from RMB11,624.3 million in the year ended 31 December 2023 to RMB15,852.3 million in the year ended 31 December 2024, mainly due to (i) the HJF project, in which the Company holds equity interests, reaching full production capacity and the increase in revenue from trading ferronickel by RMB4,108.2 million driven by the increase in procurement and sales of trading ferronickel; (ii) in 2024, the procurement and sales of trading laterite nickel ore increased, but this was partially offset by the decline in laterite nickel ore market prices, resulting in an increase of RMB534.6 million in the revenue from trading laterite nickel ore. The increase in the revenue from trade business was also partially offset by the following factors: in the same period of 2023, we procured and sold nickel-cobalt compounds to meet long-term agreement requirements, resulting in a decrease of RMB414.8 million in revenue from trading nickel cobalt compounds in 2024.

Revenue generated from the production business increased by 41.7% from RMB8,752.5 million in the year ended 31 December 2023 to RMB12,402.8 million in the year ended 31 December 2024, which was mainly due to the higher sales volume of nickel-cobalt compounds following the commissioning of the HPAL phase III project. However, this increase was partially offset by the decline in the market prices of nickel and cobalt, resulting in an increase in revenue from nickel-cobalt compounds of RMB3,859.4 million. The growth in revenue from the production business was also offset by the following factor: the decline in the market price of ferronickel which led to a decrease in revenue from ferronickel of RMB209.1 million.

Other revenue increased from RMB682.5 million in the year ended 31 December 2023 to RMB977.8 million in the year ended 31 December 2024, mainly due to the increase in sales of auxiliary materials as a result of the HJF project reaching full production capacity.

Gross Profit and Gross Profit Margin

Gross profit increased by 58.3% from RMB3,382.0 million in the year ended 31 December 2023 to RMB5,352.5 million in the year ended 31 December 2024, with an increase in gross profit margin from 16.1% to 18.3%.

Gross profit from our trading business increased by 9.8% from RMB419.8 million in the year ended 31 December 2023 to RMB460.7 million in the year ended 31 December 2024. Gross profit margin of the trading business decreased from 3.6% to 2.9%, mainly due to (i) the decline in market price; and (ii) an increase in the proportion of sales of low-gross-profit-margin trading of ferronickel.

Gross profit from our production business increased by 68.6% from RMB2,869.9 million in the year ended 31 December 2023 to RMB4,838.9 million in the year ended 31 December 2024. Gross profit margin of the nickel product production business increased from 32.8% to 39.0%, mainly due to the increase in sales volume of nickel-cobalt compounds which led to an increase in the gross profit of nickel-cobalt compounds from RMB2,783.0 million for the year ended 31 December 2023, to RMB4,750.5 million for the year ended 31 December 2024. In addition, the increase in sales volume also brought about economies of scale, which further enhanced overall production efficiency, with gross profit margin rising from 38.4% to 42.8%.

Management Discussion and Analysis

Gross profit of other businesses decreased from RMB92.3 million in the year ended 31 December 2023 to RMB52.9 million in the year ended 31 December 2024. Gross profit margin of other businesses decreased from 13.5% to 5.4% in the same period.

Other income and gains increased by 14.9% from RMB184.2 million in the year ended 31 December 2023 to RMB211.6 million in the year ended 31 December 2024, mainly due to the increase in bank interest income.

Selling and Distribution Expenses

Selling and distribution expenses increased by 20.8% from RMB100.2 million in the year ended 31 December 2023 to RMB121.0 million in the year ended 31 December 2024, mainly due to the increase in testing fees and remuneration expenses of marketing staff corresponding to the increase in sales volume.

Administrative Expenses

Administrative expenses increased by 11.4% from RMB928.0 million in the year ended 31 December 2023 to RMB1,033.8 million in the year ended 31 December 2024, mainly due to (i) an increase in staff costs of RMB85.3 million as a result of business expansion; and (ii) an increase in insurance fees of RMB31.3 million.

Other Operating Expenses

Other operating expenses decreased by 24.9% from RMB455.8 million in the year ended 31 December 2023 to RMB342.2 million in the year ended 31 December 2024, mainly due to the fact that the upward trend of USD against RMB during the year ended December 31, 2024 was less pronounced compared to that during the year ended December 31, 2023, resulting in a reduction of net foreign exchange losses by RMB250.0 million. The decline in other operating expenses was offset by the following factors: during the Reporting Period, we conducted assessment on the recoverable value of the customer relationships under intangible assets, and recognized impairments of RMB142.3 million.

Finance Costs

The financing costs increased from RMB534.9 million in the year ended 31 December 2023 to RMB647.5 million in the year ended 31 December 2024, mainly due to the increased bank borrowings and higher interest rates.

Share of Profits of Associates

The share of profits from associates increased significantly from RMB233.2 million for the year ended December 31, 2023, to RMB404.0 million for the year ended December 31, 2024, which was primarily due to the substantial growth in profits generated by HJF after the phase I of the RKEF project, in which the Company holds equity interests, reached full production capacity.

Management Discussion and Analysis

Profit before Tax

As a result of the foregoing, profit before tax increased significantly from RMB1,761.5 million in the year ended 31 December 2023 to RMB3,817.0 million in the year ended 31 December 2024.

Income Tax Expenses

Income tax expense increased significantly from RMB40.0 million in the year ended 31 December 2023 to RMB608.3 million in the year ended 31 December 2024, mainly due to the withholding of income tax based on the profitability of the project companies.

Profit for the Year and Net Profit Margin

As a result of the foregoing, profit for the year increased significantly from RMB1,721.5 million in the year ended 31 December 2023 to RMB3,208.8 million in the year ended 31 December 2024. Net profit margin increased from 8.2% in the year ended 31 December 2023 to 11.0% in the year ended 31 December 2024.

Current Assets, Financial Resources and Current Ratio

To safeguard the Group's ability to continue as a going concern, finance the Group's operations and maximise value for the shareholders, the Group adopted various funding and treasury measures during the year ended 31 December 2024. These include, but are not limited to (i) regularly managing the Company's capital structure by making relevant adjustments in light of both the prevailing economic conditions and any risk characteristics of underlying assets; (ii) using a recurring liquidity planning tool which considers the maturity of its financial instruments and financial assets, and projected cash flows from operations in order to continuously monitor the Company's risks to a potential shortage of funds; (iii) trading only with recognised and creditworthy third parties, who are subject to the Company's credit verification procedures; and (iv) using various financial instruments such as leases and interest-bearing loans as appropriate to maintain a balance between continuity of funding and flexibility. During the year ended 31 December 2024, the Group maintained a stable financial position.

As at 31 December 2024, current assets amounted to RMB12,599.3 million, representing an increase of 22.6% from RMB10,278.9 million as at 31 December 2023. As at 31 December 2024, cash and cash equivalents of the Group amounted to RMB5,032.4 million, which increased by 9.0% as compared with that of RMB4,616.8 million as at 31 December 2023.

The Group's current ratio (current assets divided by current liabilities) decreased from 1.1 times as at 31 December 2023 to 0.9 times as at 31 December 2024.

Management Discussion and Analysis

Capital Expenditures

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

	For the year ended 31 December			
	2024		2023	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Prepayments for property, plant and equipment	**5,678,955**	**99.2**	6,202,403	82.4
Land use right	**28,697**	**0.5**	557,517	7.4
Interest in an associate	**18,148**	**0.3**	770,000	10.2
Total	**5,725,800**	**100.0**	7,529,920	100.0

Commitments

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Property, plant and equipment	**6,498,669**	8,758,705

Indebtedness

We recognised debts of RMB13,852.3 million as at 31 December 2024 (as at 31 December 2023: RMB11,532.3 million), which included interest-bearing bank and other borrowings denominated in RMB and USD that amounted to RMB6,022.6 million with fixed interest rates (as at 31 December 2023: RMB3,976.4 million) and RMB7,810.1 million with floating interest rates (as at 31 December 2023: RMB7,489.2 million) and lease liabilities of RMB19.6 million (as at 31 December 2023: RMB66.7 million).

Contingent liabilities

As at 31 December 2024, we had no material contingent liabilities.

Gearing ratio

Gearing ratio equals total interest-bearing bank borrowings divided by total equity. As at 31 December 2024, the gearing ratio was 0.8, a slight decrease from the gearing ratio of 0.9 as at 31 December 2023.

Management Discussion and Analysis

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 14 June 2024, Hong Kong Blue Whale International Ltd, a wholly-owned subsidiary of the Company, entered into a shareholders agreement with PT. Trimegah Bangun Persada Tbk in relation to, among other things, the establishment of a joint venture company, PT. Cipta Kemakmuran Mitra, to engage in lime production business. Please refer to the announcement of the Company dated 17 June 2024 for details.

On 28 October 2024, Baoxin Special Steel, a wholly-owned subsidiary of the Company, and PT Halmahera Persada Lygend, a non-wholly owned subsidiary of the Company entered into a shareholders agreement in relation to, among others, the establishment of a joint venture company, PT Bhakti Bumi Sentosa to engage in the business of smelting slag treatment plant. For further details, please refer to the announcement of the Company dated 28 October 2024.

Save as disclosed above, during the year ended 31 December 2024, the Group did not hold any significant investments or carry out any material acquisitions or disposals in subsidiaries, joint ventures or associates.

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.

Pledge of Assets

As at 31 December 2024, a portion of our loans are secured by (i) pledges of buildings located in the PRC with a carrying value of RMB23.2 million (as at 31 December 2023: pledges of buildings and land located in the PRC and Indonesia with a carrying value of RMB1,535.9 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB380.8 million (as at 31 December 2023: RMB557.2 million); (iii) pledges of plant and machinery, electronic and office equipment, motor vehicles and buildings under construction located in Indonesia with a carrying value of RMB2,698.2 million (as at 31 December 2023: RMB4,822.1 million); (iv) pledges of investment properties located in the PRC, with a carrying value of RMB65.7 million (as at 31 December 2023: Nil); and (v) pledge of deposits with a carrying value of RMB848.6 million (as at 31 December 2023: RMB480.6 million).

As at 31 December 2024, the Group had no other assets pledged to financial institutions other than those disclosed above.

Future Plans for Material Investments and Capital Assets

As at 31 December 2024, we did not have plans for material investments and capital assets.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. CAI Jianyong (蔡建勇), born in 1971, aged 54. He graduated from Shanghai Institute of Building Materials Industry (上海建築材料工業學院) (later merged into Tongji University) with a specialization in financial accounting. Mr. CAI Jianyong had nearly 10 years of experience in international commodity trade before the Company was established. He worked at Zhejiang Grand Resources Import and Export Co., Ltd. (浙江遠大進出口有限公司) from April 2000 to December 2007 and worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from January 2008 to December 2008. In January 2009, Mr. CAI Jianyong founded the Company. He successively served as the director, general manager and chairman of the Company from January 2009 to December 2021. He has served as the executive director and chairman of the Company since December 2021, and was also the general manager of the Company between March 2024 and February 2025.

Mr. CAI Jianyong also holds positions in other members of the Group. He has served as a director of Ningbo Lygend Wisdom Co., Ltd. (寧波力勤惠然貿易有限公司) since June 2017, a director and the general manager of Ningbo Lygend Industrial Park Management Co., Ltd. (寧波力勤園區管理有限公司) since June 2021, a director and the general manager of Ningbo Baoxin Special Steel Technology Co., Ltd. (寧波寶鑫特鋼科技有限公司) since October 2021, a director and the general manager of Ningbo Lygend New Energy Co., Ltd. (寧波力勤新能源有限公司) since September 2020, a director of Contemporary Brunp Lygend Co., Ltd. (寧波普勤時代有限公司) since October 2020, and a director and the general manager of HPAL International Trading (Ningbo) Co., Ltd. (趣柏國際貿易(寧波)有限公司) since September 2022. He has also served as a director and the general manager of HJF International Trading (Ningbo) Co., Ltd. (哈傑夫國際貿易(寧波)有限公司) since September 2022, a director and general manager of ONC International Trading (Ningbo) Co., Ltd. (歐恩司國際貿易(寧波)有限公司) since August 2022, a director and general manager of KPS International Trading (Ningbo) Co., Ltd. (凱帕斯國際貿易(寧波)有限公司) since August 2022, a director of Shanghai Lygend International Trade Co., Ltd. (上海力勤國際貿易有限公司) since June 2018 and a director of Jiangsu Wisdom Industrial Co., Ltd. (江蘇惠然實業有限公司) since April 2015. In addition, he has served as the chief supervisor of PT. Halmahera Persada Lygend ("HPL") since July 2018, the chief supervisor of PT. Dharma Cipta Mulia ("DCM") since August 2021, the chief supervisor of PT. OBI Nickel Cobalt ("ONC") since August 2021, the chief supervisor of PT. Karunia Permai Sentosa ("KPS") since November 2021, the chief supervisor of PT Obi Stainless Steel ("OSS") since November 2021, a director of Lygend Resources Pte. Ltd. ("Lygend Singapore") since August 2018, a director of Kang Xuan Company Limited (康軒有限公司) ("KX") since November 2021, a director of Hong Kong Blue Whale International Limited ("HBW") since March 2016, a director of Lygend New Power (Hong Kong) Limited since July 2021, a director of Lygend Golden Power (Hong Kong) Limited since July 2021, a director of Lygend Source Power (Hong Kong) Limited since December 2021, and a director of Laterite International (Hong Kong) Limited since April 2023.

Biographies of Directors, Supervisors and Senior Management

Ms. FEI Feng (費鳳), born in 1976, aged 49. She graduated from Zhengzhou University of Aeronautics with a bachelor's degree in auditing. She worked at Zhejiang Grand Resources Import and Export Co., Ltd. (浙江遠大進出口有限公司) from September 1999 to December 2007 and Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from January 2008 to June 2009. She served as the deputy general manager of the Company from July 2009 to September 2021, as well as the director, deputy general manager and secretary to the Board of the Company from September 2021 to December 2021. She was appointed and served as executive director, deputy general manager and secretary to the Board of Company from December 2021 to March 2023. She has continued to serve as an executive director and deputy general manager of the Company since March 2023.

Ms. FEI Feng also holds positions in other members of the Group. She has served as a supervisor of Ningbo Lygend Wisdom Co., Ltd. (寧波力勤惠然貿易有限公司) since June 2017, a supervisor of Ningbo Leda International Logistics Co., Ltd. (寧波勵達國際物流有限公司) since March 2021, a supervisor of Ningbo Lygend Headquarter Management Co., Ltd. (寧波力勤總部管理有限公司) since April 2023, a supervisor of Ningbo Lygend New Energy Co., Ltd. (寧波力勤新能源有限公司) since September 2020, a supervisor of Contemporary Brunp Lygend Co., Ltd. (寧波普勤時代有限公司) since October 2020, a supervisor of HPAL International Trading (Ningbo) Co., Ltd. (趣柏國際貿易(寧波)有限公司) since September 2022, a supervisor of HJF International Trading (Ningbo) Co., Ltd. (哈傑夫國際貿易(寧波)有限公司) since September 2022, a supervisor of ONC International Trading (Ningbo) Co., Ltd. (歐恩司國際貿易(寧波)有限公司) since August 2022, a supervisor of KPS International Trading (Ningbo) Co., Ltd. (凱帕斯國際貿易(寧波)有限公司) since August 2022, and a director of Kang Xuan Company Limited (康軒有限公司) ("KX") since November 2021.

Mr. CAI Jianwei (蔡建威), born in 1972, aged 53. He served as the sales manager, sales director and general manager of the trading business department of the Company from April 2009 to September 2021. He was appointed as director and deputy general manager of the Company between September 2021 and December 2021. He has been the executive director and deputy general manager of the Company since December 2021.

Mr. CAI Jianwei also holds a position in a member of the Group. He has served as the chief supervisor of PT Bumi Mineral Sentosa ("BMS") since February 2023.

Biographies of Directors, Supervisors and Senior Management

Mr. YU Weijun (余衛軍), born in 1969, aged 56. He graduated from Hangzhou College of Commerce (currently known as Zhejiang Gongshang University) with a specialization in accountancy and is qualified as an accountant specializing in enterprise accounting. From May 1999 to April 2006, he served as the chief financial officer of Ningbo Hualv Communications Co., Ltd. (寧波華旅通訊有限公司), and worked at Ningbo Tianhan Holding Group Co., Ltd. (寧波天漢控股集團股份有限公司) from September 2007 to February 2008. He was the person in charge of the financial affairs and the deputy general manager of the Company from August 2011 to September 2021. Mr. YU Weijun was appointed as the director and deputy general manager of the Company between September 2021 and December 2021. He was the deputy general manager of the Company from September 2021 to December 2024. Since December 2021, he has been an executive director of the Company.

Mr. YU Weijun also holds positions in other members of the Group. He has served as a supervisor of Ningbo Lygend Industrial Park Management Co., Ltd. (寧波力勤園區管理有限公司) since June 2021, and a supervisor of Jiangsu Wisdom Industrial Co., Ltd. (江蘇惠然實業有限公司) since April 2018.

Mr. WANG Ling (王凌), born in 1978, aged 47. He graduated from Zhejiang University with a master's degree in accountancy. He is a non-practicing certified public accountant and a non-practicing certified tax agent, and holds the Legal Profession Qualification. He worked at Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Nanjing branch) from 2004 to 2006 and PricewaterhouseCoopers (Shenzhen) Co., Ltd. (Shanghai branch) from 2006 to 2007. He also worked at the finance department of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司) from August 2008 to February 2012. He then served as a manager of the finance department of Grand Resources Group Co., Ltd. (遠大物產集團有限公司) from February 2012 to June 2014, and was the general manager of the finance department of Grand Petrochemical Co., Ltd (遠大石化有限公司) from July 2014 to April 2018. From April 2018 to September 2021, he was the person in charge of the Company's financial affairs and served as the chief financial officer of the Company since September 2021. He has been an executive Director of the Company since December 2024.

Biographies of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Lawrence LUA Gek Pong, born in 1957, aged 68. He obtained a bachelor's degree of Social Science (Honors in Economics) from the National University of Singapore. He was appointed as the Chairman of the Institute of Banking and Finance ("IBF") Private Banking Industry Workgroup and Member of the IBF Standards Committee from 2016 to 2020. He had previously held senior positions in various foreign banks including Global Market Manager and Country Head for Citibank Private Bank Singapore, Managing Director (Investment) for Merrill Lynch International Bank, and Managing Director/Senior Advisor for Bank Julius Baer & Co. Ltd. In April 2011, he was appointed as the Managing Director and Head of DBS Private Bank for South East Asia and Member of the DBS Bank Singapore Management Committee. In December 2019, he stepped down as the Global Head of the Private Bank to take on the role of Senior Advisor till December 2022. He has worked as the Chairman of Miclyn Express Offshore Ltd since September 2020 and served as non-executive director of the Company since December 2021.

Mr. LUA has served as an Independent Director of Bumitama Agri Ltd (a company listed on the Singapore Stock Exchange (stock code: P8Z)) since January 2020.

Mr. LUA has over 40 years of banking experience and was conferred a Fellow of the Institute of Banking and Finance in 2014. He continues to serve on the Advisory Board for Wealth Management at the Singapore Management University. Beyond banking, he is an active community leader and has been serving as the Founding Chairman of a not-for-profit child development organization since 1991 and is the Patron of the Nee Soon Link Citizens' Consultative Committee. Mr. LUA was conferred the Pingat Bakti Masyarakat Medal by the President of Singapore in 2021.

Biographies of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. HE Wanpeng (何萬篷), born in 1974, aged 51. He graduated from Tongji University with a doctoral degree in management science and engineering. He is a professorate senior economist. He has served as the dean and chief researcher of Shanghai Research Center for Emerging Industries in the Foreshore (上海前灘新興產業研究院) since 2013. He has been an independent non-executive director of the Company since December 2021.

Dr. HE has served as an independent director of Shanghai Lujiazui Fin and Trade (上海陸家嘴金融貿易區開發股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600663)) since April 2021.

Ms. ZHANG Zhengping (張爭萍), born in 1980, aged 45. She graduated from the Chinese University of Hong Kong with an executive master of professional accountancy degree. She is a certified public accountant in China and a registered tax agent with the Ministry of Personnel and State Administration of Taxation. She has worked at Ningbo Zhengyuan Tax Agent Co., Ltd. (寧波正源税務師事務所有限公司) since July 2000 and served as an independent non-executive director of the Company since December 2021.

Dr. WANG James Jixian (王緝憲), born in 1954, aged 71. He graduated from the University of Toronto with a doctoral degree in geography and is an associate professor. He was an assistant lecturer, assistant professor and associate professor at the department of geography of the University of Hong Kong from 1993 to 2017. He has served as a research director of the Bay Area Hong Kong Centre and Belt & Road Hong Kong Centre since October 2019. He has been an independent non-executive director of the Company since December 2021.

Biographies of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. GE Kaicai (葛凱財，formerly葛凱才), born in 1983, aged 42. He graduated from Tongji University with a master's degree in materials science and engineering. He worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from June 2008 to December 2008. From 2009 to September 2021, he worked at our Company's business unit in Indonesia. He has been the chairman of the Board of Supervisors and the general manager of the investment development department of the Company since September 2021.

Mr. GE Kaicai also holds a position in a member of the Group. He has been serving as a supervisor of PT Bumi Mineral Sentosa ("BMS") since February 2023.

Mr. DONG Dong (董棟), born in 1982, aged 43. He graduated from University of Science and Technology Beijing with a master's degree in business management. He worked at our Company's business unit in the Philippines from April 2009 to September 2021. He has been a supervisor and the joint general manager of the trading business department of the Company since September 2021.

Mr. DONG Dong also holds a position in a member of the Group. He has been a supervisor of Shanghai Lygend International Trade Co., Ltd. (上海力勤國際貿易有限公司) since June 2018.

Ms. HU Zhinong (胡志濃), born in 1980, aged 45. She graduated from Zhejiang Business Technology Institute with a specialization in public relations secretarial studies. She further graduated from Central Radio and TV University (now known as the Open University of China) with a specialization in business English. She served as a documentation supervisor of Ningbo Joint International Trade Co., Ltd (寧波相與國際貿易有限公司) from January 2008 to September 2010 and the documentation supervisor of our Company from September 2010 to September 2021. She has been the employee representative supervisor and documentation supervisor of the Company since September 2021.

Biographies of Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Dr. Hu Zhichun (胡芝春博士), born in 1983, aged 42, is a senior engineer and a registered consulting engineer. In June 2004, he graduated from China Jiliang College (中國計量學院) (now known as China Jiliang University (中國計量大學)) with a bachelor's degree in management, majoring in Business Administration. In June 2007, he graduated from Southwestern University of Finance and Economics (西南財經大學) with a master's degree in management, majoring in Technical Economics and Management. In September 2023, he graduated from Chongqing University (重慶大學) with a Doctor of Engineering degree, majoring in Metallurgical Engineering. Dr. HU worked in CISDI ENGINEERING CO., LTD. (中冶賽迪工程技術股份有限公司) ("CISDI Engineering") from July 2007 to February 2025. He has been appointed as the general manager of the Company since February 2025.

Dr. HU has extensive experience in metallurgical engineering management. He presided over the development of the CISDI steel industry construction projects' investment economic analysis model, China steel demand model, productivity model and cost model. He developed the evaluation and optimization methods for energy utilization efficiency of iron and steel companies based on the "Five Flow" system optimization method and model for iron and steel companies, and presided over the operation and construction of more than 20 large-scale domestic and international projects.

Mr. SONG Zhen (宋臻), born in 1978, aged 47. He obtained an executive MBA degree from Hong Kong Asia Business College (香港亞洲商學院). He was the person in charge of the Company's business unit in Indonesia from January 2009 to September 2021 and has been serving as the deputy general manager of the Company since September 2021.

Mr. Song Zhen also holds positions in other members of the Group. He has been a director of Jiangsu Wisdom Industrial Co., Ltd. (江蘇惠然實業有限公司) since August 2015, a supervisor of PT. Halmahera Persada Lygend ("HPL"), PT Halmahera Jaya Feronikel ("HJF"), PT. Dharma Cipta Mulia ("DCM"), PT. OBI Nickel Cobalt ("ONC") and PT Obi Stainless Steel ("OSS") since July 2024, and a supervisor of PT. Karunia Permai Sentosa ("KPS") since June 2024.

Mr. CAI Jiansong (蔡建松), born in 1974, aged 51. He was the sales manager of the Company from October 2009 to May 2015; from June 2015 to present, he has been the deputy general manager, general manager and chairman of Jiangsu Wisdom Industrial Co., Ltd. (江蘇惠然實業有限公司); from June 2023 to present, he has been the chairman and general manager of Ningbo Lygend Headquarter Management Co., Ltd. (寧波力勤總部管理有限公司); and from December 2024 to present, he has been the deputy general manager of the Company.

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the basis of the Company's corporate governance practices. Save as disclosed herein, the Group has complied with the applicable code provisions under the CG Code during the year ended 31 December 2024. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code and maintain a high standard of corporate governance practices of the Company.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct and rules governing dealings by all the Directors and supervisors (the "Supervisors") of the Company in the securities of the Company. Having made specific enquiry of all the Directors and Supervisors, they have confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2024.

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

CULTURE AND VALUE

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

Corporate Governance Report

BOARD OF DIRECTORS

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

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

BOARD COMPOSITION

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

Chairman and executive Director
Mr. CAI Jianyong[1]

Executive Directors
Mr. JIANG Xinfang *(resigned on 28 March 2024)*
Ms. FEI Feng
Mr. CAI Jianwei[2]
Mr. YU Weijun
Mr. WANG Ling *(appointed on 9 December 2024)*

Non-executive Director
Mr. Lawrence LUA Gek Pong

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

1 Brother of CAI Jianwei
2 Brother of CAI Jianyong

The biographical information of the Directors are set out in the section headed “Biographies of Directors, Supervisors and Senior Management” on pages 28 to 32 of this annual report. Mr. Wang Ling, an executive Director appointed during the Reporting Period, confirms that he has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 13 September 2024 and understands his legal obligations as a director of a listed issuer under the Listing Rules.

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

Corporate Governance Report

BOARD AND BOARD COMMITTEES MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

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

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

- **Composition of the Board:** Throughout the year ended 31 December 2024, the Board had at all times complied with Rules 3.10 and 3.10A of the Listing Rules. The Company has three independent non-executive Directors, representing one-third of the Board. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

Corporate Governance Report

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

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

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

The implementation and effectiveness of the above mechanisms are reviewed on an annual basis. The Board considers that such mechanisms had been implemented properly and effectively in the year ended 31 December 2024.

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 strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the CG Code as set out in Appendix C1 to the Listing Rules. The Group has complied with the applicable code provisions contained in the CG Code during the year ended 31 December 2024 (the "Reporting Period"), save for code provisions C.2.1 and C.1.6 as set out below.

Code provision C.2.1 of the CG Code provides that the roles of the Chairman and the chief executive should be separate and should not be performed by the same individual. At the start of the Reporting Period, the Chairman was Mr. CAI Jianyong and the general manager of the Company (the "General Manager") was Mr. JIANG Xinfang, who then resigned on 28 March 2024. Mr. CAI Jianyong, was subsequently appointed as the General Manager in place of Mr. JIANG Xinfang. As the founder of the Group, Mr. CAI Jianyong has extensive experience in international commodity trading and is responsible for the overall management of the Company's business strategies and operations. He has played a key role in the growth and business expansion of the Group and the Board believed that vesting both roles in Mr. CAI Jianyong was beneficial to the management of the Company and in the interest of the shareholders of the Company as a whole.

In addition, the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board presently consists of five executive directors (including Mr. CAI Jianyong), one non-executive director and three independent non-executive directors. Therefore, the Group believes that the composition of the senior management and the Board has a fairly strong independence element.

Corporate Governance Report

Subsequent to the Reporting Period, Mr. CAI Jianyong resigned as the General Manager with effect from 27 February 2025 due to job change, whilst continuing to serve as, among others, the Chairman of the Board and an executive Director. Dr. HU Zhichun has been appointed at the General Manager with effect from 27 February 2025. For details, please refer to the Company's announcement dated 27 February 2025. Accordingly, the Company has complied with the requirements as set out in code provision of C.2.1 of the CG Code.

The Board shall review the structure from time to time to ensure that the structure facilitates the execution of the business strategies of the Group and maximizes effectiveness of its operation.

Code provision C.2.7 of the CG Code provides that the Chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors. The Chairman held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2024.

Code provision C.5.1 of the CG Code provides that Board meetings should be held at least four times a year at approximately quarterly intervals. For the year ended 31 December 2024, the Company held six Board meetings. The table below sets out the details of attendance record of the Directors at Board and committee meetings, as well as at the general meetings of Shareholders held during the year:

	Attendance/Number of meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meetings**
Executive Directors					
Mr. CAI Jianyong *(Chairman)*	6/6	N/A	N/A	3/3	3/3
Mr. JIANG Xinfang *(resigned on 28 March 2024)*	N/A	N/A	N/A	N/A	N/A
Ms. FEI Feng	6/6	N/A	N/A	N/A	3/3
Mr. CAI Jianwei	6/6	N/A	N/A	N/A	3/3
Mr. YU Weijun	6/6	N/A	2/2	N/A	3/3
Mr. WANG Ling *(appointed on 9 December 2024)*	1/1	N/A	N/A	N/A	N/A
Non-executive Director					
Mr. Lawrence LUA Gek Pong	6/6	N/A	N/A	N/A	2/3
Independent non-executive Directors					
Dr. HE Wanpeng	6/6	4/4	2/2	3/3	3/3
Ms. ZHANG Zhengping	6/6	4/4	2/2	3/3	3/3
Dr. WANG James Jixian	6/6	4/4	N/A	N/A	3/3

Note: Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Lawrence LUA Gek Pong was unable to attend the extraordinary general meeting of the Company held on 24 July 2024 due to his other business engagements. However, there were sufficient Directors, including independent non-executive Directors, present to enable the Board to develop a balanced understanding of the views of the Company's shareholders.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, Directors shall be elected by general meeting and the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session. The term of each session of the Board is three years, and the Directors are eligible for re-election upon expiry of the term. After the approval of the shareholders of the Company at the extraordinary general meeting held on 9 December 2024 ("EGM"), Mr. CAI Jianyong, Ms. FEI Feng, Mr. CAI Jianwei, Mr. YU Weijun, and Mr. WANG Ling were elected as executive Directors of the second session of the Board of the Company, Mr. Lawrence LUA Gek Pong was elected as non-executive Director of the second session of the Board of the Company, and Dr. HE Wanpeng, Ms. ZHANG Zhengping and Dr. WANG James Jixian were elected as independent non-executive Directors of the second session of the Board of the Company. The term of office of the second session of the Board of the Company shall be three years, which took effect from the date of approval at the EGM.

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

Corporate Governance Report

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

The following table sets forth the training received by the existing Directors during the year:

Name of Director	Attending seminars/trainings	Reading materials
Executive Directors		
Mr. CAI Jianyong *(Chairman)*	✓	✓
Mr. JIANG Xinfang *(resigned on 28 March 2024)*	✓	✓
Ms. FEI Feng	✓	✓
Mr. CAI Jianwei	✓	✓
Mr. YU Weijun	✓	✓
Mr. WANG Ling *(appointed on 9 December 2024)*	✓	✓
Non-executive Director		
Mr. Lawrence LUA Gek Pong	✓	✓
Independent non-executive Directors		
Dr. HE Wanpeng	✓	✓
Ms. ZHANG Zhengping	✓	✓
Dr. WANG James Jixian	✓	✓

Corporate Governance Report

BOARD COMMITTEES

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

The written terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee are available on the Company's website (www.lygend.com) and the Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request.

AUDIT COMMITTEE

The Audit Committee was established by the Board with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. During the year ended 31 December 2024 and as at the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Ms. Zhang Zhengping, Dr. He Wanpeng and Dr. Wang James Jixian. Ms. Zhang Zhengping is the chairperson of the Audit Committee.

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

Code provision D.3.3(e)(i) of the CG Code provides that members of the Audit Committee should liaise with the Board and Senior Management and the Audit Committee must meet, at least twice a year, with the Company's auditors.

For the year ended 31 December 2024, four Audit Committee meetings were held: (i) to consider the appointment of the auditor; (ii) to review the consolidated annual financial statement of the Group for the year ended 31 December 2023 and report of the independent auditor; (iii) to consider the independence and audit scope of the independent auditor; (iv) to review the 2024 plan of provision of guarantees by the company and its subsidiaries and bank credit line applications; (v) to review the consolidated interim financial statements of the Group for the six months ended 30 June 2024; (vi) to review and discuss the risk management, internal control system, financial information and policies and practices in relation to corporate governance of the Group; and (vii) to elect the chairperson of the Audit Committee.

For the year ended 31 December 2024, the Audit Committee also met twice with the external auditor without the presence of the executive Directors to discuss the Group's interim and annual financial results and annual audit plan.

The Company's annual results announcement for the year ended 31 December 2024 and this annual report have been reviewed by the Audit Committee.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code adopting the model to make recommendations to the Board on the remuneration packages, bonuses and other compensation payable of individual Directors and senior management. During the year ended 31 December 2024 and as at the date of this annual report, the Remuneration Committee consists of three members, being one executive Director and two independent non-executive Directors, namely Mr. Yu Weijun, Dr. He Wanpeng and Ms. Zhang Zhengping. The majority of the members are independent non-executive Directors. Dr. He Wanpeng is the chairperson of the Remuneration Committee.

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

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

For the year ended 31 December 2024, the Remuneration Committee held two meetings (i) to review the remuneration policy and structure of the Directors and Senior Management and make recommendations to the Board on the remuneration of the Directors and senior management, and (ii) to elect the chairperson of the Remuneration Committee.

DIRECTORS' RETIREMENT AND TERMINATION BENEFITS

No retirement or termination benefits have been paid to the Company's Directors or Supervisors for the year ended 31 December 2024.

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

The remuneration paid/payable to the senior management of the Company, excluding the Directors, by band for the year ended 31 December 2024 is set out below:

Remuneration band (HK$)	Number of persons
HK$Nil to HK$5,000,000	1
HK$10,000,001 to HK$10,500,000	1

Further details of the Directors' and the five highest paid individuals' remuneration are set out in the note 8 and note 9 to the consolidated financial statements of this annual report.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee was established by the Board with its written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. During the year ended 31 December 2024 and as at the date of this annual report, the Nomination Committee consists of three members, being our Chairman and two independent non-executive Directors, namely Mr. Cai Jianyong, Dr. He Wanpeng and Ms. Zhang Zhengping. The majority of the members are independent non-executive Directors. Mr. Cai Jianyong is the chairperson of the Nomination Committee.

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

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

For the year ended 31 December 2024, the Nomination Committee held three meetings to review the existing structure, size and composition of the Board, consider the retirement, re-election of senior manager and Directors and assess the independence of the independent non-executive Directors, and elect the chairperson of the Nomination Committee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The ESG Committee was established by the Board with its written terms of reference on 31 March 2023. The written terms of reference of the ESG Committee are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk).

The ESG Committee will be responsible for identifying ESG-related risks and opportunities and reporting regularly to the Board on their management status. In addition, the ESG Committee will be responsible for coordinating stakeholder communication, materiality analysis of ESG issues, daily management, and information disclosure, and setting ESG goals as well as regularly reviewing the progress of such ESG goals. The ESG Committee will develop appropriate corrective measures when discrepancies are found against the ESG goals and targets.

As at the date of this annual report, the ESG Committee consists of eleven members, being one executive Director, namely Mr. Cai Jianyong, and other members including Mr. Qian Feng (Non-Director), Mr. Yuan Shuangcheng (Non-Director), Mr. Yu Hai (Non-Director), Mr. Liao Zhengquan (Non-Director), Mr. Liu Xuanliang (Non-Director), Mr. Qi Hui (Non-Director), Mr. Wang Duodong (Non-Director), Mr. Shi Wentang (Non-Director), Mr. Cai Jiansong (Non-Director) and Ms. Cai Xiaoou (Non-Director). Mr. Cai Jianyong is the chairperson of the ESG Committee.

Detailed information on the ESG Committee and the environmental, social and governance measures adopted by the Group are set out in the Environmental, Social and Governance Report of the Company.

BOARD DIVERSITY POLICY

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

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

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

As at the date of this annual report, the Board comprises nine members, including two female Directors and seven male Directors with a balanced mix of knowledge and skills, including in overall management and strategic development, finance and accounting, policy research and corporate governance, as well as industry experience in metals production and trading. The Company has three independent non-executive Directors who have different industry backgrounds, including accounting, economics, engineering and geography. Furthermore, the Board has a relatively wide range of ages, ranging from 45 to 71 years old.

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

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

Corporate Governance Report

DIVERSE WORKFORCE

Traditionally, the nickel industry has been short of female talent due to cultural influences. However, the Group maintained a workforce (including the senior management which comprised approximately 83% male and 17% female) of which approximately 91.1% were male and 8.9% were female as at 31 December 2024.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

The Board held a meeting on 28 March 2025 to review the Company's compliance with the CG Code, the Model Code and the disclosure requirements in the Corporate Governance Report during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

The Board, as supported by the Audit Committee, and the management monitor the implementation of our risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2024. During the Reporting Period, the Audit Committee held meetings on 22 March 2024, 26 April 2024, 26 August 2024, and 9 December 2024 respectively and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Corporate Governance Report

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2024.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 92 to 97.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2024 amounted to RMB4,766,000 and RMB434,000 respectively. An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Service Category	**Fees Paid/Payable** *RMB'000*
Audit services:	
Annual audit	4,766
Non-audit services:	
Transfer pricing advisory service	434

Corporate Governance Report

JOINT COMPANY SECRETARIES

On 28 February 2024, Ms. Tang Wing Shan Winza resigned as a joint company secretary. Ms. Chan Yuen Mui has been appointed as a joint company secretary in replacement of Ms. Tang Wing Shan Winza on 28 February 2024. Ms. Chan Yuen Mui is a manager of the company secretarial department of Computershare Hong Kong Development Limited.

Mr. Cao Zheng, one of the joint company secretaries, has been designated as the primary contact person of the Company who would work and communicate with Ms. Chan Yuen Mui on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2024, Mr. Cao Zheng and Ms. Chan Yuen Mui have taken not less than 15 hours of relevant professional training respectively in compliance with the requirements of Rule 3.29 of the Listing Rules.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board practices and matters.

CONSTITUTIONAL DOCUMENTS

At the annual general meeting held on 21 May 2024, a special resolution was passed regarding the amendments to the Articles of Association of the Company. Summary of the key amendments to the Articles of Association are set out in the circular of the Company dated 29 April 2024.

The Articles of Association of the Company are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk). Save as disclosed in this annual report, there is no other change in constitutional documents of the Company for the year ended 31 December 2024.

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

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

CONVENING AN EXTRAORDINARY GENERAL MEETING AT THE REQUEST OF SHAREHOLDERS

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

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

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

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

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

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

Corporate Governance Report

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

According to the Articles of Association, on the basis of one share one vote, Shareholders individually or collectively holding 1% or more of voting rights attached to the Company's share capital shall be entitled to propose provisional proposals and submit the same to the convener in writing 10 days prior to date of the meeting. The convener shall dispatch a supplementary notice of the Shareholders' meeting and announce the contents of such provisional proposal within 2 days upon receipt of the proposal.

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

Attention: Board of Directors of Lygend Resources & Technology Co., Ltd.

Email: ir@lygend.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Corporate Governance Report

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

The Board regularly reviews existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. The Board has reviewed the engagement with Shareholders during the year ended 31 December 2024 and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

Report of Directors

The Board is pleased to present this report and the audited financial statements of the Group for the year ended 31 December 2024. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 21 November 2022 issued by the Company (the "Prospectus").

The biographical details of the Directors, Supervisors and Senior Management of the Group are set out on pages 28 to 34 of this annual report.

GLOBAL OFFERING

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

PRINCIPAL BUSINESS

We started as a nickel product trading company, focusing on the import and domestic trade of nickel ore and ferronickel. We tapped into the nickel product production sector and acquired a majority equity interest in Jiangsu Wisdom Industrial Co., Ltd. in 2017. In 2018, we jointly invested in the nickel product production project on Obi Island in Indonesia with our Indonesian Partner. We have formed a comprehensive product service system in the nickel industry chain, and our business covers (1) upstream procurement of nickel resources, (2) nickel product trade, (3) smelting, production and sale of nickel products.

There were no significant changes in the nature of the principal activities of the Group for the year ended 31 December 2024.

An analysis of the Group's revenue and gross profit for the year ended 31 December 2024 by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 10 to 27 in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A summary of the principal risks and uncertainties faced by the Group and risk mitigation measures are set out in the subsection headed "Management Discussion and Analysis - Risk Analysis" in this annual report. Further, please refer to the subsection headed "Management Discussion and Analysis - Financial Risks" for a summary of the Group's key financial risks.

Report of Directors

BUSINESS REVIEW

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

OPERATING SEGMENT INFORMATION

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

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 98 to 99.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in "Management Discussion and Analysis" of this annual report on pages 10 to 27.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2024, the Company had not entered into any off-balance sheet arrangements.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend for the year ended 31 December 2024 of RMB0.35 (before tax) per share, subject to approval in the forthcoming annual general meeting.

EQUITY FUND RAISING ACTIVITIES

Details of equity fund raising activities of the Group are set out in note 41 to the consolidated financial statements and the section headed "Use of Proceeds from the Listing" below. Save as disclosed therein, there was no other equity fund raising activity of the Company since the Listing Date and up to 31 December 2024.

Report of Directors

USE OF PROCEEDS FROM THE LISTING

Use of proceeds from the Global Offering

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 partial exercise of the Over-allotment Option) after deducting underwriting commissions and offering expenses paid or payable. As of 31 December 2024, the aforementioned net proceeds have been allocated for use in accordance with the purposes and proportions disclosed in the Prospectus. See the table below for details:

Purpose	Net proceeds available from the Listing *(HK$ million)*	Actual net amount utilised as at 31 December 2023 *(HK$ million)*	Actual net amount utilised during the Reporting Period *(HK$ million)*	Actual net amount utilised up to 31 December 2024 *(HK$ million)*	Unused net proceeds up to 31 December 2024 *(HK$ million)*
Development and construction of our nickel product production projects on the Obi Island	2,030.7	2,030.7	0	2,030.7	0
Contribute additional capital to CBL	864.1	864.1	0	864.1	0
Making potential minority investments in nickel mines in Indonesia	345.6	0	0	0	345.6
Working capital and general corporate purposes	360.0	360.0	0	360.0	0
Total	3,600.4	3,254.8	0	3,254.8	345.6

Since the Listing Date and as at 31 December 2024, the Group has utilised approximately HK$3,254.8 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 90.4% of all raised funds, and the remaining unutilised proceeds is approximately HK$345.6 million (the "**Unutilised Net Proceeds**"). After due consideration, the Board has come to the decision to revise the use of the Unutilised Net Proceeds, which shall instead be used for working capital and general corporate purposes of the Group, and is expected to be fully utilised by 31 December 2025.

Report of Directors

Reasons for the change in use of proceeds from the Global Offering

The planned use of proceeds from the Global Offering as disclosed in the Prospectus was based on the best estimation made by the Group, in relation to the then prevailing and future market conditions as at the latest practicable date of the Prospectus. In this regard, the Board evaluates global and local economic conditions and trends from time to time, to determine the most effective and efficient use of the net proceeds.

The Company originally intended to use the Unutilized Net Proceeds for making potential minority investments in nickel mines in Indonesia and after the listing of its H Shares on the Stock Exchange, it has been seeking to identify suitable investment targets. Despite the Company's efforts to evaluate potential investment targets and engage in negotiations, it has not been able to reach mutually agreeable commercial terms, particularly in terms of pricing, and has not made any such minority investment as of the date of this report. This was primarily due to practical difficulties encountered by the Company in obtaining reports prepared in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Report"), detailing the resources, reserves grades and other characteristics of the relevant mines. The Company considers it necessary to obtain a JORC Report on the relevant nickel mine to have a precise estimate of its resources and reserves, which would be essential for assessing the value of the mine and negotiating a fair and reasonable price for the investment. However, in the course of its due diligence, the Company discovered that a JORC Report was not readily available for various potential investment targets. Considering the foregoing and local regulatory changes which has made foreign investment into the nickel mining industry in Indonesia increasingly challenging, the Board has resolved to reallocate the Unutilized Net Proceeds for working capital and general corporate purposes of the Group. Specifically, these proceeds are intended to be used for settlement in the Company's nickel products trading business. As the production lines of the Obi projects are being put into operation, the resulting increase in the Group's trading of nickel products leads to a higher need for bank credit facilities and trade financing that add to the Group's short-term liabilities. The Company considers that the proposed redeployment of the Unutilized Net Proceeds to working capital and general corporate purposes will reduce the incurrence of the aforementioned short-term liabilities and benefit the Company as a whole, as the resources can be deployed in a more efficient and effective way. It will strengthen the financial health of the Group, further enhance the Company's operating capabilities, and create long term value to the shareholders.

The Board considers that the above change in use of the Unutilised Net Proceeds is in the best interests of the Company and its shareholders as a whole.

Other matters

According to the articles of association of the Company, the proposed change in use of proceeds from the Global Offering is subject to approval of the shareholders of the Company by way of an ordinary resolution at the general meeting of the Company. The Board has resolved at the meeting of the Board convened on 28 March 2025 that an ordinary resolution to consider and approve the change in use of the Unutilised Net Proceeds be proposed at the forthcoming AGM (as defined below). A circular containing, among other things, details of the resolution in respect of the change in use of the Unutilised Net Proceeds and a notice of AGM will be published on the websites of the Company and the Stock Exchange in the manner required by the Listing Rules.

Report of Directors

COMPLIANCE WITH LAWS AND REGULATIONS AND LEGAL PROCEEDINGS

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

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this report were:

Chairman and Executive Director

Mr. Cai Jianyong

Executive Directors

Mr. Jiang Xinfang *(resigned on 28 March 2024)*
Ms. Fei Feng
Mr. Cai Jianwei
Mr. Yu Weijun
Mr. Wang Ling *(appointed on 9 December 2024)*

Non-executive Director

Mr. Lawrence LUA Gek Pong

Independent Non-executive Directors

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

SUPERVISORS

The Supervisors during the year ended 31 December 2024 and up to the date of this report were:

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

The Board of Supervisors held 4 meetings during 2024. Details of the events conducted by the Board of Supervisors during 2024 are set out in the section headed “Report of Supervisors” of this annual report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of our Directors and Supervisors entered into a contract with our Company in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration, which became effective on 9 December 2024.

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

None of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

The Directors and Supervisors have confirmed that save as disclosed in the section headed "Connected Transactions" in this annual report, none of the Directors and Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACT

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

Report of Directors

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiries with all the Directors of the Group, all the Directors confirmed that they had strictly complied with the Model Code during the Reporting Period.

CONNECTED TRANSACTIONS

One-off Connected Transactions

During the year ended 31 December 2024, the Group conducted the following one-off connected transactions:

(1) On 30 May 2024, Hong Kong Blue Whale International Ltd (香港藍鯨國際有限公司) ("HBW"), a wholly-owned subsidiary of the Company, entered into a new shareholders' agreement on 30 May 2024 (the "New MJM Shareholders' Agreement") with PT Lima Srikandi Jaya ("LSJ") in respect of PT Makmur Jaya Maritimindo ("MJM"). Under the new policy of Indonesia enacted on 27 December 2023, for shipping companies which handle matters requiring government approval, such as vessel registration or obtaining permit for sea freight activities, their shareholders outside of Indonesia may only hold up to 49% of the shares, and the shareholder inside of Indonesia must be a single company with a minimum shareholding of 51%. In view of the MJM's actual business development needs and plan for future development, it was necessary to readjust the shareholding structure of MJM and enter into the New MJM Shareholders Agreement. Pursuant to the original shareholders' agreement dated 15 December 2023 (the "MJM Shareholders' Agreement"), shareholders LSJ, PT Teratai Kemakmuran Jayaraya (TKJ), PT Gunung Rimba Makmur (GRM) and HBW held 31%, 10%, 10% and 49% of the shares respectively. Prior to the entering into of the New MJM Shareholders' Agreement, TKJ and GRM, both being third parties independent of the Company and its connected persons, transferred their respective entire shareholding interest in MJM to LSJ, and ceased to be shareholders of MJM. After the change, the New MJM Shareholders' Agreement stipulates that LSJ holds 51% and HBW holds 49%. LSJ is a subsidiary of PT Harita Jayaraya ("HJR"), which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi Pte. Ltd. ("Feng Yi") which in turn is a substantial shareholder of the Company. LSJ as an associate of Ms. Lim is a connected person of the Company and therefore the transactions contemplated under the New MJM Shareholders' Agreement constituted a connected transaction. For details, please refer to the Company's announcements dated 30 May 2024 and 5 June 2024;

(2) On 17 June 2024, HBW, a wholly-owned subsidiary of the Company, entered into the shareholders' agreement dated 17 June 2024 (the "CKM Shareholders' Agreement") with TBP, in relation to, among others, the establishment of PT Cipta Kemakmuran Mitra ("CKM"). Pursuant to the CKM Shareholders' Agreement, the total investment amount in CKM is USD60,000,000, and the authorized capital is USD2,566,709, which the parties will inject in proportion to their respective shareholding in CKM, being 60% to be held by HBW and 40% to be held by TBP. TBP is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. TBP as an associate of Ms. Lim is a connected person of the Company and therefore the transactions contemplated under the CKM Shareholders' Agreement constituted a connected transaction. For details, please refer to the Company's announcement dated 17 June 2024;

Report of Directors

(3) On 26 August 2024, Ningbo Lygend Headquarter Management Co., Ltd. ("Lygend Headquarter Management"), a direct wholly-owned subsidiary of the Company, and Lygend Investment, a controlling shareholder of the Company, have entered into the transfer agreement dated 26 August 2024 (the "Transfer Agreement"), pursuant to which Lygend Headquarter Management agreed to transfer the land use right of the target land and the construction works thereon that are in progress in Ningbo City, PRC, to Lygend Investment at a consideration of RMB57,163,028.93. Lygend Investment, the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Transfer Agreement constituted a connected transaction. For details, please refer to the Company's announcements dated 26 August 2024 and 30 August 2024;

(4) On 30 September 2024, HBW, a wholly-owned subsidiary of the Company, and LSJ made the capital contribution to MJM in proportion to their respective shareholdings in MJM according to the relevant provisions under the MJM Shareholders Agreement and the New MJM Shareholders Agreement to increase the registered capital of MJM from IDR67,500,000,000 to IDR147,500,000,000, of which IDR39,200,000,000 of the increased registered capital of MJM was contributed by HBW (the "Capital Contribution"). MJM is owned as to 51% by LSJ. LSJ is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. MJM, being a subsidiary of LSJ which is in turn a subsidiary of HJR, as an associate of Ms. Lim is a connected person of the Company and therefore the transactions contemplated under the MJM Shareholders Agreement and the New MJM Shareholders Agreement (including the Capital Contribution) constituted a connected transaction. For details, please refer to the Company's announcement dated 2 October 2024;

(5) On 28 October 2024, Ningbo Lygend Industrial Park Management Co., Ltd. ("Ningbo Lygend IPM") and TBP, both being existing shareholders of DCM, entered into a shareholders' agreement dated 28 October 2024 (the "DCM Shareholders' Agreement") to replace the prior shareholders' agreement. Pursuant to the DCM Shareholders' Agreement, the parties agreed to increase the capital commitment by a total of USD51,620,000, which will be injected into DCM by Ningbo Lygend IPM and TBP in proportion to their respective shareholding in DCM, being 60% to be held by Ningbo Lygend IPM and 40% to be held by TBP. Ningbo Lygend IPM is a wholly-owned subsidiary of the Company. TBP is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. TBP as an associate of Ms. Lim is a connected person of the Company and therefore the transactions contemplated under the DCM Shareholders' Agreement constituted a connected transaction. For details, please refer to the Company's announcement dated 28 October 2024, circular dated 26 December 2024 and announcement dated 13 January 2025;

Report of Directors

(6) On 28 October 2024, Lygend New Power (Hong Kong) Limited ("Lygend New Power"), TBP and Li Yuen Pte. Ltd. ("Li Yuen") entered into the amendment agreement dated 28 October 2024 (the "ONC Amendment Agreement") to vary the existing shareholders' agreement and increase the capital commitment by a total of USD466,000,000, which will be injected into ONC by Lygend New Power, TBP and Li Yuen in proportion to their respective shareholding in ONC, being 60% to be held by Lygend New Power, 10% to be held by TBP and 30% to be held by Li Yuen. Lygend New Power is a wholly-owned subsidiary of the Company. TBP is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. TBP and Li Yuen as associates of Ms. Lim are connected persons of the Company and therefore the transactions contemplated under the ONC Amendment Agreement constituted a connected transaction. For details, please refer to the Company's announcement dated 28 October 2024, circular dated 26 December 2024 and announcement dated 13 January 2025;

(7) On 28 October 2024, Ningbo Baoxin Special Steel Technology Co., Ltd. ("Baoxin Special Steel") and HPL entered into the shareholders' agreement on 28 October 2024 (the "BBS Shareholders' Agreement") in relation to, among others, the establishment of a joint venture company, PT Bhakti Bumi Sentosa ("BBS"). Pursuant to the BBS Shareholders' Agreement, the initial investment amount of BBS is USD505,000,000 and the authorized capital of BBS is IDR89,244,000,000, which the parties will inject in proportion to their respective shareholding in BBS, being 5.76% to be held by Baoxin Special Steel and 94.24% to be held by HPL. Baoxin Special Steel is a wholly-owned subsidiary of the Company. HPL is a non-wholly owned subsidiary of the Company, directly and indirectly owned as to 54.9% by the Company and 45.1% by TBP. TBP is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. TBP as an associate of Ms. Lim is a connected person of the Company and therefore the transactions contemplated under the BBS Shareholders Agreement constituted a connected transaction. For details, please refer to the Company's announcement dated 28 October 2024, circular dated 26 December 2024 and announcement dated 13 January 2025;

(8) On 9 December 2024, KPS and HJR have entered into the loan agreement dated 9 December 2024 (the "KPS Loan Agreement"), pursuant to which KPS will receive a loan facility of up to USD50,000,000 from HJR at an interest rate of 5% per annum, for a term from 9 December 2024 to 31 January 2025. KPS is a non-wholly owned subsidiary of the Company, indirectly owned as to 65% by the Company and 35% by TBP. TBP is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. Ms. Lim's family members are deemed connected persons of the Company pursuant to Rule 14A.21 of the Listing Rules. Accordingly, HJR is an associate of Ms. Lim and is a connected person of the Company and therefore the receipt of financial assistance by the Group from HJR under the KPS Loan Agreement constituted a connected transaction. For details, please refer to the Company's announcement dated 9 December 2024;

(9) On 9 December 2024, KPS entered into the facility agreement with various banks and financial institutions (as lenders) (the "Facility Agreement"), including PT Bank OCBC NISP Tbk (the "Bank"), pursuant to which the Bank has agreed to make available a term loan facility of up to USD250,000,000, subject to the terms and conditions set out in the Facility Agreement. As required by the Facility Agreement, (i) on 10 December 2024, HPL, a subsidiary of the Company, and the Bank entered into the deed of guarantee (the "Deed of Guarantee"), in relation to, among other things, the provision of a guarantee by HPL in favour of the Bank in respect of the secured liabilities of KPS under the relevant finance documents; (ii) on 10 December 2024, TBP, the Bank and KPS entered into the deed of shares pledge (the "TBP Share Pledge"), in relation to, among other things, the pledging of its shares in KPS by TBP in favour of the Bank in respect of the secured liabilities of the obligors (including KPS) under the relevant finance documents; (iii) subject to obtaining the necessary regulatory approvals, Baoxin Special Steel, the Bank and KPS are expected to enter into a deed of shares pledge (the "NBSS Share Pledge"), in relation to, among other things, the pledging of its shares in KPS by Baoxin Special Steel in favour of the Bank in respect of the secured liabilities of the obligors (including KPS) under the relevant finance documents. Baoxin Special Steel is a wholly-owned subsidiary of the Company. HPL is a non-wholly owned subsidiary of the Company, directly and indirectly owned as to 54.9% by the Company and 45.1% by TBP; KPS is a non-wholly owned subsidiary of the Company, indirectly owned as to 65% by the Company and 35% by TBP. TBP is a subsidiary of HJR, which is ultimately controlled by family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. Ms. Lim's family members are deemed connected persons of the Company pursuant to Rule 14A.21 of the Listing Rules. Accordingly, HJR is an associate of Ms. Lim and is a connected person of the Company, and TBP, being a subsidiary of HJR, is a connected person of the Company. As Ms. Lim's family members are collectively entitled to control the exercise of 10% or more of the votes attaching to the shares of KPS, KPS is a connected subsidiary of the Company. Accordingly, the provision of financial assistance by the Group to KPS under each of the Deed of Guarantee and the NBSS Share Pledge, and the receipt of financial assistance by the Group from TBP under the TBP Share Pledge, constituted connected transactions of the Company. For details, please refer to the Company's announcement dated 10 December 2024, circular dated 26 December 2024 and announcement dated 13 January 2025.

Report of Directors

Continuing Connected Transactions

During the year ended 31 December 2024, the Group conducted the following continuing connected transactions in accordance with the relevant pricing policies as set out below:

Continuing connected transactions	Connected parties	Transaction value for the year ended 31 December 2024 *(US$ million)*	Annual cap amount *(US$ million)*
1. GSP Stevedoring Framework Agreement	PT Gema Selaras Perkasa ("GSP", together with its subsidiaries, the "GSP Group")		
Expense-based			
Provision of stevedoring services to our Group		1.0	2.2
2. Mutual Supply Framework Agreement	PT Harita Guna Dharma Bhakti ("HG", together with its subsidiaries, the "HG Group") and/or associates of HG		
Expense-based			
(a) Supply of nickel ore to our Group		239.5	1,026.7
(b) Supply of nickel products to our Group		2,789.0	8,843.3
(c) Supply of coal to our Group		22.6	251.1
(d) Lease of construction equipment to our Group		6.8	39.6
(e) Provision of administrative services to our Group		39.0	185.6
Revenue-based			
(f) Supply of production equipment, repair materials and raw and auxiliary materials to our Group		644.0	680.7

Report of Directors

Continuing connected transactions	Connected parties	Transaction value for the year ended 31 December 2024 *(RMB)*	Annual cap amount *(RMB)*
3. **Yongcheng Construction Agreements**	Zhejiang Yongcheng Construction Co., Ltd. (浙江涌城建設有限公司) ("Yongcheng Construction")	41,898,000	N/A
4. **BTG Construction Agreements**	PT. Bangunan Teknik Group ("BTG")	404,014,000	N/A
5. **BTG Supplemental Engineering Construction Services Agreement**	BTG	26,649,000	47,660,000

1. GSP Stevedoring Framework Agreement

Background and reasons for the transactions

GSP Group, being entities of our Indonesian Partner and controlled by the family members of Ms. Lim, the de facto controller of Feng Yi, a substantial shareholder of the Company, has provided stevedoring services to our Group in connection with the operation of our Obi projects. Our Company and GSP entered into a framework agreement on 31 May 2022 (the "GSP Stevedoring Framework Agreement"), effective upon the Listing Date until 31 December 2024 in respect of the provision of such services to our Group.

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

Principal terms

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

Report of Directors

Pricing

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

Annual caps

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

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

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

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

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

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

Renewal of the transaction

As the GSP Stevedoring Framework Agreement was to expire on 31 December 2024, our Company renewed the GSP Stevedoring Framework Agreement by entering into the 2025 GSP Stevedoring Framework Agreement (as defined in the announcement of the Company dated 28 October 2024 (the "CCT Renewal Announcement")) with GSP on 28 October 2024, pursuant to which GSP shall provide stevedoring services to our Company. Relevant members of our Group and the GSP Group may from time to time enter into separate definitive agreements which shall set out specific terms and conditions under the 2025 GSP Stevedoring Framework Agreement. The terms of the 2025 GSP Stevedoring Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable, and shall be valid from 1 January 2025 to 31 December 2027. Further details are set out in the CCT Renewal Announcement dated 28 October 2024.

Report of Directors

2. Mutual Supply Framework Agreement

Background and reasons for the transactions

The HG Group and/or associates of HG (including certain Indonesian Entities) have supplied nickel ore, nickel products and coal to our Group, and provided equipment rental and certain administrative services to our Group. In addition, our Group (excluding the Indonesian Entities) has supplied production equipment and supplies, repair materials and raw and auxiliary materials to the HG Group and/or associates of HG (including certain Indonesian Entities). HG is controlled by the family members of Ms. Lim, the de facto controller of Feng Yi, a substantial shareholder of the Company.

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

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

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

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

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

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

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

Report of Directors

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

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

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

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

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

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

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

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

Principal terms

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

Report of Directors

Pricing

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

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

Report of Directors

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

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

Annual caps

The proposed annual caps for the aggregate payments to be made by our Group, or to our Group, under the Mutual Supply Framework Agreement for each of the years ended 31 December 2022, 2023 and 2024, taking into account the revision to the annual cap for the year ended 31 December 2024 for the supply of production equipment and supplies, repair materials and auxiliary materials by our Group as approved by the Shareholders at the extraordinary general meeting of our Company held on 9 December 2024, were as follows:

		For the years ending 31 December[1]		
		2022	**2023**	**2024**
		(US$ million)	*(US$ million)*	*(US$ million)*
Expense-based				
(a)	Supply of nickel ore to our Group	261.8	423.7	1,026.7
(b)	Supply of nickel products to our Group[1]	2,882.5	6,336.4	8,843.3
(c)	Supply of coal to our Group	46.7	109.6	251.1
(d)	Lease of Construction Equipment to our Group	14.8	25.9	39.6
(e)	Provision of administrative services to our Group	67.8	124.2	185.6
Revenue-based				
(f)	Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group[1]	626.7	2,377.1	680.7

Notes:

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

Basis of significant increase in annual caps

The proposed annual caps for the years ended 31 December 2022 to 2024 were expected to significantly increase, in particular as compared to the corresponding historical transaction figures for the years ended 31 December 2019, 2020 and 2021, mainly due to the significant increase in production capacity of the Obi projects, which at the time were expected to complete construction and commence operations in phases between December 2022 and 2026.

Renewal of the transaction

As the Mutual Supply Framework Agreement was to expire on 31 December 2024, our Company renewed the Mutual Supply Framework Agreement by entering into the 2025 Mutual Supply Framework Agreement (as defined in the CCT Renewal Announcement) with HG on 28 October 2024, pursuant to which HG Group and/or associates of HG (including certain Indonesian Entities) shall supply nickel ore, nickel products and coal to our Group, and provide equipment rental and certain administrative services to our Group. In addition, our Group (excluding the Indonesian Entities) shall supply production equipment and supplies, repair materials and raw and auxiliary materials to HG Group and/or associates of HG (including certain Indonesian Entities). Relevant members of our Group (excluding the Indonesian Entities), the HG Group and/or associates of HG and/or the Indonesian Entities, may from time to time enter into separate definitive agreements which shall set out specific terms and conditions for the transactions under the 2025 Mutual Supply Framework Agreement. The terms of the 2025 Mutual Supply Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable, and shall be valid from 1 January 2025 to 31 December 2027. Further details are set out in the CCT Renewal Announcement, the circular of the Company dated 22 November 2024 and the poll results announcement of the Company dated 9 December 2024.

Report of Directors

3. Yongcheng Construction Agreements

Background and reasons for the transactions

Lygend Investment, a controlling shareholder of the Company, acquired 51% of shareholding interest in Yongcheng Construction on 1 July 2023 and upon completion of the acquisition Yongcheng Construction became an associate of Lygend Investment and a connected person of the Company. Prior to the completion of the acquisition, Yongcheng Construction had been acting as a contractor for provision of certain construction services and materials to the Group, and had entered into a construction agreements with ONC on 11 May 2022 and with Ningbo Lida International Logistics Co., Ltd. (寧波勵達國際物流有限公司) ("Lida Logistics") on 5 July 2021, respectively. Both ONC and Lida Logistics are subsidiaries of the Company.

The selection of Yongcheng Construction as a contractor for provision of construction services and materials was decided through bidding processes organised by the Group, during which Yongcheng Construction submitted its tender and participated as an independent third party of the Group.

ONC and Lida Logistics, respectively as the operating company of phase III of the HPAL project and as a logistics services provider in need of storage warehouses, have substantial business demands for stable and high-quality supply of construction services and materials. In light of such demands, the Group considered purchasing construction services and materials to support the operations of ONC and Lida Logistics and invited at least two independent third party vendors to submit tenders in each instance. The internal technical team and commercial team of the Group jointly reviewed and assessed the candidates, and ultimately selected Yongcheng Construction as a contractor after taking into account various factors. For details, please refer to the Company's announcement dated 20 March 2024.

Principal terms

In relation to the agreement entered into between ONC and Yongcheng Construction on 11 May 2022, Yongcheng Construction as the supplier shall supply construction materials based on the requirements of phase III of the HPAL project and the total purchase price is approximately RMB40.7 million (subject to adjustments based on difference in quantity of materials), calculated based on the unit price and quantity of each type of materials demanded under each sub-project.

In respect of the agreement entered into between Lida Logistics and Yongcheng Construction on 5 July 2021, Yongcheng Construction as the service provider shall provide construction services for a total service fee of approximately RMB255.0 million (after tax), calculated based on the unit price and quantity of each type of works, the cost of labour, materials and construction equipment.

For details, please refer to the Company's announcement dated 20 March 2024.

4. BTG Construction Agreements

Background and reasons for the transactions

Lygend Investment, a controlling shareholder of the Company, acquired 51% of shareholding interest in BTG on 27 October 2023 and upon completion of the acquisition BTG became an associate of Lygend Investment and a connected person of the Company. Prior to the completion of the acquisition, BTG had been acting as a contractor for provision of certain construction services and materials to the Group, and had entered into a series of construction agreements with ONC on 20 December 2021, 22 April 2022, 26 September 2022, 29 September 2022, 27 February 2023, 15 May 2023, and with KPS on 4 August 2022 and 23 May 2023 (collectively the "BTG Construction Agreements"). Both ONC and KPS are subsidiaries of the Company.

The selection of BTG as a contractor for provision of construction services and materials was decided through bidding processes organised by the Group, during which BTG submitted tender and participated as an independent third party to the Group.

KPS and ONC, respectively as the operating companies of phase II of the RKEF project and phase III of the HPAL project, have substantial business demands for stable and high-quality supply of construction services and materials. In light of such demands, the Group considered purchasing construction services and materials to support the operations of KPS and ONC and invited at least two independent third party vendors to submit tenders in each instance. The internal technical team and commercial team of the Group jointly reviewed and assessed the candidates, and ultimately selected BTG as a contractor after taking into account various factors. For details, please refer to the Company's announcement dated 20 March 2024.

Principal terms

In respect of the agreements entered into by KPS and BTG and in effect during the Reporting Period:

- Under the agreement dated 4 August 2022, BTG shall provide earthwork services for phase II of the RKEF project. The service fee is calculated based on the fixed comprehensive unit price per cubic meter and the volume completed as confirmed by KPS.

- Pursuant to the agreement dated 23 May 2023, BTG shall provide construction services for phase II of the RKEF project. The total service fee is approximately RMB85.7 million (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of works and the price of procured materials.

Report of Directors

As to the agreements entered into by ONC and BTG and in effect during the Reporting Period:

- In accordance with the agreement dated 20 December 2021, BTG shall provide earthwork services for phase III of the HPAL project. The service fee is calculated based on the fixed comprehensive unit price per cubic meter and the volume completed as confirmed by ONC.

- Under the agreement dated 22 April 2022, BTG shall provide construction services for public and auxiliary facilities for phase III of the HPAL project. The total service fee is approximately RMB52.3 million (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of services.

- Pursuant to the agreement dated 26 September 2022, BTG shall provide tailing dam land clearing and quarrying services for phase III of the HPAL project. The total service fee is approximately RMB130.1 million for section 1, and approximately RMB174.1 million for section 2 (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of services.

- BTG shall according to the agreement dated 29 September 2022 provide construction services for buildings and auxiliary facilities at the living quarter in the central zone of Obi Island. The total service fee is approximately RMB158.7 million (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of works and the price of procured materials.

- Pursuant to the agreement dated 15 May 2023, BTG shall provide construction services for the tailing storage facilities for phase III of the HPAL project. The total service fee is approximately RMB246.0 million (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of works involved in each type of facilities. Pursuant to the supplemental agreement dated 11 October 2024 in relation to the provision of engineering constructions services to ONC by BTG, the total service fee changed from approximately RMB246.0 million to approximately RMB338.0 million. Please see section headed "- 5. Supplemental Engineering Construction Services Agreement" below.

For details, please refer to the announcements of the Company dated 20 March 2024 and 14 October 2024.

5. BTG Supplemental Engineering Construction Services Agreement

Background and reasons for the transactions

On 15 May 2023, BTG, as service provider, had entered into an agreement with ONC, as service recipient, in relation to construction services for the tailing storage facilities under Project OBI Nickel & Cobalt (Phase III) (the "Original Agreement"), as part of the BTG Construction Agreements disclosed in the previous section headed "- 4. BTG Construction Agreements". Due to the adjustment to the expected time required for the construction of the projects and the Company's higher requirements on the quality of the construction of the projects, a supplemental agreement was entered into on 11 October 2024 to reflect the necessary adjustments to the overall cost amount and construction time (the "Supplemental Engineering Construction Services Agreement").

Principal terms

Save for: (i) the adjustment of the construction period of each of the sub-projects; and (ii) the change of the service fee from approximately RMB246.0 million to approximately RMB338.0 million, other terms in the Original Agreement remain unchanged.

Pricing

The total service fee of approximately RMB338.0 million (subject to adjustments based on audit results) was determined after arm's length negotiation between ONC and BTG, with reference to the terms of other independent third party vendors, and calculated based on the unit price and quantity of each type of works involved in each sub-project.

Annual caps

The following table sets out the respective proposed annual caps for the transactions contemplated under the Supplemental Engineering Construction Services Agreement for the years ending 31 December 2024 and 31 December 2025:

	From 11 October 2024 to 31 December 2024 *(RMB)*	**For the year ending 31 December 2025** *(RMB)*
Total service fee	47,660,000	44,340,000

Since the entering into of the Original Agreement, and up to 13 October 2024, the total transaction amount under the Original Agreement was approximately RMB246 million.

Report of Directors

The above annual caps were determined after having taken into account the factors set out below:

(a) the historical amount of the service fee paid by ONC to BTG in the Original Agreement in respect of the provision of construction services for the tailing storage facilities under Project OBI Nickel & Cobalt (Phase III);

(b) the expected amount of the service fee estimated to be payable by ONC to BTG pursuant to the Supplemental Engineering Construction Services Agreement;

(c) the projected demand for the services from BTG with reference to the Company's higher requirements on the quality of the construction of the projects, the required engineering services and specifications as set out in the Supplemental Engineering Construction Services Agreement;

(d) in accordance with market practices for determining the consideration for engineering services, all potential costs and taxes that BTG may incur in fulfilling its responsibilities and obligations under the Supplemental Engineering Construction Services Agreement, such as labor costs, machinery expenses, self-procured material costs, and technical support fees; and

(e) the Group's overall business development strategy and business plan for continuous growth.

For details, please refer to the announcement of the Company dated 14 October 2024.

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

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

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

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

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

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

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

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

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

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

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

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

Report of Directors

A summary of transactions with related parties entered into by the Group during the Reporting Period is contained in note 35 to the consolidated financial statements. During the Reporting Period, other than the transactions of the Group set out in the section headed "Connected Transactions" of this annual report which should be disclosed pursuant to the Listing Rules, no related party transactions disclosed in note 35 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales for the year generated from the Group's major customers is as follows:

- The largest customer 14.2%
- The five largest customers 40.3%

The percentage of supply for the year attributable to the Group's major suppliers is as follows:

- The largest supplier 38.6%
- The five largest suppliers 48.3%

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

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

As at 31 December 2024, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and 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:

Report of Directors

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[1]	Approximate percentage of shareholding in the Relevant Class of Shares[2]	Approximate percentage of shareholding in the Company[3]
Mr. Cai Jianyong[4]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	799,987,865(L)	76.02%	51.42%
Mr. Cai Jianwei	Unlisted Shares	Beneficial owner	10,406,000(L)	0.99%	0.67%
Ms. Fei Feng[5]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	31,819,500(L)	3.02%	2.05%
	H Shares	Interest held by controlled corporations	1,873,000(L)	0.37%	0.12%
Mr. Ge Kaicai	Unlisted Shares	Beneficial owner	7,804,500(L)	0.74%	0.50%
Mr. Dong Dong	Unlisted Shares	Beneficial owner	10,406,000(L)	0.99%	0.67%

Note:

(1) The letter "L" denotes the person's long position in the shares.

(2) The calculation is based on 1,052,315,000 Unlisted Shares or 503,616,350 H Shares issued by the Company as of 31 December 2024.

(3) The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as of 31 December 2024.

(4) As of 31 December 2024, (i) Mr. Cai, one of our executive Directors and the chairman of the Board, directly held 291,987,865 Unlisted Shares; (ii) Lygend Investment, 88% of the equity interest of which was held by Mr. Cai, directly held 507,000,000 Unlisted Shares; and (iii) Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares. Therefore by virtue of the SFO, Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan and Mr. Cai is deemed to be interested in the aggregate number of Shares held by Lygend Investment and Ningbo Lizhan.

(5) As of 31 December 2024, Ms. Fei Feng directly held 7,804,500 Unlisted Shares, and was the general partner of Employee Incentive Platforms of the Company. Therefore by virtue of the SFO, Ms. Fei Feng is deemed to be interested in the aggregate number of 24,015,000 Unlisted Shares and 1,873,000 H Shares held by the Employee Incentive Platforms of the Company.

Report of Directors

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

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

Notes:

(1) Lygend Investment, one of the controlling shareholders of the Company, is a limited liability company established in the PRC and did not issue any shares. As of 31 December 2024, Mr. Cai Jianyong directly held 88% equity interest in Lygend Investment.

(2) Ningbo Lizhan, one of the controlling shareholders of the Company and a wholly-owned subsidiary of Lygend Investment, is a limited liability company established in the PRC and did not issue any shares. As of 31 December 2024, Mr. Cai Jianyong is deemed to be interested in the 100% equity interest in Ningbo Lizhan held by Lygend Investment.

Save as disclosed above, as at 31 December 2024, none of the Directors, Supervisors and chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors

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

So far as is known to any Directors or chief executives of the Company, as at 31 December 2024, other than the interests and short positions of the Directors, Supervisors or chief executives of the Company, the interests or short positions 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 or interested in[1]	Approximate percentage of shareholding in the Relevant Class of Shares[2]	Approximate percentage of shareholding in the Company[3]
Ms. Xie Wen (謝雯)	Unlisted Shares	Beneficial owner	155,593,135(L)	14.79%	10.00%
Lygend Investment[4]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	508,000,000(L)	48.27%	32.65%
Feng Yi[5]	H Shares	Beneficial owner	263,553,750(L)	52.33%	16.94%
Ms. Lim Shu Hua, Cheryl[5]	H Shares	Interest held by controlled corporations	263,553,750(L)	52.33%	16.94%
DBS Trustee Limited[5]	H Shares	Trustee	263,553,750(L)	52.33%	16.94%
Oakswood Group Ltd[5]	H Shares	Interest held by controlled corporations	263,553,750(L)	52.33%	16.94%
Ningbo Yinzhou District Financial Holding Co.,Ltd. (寧波市鄞州區金融控股有限公司)[6]	H Shares	Beneficiary of a trust (other than a discretionary interest)	27,052,600(L)	5.37%	1.74%
HWABAO TRUST CO., LTD[6]	H Shares	Trustee	27,052,600(L)	5.37%	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)[7]	H Shares	Investment manager	34,810,000(L)	6.91%	2.24%
China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司)[7]	H Shares	Interest held by controlled corporations	34,810,000(L)	6.91%	2.24%

Report of Directors

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held or interested in[1]	Approximate percentage of shareholding in the Relevant Class of Shares[2]	Approximate percentage of shareholding in the Company[3]
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)[7]	H Shares	Beneficial owner	34,810,000(L)	6.91%	2.24%
Guangdong Brunp Recycling Technology Co., Ltd. (廣東邦普循環科技有限公司)[8]	H Shares	Interest held by controlled corporations	49,610,600(L)	9.85%	3.19%
Hongkong Brunp and Catl Co., Limited (香港邦普時代新能源有限公司)[8]	H Shares	Beneficial owner	49,610,600(L)	9.85%	3.19%
Ningbo Brunp Contemporary New Energy Co., Ltd (寧波邦普時代新能源有限公司)[8]	H Shares	Interest held by controlled corporations	49,610,600(L)	9.85%	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 1,052,315,000 Unlisted Shares or 503,616,350 H Shares issued by the Company as of 31 December 2024.

(3) The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as of 31 December 2024.

(4) As of 31 December 2024, (i) Mr. Cai, one of our executive Directors and the chairman of the Board, directly held 291,987,865 Unlisted Shares; (ii) Lygend Investment, 88% of the equity interest of which was held by Mr. Cai, directly held 507,000,000 Unlisted Shares; and (iii) Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares. Therefore by virtue of the SFO, (i) Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan; and (ii) Mr. Cai is deemed to be interested in the aggregate number of Shares held by Lygend Investment and Ningbo Lizhan.

(5) As of 31 December 2024, Feng Yi was wholly-owned by Oakswood Group Ltd, a corporation held under a discretionary trust with Ms. Lim as settlor of the trust, and DBS Trustee Limited acting as trustee. Therefore by virtue of the SFO, each of Oakswood Group Ltd , DBS Trustee Limited and Ms. Lim are deemed to be interested in the Shares held by Feng Yi.

(6) As of 31 December 2024, 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.

(7) China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) 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. 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.

(8) As of 31 December 2024, 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 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 Contemporary Brunp Lygend Co., Ltd. (寧波普勤時代有限公司) 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), and Ningbo Ruiting Investment (the largest shareholder of CATL as of December 31, 2021).

Save as disclosed above, as at 31 December 2024, the Company had not been notified of any entities/persons (other than the Directors , Supervisors or chief executives of the Company) who had long or short position in the Shares, underlying shares and debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of Directors

PRE-IPO SHARE INCENTIVE SCHEME

On 20 October 2021, the Board adopted 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 Restricted Domestic 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.

Grant of Awards

The Restricted Domestic Shares were subscribed at the price of RMB3.02 per share by the four Employee Incentive Platforms. The general partner of each of the Employee Incentive Platforms is appointed by the Management Committee. All selected participants of the Scheme are not able to exercise any voting rights in the Company as mere limited partners of the Employee Incentive Platforms. Upon being granted share awards and becoming a limited partner of the Employee Incentive Platforms, the grantees are able to indirectly receive economic interest in the corresponding number of underlying Shares held by the Employee Incentive Platforms.

The Scheme commenced on 20 October 2021 and shall continue to be in effect unless terminated earlier. The grant of awards were made to three directors of the Company and certain other employees of the Group on 15 December 2021 with the purchase price of RMB3.02 per share. The granted Restricted Domestic Shares will be unlocked and shall be available for sale over a four-year period from 1 December 2023 to 15 December 2026, with up to 25% of the awards unlocking on each of the first, second, third and fourth anniversary of the Listing Date.

During the Reporting Period, no award was cancelled or forfeited. Meanwhile, 1,200,000 awards lapsed during the Reporting Period due to the withdrawal of certain employees from the Scheme following their resignations from the Group. As at 31 December 2024, there were in total 12,957,500 granted Restricted Domestic Shares that remain locked pursuant to the terms of the Scheme.

Report of Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

PRINCIPAL SUBSIDIARIES

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2024 are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the companies law in the Company's place of incorporation, were retained profits that amounted to RMB947.1 million (as at 31 December 2023: RMB586.5 million).

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

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

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders of the Company, as at 31 December 2024, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, in a practicable manner, to direct or influence the management of the Company.

PRE-EMPTIVE RIGHTS

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

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules, such that the minimum percentage of the Shares from time to time held by the public will be the higher of (a) 15% and (b) such percentage of H Shares to be held by the public upon any exercise of the Over-allotment Option of the enlarged issued share capital of the Company. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date and up to the latest practicable date for ascertaining certain information in this annual report before its publication.

TAX RELIEF

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 35 to 53 of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

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

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

We are committed to operate our business in a manner that protects the environment and improves environmental sustainability. In accordance with Rule 13.91 of the Listing Rules, the ESG Report will be published at the same time as this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

DONATIONS

During the Reporting Period, the Company donated a total of RMB104.1 million to external parties, which were mainly used for developing community relations and giving back to the local community by improving the living quality of local residents, supporting educational development, subsidizing culture building and holding neighborhood sport events, etc.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 10 January 2025, PT Bangunan Teknik Grup ("BTG"), an associate of Lygend Investment as service provider, had entered into an agreement with ONC, a non-wholly owned subsidiary of the Company as service recipient, in relation to construction services for hydrometallurgical slag intermediate test production line and washing equipment on the Obi Island. On the same day, BTG, as service provider, had also entered into an agreement with KPS, a non-wholly owned subsidiary of the Company as service recipient, in relation to earthwork services at the backfield area of M5-M7 terminal in central zone of the Obi Island. For details, please refer to the announcement of the Company dated 10 January 2025.

On 16 January 2025, the conversion of 47,077,941 unlisted shares of the Company into H shares (the "Converted H Shares") of the Company was completed, and such Converted H Shares commenced trading at 9:00 a.m. on 17 January 2025 on the Stock Exchange. For details, please refer to the Company's announcement dated 16 January 2025.

On 27 February 2025, the Company completed the change of its general manager, with Dr. HU Zhichun appointed as the general manager of the Company. For details, please refer to the announcement of the Company dated 27 February 2025.

On 28 March 2025, KPS, a non-wholly owned subsidiary of the Company, has entered into the Equipment Purchase Agreement with Ningbo Lihua Port Machinery Heavy Industry Co., Ltd. ("Ningbo Lihua"), pursuant to which KPS has agreed to purchase and Ningbo Lihua agreed to sell certain equipment at a consideration of US$10,749,918. For details, please refer to the announcement of the Company dated 28 March 2025.

Save as disclosed above, as at the date of this report, the Group had no other material events after the Reporting Period.

Report of Directors

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had a total of 11,969 employees (as at 31 December 2023: 9,176).

We recruit primarily through job search websites, employee referrals and campus recruiting programs 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 trainings to enhance our employees' 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.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rule 13.20, 13.21 and 13.22 of the Listing Rules.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2024 have been audited by Ernst & Young, who will retire and being eligible, offer themselves for re-appointment. A resolution will be proposed in the forthcoming annual general meeting to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
CAI Jianyong
Chairman and Executive Director

28 March 2025

Report of Supervisors

During the Reporting Period, based on the principle of being responsible to the Company and its Shareholders, the Board of Supervisors has conscientiously and comprehensively performed its supervisory duties, including supervising and inspecting the lawful operation and financial situation of the Company, and supervising the members of the Board of Directors and the management of the Company, in strict accordance with the PRC Company Law, the bye-laws of the Company and other relevant laws and regulations.

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

WORKS OF THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

(1) On 27 March 2024, the first online meeting was convened by the Board of Supervisors of the Company to consider and approve:

i. Announcement of Results for 2023 of Lygend Resources & Technology Co., Ltd. (《宁波力勤资源科技股份有限公司二零二三年業績公告》);

ii. Annual Report for 2023 of Lygend Resources & Technology Co., Ltd. (《宁波力勤资源科技股份有限公司二零二三年度報告》);

iii. Proposal on the Profit Distribution Plan for 2023 of the Company (《關於公司二零二三年度利潤分配的議案》);

iv. Work Report of the Board of Supervisors for 2023 (《二零二三年度監事會工作報告》).

(2) On 26 April 2024, the second online meeting was convened by the Board of Supervisors of the Company to consider and approve:

i. Resolution on the External Guarantees Plan given by the Company for 2024 (《關於公司二零二四年度對外擔保計劃的議案》);

ii. Proposal on the Application of Integrated Bank Credit Facilities to the Bank by the Company for 2024 (《關於公司二零二四年度向銀行申請綜合授信額度的議案》);

iii. Proposal on the Remuneration of the Supervisors of the Company for 2024 (《關於二零二四年公司監事薪酬方案的議案》);

iv. Proposal on the Connected Transaction between Lygend Resources and Lygend Investment regarding the Transfer of Land Use Rights of the A3-2#-1 plot in Eastern New Town (《關於力勤資源與力勤投資就東部新城 A3-2#-1 地塊土地使用權轉讓之關連交易的議案》);

v. Proposal on the Establishment of a Joint Venture by Foreign Investment and Related Transactions (《關於對外投資成立合資公司暨連交易的議案》);

Report of Supervisors

(3) On 28 August 2024, the third online meeting was convened by the Board of Supervisors of the Company to consider and approve:

i. Announcement of Interim Results for 2024 of Lygend Resources & Technology Co., Ltd. (《宁波力勤资源科技股份有限公司二零二四年中期業績公告》);

ii. Interim Report for 2024 of Lygend Resources & Technology Co., Ltd. (《宁波力勤资源科技股份有限公司二零二四年中期報告》);

iii. Resolution on the Company's Plan of no Distribution of Profits for the Interim Period of 2024 of Lygend Resources & Technology Co., Ltd. (《關於宁波力勤资源科技股份有限公司二零二四年中期擬不分配利潤的議案》);

iv. Resolution on the Proposed Purchase of Liability Insurance for the Supervisors of the Company (《關於為公司監事購買責任險的議案》);

v. Proposal on the Election of Shareholder Representatives for the Second Session of the Board of Supervisors of the Company (《關於選舉公司第二屆監事會股東代表監事的預案》);

vi. Proposal on the Foreign Investment of the Connected Transactions (《關連交易之對外投資的議案》);

vii. Proposal on the Revision of Annual Cap of Continuing Connected Transactions of the Company for 2024 and Review of Expected Continuing Connected Transactions of the Company for 2025-2027 (《關於更新本公司二零二四年度持續關連交易上限及審議本公司二零二五至二零二七年度持續關連交易預計的議案》);

viii. Proposal on the Provision of Financial Assistance to Holding Subsidiary by the Parties involved in Connected Transactions and Receipt of Financial Assistance from Related Parties (《關連交易之公司為控股子公司提供財務資助及接受來自關連方的財務資助的議案》).

(4) On 9 December 2024, the fourth online meeting was convened by the Board of Supervisors of the Company to consider and approve:

i. Proposal on the Election of Chairman for the Second Session of the Board of Supervisors of the Company (《關於選舉公司第二屆監事會主席的議案》).

Report of Supervisors

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

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

COMMENTS OF THE BOARD OF SUPERVISORS ON CERTAIN MATTERS OF THE COMPANY IN 2024

Lawful Operation of the Company

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

Financial Position of the Group

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

USE OF PROCEEDS FROM THE LISTING

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

CONNECTED TRANSACTIONS

The connected transactions (including continuing connected transactions) entered into by the Group during the Reporting Period were found in compliance with relevant laws and regulations, and in conformity with the provisions of relevant agreements governing the connected transactions. They were fair and reasonable to the Group and its Shareholders, and did not harm the interests of the Company and its Shareholders.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 220, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue	
The Group generates revenues primarily from the trading and production of nickel products and other businesses. The Group's revenue for the year ended 31 December 2024 amounted to RMB29,232,958,000. The Group has certain provisionally priced sales where the contract terms for the Group's nickel product sales allow for a price adjustment based on a final assay of the goods determined after discharge. The Group assesses that such provisional pricing is a variable consideration and recognises revenue at a most likely amount. For certain contracts, the sales price is determined on a provisional basis at the date of sale as the final sales price is often based on the average quoted market prices during a subsequent period (the "QP") which normally is the next month after the month of shipment on board (provisionally priced sales). Revenue on such provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The QP pricing exposures embedded within such provisionally priced sales arrangements are accounted for as embedded derivatives. Revenues as an important key performance indicator of how the Group measures its performance creates financial incentives and pressures that entice management to falsify accounting records.	Our audit procedures included, but not limited to, the following: – reviewing the Group's accounting policies on revenue recognition to assess the compliance with the requirements of IFRSs; – reviewing the key terms of major contracts with customers and assessed the accounting policy applied by the Group; – Obtaining an understanding of the revenue cycle and performing walkthroughs for all significant streams and testing controls in revenue recognition; – performing confirmation procedures to confirm revenue and balances of trade receivables from certain customers; – evaluating management's assumptions adopted in estimating variable consideration by analysing contract terms, historical information and commercial practice; – performing substantive analytical reviews to obtain an understanding of how the revenue has trended over the year and detailed testing on transactions during the year by tracing to agreements, invoices and shipment records; – testing revenue transactions close to the year end to verify whether they were recorded in the correct periods;

Independent Auditor's Report

EY 安永

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue (continued)	
The Group's disclosures about revenue recognition are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 5 *Revenue, other income and gains* to the financial statements.	– testing the journal entries related to revenue recognition focusing on unusual or irregular transactions; and – evaluating the adequacy of the related disclosures about revenue in the financial statements.
Impairment testing of goodwill	
The carrying amount of goodwill at 31 December 2024 was RMB218,037,000. The Group performs its impairment test of goodwill at least on an annual basis. Management's annual impairment test is important to our audit because the assessment process is complex and requires significant judgement and estimates including allocation of goodwill to the cash-generating unit, annual revenue growth rate, pre-tax discount rate and terminal growth rate. The Group's disclosures about impairment testing of goodwill are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 17 *Goodwill* to the financial statements.	Our audit procedures included, but not limited to, the following: – evaluating management's allocation of goodwill to cash-generating units within the Group; – reviewing and testing management's future forecasted cash flows and key assumptions by comparing them to the Group's development plan, budget and financial projections and analysis of the industry; – involving our valuation specialist to assist us in evaluating the key valuation parameters such as the pre-tax discount rate, the terminal growth rate applied and the valuation model with forecasted cash flows; and – evaluating the adequacy of the related disclosures about impairment testing of goodwill in the financial statements.

EY 安永

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

EY 安永

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**29,232,958**	21,059,316
Cost of sales		**(23,880,500)**	(17,677,351)
Gross profit		**5,352,458**	3,381,965
Other income and gains	5	**211,556**	184,197
Selling and distribution expenses		**(121,011)**	(100,235)
Administrative expenses		**(1,033,842)**	(928,014)
Impairment losses on financial assets, net		**(6,343)**	(18,946)
Other operating expenses		**(342,180)**	(455,840)
Finance costs	7	**(647,543)**	(534,853)
Share of profits and losses of associates		**403,951**	233,240
PROFIT BEFORE TAX	6	**3,817,046**	1,761,514
Income tax expense	10	**(608,290)**	(40,024)
PROFIT FOR THE YEAR		**3,208,756**	1,721,490

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Note	2024 *RMB'000*	2023 *RMB'000*
PROFIT FOR THE YEAR		**3,208,756**	1,721,490
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit in subsequent periods:			
Share of other comprehensive income of associates		**18,584**	9,887
Exchange differences on translation of foreign operations		**142,749**	166,318
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**161,333**	176,205
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,370,089**	1,897,695
Profit attributable to:			
Owners of the parent		**1,773,150**	1,051,365
Non-controlling interest		**1,435,606**	670,125
		3,208,756	1,721,490
Total comprehensive income for the year attributable to:			
Owners of the parent		**1,881,502**	1,166,043
Non-controlling interests		**1,488,587**	731,652
		3,370,089	1,897,695
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*12*	**1.14 Yuan**	0.68 Yuan

Consolidated Statement of Financial Position

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	21,639,059	16,970,830
Intangible assets	16	240,936	447,079
Investment properties	14	335,239	–
Right-of-use assets	15(a)	543,440	683,227
Deferred tax assets	28	106,372	96,665
Interests in associates	18	1,964,511	1,564,287
Derivative financial instruments	22	6,344	51,599
Goodwill	17	218,037	218,037
Prepayments, other receivables and other assets	21	303,762	369,131
Total non-current assets		25,357,700	20,400,855
CURRENT ASSETS			
Inventories	19	3,368,359	2,188,712
Trade and bills receivables	20	1,886,954	1,022,951
Prepayments, other receivables and other assets	21	1,163,240	1,145,178
Due from related parties	35	298,072	806,619
Pledged deposits	23	850,335	498,564
Cash and cash equivalents	23	5,032,351	4,616,829
Total current assets		12,599,311	10,278,853
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	7,882,268	4,692,395
Trade and bills payables	24	1,522,183	1,249,276
Lease liabilities	15(b)	9,911	18,221
Other payables and accruals	25	2,779,488	2,282,073
Contract liabilities	27	139,129	309,030
Income tax payable		100,059	71,577
Due to related parties	35	1,365,321	663,001
Total current liabilities		13,798,359	9,285,573

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Consolidated Statement of Financial Position

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		(1,199,048)	993,280
TOTAL ASSETS LESS CURRENT LIABILITIES		24,158,652	21,394,135
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	5,950,472	6,773,170
Due to a related party	35	57,056	1,044,215
Lease liabilities	15(b)	9,666	48,494
Other payables and accruals	25	3,444	4,010
Employee benefits liability	29	46,461	34,868
Deferred tax liabilities	28	408,977	4,028
Total non-current liabilities		6,476,076	7,908,785
NET ASSETS		17,682,576	13,485,350
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	1,555,931	1,555,931
Reserves	31	9,202,973	7,629,615
Equity attributable to equity holders of the parent		10,758,904	9,185,546
Non-controlling interests		6,923,672	4,299,804
Total equity		17,682,576	13,485,350

Mr. Cai Jianyong
Director

Ms. Fei Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital *RMB'000* (note 30)	Share premium* *RMB'000* (note 31)	Statutory surplus reserve* *RMB'000* (note 31)	Exchange fluctuation reserve* *RMB'000* (note 31)	Safety production reserve* *RMB'000* (note 31)	Other reserves* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2024	1,555,931	3,806,997	196,634	459,380	24,032	10,699	3,131,873	9,185,546	4,299,804	13,485,350
Profit for the year	–	–	–	–	–	–	1,773,150	1,773,150	1,435,606	3,208,756
Exchange differences on translation of foreign operations	–	–	–	89,768	–	–	–	89,768	52,981	142,749
Share of other comprehensive income of associates	–	–	–	18,584	–	–	–	18,584	–	18,584
Total comprehensive income for the year	–	–	–	108,352	–	–	1,773,150	1,881,502	1,488,587	3,370,089
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	1,886,251	1,886,251
Capital reduction from non-controlling shareholders	–	–	–	–	–	–	–	–	(93,881)	(93,881)
Dividends declared	–	–	–	–	–	–	(311,186)	(311,186)	(641,926)	(953,112)
Equity-settled share award arrangements	–	2,344	–	–	–	–	–	2,344	–	2,344
Transfer to statutory surplus reserves	–	–	74,643	–	–	–	(74,643)	–	–	–
Disposal of a subsidiary	–	–	–	698	–	–	–	698	(15,163)	(14,465)
Safety production reserve	–	–	–	–	4,111	–	(4,111)	–	–	–
At 31 December 2024	1,555,931	3,809,341	271,277	568,430	28,143	10,699	4,515,083	10,758,904	6,923,672	17,682,576

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital RMB'000 (note 30)	Share premium* RMB'000 (note 31)	Statutory surplus reserve* RMB'000 (note 31)	Exchange fluctuation reserve* RMB'000 (note 31)	Safety production reserve* RMB'000 (note 31)	Other reserves* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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 year	–	–	–	–	–	–	1,051,365	1,051,365	670,125	1,721,490
Exchange differences on translation of foreign operations	–	–	–	104,791	–	–	–	104,791	61,527	166,318
Share of other comprehensive income of associates	–	–	–	9,887	–	–	–	9,887	–	9,887
Total comprehensive income for the year	–	–	–	114,678	–	–	1,051,365	1,166,043	731,652	1,897,695
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	15,436	15,436
Dividends declared	–	–	–	–	–	–	(466,779)	(466,779)	–	(466,779)
Capital injection from other shareholders of an associate	–	–	–	–	–	10,699	–	10,699	–	10,699
Transfer to statutory surplus reserves	–	–	50,885	–	–	–	(50,885)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	502	502
Safety production reserve	–	–	–	–	898	–	(1,711)	(813)	813	–
At 31 December 2023	1,555,931	3,806,997	196,634	459,380	24,032	10,699	3,131,873	9,185,546	4,299,804	13,485,350

* As at 31 December 2024, these reserve accounts comprise the consolidated reserves of RMB9,202,973,000 (2023: RMB7,629,615,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,817,046	1,761,514
Adjustments for:			
Finance costs	7	647,543	534,853
Share of profits and losses of associates		(348,825)	(218,622)
Interest income		(15,779)	(21,707)
Investment income from financial instruments at fair value through profit or loss, net	5	(8,076)	(10,599)
Fair value loss, net:			
Derivative financial instruments, net		45,566	45,530
Trade receivables containing provisional pricing features		(190)	988
Loss on disposal of items of property, plant and equipment		24,236	916
Loss on disposal of land use right together with properties		738	–
Gain on a finance lease as a sublease lessor		(3,230)	(1,190)
Loss on early termination of lease		1,712	279
Loss on disposal of a subsidiary		698	–
Depreciation of property, plant and equipment		909,869	561,613
Depreciation of right-of-use assets		15,710	18,279
Amortisation of intangible assets	16	72,536	84,863
Impairment of financial assets, net		6,343	18,946
Write-down of inventories to net realisable value		117	32,499
Impairment of intangible assets	16	142,256	–
Donation of ecological village		96,609	–
Equity-settled share award expense		2,344	–
Foreign exchange differences, net		(37,433)	26,279
		5,369,790	2,834,451
Increase in inventories		(1,178,653)	(1,080,690)
(Increase)/decrease in trade and bills receivables		(865,311)	103,848
Increase in prepayments, other receivables and other assets		(27,134)	(436,673)
Increase in pledged deposits		(351,771)	(224,755)
Decrease in amounts due from related parties		395,896	356,795
Increase in trade and bills payables		272,907	284,031
Increase in other payables and accruals		608,161	262,197
Increase in amounts due to related parties		355,913	375,903
(Decrease)/increase in contract liabilities		(169,901)	287,678
Cash generated from operations		4,409,897	2,762,785
Income tax paid		(184,566)	(192,199)
Net cash flows from operating activities		4,225,331	2,570,586

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Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from a finance lease as a sublease lessor		**4,348**	3,430
Purchases of items of property, plant and equipment		**(5,678,955)**	(6,202,403)
Proceeds from disposal of property, plant and equipment		**2,577**	3,057
Proceeds from disposal of land use right		**57,163**	–
Prepayment for a land use right		**(28,697)**	(557,517)
Purchases of intangible assets		**(4,395)**	(7,300)
Purchases of financial assets at fair value through profit or loss		**–**	(4,500)
Interests in associates		**(18,148)**	(770,000)
Deposits for purchases of futures		**(100,000)**	(36,592)
Repayment of loans from a related party		**3,495**	–
Advances of loans to a related party		**(3,495)**	–
Withdrawal of pledged deposits		**–**	40,000
Disposal of a subsidiary		**(27,882)**	–
Proceeds from acquisition of a subsidiary, net of cash acquired		**–**	16
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	16,600
Repayment of deposits for purchases of futures		**100,000**	84,575
Investment income from derivatives		**8,164**	4,473
Interest received		**15,779**	30,283
Net cash flows used in investing activities		**(5,670,046)**	(7,395,878)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		**927,647**	1,044,215
New bank borrowings		**21,519,073**	20,335,907
Repayment of bank borrowings		**(19,206,939)**	(15,176,470)
Loan from a related party		**359,420**	–
Principal portion of lease payments		**(17,149)**	(19,088)
Interest paid		**(782,113)**	(715,573)
Dividend paid		**(953,112)**	(466,779)
Listing expenses		**–**	(47,799)

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Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Note	2024 *RMB'000*	2023 *RMB'000*
Net cash flows from financing activities		**1,846,827**	4,954,413
NET INCREASE IN CASH AND CASH EQUIVALENTS		**402,112**	129,121
Cash and cash equivalents at beginning of year		**4,616,829**	4,426,170
Effect of foreign exchange rate changes, net		**13,410**	61,538
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,032,351**	4,616,829
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*23*	**5,032,351**	4,616,829

Notes to Financial Statements

31 December 2024

1. CORPORATE AND GROUP INFORMATION

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

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

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

In the opinion of the directors, the holding company of the Company is Zhejiang Lygend Investment Co., Ltd. ("Lygend Investment"), which is controlled by Mr. Cal Jianyong and incorporated in PRC.

Information about subsidiaries

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

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

Notes to Financial Statements

31 December 2024

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningbo Leda International Logistics Co., Ltd.* ("Lida Logistics") 寧波勵達國際物流有限公司*	PRC/ Mainland China 17 March 2021	RMB 100,000,000	100	–	Logistics services
Hong Kong Blue Whale International Limited ("Hong Kong Bwhale")	Hong Kong 29 March 2016	USD 1,000,000	100	–	Investment holding and shipping
Kang Xuan PTE. LTD. ("Kang Xuan")	Singapore 14 June 2021	USD 66,062,412	100	–	Investment holding
PT. Halmahera Persada Lygend ("HPL")	Indonesia 27 July 2018	IDR 5,030,000,000,000	36.9	18	Smelting and production
PT. OBI Nickel Cobalt ("ONC")	Indonesia 26 August 2021	IDR 6,282,400,000,000	–	60	Smelting and production
PT. Karunia Permai Sentosa ("KPS")	Indonesia 26 November 2021	IDR 6,029,167,000,000	–	65	Smelting and production
PT. Dharma Cipta Mulia ("DCM")	Indonesia 5 November 2007	IDR 159,513,000,000,000	–	60	Industrial real estate business
HPAL International Trading (Ningbo) Co., Ltd. ("HPAL NB")趣柏國際貿易(寧波)有限公司*	PRC/ Mainland China 20 September 2022	USD 1,000,000	–	54.9	Business management services
ONC International Trading (Ningbo) Co., Ltd. ("ONC NB")歐恩司國際貿易(寧波)有限公司*	PRC/ Mainland China 24 August 2022	USD 1,000,000	–	60	Business management services
KPS International Trading (Ningbo) Co., Ltd. ("KPS NB") 凱帕斯國際貿易(寧波)有限公司*	PRC/ Mainland China 24 August 2022	USD 1,000,000	–	65	Business management services
Ningbo Lygend Headquarter Management Co., Ltd. ("Lygend Headquarter")寧波力勤總部管理有限公司*	PRC/ Mainland China 10 April 2023	RMB 200,000,000	100	–	Headquarters management
PT.Bumi Mineral Sentosa ("BMS")	Indonesia 7 February 2023	IDR 157,000,000,000	–	100	Trading of laterite nickel ore and send

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Notes:

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

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

Notes to Financial Statements

31 December 2024

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

Going concern assumption

As at 31 December 2024, the Group's net current liabilities amounted to approximately RMB1,199,048,000, which comprised current assets of approximately RMB12,599,311,000 and current liabilities of approximately RMB13,798,359,000.

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. As at 31 December 2024, the Group has available unutilised bank facilities with a total amount of RMB2,380,238,000 which can be utilised in the next twelve months. Taking into account these additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

Notes to Financial Statements

31 December 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised IFRSs are described below: (Continued)

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards -Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

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

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

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

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

Notes to Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES

Investments in subsidiaries

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

Investments in associates and joint ventures

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

Notes to Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

Notes to Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

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

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

or

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

Notes to Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

Buildings	4.75% to 19%
Plant and machinery	6.25% to 31.67%
Electronic and office equipment	4.75% to 31.67%
Motor vehicles	9.5% to 25%
Leasehold improvements	Over the shorter of the lease terms and 20%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives being from 3 to 50 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Intangible assets (other than goodwill)

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Software

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

Customer relationship

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

Research and development costs

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

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

Leases

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

Group as a lessee

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

Notes to Financial Statements

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Leasehold land	50 years
Office premises and warehouses	2 to 5 years

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

(b) Lease liabilities

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

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

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

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Notes to Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

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

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

Derecognition of financial assets

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Initial recognition and measurement (Continued)

The Group classifies financial liabilities that arise from a supplier finance arrangement within trade and bills payables in the statement of financial position if they have a similar nature and function to trade payables. This is the case if the supplier finance arrangement is part of the working capital used in the Group's normal operating cycle, the level of security provided is similar to trade payables and the terms of the liabilities that are part of the supply chain finance arrangement are not substantially different from the terms of trade payables that are not part of the arrangement. Cash flows related to liabilities arising from supplier finance arrangements that are classified in trade and bills payables in the statement of financial position are included in operating activities in the statement of cash flows. Otherwise, the financial liabilities are classified in interest-bearing bank and other borrowings in the statement of financial position and the related cash flows are included in financing activities in the statement of cash flows.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Financial liabilities at amortised cost ((trade and other payables, and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of nickel products

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

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

Variable consideration

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

Contracts with quotational period pricing exposures

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) Sale of others

Others include the sale of equipment, auxiliary materials, wastes and shipping services to customer. Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment on board incoterms or acceptance of goods by the customer. Revenues from the sale of auxiliary materials is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment on board incoterms. Revenue from the sale of wastes is recognised at the point in time when control of the asset is transferred to the customer generally on delivery of wastes to buyers. Revenue related to the provision of shipping services is recognised over time as the services are rendered.

Revenue from other sources

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

Other income

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share incentive scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

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

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

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

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

Post-employment benefits

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

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

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

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

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

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

ii) Net interest expense or income.

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

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

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

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

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

Notes to Financial Statements

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was approximately RMB218,037,000 (2023: RMB218,037,000) during the year. Further details are included in note 17 to the financial statements.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Further details are included in note 28 to the financial statements.

Notes to Financial Statements

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. As at 31 December 2024, the carrying amount of inventories was RMB3,368,359,000 (2023: RMB2,188,712,000).

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2024 *RMB'000*	2023 *RMB'000*
Mainland China	**25,585,753**	20,224,678
Others	**3,647,205**	834,638
Total revenue	**29,232,958**	21,059,316

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

Notes to Financial Statements

31 December 2024

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	2024 *RMB'000*	2023 *RMB'000*
Mainland China	**3,628,658**	2,879,327
Indonesia	**21,611,088**	17,357,814
Total non-current assets	**25,239,746**	20,237,141

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

Information about major customers

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2024 and 2023 is set out below:

	2024 *RMB'000*	2023 *RMB'000*
Customer A	**4,154,443**	2,677,292

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Revenue from contracts with customers	**29,232,958**	21,059,316

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 *RMB'000*	2023 *RMB'000*
Types of goods or services		
Sale of nickel products	**28,255,139**	20,376,803
Others	**977,819**	682,513
Total	**29,232,958**	21,059,316
Geographical markets		
Mainland China	**25,585,753**	20,224,678
Others	**3,647,205**	834,638
Total	**29,232,958**	21,059,316
Timing of revenue recognition		
Goods transferred at a point in time	**27,518,669**	19,920,304
Services transferred over time	**1,714,289**	1,139,012
Total	**29,232,958**	21,059,316

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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

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

	2024 *RMB'000*	2023 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of nickel products	285,838	20,752
Others	18,477	403
Total	304,315	21,155

(b) Performance obligations

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

Sale of nickel products

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

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

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

Sale of others

For the sale of equipment, the performance obligation is satisfied upon shipment on board or acceptance by customer. Advances are normally required before delivery and a certain percentage of payment is retained by customer until the end of the retention period. For the overseas sale of auxiliary materials, the performance obligation is also satisfied upon shipment on board and short-term advances are normally required before delivery. For the sale of wastes, the performance obligation is satisfied upon delivery of wastes to buyers and short-term advances are normally required before delivery. The performance obligation of shipping service is satisfied over time as the service is rendered and short-term advances are normally required before shipping service provided.

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

	2024 *RMB'000*	2023 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**8,759,759**	4,439,850

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

Notes to Financial Statements

31 December 2024

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

In addition, for the nickel-cobalt compounds produced by HPL, the Group has entered into eight-year long-term offtake agreements with two customers in 2021. The offtake agreements specify the customers' commitment to purchase specified quantities (in terms of metal tons of nickel and cobalt) of nickel-cobalt compounds produced by HPL during the agreement period. The agreements also set forth the nickel-cobalt compounds will be priced based on market price. As at 31 December 2024, a long-term offtake agreement of a customer has cancelled, and the intangible assets recognised based on such agreement has been fully impaired.

As for the nickel sulfate produced by HPL, the Group has entered into five-year long-term offtake agreements with a customer in 2023. The offtake agreements specify the customer's commitment to purchase specified quantities (in terms of metal tons of nickel) of nickel sulfate. The agreements also set forth the nickel sulfate will be priced based on market price.

An analysis of other income and gains is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Other income		
Government grants*	48,204	90,217
Bank interest income	101,840	66,913
Other interest income	19,802	4,740
Investment income from financial assets at fair value through profit or loss	8,076	10,599
Others	13,169	11,728
Total other income	191,091	184,197
Gains		
Foreign exchange gain, net	20,465	–
Total gains	20,465	–
Total other income and gains	211,556	184,197

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

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31 December 2024

6. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold*		**22,194,161**	16,519,466
Depreciation of property, plant and equipment**		**909,869**	438,038
Depreciation of right-of-use assets***	*15(c)*	**15,710**	17,885
Amortisation of intangible assets****	*16*	**72,536**	84,863
Government grants	*5*	**(48,204)**	(90,217)
Bank interest income	*5*	**(101,840)**	(66,913)
Loss on disposal of items of property, plant and equipment		**24,236**	916
Loss on disposal of land use right together with properties		**738**	–
Gain on a finance lease as a sublease lessor		**(3,230)**	(1,190)
Loss on early termination of lease		**1,712**	279
Loss on disposal of a subsidiary		**698**	–
Impairment of intangible assets	*16*	**142,256**	–
Write-down of inventories to net realisable value	*19*	**117**	32,499
Impairment of financial assets, net			
Impairment of trade receivables, net	*20*	**1,488**	14,119
Impairment of other receivables, net	*21*	**4,855**	4,827
Total		**6,343**	18,946
Lease payments not included in the measurement of lease liabilities	*15(c)*	**43,355**	25,751
Foreign exchange differences, net		**(20,464)**	249,982
Auditor's remuneration		**4,766**	4,541
Fair value loss/(gains), net:			
Derivative financial instruments		**45,566**	45,530
Trade receivables containing provisional pricing features		**(190)**	998
Investment loss/(income) from financial assets at fair value through profit or loss, net:			
Derivative financial instruments		**(8,076)**	(10,219)
Other unlisted investments		**–**	(380)
Total		**(8,076)**	(10,599)
Employee benefit expense (excluding directors' and supervisors' remuneration (note 8)):			
Wages and salaries		**958,533**	837,525
Pension scheme contributions		**18,115**	37,576
Equity-settled share award expense*****		**2,344**	–
Staff welfare expenses		**41,320**	14,500
Total		**1,020,312**	889,601

Notes to Financial Statements

31 December 2024

6. PROFIT BEFORE TAX (CONTINUED)

* The cost of inventories sold includes RMB1,122,149,000 (2023: RMB917,318,000) relating to staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets during the year, which are also included in the respective total amounts disclosed above for each type of expenses.

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

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

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

***** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 *RMB'000*	2023 *RMB'000*
Interest on bank borrowings	755,578	670,461
Interest on other borrowings	741	362
Interest on lease liabilities (note 15(c))	2,168	3,318
Total interest expense on financial liabilities not at fair value through profit or loss	758,487	674,141
Less: Interest capitalised	(110,944)	(139,288)
Total	647,543	534,853

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Certain of the directors received remuneration from subsidiaries for their appointment as directors of the subsidiaries. The remuneration of the directors and supervisors as recorded is set out below:

	2024 RMB'000	2023 RMB'000
Fees	1,200	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	26,337	30,289
Performance related bonuses*	71,355	44,219
Equity-settled share award expense	2,344	–
Pension scheme contributions	245	221
Subtotal	100,281	74,729
Total fees and other emolument	101,481	75,929

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

(a) Independent non-executive directors

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

	2024 RMB'000	2023 RMB'000
Dr. HE Wanpeng	300	300
Ms. ZHANG Zhengping	300	300
Dr. WANG James Jixian	300	300
Total	900	900

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2024 (2023: Nil).

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31 December 2024

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

2024

	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Performance related bonuses* *RMB'000*	Pension scheme contributions *RMB'000*	Equity settled share award expense *RMB'000*	Total remuneration *RMB'000*
Executive directors						
Mr. CAI Jianyong*	–	8,056	27,089	32	2,344	37,521
Mr. CAI Jianwei	–	3,007	16,028	32	–	19,067
Ms. FEI Feng	–	2,957	10,464	32	–	13,453
Mr. WANG Ling**	–	1,256	2,197	27	–	3,480
Mr. YU Weijun	–	2,256	270	32	–	2,558
Mr. JIANG Xinfang*	–	1,743	–	5	–	1,748
Subtotal	–	19,275	56,048	160	2,344	77,827
Non-executive director						
Mr. Lawrence Lua Gek Pong	300	–	–	–	–	300
Supervisors						
Mr. DONG Dong	–	3,310	9,712	32	–	13,054
Mr. GE Kaicai	–	3,310	5,075	32	–	8,417
Ms. HU Zhinong	–	442	520	21	–	983
Subtotal	–	7,062	15,307	85	–	22,454
Total	300	26,337	71,355	245	2,344	100,581

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

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

2023

	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Performance related bonuses* *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors					
Mr. CAI Jianyong	–	8,056	4,961	30	13,047
Mr. JIANG Xinfang	–	6,969	4,520	21	11,510
Ms. FEI Feng	–	2,966	7,614	30	10,610
Mr. CAI Jianwei	–	2,982	14,184	30	17,196
Mr. YU Weijun	–	2,255	264	30	2,549
Subtotal	–	23,228	31,543	141	54,912
Non-executive director					
Mr. Lawrence Lua Gek Pong	300	–	–	–	300
Supervisors					
Mr. GE Kaicai	–	3,310	631	30	3,971
Mr. DONG Dong	–	3,310	11,660	30	15,000
Ms. HU Zhinong	–	441	385	20	846
Subtotal	–	7,061	12,676	80	19,817
Total	300	30,289	44,219	221	75,029

* Mr. CAI Jianyong was appointed as the chief executive of the Company and Mr. JIANG Xinfang resigned as an executive director of the Company on 28 March 2024.

** Mr. WANG Ling was appointed as an executive director of the Company on 9 December 2024.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year, and no remuneration was paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to Financial Statements

31 December 2024

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2023: four) directors and one (2023: one) supervisor, details of whose remuneration are set out in note 8 above. During the year, there was one (2023: Nil) highest paid employee who is neither a director nor a supervisor of the Company.

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	2,652	–
Performance related bonuses	6,556	–
Pension scheme contributions	27	–
Total	9,235	–

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2024	2023
HK$10,000,001 to HK$10,500,000	1	–

10. INCOME TAX

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

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% (2023: 25%) on the taxable income of the year. A preferential tax treatment is available to a subsidiary of the Company, since it was recognised as a High and New Technology Enterprise on 4 November 2022, and was entitled to a preferential tax rate of 15% (2023: 15%) during the year.

Indonesia

Pursuant to the Corporate Income Tax Law of Indonesia and the respective regulations (the "CIT Law"), the companies which operate in Indonesia are subject to CIT at a rate of 22% 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%.

A tax treatment is available to a subsidiary of the Company operating in Indonesia which meets the criteria of a Micro, Small and Medium Enterprise ("MSME") based on Government Regulation No. 55 Year 2022 to pay final corporate income tax at a rate of 0.5% on total revenue of the year 2024 (2023: N/A).

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

Based on the Decree of the Minister of Finance of the Republic of Indonesia number NOMOR 33/THIPMA/2021 concerning Corporate Income Tax Reduction Facility to ONC dated 3 December 2021 and the number NOMOR 4/TH/PMA/2022 concerning Corporate Income Tax Reduction Facility to KPS dated 17 January 2022, where both ONC and KPS were granted a 100% corporate income tax reduction for 15 fiscal years and an additional 50% corporate income tax reduction for the following 2 fiscal years.

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10. INCOME TAX (CONTINUED)

Indonesia (Continued)

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

	2024 *RMB'000*	2023 *RMB'000*
Current tax:		
Charge for the period	213,977	70,807
Deferred tax (note 28)	394,313	(30,783)
Total tax charge for the year	608,290	40,024

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

	2024 *RMB'000*	2023 *RMB'000*
Profit before tax	3,817,046	1,761,514
Tax at the statutory tax rate of 25%	954,262	440,379
Preferential tax rates enacted by local authority	(691,552)	(332,795)
Expenses not deductible for tax	10,761	7,665
Additional deductible allowance for research and development costs	(2,193)	(820)
Adjustments in respect of current tax of previous periods	16,090	(852)
Tax losses utilised from previous periods	(10,708)	(19,167)
Profits and losses attributable to associates	(27,664)	(58,310)
Income not subject to tax	(3)	(147)
Effect of withholding tax on the distributable profit of foreign subsidiaries of the Company	349,452	360
Temporary differences not recognised	2,570	–
Tax losses not recognised	8,306	3,711
Effect on opening deferred tax of increase in rates	(1,031)	–
Tax charge at the Group's effective tax rate	608,290	40,024

11. DIVIDENDS

The board of directors has resolved to recommend the distribution of a final dividend for the year ended 31 December 2024 of RMB0.35 per share, subject to approval of the Company's shareholders at the forthcoming annual general meeting.

In 2024, HPL distributed dividends of RMB1,423,340,000 to all shareholders, among which included RMB641,926,000 was distributed to a non-controlling shareholder PT Trimegah Bangun Persada ("TBP").

On 21 May 2024, the board of directors declared a final dividend for the year ended 31 December 2023 of RMB0.2 per share, amounting to a total of approximately RMB311,186,000, which was fully paid as at 31 December 2024.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,555,931,350 (2023: 1,555,931,350) outstanding during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Electronic and office equipment and others RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	4,262,113	5,514,723	53,801	545,095	17,241	8,058,921	18,451,894
Accumulated depreciation	(475,169)	(835,770)	(25,651)	(143,240)	(1,234)	–	(1,481,064)
Net carrying amount	3,786,944	4,678,953	28,150	401,855	16,007	8,058,921	16,970,830
At 1 January 2024, net of accumulated depreciation	3,786,944	4,678,953	28,150	401,855	16,007	8,058,921	16,970,830
Additions	19,304	74,530	7,844	139,831	2,349	5,527,810	5,771,668
Disposals	(12,910)	(434)	(380)	(407)	(12,378)	(97,361)	(123,870)
Exchange realignment	51,688	65,104	253	5,222	–	115,905	238,172
Transfers	4,839,682	4,295,411	8,101	–	–	(9,143,194)	–
Transfers to IP	(252,632)	(10,911)	(5,960)	–	–	–	(269,503)
Disposal of a subsidiary	–	–	(13)	–	–	–	(13)
Depreciation provided during the year	(359,108)	(502,555)	(10,895)	(73,048)	(2,619)	–	(948,225)
At 31 December 2024, net of accumulated depreciation and impairment	8,072,968	8,600,098	27,100	473,453	3,359	4,462,081	21,639,059
At 31 December 2024:							
Cost	8,892,919	9,919,424	61,050	691,388	3,766	4,490,288	24,058,835
Accumulated depreciation	(819,951)	(1,319,326)	(33,950)	(217,935)	(407)	(28,207)	(2,419,776)
Net carrying amount	8,072,968	8,600,098	27,100	473,453	3,359	4,462,081	21,639,059

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Electronic and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	2,737,717	3,131,432	41,840	360,418	12,882	4,221,318	10,505,607
Accumulated depreciation	(279,519)	(504,127)	(18,259)	(82,507)	(563)	–	(884,975)
Net carrying amount	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
At 1 January 2023, net of accumulated depreciation	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
Additions	385	29,719	14,892	180,179	4,359	7,561,119	7,790,653
Disposals	(64)	(138)	(3,706)	(65)	–	–	(3,973)
Exchange realignment	39,346	40,298	191	4,405	–	71,506	155,746
Transfers	1,480,681	2,314,341	–	–	–	(3,795,022)	–
Depreciation provided during the year	(191,602)	(332,572)	(6,808)	(60,575)	(671)	–	(592,228)
At 31 December 2023, net of accumulated depreciation	3,786,944	4,678,953	28,150	401,855	16,007	8,058,921	16,970,830
At 31 December 2023:							
Cost	4,262,113	5,514,723	53,801	545,095	17,241	8,058,921	18,451,894
Accumulated depreciation	(475,169)	(835,770)	(25,651)	(143,240)	(1,234)	–	(1,481,064)
Net carrying amount	3,786,944	4,678,953	28,150	401,855	16,007	8,058,921	16,970,830

At 31 December 2024, certain of the Group's buildings with a net carrying amount of approximately RMB23,183,000 (2023: RMB1,535,922,000) as at 31 December 2024 were pledged to secure bank loans (note 26).

At 31 December 2024, certain of the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress with a net carrying amount of approximately RMB2,698,208,000 (2023: RMB4,822,121,000) as at 31 December 2024 were pledged to secure bank loans (note 26).

At 31 December 2024, certain of the Group's buildings have not obtained the relevant building ownership certificates.

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14. INVESTMENT PROPERTIES

	2024 *RMB'000*	2023 *RMB'000*
Carrying amount at 1 January	**–**	–
Cost:		
Transfer from owner-occupied properties	**355,229**	–
Accumulated depreciation :		
Transfer from owner-occupied properties	**(19,990)**	–
Carrying amount at 31 December	**335,239**	–

As at 31 December 2024, certain pieces of the Group's investment properties with a net carrying amount of approximately RMB65,736,000 (2023: N/A) were pledged to secure bank loans (note 26).

The Group's investment properties consist of commercial properties located in Mainland China held to earn rentals.

The Group's investment properties were revalued on 31 December 2024 based on valuations performed by Canwin Appraisal Co. Ltd. ("坤元資產評估有限公司"), independent professionally qualified valuer, at 27 March 2025. Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties for disclosure of fair value only:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Commercial properties	–	–	339,013	339,013

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: N/A).

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value hierarchy (Continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

As at 31 December 2024:

	Valuation technique	Significant unobservable inputs	Range or weighted average
Industrial properties	Income method	Prevailing market rent	RMB31.8-RMB78.0 per square metre per month
		Discount rate	6%

Estimated market rents are estimated based on the independent valuer's view of recent renting transactions within the subject properties and other comparable properties. A significant increase (decrease) in the estimated rental value in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the term yield.

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15. LEASES

The Group as a lessee

The Group has lease contracts for office premises, warehouses and vessels used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises, warehouses and vessels generally have lease terms between 2 and 5 years. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

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

	Leasehold land *RMB'000*	Office premises and warehouses *RMB'000*	Total *RMB'000*
As at 1 January 2023	85,542	42,509	128,051
Additions	557,517	27,332	584,849
A finance lease as a sublease lessor	–	(2,257)	(2,257)
Early termination	–	(765)	(765)
Exchange realignment	–	18	18
Depreciation charge	(11,122)	(15,547)	(26,669)
As at 31 December 2023 and 1 January 2024	631,937	51,290	683,227
Additions	28,697	9,810	38,507
A finance lease as a sublease lessor	–	(5,932)	(5,932)
Early termination	–	(24,924)	(24,924)
Disposals	(52,429)	–	(52,429)
Transfer to investment properties	(65,736)	–	(65,736)
Exchange realignment	–	43	43
Depreciation charge	(15,752)	(13,564)	(29,316)
As at 31 December 2024	**526,717**	**16,723**	**543,440**

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2024 ***RMB'000***	2023 *RMB'000*
Carrying amount at 1 January	**66,715**	58,939
New leases	**9,810**	27,332
Accretion of interest recognised during the year	**2,168**	3,318
Early termination	**(39,673)**	(486)
Exchange realignment	**(126)**	18
Payments	**(19,317)**	(22,406)
Carrying amount at 31 December	**19,577**	66,715
Analysed into:		
Current portion	**9,911**	18,221
Non-current portion	**9,666**	48,494

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2024 ***RMB'000***	2023 *RMB'000*
Interest on lease liabilities (note 7)	**2,168**	3,318
Depreciation charge of right-of-use assets	**15,710**	17,885
Expense relating to short-term leases (included in cost of sales, administrative expenses and selling expenses) (note 6)	**43,355**	25,751
Total amount recognised in profit or loss	**61,233**	46,954

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

As at 31 December 2024, certain pieces of the Group's leasehold land with a net carrying amount of approximately RMB380,816,000 (2023: RMB557,174,000) were pledged to secure bank loans (note 26).

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15. LEASES (CONTINUED)

The Group as a lessor

The Group subleases certain of its right-of-use assets (note 15(a)) to an associate and the holding company, which are office premises in Mainland China under financial lease arrangements in 2023 and 2024, which is considered as a finance lease. Finance income recognised by the Group during the year was RMB789,000 (2023: RMB879,000).

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable financial lease arrangements with its tenants and the reconciliation of the unearned finance income relating to the lease payments receivable are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Within one year	2,805	4,813
After one year but within two years	2,805	4,802
After two years but within three years	2,430	4,802
After three years but within four years	210	4,802
After four years but within five years	–	2,401
Unearned finance income	(455)	(2,178)
Total	7,795	19,442
Analysed into:		
Current portion (note 21)	2,557	3,993
Non-current portion (note 21)	5,238	15,449

At 31 December 2024, lease payments receivable included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB7,795,000 (2023: RMB19,442,000).

16. INTANGIBLE ASSETS

	Customer relationship* *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2024			
At 1 January 2024:			
Cost	587,864	31,714	619,578
Accumulated amortisation	(163,295)	(9,204)	(172,499)
Net carrying amount	424,569	22,510	447,079
Cost at 1 January 2024, net of accumulated amortisation	424,569	22,510	447,079
Additions	–	4,395	4,395
Amortisation provided during the year (note 6)	(64,291)	(8,245)	(72,536)
Impairment during the year	(142,256)	–	(142,256)
Exchange realignment	4,254	–	4,254
At 31 December 2024, net of accumulated amortisation	222,276	18,660	240,936
At 31 December 2024:			
Cost	596,637	36,109	632,746
Accumulated amortisation	(232,105)	(17,449)	(249,554)
Accumulated impairment	(142,256)	–	(142,256)
Net carrying amount	222,276	18,660	240,936
31 December 2023			
At 1 January 2023:			
Cost	578,062	24,768	602,830
Accumulated amortisation	(83,498)	(2,779)	(86,277)
Net carrying amount	494,564	21,989	516,553
Cost at 1 January 2023, net of accumulated amortisation	494,564	21,989	516,553
Additions	–	7,300	7,300
Amortisation provided during the year (note 6)	(78,084)	(6,779)	(84,863)
Exchange realignment	8,089	–	8,089
At 31 December 2023, net of accumulated amortisation	424,569	22,510	447,079
At 31 December 2023:			
Cost	587,864	31,714	619,578
Accumulated amortisation	(163,295)	(9,204)	(172,499)
Net carrying amount	424,569	22,510	447,079

* Customer relationship represents eight-year long-term offtake agreements with customers upon nickel-cobalt compounds. As at 31 December 2024, a long-term offtake agreement of a customer was cancelled, and the intangible assets recognised based on such agreement with carrying amount RMB142,256,000 has been fully impaired.

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17. GOODWILL

	2024 RMB'000	2023 RMB'000
Cost and net carrying amount at beginning and end of year	218,037	218,037

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the HPL cash-generating unit mainly engaged in smelting and production for impairment testing.

The recoverable amount of the HPL cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The budgeted gross margin applied to the cash flow projections, the terminal growth rate and pre-tax discount rate used to extrapolate the cash flows of the HPL cash-generating unit beyond the five-year period are as follows:

	As at 31 December 2024 %	As at 31 December 2023 %
Budgeted gross margin	34 – 35	38 – 39
Terminal growth rate	–	–
Pre-tax discount rate	16.10	16.58

The calculation of value in use is based on the following assumptions:

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, changed for expected market development.

Pre-tax discount rate – the rate reflects management's estimate of the risks specific to the unit.

Terminal growth rate – the rate is based on the historical data in the same industry and management's expectation of the future market.

The values assigned to the key assumptions on budgeted gross margin, pre-tax discount rate and terminal growth rate are consistent with management's past experience and external information sources.

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18. INTERESTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**1,964,511**	1,564,287

The Group's trade receivables from associates and amounts due to associates are disclosed in note 35 to the financial statements.

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	IDR 4,000,000,000,000	36.9%	Smelting and processing sales of ferronickel

The Group's shareholdings in associates comprise equity shares held by the Company, except for those of Contemporary Brunp Lygend Co., Ltd. ("CBL"). and PT Makmur Jaya Maritimindo ("MJM"), which are immaterial associates of the Group, the shareholdings in which are held through a wholly-owned subsidiary of the Company.

The Company is indirectly interested in 49% of the shares of MJM through Hong Kong Bwhale. The power of attorney entered into between Hong Kong Bwhale and PT Teratai Kemakmuran Jayaray ("TKJ") on 15 December 2023, whereby TKJ granted Hong Kong Bwhale the power to act as its attorney 10% the shares in MJM to exercise its powers at general meetings. The power of attorney ceased to be effective after TKJ ceased to be a shareholder of MJM on 30 May 2024 when Hong Kong Bwhale entered into the new shareholders' agreement with PT Lima Srikandi Jaya ("LSJ") under which Hong Kong Bwhale and LSJ hold respectively 49% and 51% of the shares in MJM thereafter. Therefore, the MJM became an associate of Hong Kong Bwhale from 30 May 2024.

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18. INTERESTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of HJF adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

(a) HJF

	2024 RMB'000	2023 RMB'000
Current assets	**2,498,329**	2,515,197
Non-current assets	**7,987,793**	8,138,538
Current liabilities	**3,119,549**	3,089,271
Non-current liabilities	**4,079,305**	5,269,252
Net assets	**3,287,268**	2,295,212
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**36.90%**	36.9%
Group's share of net assets of the associate	**1,213,002**	846,933
Accumulated unrealised gain	**(73,609)**	(70,179)
Carrying amount of the investment	**1,139,393**	776,754
Revenue	**8,275,352**	6,951,856
Profit for the year	**946,942**	668,150
Other comprehensive income	**45,115**	28,317
Total comprehensive income for the year	**992,057**	696,467

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

	2024 RMB'000	2023 RMB'000
Loss for the year	**(12,958)**	(49,674)
Other comprehensive income/(loss) for the year	**26,520**	(3,480)
Total comprehensive income/(loss) for the year	**13,562**	(53,154)
Aggregate carrying amount of the Group's investment in the associates	**825,118**	787,533

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19. INVENTORIES

	2024 *RMB'000*	2023 *RMB'000*
Raw materials	**1,756,405**	896,253
Work in progress	**569,698**	162,325
Finished goods	**1,042,373**	1,162,633
	3,368,476	2,221,211
Impairment	**(117)**	(32,499)
Total	**3,368,359**	2,188,712

The movements in provision for impairment of inventories are as follows:

	2024 *RMB'000*	2023 *RMB'000*
At beginning of year	**(32,499)**	–
Impairment losses recognised	**(117)**	(32,499)
Write-down	**32,499**	–
At end of year	**(117)**	(32,499)

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20. TRADE AND BILLS RECEIVABLES

	2024 *RMB'000*	2023 *RMB'000*
Financial assets at amortised cost:		
Trade receivables	1,400,704	363,888
Bills receivable	30,000	42,232
	1,430,704	406,120
Impairment	(20,012)	(18,514)
	1,410,692	387,606
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	432,963	631,619
Financial assets at fair value through other comprehensive income:		
Bills receivable	43,299	3,726
Net carrying amount	1,886,954	1,022,951

Trade receivables containing provisional pricing features are exposed to future movements in market prices, which have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss. This requires an assessment of the exposure of the underlying trade receivable to future movements in market prices at the date of initial recognition of such receivable. For those receivables that are not exposed to future movements in market prices, a further assessment of the business model for managing the receivables is required to determine the appropriate classification and measurement. The business model pertaining to those receivables that do not contain provisional pricing features is to hold the assets to collect the contractual cash flows and as such, these financial assets are classified as at "amortised cost".

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group usually considers upfront payments or use of letters of credit. The final payment is usually paid within one month to three months and sometimes extended to one year, when the final commercial invoices are issued. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2024 ***RMB'000***	2023 *RMB'000*
Within 3 months	**1,370,100**	328,082
3 to 6 months	**1,250**	1,057
6 to 12 months	**9,342**	16,235
Total	**1,380,692**	345,374

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
At beginning of year	**18,514**	4,388
Impairment losses, net (note 6)	**1,488**	14,119
Exchange realignment	**10**	7
At end of year	**20,012**	18,514

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

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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20. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit losses *RMB'000*
Current:	**1,314,406**	**0.15%**	**1,954**
Past due:			
Less than 3 months	**68,572**	**0.48%**	**332**
3 to 6 months	**–**	**–**	**–**
6 to 12 months	**–**	**–**	**–**
Over 1 year	**1,503**	**100.00%**	**1,503**
	1,384,481		**3,789**
Individually identified as high expected credit loss rate	**16,223**	**100.00%**	**16,223**
	1,400,704	**1.43%**	**20,012**

As at 31 December 2023

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit losses *RMB'000*
Current:	345,881	0.15%	507
Past due:			
Less than 3 months	–	–	–
3 to 6 months	–	–	–
6 to 12 months	–	–	–
Over 1 year	1,784	100.00%	1,784
	347,665		2,291
Individually identified as high expected credit loss rate	16,223	100.00%	16,223
	363,888	5.09%	18,514

20. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 31 December 2024, bills receivable of RMB43,299,000 (2023: RMB3,726,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, and the remaining bills receivable of RMB30,000,000 (2023: RMB42,232,000) were measured at amortised cost.

As at 31 December 2024, the Group endorsed certain bills receivable accepted by certain banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB46,196,000 (2023: RMB57,878,000) (the "Endorsement"). In addition, the Group discounted certain bills receivable accepted by certain banks in the PRC (the "Discounted Bills") with a carrying amount in aggregate of RMB2,693,693,000 (2023: RMB2,384,947,000) (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, as at 31 December 2024, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Bills with amounts of RMB46,196,000 (2023: RMB53,694,000) and Discounted Bills with amounts of RMB2,663,693,000 (2023: RMB2,346,899,000) accepted by large and reputable banks (the "Derecognised Bills"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Bills and the associated trade payables settled by the Endorsed Bills.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

The Group continued to recognise the full carrying amounts of the remaining Endorsed Bills and the associated trade payables settled with nil amount as at 31 December 2024 (2023: RMB4,184,000). The Group recognised the proceeds received from the discount of the remaining Discounted Bills with an amount of RMB30,000,000 as short-term loans as at 31 December 2024 (2023: RMB38,048,000) because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Bills and Discounted Bills.

The Group's bills receivable were all aged within six months and were neither past due nor impaired.

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21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Current		
Prepayments	445,994	530,098
Other receivables	171,881	355,420
Lease payments receivable (note 15)	2,557	3,993
Other current assets	552,615	261,133
	1,173,047	1,150,644
Impairment allowance	(9,807)	(5,466)
Total – current	1,163,240	1,145,178
Non-current		
Lease payments receivable (note 15)	5,238	15,449
Prepayments for property, plant and equipment	298,524	348,974
Other non-current assets	–	4,708
Total – non-current	303,762	369,131
Total	1,467,002	1,514,309

An impairment analysis is performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables and lease payments receivable under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

The movements in the loss allowance for impairment of other receivables are as follows:

	Expected credit losses			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	873	–	–	873
Impairment losses, net (note 6)	794	–	4,033	4,827
Amount written off as uncollectible	(247)	–	–	(247)
Exchange realignment	–	–	13	13
At 31 December 2023 and 1 January 2024	1,420	–	4,046	5,466
Impairment losses, net (note 6)	(839)	–	5,694	4,855
Amount written off as uncollectible	–	–	(622)	(622)
Exchange realignment	–	–	108	108
At 31 December 2024	**581**	**–**	**9,226**	**9,807**

At 31 December 2024, included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB616,000 (2023: RMB208,656,000).

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

	2024	2023
	RMB'000	*RMB'000*
Non-current		
Derivative financial instruments		
– interest rate swaps, at fair value	**6,344**	51,599

The non-current derivative financial instruments were interest rate swap agreements with ending dates varying from January 2026 until March 2026.

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps with losses amounting to RMB45,566,000 (2023: RMB45,530,000) were recognised in profit or loss during the year. For information about the methods and assumptions used in determining the fair value, please refer to note 38 to the financial statements.

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23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 *RMB'000*	2023 *RMB'000*
Cash and bank balances	**5,882,686**	5,115,393
Less:		
Restricted deposits*	**–**	(17,963)
Pledged deposits for bills payable	**(14,496)**	(4)
Pledged deposits for letters of credit and letters of guarantee	**(834,062)**	(480,597)
Others	**(1,777)**	–
Cash and cash equivalents	**5,032,351**	4,616,829
Denominated in:		
RMB	**1,559,177**	2,118,492
United States dollar ("USD")	**3,054,603**	1,706,850
Hong Kong dollar ("HKD")	**293**	404
Indonesian rupiah ("IDR")	**416,482**	788,951
Singapore dollar ("SGD")	**1,796**	2,132
Total cash and cash equivalents	**5,032,351**	4,616,829

* The Group's deposits with net carrying amounts of nil and nil (2023: RMB17,874,000 and RMB87,000) were frozen to secure the property preservation applied by Anhui Pengtai Environment protection Equipment Co., Ltd. ("PENGTAI") and Suqian Tianhe Electromechanical Equipment Co., Ltd. who have legal disputes with the Group, respectively, the remaining nil (2023: RMB2,000) is restricted due to a dormant bank account.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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24. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	1,495,321	1,249,276
Bills payable	26,862	–
Total	1,522,183	1,249,276

The trade payables are non-interest-bearing and are normally settled within 90 days.

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

	2024 RMB'000	2023 RMB'000
Within 3 months	840,356	803,384
3 to 6 months	84,713	63,939
6 to 12 months	246,384	22,554
1 to 2 years	156,386	231,555
Over 2 years	167,482	127,844
Total	1,495,321	1,249,276

25. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Current		
Taxes payable other than corporate income tax	188,495	51,093
Accrued payroll	297,976	112,140
Contract liabilities	12,012	17,397
Other accruals	26,446	26,057
Other payables	2,249,094	2,070,945
Deferred revenue	5,465	4,441
Total – current	2,779,488	2,282,073
Non-current		
Deferred revenue	3,444	4,010
Total	2,782,932	2,286,083

Other payables are non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2024		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank borrowings – secured	1.09-5.81	2025	4,466,714
Other borrowing	1.7-4.3	2025	2,041,833
Current portion of long term bank borrowings – secured	SOFR+1.15 & 1.25 & LPR & LPR+ 0.05	2025	1,373,721
Total – current			7,882,268
Non-current			
Bank borrowings – secured	SOFR+1.15 & 1.25 & LPR & LPR+ 0.05	2026-2034	5,950,472
Total			13,832,740

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	*RMB'000*
Current			
Bank borrowings – secured	2.4-6.6	2024	2,904,189
Other borrowing	1.10-6.81	2024	1,072,149
Current portion of long term bank borrowings – secured	SOFR+0.26161+3.75 & LPR	2024	716,057
Total – current			4,692,395
Non-current			
Bank borrowings – secured	SOFR+0.26161+3.75 & LPR & LPR+ 0.05	2025-2034	6,773,170
Total			11,465,565

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26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2024 *RMB'000*	2023 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**7,882,268**	4,692,395
In the second year	**1,846,255**	1,232,730
In the third year	**900,726**	1,633,282
In the fourth year	**911,789**	1,828,833
In the fifth year	**922,718**	622,246
Beyond five years	**1,368,984**	1,456,079
Total	**13,832,740**	11,465,565

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings situated in Mainland China and Indonesia, which had an aggregate net carrying value of RMB23,183,000 (2023: RMB1,535,922,000) (note 13);

(ii) mortgages over the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress with an aggregate net carrying value of approximately RMB2,698,208,000 (2023: RMB4,822,121,000) (note 13);

(iii) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate net carrying value of RMB65,736,000 (2023: Nil) (note 14); and

(iv) mortgages over the Group's leasehold lands situated in Mainland China, which had an aggregate net carrying value of RMB380,816,000 (2023: RMB557,174,000) (note 15).

(b) The Group's pledged time deposits, which had an aggregate net carrying value of approximately RMB848,558,000 (2023: RMB480,601,000), were pledged to secure the Group's bank loans (note 23).

(c) PT. Harita Jayaraya ("HJR"), a related party of the Group, has guaranteed the Group's the long-term bank borrowings of up to nil as at 31 December 2024 (2023: RMB7,331,319,000).

(d) TBP, a related party of the Group, pledged its holding shares of subsidiaries of the Group to secure the Group's long-term bank borrowings of up to RMB5,281,377,000 as at 31 December 2024 (2023: RMB7,331,319,000).

(e) Li Yuen Pte. Ltd, a related party of the Group, pledged its holding shares of a subsidiary of the Group to secure the Group's long-term bank borrowings of up to RMB5,281,377,000 as at 31 December 2024 (2023: RMB3,460,612,000).

27. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2024 *RMB'000*	2023 *RMB'000*
Sale of nickel products	89,337	290,077
Others	49,792	18,953
Total	139,129	309,030

Contract liabilities include short-term advances received to deliver nickel products, equipment and others, and to provide shipping services. The decrease in contract liabilities in 2024 was mainly due to the fluctuation in advances received from customers in relation to the provision of nickel products during the year.

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28. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Accrued expenses RMB'000	Impairment of trade receivables RMB'000	Impairment of other receivables RMB'000	Unrealised profit attributable to the intra-group transactions RMB'000	Payroll payable RMB'000	Lease liabilities RMB'000	Changes in fair value of financial liabilities at fair value through profit or loss RMB'000	Estimated liabilities for employees' benefits RMB'000	Tax loss RMB'000	Deferred income RMB'000	Impairment of inventories RMB'000	Total RMB'000
At 1 January 2023	740	913	155	20,132	–	13,884	11,514	4,029	26,858	2,211	–	80,436
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	(740)	2,010	937	9,381	–	22,863	(11,323)	3,655	18,210	(98)	8,125	53,020
Exchange realignment	–	(57)	–	–	–	–	–	13	–	–	–	(44)
At 31 December 2023 and 1 January 2024	-	2,866	1,092	29,513	-	36,747	191	7,697	45,068	2,113	8,125	133,412
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	-	2,653	(947)	59,210	24	(24,920)	(47)	2,793	(45,068)	114	(8,096)	(14,284)
Exchange realignment	-	(695)	-	-	-	-	-	(234)	-	-	-	(929)
Gross deferred tax assets at 31 December 2024	-	4,824	145	88,723	24	11,827	144	10,256	-	2,227	29	118,199

28. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	Share of an associate *RMB'000*	Finance lease receivables *RMB'000*	Right-of-use assets *RMB'000*	Withholding tax *RMB'000*	Revaluation of property, plant and equipment *RMB'000*	Total *RMB'000*
At 1 January 2023	–	4,856	9,830	2,200	1,652	18,538
Deferred tax charged/(credited) to profit or loss during the year (note 10)	–	22,773	387	360	(1,283)	22,237
At 31 December 2023 and 1 January 2024	–	27,629	10,217	2,560	369	40,775
Deferred tax charged/(credited) to profit or loss during the year (note 10)	87,355	(17,528)	(7,233)	317,537	(102)	380,029
Gross deferred tax liabilities at 31 December 2024	87,355	10,101	2,984	320,097	267	420,804

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 *RMB'000*	2023 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	106,372	96,665
Net deferred tax liabilities recognised in the consolidated statement of financial position	408,977	4,028

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28. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

At 31 December 2024, the Group has tax losses arising in Mainland China of RMB32,893,000 (2023: RMB90,554,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised except the Company.

At the end of year, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings generated before the end of year 2023 that are subject to withholding taxes of the Group's subsidiaries established in Indonesia. In the opinion of the directors, it is not probable that these companies will distribute such earnings generated before the end of year 2023 in the foreseeable future. As at 31 December 2024, the aggregate amount of temporary differences associated with investments in subsidiaries in Indonesia for which deferred tax liabilities have not been recognised totalled approximately RMB2,770,968,000 (2023: RMB2,770,968,000).

29. EMPLOYEE BENEFITS LIABILITY

HPL, ONC and KPS, subsidiaries of the Group, provide post-employment benefits to their employees in conformity with the requirements of Indonesia's Labor Law No. 13/2003 dated 25 March 2003. HPL, ONC, KPS, DCM and BMS recorded the estimated liabilities for employees' benefits as at 31 December 2024 based on the actuarial calculation prepared by Kantor Konsultan Aktuaria Tubagus Syafrial & Amran Nangasan, an independent actuary, which applied the "Projected Unit Credit" method.

Key assumptions used for actuarial calculation are as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Discount rate	**6.96%-7.14%**	6.96%-7.03%
Mortality table	**TMI-IV 2019**	TMI-IV 2019
Retirement age	**55.6 years**	55 years
Annual salary increase rate	**10.00%**	10.00%

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29. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the post-employment benefits to the employees is as follows:

a. Estimated liabilities for employees' benefits

	2024 *RMB'000*	2023 *RMB'000*
Present value of employees' benefit obligation	**46,461**	34,868
Net liabilities recognised in the statement of financial position	**46,461**	34,868

b. Employee benefit expense

	2024 *RMB'000*	2023 *RMB'000*
Current service cost	**18,577**	15,010
Interest costs	**1,963**	1,378
Curtailment effect	**(5,180)**	–
Past service cost	**23**	–
Actuarial losses/(gains) on obligations	**(121)**	710
Employee benefit expense for the year	**15,262**	17,098

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29. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the post-employment benefits to the employees is as follows: (continued)

c. Change in liabilities of employees' benefits

	2024	2023
	RMB'000	*RMB'000*
Beginning balance	**34,868**	18,197
Employee benefit expense for the year	**15,262**	17,098
Other comprehensive loss/(income)	**(1,799)**	(484)
Benefits paid	**(664)**	(517)
Foreign exchange difference	**(1,206)**	574
Ending balance	**46,461**	34,868

Sensitivity analysis to the key assumptions used in determining employee benefit obligations is as follows:

	Discount rate			
	2023	2023	**2024**	**2024**
	1% increase	1% decrease	**1% increase**	**1% decrease**
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Impact on the defined benefit obligations	(2,794)	3,180	**(6,955)**	**6,282**

	Salary Increase Rate			
	2023	2023	**2024**	**2024**
	1% increase	1% decrease	**1% increase**	**1% decrease**
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Impact on the defined benefit obligations	3,218	(2,879)	**6,326**	**(7,052)**

The sensitivity analysis above has been determined based on a deterministic method to value the impact on the benefit obligations as a result of reasonable changes in key assumptions occurring at 31 December 2023 and 2024.

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29. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

c. Change in liabilities of employees' benefits (Continued)

The following payments are expected contributions to the benefit obligations in future years:

	2024 *RMB'000*	2023 *RMB'000*
Within the next 12 months	**272**	–
Between 1 and 2 years	**1,346**	334
Between 3 and 5 years	**10,315**	5,752
Between 6 and 10 years	**39,211**	32,707
Beyond 10 years	**3,388,338**	2,367,338
Total	**3,439,482**	2,406,131

At 31 December 2024, the average duration of the benefit obligations of HPL was 21.71 years (2023: 21.75 years); the average duration of the benefit obligations of ONC was 24.50 years (2023: 27.24 years); the average duration of the benefit obligations of KPS was 25.51 years (2023: 27.67 years); the average duration of the benefit obligations of DCM was 16.10 years (2023: N/A); and the average duration of the benefit obligations of BMS was 25.51 years (2023: N/A).

30. SHARE CAPITAL

Share capital

	Number of ordinary shares	Total *RMB'000*
Issued and fully paid as at 31 December 2023, 1 January 2024 and 31 December 2024	**1,555,931,350**	**1,555,931**

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31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in September 2021 and the share premium raised from the Company's initial public offering and over-allotment option in December 2022 and equity-settled share award arrangements recognised in 2024.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

Other reserves

Other reserves of the Group mainly arose from capital injection of other shareholders to associates, which represented the excess of the Group's share of net assets of the associates after the capital injection.

32. SHARE-BASED PAYMENT

On 20 October 2021, the board of directors of the Company passed a resolution in relation to a pre-IPO share incentive scheme, to issue 25,915,000 domestic shares ("Restricted Domestic Shares") to the eligible employees (including directors and supervisors) in order to provide incentives and rewards to participants for the business development of the Group. The Restricted Domestic Shares were subscribed at the price of RMB3.02 per share by the four Employee Incentive Platforms.

There are service periods requirement, but no performance target requirements for the share grants. If the eligible participant resigns during the period of service periods requirement, the management committee of the Employee Incentive Platforms shall have the right (but not the liability) to purchase his/her share at cost plus market interest. These granted Restricted Domestic Shares will be unlocked over a four-year period, with up to 25%, 25%, 25% and 25% of the awards unlocking on the first, second, third and fourth anniversary dates of 12 months immediately following the date of the Company's listing of H shares from 20 December 2022.

Due to the resignation of some selected employee, the Employee Incentive Platforms purchased his/her shares ("Resignation Shares") at cost plus market interest and held them on behalf of by the general partner. According to the resolution of the management committee of the Employee Incentive Platforms, 500,000 Resignation Shares at a consideration of RMB1,825,000 and 700,000 Resignation Shares at a consideration of RMB2,515,000 were granted to a director on 25 July 2024 and 20 December 2024, respectively, with a lower price less than the Stock Exchange closing price of the Company's shares on the granted date of the shares, which therefore was regarded as share-based payment.

The fair value of Resignation Shares granted to the director under the pre-IPO share incentive scheme was estimated as at the date of grant by the management committee of the Employee Incentive Platforms based on the closing price of the Group's stock on the valuation base date. During the year, share award expense of RMB2,344,000 was charged to the consolidated statement of profit or loss.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,810,000 (2023: RMB27,332,000) and RMB9,810,000 (2023: RMB27,332,000), respectively, in respect of lease arrangements for office premises.

During the year, HPL, ONC and KPS had non-cash additions of construction in progress from capitalisation of depreciation of fixed assets of RMB38,356,000 (2023: RMB30,615,000).

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33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2024

	Due to a related party *RMB'000*	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Dividend payable *RMB'000*
At 1 January 2024	–	11,465,565	66,715	–
Changes from financing cash flows	359,420	1,532,189	(19,317)	–
New leases	–	–	9,810	–
Dividend paid	–	–	–	(953,112)
Interest accrued	–	747,348	2,168	–
Dividend accrued	–	–	–	953,112
Early termination	–	–	(39,673)	–
Exchange realignment	–	87,638	(126)	–
At 31 December 2024	359,420	13,832,740	19,577	–

2023

	Due to a related party *RMB'000*	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Dividend payable *RMB'000*
At 1 January 2023	–	6,232,465	58,939	–
Changes from financing cash flows	–	4,447,182	(22,406)	–
New leases	–	–	27,332	–
Interest accrued	–	697,955	3,318	–
Early termination	–	–	(486)	–
Exchange realignment	–	87,963	18	–
At 31 December 2023	–	11,465,565	66,715	–

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024	2023
	RMB'000	*RMB'000*
Within operating activities	**43,355**	25,751
Within financing activities	**19,317**	22,406
Total	**62,672**	48,157

34. COMMITMENTS

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

	2024	2023
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**6,498,669**	8,758,705

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35. RELATED PARTY TRANSACTIONS

Name	Relationship
HJF	An associate
HJF International Trading (Ningbo) Co., Ltd. (“HJF NB”)	An associate
MJM*	An associate
Lygend Investment	The holding company
TBP	Shareholder of HPL, which has significant influence
PT. Megah Surya Pertiwi (“MSP”)	Entity under common control of TBP
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
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 Pte. Ltd. (“Feng Yi”)	Shareholder of the Company, which has significant influence
Zhejiang Yongcheng Construction Co., Ltd. (“Yongcheng”) *	Subsidiary of the holding company
Ningbo Lihua Port Machinery Heavy Industry Co., Ltd. (“Lihua”)	Subsidiary of the holding company
PT. Hasta Panca Mandiri Utama (“HPMU”)	Entity under common control of HJR
TKJ	Shareholder of MJM, which has significant influence
GRM	Shareholder of MJM, which has significant influence
PT. Bangunan Teknik Group (“BTG”)	Subsidiary of the holding company
PT. Marina Bara Lestari (“MBL”)	Entity under common control of HJR
PT. Mitra Sinar Maritim (“MSM”)	Entity under common control of HJR
PT. Obi Sinar Timur (“OST”)	Entity under common control of HJR
PT. Kalimantan Aluminium Industry (“KAI”)	Associates of the holding company
PT. Cipta Kemakmuran Mitra (“CKM”)	A subsidiary
PT. Lima Srikandi Jaya (“LSJ”)	Entity under common control of HJR

* MJM became an associate on 30 May 2024.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 15, 21 and 26, the Group had the following transactions with related parties during the year:

	Note	2024 RMB'000	2023 RMB'000
Sale of services to:			
HJF NB	*(i)*	504	1,334
Lygend Investment	*(i)*	200	56
		704	1,390
Rental income recognised relating to finance lease:			
HJF NB	*(i)*	3,714	3,908
Lygend Investment	*(i)*	1,423	401
Total		5,137	4,309
Finance income recognised relating to finance lease:			
HJF NB	*(i)*	397	826
Lygend Investment	*(i)*	159	53
Total		556	879
Sale of equipment to:			
HJF	*(i)*	74,300	130,696
Sale of materials to:			
HJF	*(i)*	475,826	419,941
OST	*(i)*	73,812	–
KAI	*(i)*	1,276	–
Total		550,914	419,941
Sale of nickel ore to:			
HJF	*(i)*	684,435	–
MSP	*(i)*	36,317	–
Total		720,752	–

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 15, 21 and 26, the Group had the following transactions with related parties during the year: (Continued)

	Note	2024 *RMB'000*	2023 *RMB'000*
Purchase of equipment from:			
Lihua	*(i)*	**48,102**	83
Yongcheng	*(i)*	**22,375**	34,949
TBP	*(i)*	**–**	1,241
Total		**70,477**	36,273
Purchase of nickel products from:			
HJF	*(i)*	**8,259,481**	6,730,068
MSP	*(i)*	**786,116**	1,499,660
GPS	*(i)*	**691,785**	696,087
TBP	*(i)*	**1,012,852**	737,658
MBL	*(i)*	**160,441**	25,965
PKN	*(i)*	**–**	87,992
Total		**10,910,675**	9,777,430
Purchase of services from:			
TBP	*(i)*	**48,110**	20,651
LSJ	*(i)*	**134**	–
MSP	*(i)*	**–**	98
ASR	*(i)*	**12,887**	19,456
MKL	*(i)*	**11,191**	21,841
GPS	*(i)*	**–**	1,888
GSP	*(i)*	**6,842**	3,310
Yongcheng	*(i)*	**19,523**	30,801
BTG	*(i)*	**430,664**	124,128
OST	*(i)*	**222,109**	–
MSM	*(i)*	**11,662**	–
MJM	*(i)*	**19,654**	–
HPMU	*(i)*	**15**	16
Total		**782,791**	222,189

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 15, 21 and 26, the Group had the following transactions with related parties during the year: (continued)

	Note	2024 *RMB'000*	2023 *RMB'000*
Payment on behalf of by:			
MSP	*(ii)*	81	538
Payment on behalf of:			
HJF	*(ii)*	–	25
Loans to:			
HJF NB	*(iii)*	3,495	–
Loans from:			
HJR	*(iv)*	359,420	–

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.

(iii) The loans to HJF NB bear interest at the rate of 3.35%-3.45% per annum. As at 31 December 2024, all the loans has been collected.

(iv) The loans from HJR bear interest at the rate of 5% per annum. The balance was unsecured and repayable on demand.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

As at 31 December 2024, the Company has guaranteed certain of the bank borrowings made to its associate, HJF, CBL and MJM, amounting to nil, RMB216,000,000 and RMB5,306,000 (2023: RMB3,926,012,000, nil and nil). The above bank borrowings were also jointly guaranteed by the other shareholders of the associates, respectively. The Company's shareholdings in HJF, CBL and MJM have also been pledged to secure the above bank borrowings, respectively.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Company are insignificant at initial recognition as at 31 December 2024 and 2023, accordingly, no value has been recognised at the inception of the guarantee contracts and on the consolidated statement of financial position as at 31 December 2024 and 2023. 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 from 2025 to 2030 to be approximately USD78,417,000. While as at 31 December 2024, the purchase quantity agreed upon with TBP in the agreement has been completed ahead of schedule.

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 31 December 2024, advanced capital injections of RMB57,056,000 from TBP have been paid to increase the share capital of CKM.

On 26 August 2024, Lygend Headquarter and Lygend Investment have entered into the transfer agreement, pursuant to which Lygend Headquarter agreed to transfer the land use right of the target land and the construction works thereon that are in progress in Ningbo, Zhejiang, China, to Lygend Investment at a consideration of RMB57,163,000.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	Notes	2024 RMB'000	2023 RMB'000
Due from the holding company:			
Lygend Investment	*(i)*	**6**	3
Due from associates:			
HJF	*(i)*	**290,985**	692,946
HJF NB	*(i)*	**304**	–
		291,289	692,946
Due from related parties:			
TBP	*(ii)*	**534**	97,720
MSP	*(i)*	**2,054**	89
OST	*(i)*	**4,189**	–
LSJ	*(ii)*	**–**	9,641
TKJ	*(ii)*	**–**	3,110
GRM	*(ii)*	**–**	3,110
Total		**6,777**	113,670
Due to an associate:			
HJF		**–**	1,069
HJF	*(i)*	**471,015**	275,173
MJM	*(i)*	**3,149**	–
		474,164	276,242

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Note	2024 RMB'000	2023 RMB'000
Due to related parties:			
TBP	*(i)*	**203,667**	91,443
TBP	*(iii)*	**57,056**	1,044,215
GSP	*(i)*	**2,195**	2,291
MSP	*(i)*	**–**	92,525
ASR	*(i)*	**1,343**	4,062
GPS	*(i)*	**23,293**	38,543
LSJ	*(i)*	**–**	259
MKL	*(i)*	**2,651**	3,175
HPMU	*(i)*	**–**	55
Yongcheng	*(i)*	**26,808**	69,307
BTG	*(i)*	**130,319**	85,099
MBL	*(i)*	**11,543**	–
HJR	*(iv)*	**360,056**	–
MSM	*(i)*	**2,916**	–
Lihua	*(i)*	**29,152**	–
OST	*(i)*	**97,214**	–
Total		**948,213**	1,430,974

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 subsidiaries of the Group under the laws of Indonesia, which is non-trade in nature.

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

(iv) The balance represents the loans from HJR including bear interest at the rate of 5% per annum.

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

35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	29,549	34,529
Performance related bonuses	79,237	48,680
Equity-settled share award expense	2,344	–
Pension scheme contributions	311	280
Total compensation paid to key management personnel	111,441	83,489

Further details of directors' emoluments are included in note 8 to the financial statements.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2024 RMB'000	2023 RMB'000
Percentage of equity interest held by non-controlling interests:		
HPL	45.1%	45.1%
ONC	40.0%	40.0%
Accumulated balances of non-controlling interests:		
HPL	4,087,191	3,866,945
ONC	1,868,192	163,806

	2024 RMB'000	2023 RMB'000
Profit/(Loss) for the year allocated to non-controlling interests:		
HPL	801,887	696,913
ONC	706,723	(50,947)

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36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

2024

	HPL *RMB'000*	ONC *RMB'000*
Current assets	2,994,697	2,892,447
Non-current assets	8,932,106	8,315,381
Current liabilities	1,970,963	1,671,607
Non-current liabilities	893,331	4,865,743

	HPL *RMB'000*	ONC *RMB'000*
Revenue	7,106,273	3,704,554
Other income	68,197	123,620
Total expenses	(5,396,450)	(2,061,368)
Profit for the year	1,778,020	1,766,806
Other comprehensive income for the year	133,672	45,037
Dividends	(641,926)	–
Net cash flows from operating activities	2,408,270	25,019
Net cash flows used in investing activities	(361,652)	(2,330,328)
Net cash flows (used in)/from financing activities	(3,661,625)	2,516,629
Net increase/(decrease) in cash and cash equivalents	(1,249,494)	210,404

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

2023

	HPL	ONC
	RMB'000	*RMB'000*
Current assets	4,039,882	312,499
Non-current assets	9,517,140	6,159,505
Current liabilities	1,767,253	2,442,821
Non-current liabilities	3,215,612	3,619,667

	HPL	ONC
	RMB'000	*RMB'000*
Revenue	6,970,826	–
Other income	27,928	4,302
Total expenses	(5,453,493)	(131,670)
Profit for the year	1,545,261	(127,368)
Other comprehensive income for the year	120,955	8,038
Dividends	–	–
Net cash flows from operating activities	2,900,149	(238,569)
Net cash flows used in investing activities	(471,103)	(4,176,549)
Net cash flows used in financing activities	(674,864)	3,942,270
Net increase/(decrease) in cash and cash equivalents	1,754,182	(472,848)

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37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2024

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition *RMB'000*	Financial assets at amortised cost *RMB'000*	Financial assets at fair value other comprehensive income *RMB'000*	Total *RMB'000*
Trade receivables	432,963	1,380,692	43,299	1,856,954
Bills receivable	–	30,000	-	30,000
Financial assets included in prepayments, other receivables and other assets	–	169,869	–	169,869
Due from related parties	–	298,072	–	298,072
Derivative financial instruments	6,344	–	–	6,344
Pledged deposits	–	850,335	–	850,335
Cash and cash equivalents	–	5,032,351	–	5,032,351
Total	439,307	7,761,319	43,299	8,243,925

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial assets (Continued)

2023

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition *RMB'000*	Financial assets at amortised cost *RMB'000*	Financial assets at fair value other comprehensive income *RMB'000*	Total *RMB'000*
Trade receivables	631,619	345,374	–	976,993
Bills receivable	–	42,232	3,726	45,958
Financial assets included in prepayments, other receivables and other assets	–	346,571	–	346,571
Due from related parties	–	806,619	–	806,619
Derivative financial instruments	51,599	–	–	51,599
Pledged deposits	–	498,564	–	498,564
Cash and cash equivalents	–	4,616,829	–	4,616,829
Total	683,218	6,656,189	3,726	7,343,133

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37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial liabilities

2024

	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	1,522,183	1,522,505
Financial liabilities included in other payables and accruals	2,249,094	2,249,094
Interest-bearing bank and other borrowings	13,832,740	13,832,740
Due to related parties	1,365,321	1,365,321
Total	18,969,338	18,969,660

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial liabilities (Continued)

2023

	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	1,249,276	1,249,276
Financial liabilities included in other payables and accruals	2,070,945	2,070,945
Interest-bearing bank and other borrowings	11,465,565	11,465,565
Due to related parties	663,001	663,001
Total	15,448,787	15,448,787

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade receivables, pledged deposits, trade and bills payables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

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

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

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2024 were assessed to be insignificant. All the carrying amounts of the Group's non-current portion of interest-bearing bank borrowings approximate to their fair values.

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets *(Level 1)* *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Trade receivables containing provisional pricing features	–	432,963	–	432,963
Bills receivable measure at fair value	–	43,299	–	43,299
Derivative financial instruments	–	6,344	–	6,344
Total	–	482,606	–	482,606

38. 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)

Assets measured at fair value: (Continued)

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Trade receivables containing provisional pricing features	–	631,619	–	631,619
Bills receivable measure at fair value	–	3,726	–	3,726
Derivative financial instruments	–	51,599	–	51,599
Total	–	686,944	–	686,944

Liabilities measured at fair value:

As at 31 December 2024, there is no financial liabilities measured at fair value. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are Interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage the mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2024, after taking into account the effect of the interest rate swaps, approximately 56% (2023: 68%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (Continued)

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax *RMB'000*	(Decrease)/ increase in equity *RMB'000*
31 December 2024			
RMB	**5**	**(36,072)**	**(36,050)**
RMB	**(5)**	**36,072**	**36,050**

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit before tax *RMB'000*	(Decrease)/ increase in equity *RMB'000*
31 December 2023			
RMB	5	(1,086)	(1,069)
RMB	(5)	1,086	1,069

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 41.5% (2023: 37.6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 83.35% (2023: 81.77%) of costs were denominated in the units' functional currencies.

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at the end of reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2024			
If the RMB weakens against the USD	**5**	**152,965**	**124,544**
If the RMB strengthens against the USD	**(5)**	**(152,965)**	**(124,544)**
If the RMB weakens against the HKD	**5**	**8,533**	**(19,888)**
If the RMB strengthens against the HKD	**(5)**	**(8,533)**	**19,888**
If the RMB weakens against the IDR	**5**	**15**	**11**
If the RMB strengthens against the IDR	**(5)**	**(15)**	**(11)**
If the RMB weakens against the SGD	**5**	**90**	**68**
If the RMB strengthens against the SGD	**(5)**	**(90)**	**(68)**
31 December 2023			
If the RMB weakens against the USD	5	58,089	35,120
If the RMB strengthens against the USD	(5)	(58,089)	(35,120)
If the RMB weakens against the HKD	5	29,019	6,050
If the RMB strengthens against the HKD	(5)	(29,019)	(6,050)
If the RMB weakens against the IDR	5	20	15
If the RMB strengthens against the IDR	(5)	(20)	(15)
If the RMB weakens against the SGD	5	107	80
If the RMB strengthens against the SGD	(5)	(107)	(80)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	1,833,667	1,833,667
Bills receivable**	30,000	–	–	–	30,000
Financial assets included in prepayments, other receivables and other assets					
– Normal**	179,676	–	–	–	179,676
Due from related parties					
– Normal**	298,072	–	–	–	298,072
Pledged deposits					
– Normal**	850,335	–	–	–	850,335
Cash and cash equivalents					
– Not yet past due	5,032,351	–	–	–	5,032,351
Total	6,390,434	–	–	1,833,667	8,224,101

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	RMB'000
Trade receivables*	–	–	–	995,507	995,507
Bills receivable**	45,958	–	–	–	45,958
Financial assets included in prepayments, other receivables and other assets					
– Normal**	352,037	–	–	–	352,037
Due from related parties					
– Normal**	806,619	–	–	–	806,619
Pledged deposits					
– Normal**	498,564	–	–	–	498,564
Cash and cash equivalents					
– Not yet past due	4,616,829	–	–	–	4,616,829
Total	6,320,007	–	–	995,507	7,315,514

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the bills receivable, financial assets included in prepayments, other receivables and other assets, pledged deposits and amounts due from related parties are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing loans.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2024				
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	More than 1 years *RMB'000*	Total *RMB'000*
Trade and bills payables	1,171,452	350,731	–	–	1,522,183
Financial liabilities included in other payables and accruals	2,249,094	–	–	–	2,249,094
Lease liabilities	–	1,619	8,804	9,975	20,398
Due to related parties	1,365,321	–	–	–	1,365,321
Financial guarantee contracts	–	541	87,428	133,337	221,306
Interest-bearing bank and other borrowings	–	5,485,974	2,553,200	6,094,380	14,133,554
Total	4,785,867	5,838,865	2,649,432	6,237,692	19,511,856

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	As at 31 December 2023				
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	More than 1 years *RMB'000*	Total *RMB'000*
Trade and bills payables	889,876	359,400	–	–	1,249,276
Financial liabilities included in other payables and accruals	2,070,945	–	–	–	2,070,945
Lease liabilities	2,332	3,493	14,473	52,093	72,391
Due to related parties	663,001	–	–	–	663,001
Financial guarantee contracts	–	–	824,388	3,101,624	3,926,012
Interest-bearing bank and other borrowings	–	3,238,677	1,998,771	7,909,150	13,146,598
Total	3,626,154	3,601,570	2,837,632	11,062,867	21,128,223

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

	2024 *RMB'000*	2023 *RMB'000*
Interest-bearing bank and other borrowings	**13,832,740**	11,465,565
Trade and bills payables	**1,522,505**	1,249,276
Lease liabilities	**19,577**	66,715
Other payables and accruals	**2,779,488**	2,282,073
Due to related parties	**1,422,377**	1,707,216
Less: Cash and cash equivalents	**5,032,351**	4,616,829
Pledged deposits	**850,335**	498,564
Net debt	**13,693,679**	11,655,452
Equity attributable to owners of the parent	**10,758,904**	9,185,546
Capital and net debt	**24,452,583**	20,840,998
Gearing ratio	**56%**	56%

40. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 13, 14, 15, 23 and 26, respectively, to the financial statements.

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	18,502	23,926
Intangible assets	17,692	21,698
Right-of-use assets	2,439	13,341
Deferred tax assets	16,137	46,376
Interests in associates	1,155,443	785,813
Prepayments, other receivables and other assets	8,951	1,548
Investments in subsidiaries	6,862,757	5,433,803
Total non-current assets	8,081,921	6,326,505
CURRENT ASSETS		
Inventories	439,898	579,735
Trade and bills receivables	1,070,703	639,860
Prepayments, other receivables and other assets	181,959	149,117
Due from subsidiaries	1,603,091	2,124,623
Due from related parties	277	–
Pledged deposits	481,079	268,147
Cash and cash equivalents	1,842,208	1,119,034
Total current assets	5,619,215	4,880,516
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	3,553,333	1,894,723
Trade and bills payables	551,787	530,947
Lease liabilities	4,040	3,923
Other payables and accruals	80,807	46,035
Contract liabilities	54,250	122,586
Income tax payable	80,081	2,632
Due to related parties	385,300	367,621
Due to subsidiaries	2,161,055	2,046,404
Total current liabilities	6,870,653	5,014,871
NET CURRENT LIABILITIES	(1,251,438)	(134,355)

Notes to Financial Statements

31 December 2024

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2024 *RMB'000*	2023 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,830,483**	6,192,150
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	**99,990**	–
Lease liabilities	**4,017**	7,750
Deferred tax liabilities	**88,254**	417
Total non-current liabilities	**192,261**	8,167
Net assets	**6,638,222**	6,183,983
EQUITY		
Share capital	**1,555,931**	1,555,931
Reserves (note)	**5,082,291**	4,628,052
Total equity	**6,638,222**	6,183,983

Note:

A summary of the Company's reserves is as follows:

	Share premium account *RMB'000*	**Exchange fluctuation reserves** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 31 December 2022 and 1 January 2023	3,806,997	44,907	128,288	595,336	4,575,528
Profit for the year	–	–	–	508,854	508,854
Share of other comprehensive income of associates	–	10,449	–	–	10,449
Total comprehensive income for the year	–	10,449	–	508,854	519,303
Dividends declared	–	–	–	(466,779)	(466,779)
Transfer to statutory reserves	–	–	50,885	(50,885)	–
At 31 December 2023	3,806,997	55,356	179,173	586,526	4,628,052

Notes to Financial Statements

31 December 2024

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: (Continued)

A summary of the Company's reserves is as follows: (Continued)

	Share premium account *RMB'000*	Exchange fluctuation reserves *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total RMB'000
At 31 December 2023 and 1 January 2024	3,806,997	55,356	179,173	586,526	4,628,052
Profit for the year	–	–	–	746,433	746,433
Share of other comprehensive income of associates	–	16,648	–	–	16,648
Total comprehensive income for the year	–	16,648	–	746,433	763,081
Equity-settled share award arrangements	2,344	–	–	–	2,344
Dividends declared	–	–	–	(311,186)	(311,186)
Transfer to statutory reserves	–	–	74,643	(74,643)	–
At 31 December 2024	3,809,341	72,004	253,816	947,130	5,082,291

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.