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

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司 招银国际 CMB INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOC INTERNATIONAL DBS

Joint Bookrunners and Joint Lead Managers

農銀國際 ABC INTERNATIONAL BNP PARIBAS

Joint Lead Manager

元庫證券 Silverbricks Securities

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**232,547,600 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**23,254,800 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**209,292,800 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$19.96 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005%, and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**2245**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or about Thursday, November 24, 2022 and, in any event, not later than Wednesday, November 30, 2022. The Offer Price will be not more than HK$19.96 per Offer Share and is currently expected to be not less than HK$15.60 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, November 30, 2022 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Overall Coordinators, may, for themselves and on behalf of the Underwriters, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK$15.60 to HK$19.96 per Offer Share) at any time prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.lygend.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated and a substantial majority of our business is located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulatory Overview" in this prospectus and in Appendix V and Appendix VI to this prospectus.

Prior to making an investment decision, prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.lygend.com**). If you require a printed copy of this document, you may download and print from the website addresses above.

November 21, 2022

Your application through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Lygend Resources & Technology Co., Ltd. (Stock Code 2245)
(HK$19.96 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
200	4,032.24	5,000	100,805.83	80,000	1,612,893.35	2,000,000	40,322,333.72
400	8,064.47	6,000	120,967.00	90,000	1,814,505.01	3,000,000	60,483,500.58
600	12,096.70	7,000	141,128.17	100,000	2,016,116.68	4,000,000	80,644,667.44
800	16,128.93	8,000	161,289.33	200,000	4,032,233.37	5,000,000	100,805,834.30
1,000	20,161.17	9,000	181,450.50	300,000	6,048,350.06	6,000,000	120,967,001.16
1,200	24,193.41	10,000	201,611.67	400,000	8,064,466.75	7,000,000	141,128,168.02
1,400	28,225.63	20,000	403,223.34	500,000	10,080,583.43	8,000,000	161,289,334.88
1,600	32,257.87	30,000	604,835.01	600,000	12,096,700.11	9,000,000	181,450,501.74
1,800	36,290.10	40,000	806,446.68	700,000	14,112,816.80	10,000,000	201,611,668.60
2,000	40,322.34	50,000	1,008,058.35	800,000	16,128,933.49	11,627,400(1)	234,421,951.55
3,000	60,483.50	60,000	1,209,670.02	900,000	18,145,050.18		
4,000	80,644.67	70,000	1,411,281.68	1,000,000	20,161,166.86		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.lygend.com**.*

	Date[1]
Hong Kong Public Offering commences	9:00 a.m. on Monday, November 21, 2022
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, November 24, 2022
Application lists open[3]	11:45 a.m. on Thursday, November 24, 2022
Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Thursday, November 24, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close[3]	12:00 noon on Thursday, November 24, 2022
Expected Price Determination Date[5]	Thursday, November 24, 2022
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on our website at **www.lygend.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Wednesday, November 30, 2022

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

• in the announcement to be posted on our website and the website of the Stock Exchange at **www.lygend.com** and **www.hkexnews.hk**, respectively	Wednesday, November 30, 2022
• from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	8:00 a.m. on Wednesday, November 30, 2022 to 12:00 midnight on Tuesday, December 6, 2022

• from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from	Wednesday, November 30, 2022 to Monday, December 5, 2022 (except Saturday, Sunday and Hong Kong public holidays)
H Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before(7)(9)	Wednesday, November 30, 2022
White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before(8)(9)	Wednesday, November 30, 2022
Dealings in the H Shares on the Stock Exchange expected to commence at	9:00 a.m. on Thursday, December 1, 2022

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 24, 2022, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares — Applying through the CCASS EIPO Service" in this prospectus.

(5) The Price Determination Date is expected to be on or around Thursday, November 24, 2022 and, in any event, not later than Wednesday, November 30, 2022. If, for any reason, we do not agree with the Overall Coordinators (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Wednesday, November 30, 2022, the Global Offering will not proceed and will lapse.

(6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.

(7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details or prior to the receipt of H Share certificates or the Share certificates becoming valid do so entirely at their own risk.

(8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications, and also in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application. Part

of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or H Share certificates in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, November 30, 2022 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through CCASS EIPO service should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies — Personal Collection — (ii) If you apply through the CCASS EIPO service" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

H Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies".

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the GREEN Application Form to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by us, the Relevant Persons, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.lygend.com, does not form part of this prospectus.

CONTENTS

CONTENTS

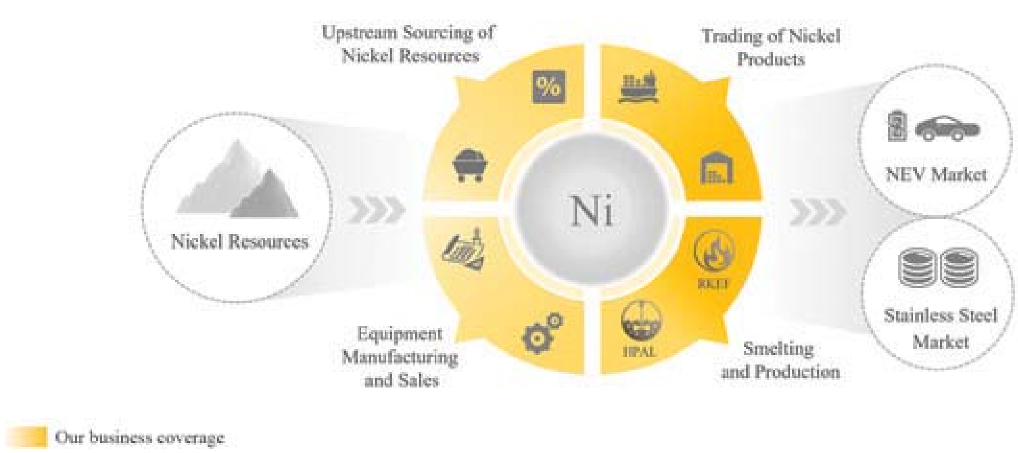
This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a company with business across the entire nickel industry value chain. We are engaged in both the trading and the production of nickel products. For nickel product trading, we ranked first globally in terms of nickel product trading volume in 2021, and first in China in terms of nickel ore trading volume in 2021, with a market share of 26.8% in 2021, according to the CIC Report. For nickel product production, the HPAL project (the "**HPAL project**") on the Obi Island, Indonesia, which we have jointly developed with our Indonesian Partner, is one of the most technically advanced nickel-cobalt compound hydrometallurgy projects worldwide, and has the lowest cash cost among all nickel-cobalt compound production projects worldwide, according to the CIC Report.

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

The following diagram illustrates our main businesses:



During the Track Record Period, our financial results demonstrated our robust business operation capabilities. While our financial performance was temporarily affected by the Indonesian government's export ban on nickel ore implemented in January 2020 (see "— Indonesian

Government's Export Ban on Laterite Nickel Ore" for more details), our revenue and net profit quickly recovered in 2021, primarily due to (i) increases in the average selling prices and sales volume of nickel ore and ferronickel for our trading business, and (ii) revenue and net profit contribution from HPL to our trading business and production business since the commencement of production of phase I of the HPAL project in May 2021. Our revenue and net profit increased significantly in the six months ended June 30, 2022 compared to the same period in 2021, primarily because we began to generate revenue from the sales of our self-produced nickel-cobalt compounds since November 30, 2021 as a result of our consolidation of HPL. As a result of the foregoing, in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue was RMB9,347.4 million, RMB7,755.2 million, RMB12,449.3 million, RMB4,088.3 million and RMB9,978.3 million, respectively, and our net profit was RMB566.7 million, RMB518.3 million, RMB1,260.0 million, RMB89.0 million and RMB2,289.6 million, respectively. See "Financial Information — Results of Operations" for more details.

Our Business Model

We generate revenues primarily from the trading and production of nickel products, and to a lesser extent, equipment manufacturing and sale, and other businesses.

Trading of nickel products. Our journey in the nickel industry started from the trading of nickel products. We have been engaged in the trading of nickel products since our inception in 2009. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, nickel product trading contributed 69.5%, 64.5%, 70.4%, 70.1% and 42.1% of our revenues, respectively. Although we generated a majority of our revenue from the trading of nickel products for most of the Track Record Period, we have been actively expanding our nickel product production business in the past few years. Please see "Business — Production of Nickel Products" for more details.

- ***Nickel ore trading***. We are China's largest trading company of nickel ore. We primarily trade laterite nickel ore (with nickel content ranging from 0.6% to 1.8%) sourced from nickel mining companies in the Philippines and Turkey.

- ***Ferronickel trading***. We also have extensive experience in the trading of ferronickel (with nickel content ranging from 8% to 14%) from Indonesian ferronickel manufacturers.

- ***Nickel-cobalt compound trading***. Between June 2021 and November 2021 and before our consolidation of HPL (a 54.9% non-wholly owned subsidiary of our Company) on November 30, 2021, we also purchased nickel-cobalt compound products from HPL, the project company of phases I and II of the HPAL project. See "— Production of nickel products — Nickel-cobalt compound production" below for more details.

Production of nickel products. With the deep industry experience we have accumulated from the trading of nickel products over the years, we have also tapped into and are actively expanding our presence in the production of ferronickel and nickel-cobalt compounds. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, nickel product production contributed 25.2%, 21.2%, 19.7%, 19.4% and 49.6% of our revenues, respectively. Our nickel product production business is expected to contribute a significant portion of our revenue going forward when the Obi projects are expected to achieve full scale operation.

- ***Ferronickel production***. Our manufacturing facilities in Suqian, Jiangsu Province, China (the "**Jiangsu Facilities**") have three production lines, which produce ferronickel using the Rotary Kiln-Electric Furnace process (the "**RKEF process**"), the mainstream process for nickel pyrometallurgy. The aggregate designed production capacity of our Jiangsu Facilities is 18,000 metal tons of ferronickel per annum. In addition, we and our Indonesian Partner are jointly developing the RKEF project on the Obi Island, North Maluku, Indonesia (the "**RKEF project**" and together with the HPAL project, the "**Obi projects**"), a nickel pyrometallurgy project using the RKEF process. The RKEF project is in the process of constructing 20 ferronickel production lines which have commenced/are expected to commence production between the fourth quarter of 2022 and July 2024, with an aggregate designed production capacity of 280,000 metal tons of ferronickel per annum. The RKEF project ranked third among all projects utilizing the RKEF process that have commenced production or are under construction in Indonesia, with a market share of 15.6% in terms of annual designed production capacity as of the Latest Practicable Date; among all projects utilizing the RKEF process that have commenced production or under construction globally, the RKEF project has a market share of 9.0% in terms of annual designed production capacity as of the Latest Practicable Date. Phase I of the RKEF project is operated by HJF, in which we hold a 36.9% equity interest, and phase II of the RKEF project is operated by KPS, in which we hold a 65.0% equity interest.

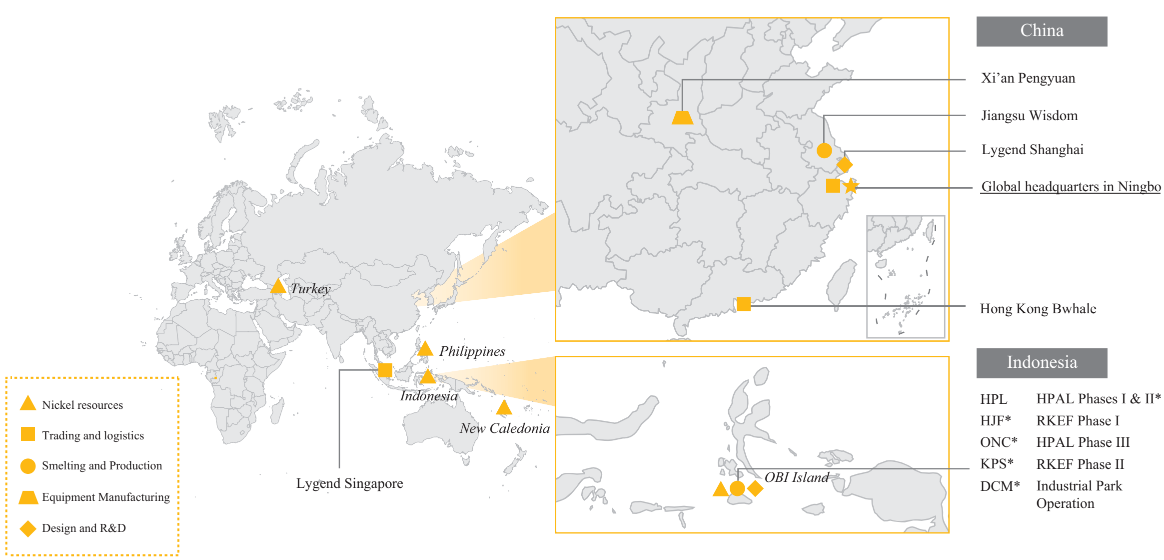
- ***Nickel-cobalt compound production***. As of the Latest Practicable Date, the HPAL project on the Obi Island, which we have jointly developed with our Indonesian Partner, had two nickel-cobalt compound production lines that have commenced production, with an aggregate designed production capacity of 37,000 metal tons of nickel cobalt compounds (including 4,500 metal tons of cobalt) per annum. The remaining four nickel-cobalt compound production lines of the HPAL project, with an aggregate designed production capacity of 83,000 metal tons of nickel cobalt compound per annum (including 9,750 metal tons of cobalt), are expected to commence production between December 2022 and December 2023. Among all nickel hydrometallurgy projects utilizing the High Pressure Acid Leach process (the "**HPAL process**") that have commenced production or under construction in Indonesia, the HPAL project has the largest annual designed production capacity, with a market share of 34.3% as of the Latest Practicable Date. Among all nickel hydrometallurgy projects utilizing the HPAL process that have commenced production or under construction globally, the HPAL project has the largest annual designed production capacity, with a market share of 17.1% as of the Latest Practicable Date. Phases I and II of the HPAL project is operated by HPL. Prior to November 29, 2021, we held 36.9% equity interest in HPL, the project company of phases I and II of the HPAL project, and purchased nickel-cobalt compound products from HPL. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and have since November 30, 2021 treated HPL as one of our subsidiaries, consolidating its financial results into our consolidated financial statements. Phase III of the HPAL project is operated by ONC, in which we hold a 60.0% equity interest.

We have been, and will continue to be, primarily responsible for the operation of the Obi projects, including the project planning and design, the construction of the production lines and other facilities, the purchase of relevant equipment, and the day-to-day operation of the facilities, production activities, research and development and product sales.

Equipment manufacturing and sale. We have further expanded our business operations to the manufacturing of equipment used in the production of nickel products. During the Track Record Period, we procured key equipment from third parties and exported to HPL and HJF according to the design of the Obi projects. We also manufactured various machinery and equipment used in the production of nickel products, which were sold to HPL, HJF and third parties. Equipment manufacturing and sale contributed 4.5%, 13.2%, 8.1%, 8.6% and 6.7% of our revenues in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Others. We also generate a small portion of revenue from the provision of other products and services, primarily including (i) sale of wastes and provision of related services, (ii) vessel sublease, and (iii) sale of auxiliary materials to HJF, primarily including semi-coke and coke.

Geographic Reach of Our Main Business Operations



In 2019, 2020 and 2021, nickel product trading contributed a majority of our total revenues. With the acquisition of HPL in November 2021 and the production lines under the HPAL and RKEF projects gradually commencing operation, our nickel product production business is expected to contribute a significantly higher portion of our total revenue starting 2022. Based on our current estimation of (i) the market demand for nickel products and (ii) the production output of the Obi projects, once the Obi projects achieve full scale operation, revenue generated from our nickel product production business is expected to contribute more than 70% of our total revenue; within the nickel product production segment, more than 95% of our nickel product production revenue is expected to be generated from the Obi projects, with the remainder from our Jiangsu Facilities. As our nickel product production business has relatively higher margin (16.8%, 23.0%, 25.6%, 12.0% and 51.0% in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively) than that of our nickel product trading business (8.8%, 9.6%, 8.4%, 7.4% and 10.3% in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively), and the gross margin of nickel-cobalt compound production is even higher than that of ferronickel production, our overall profit margin and net profit is also expected to experience a significant increase. This increased emphasis on our nickel product production business will also lead to (i) changes in our cost structure, including but not limited to an increase in costs of raw materials and ancillary materials used in nickel product production, increased depreciation of production equipment, and increased labor costs as we recruit additional staff for our production and related activities, and (ii) changes in our asset-liability profile, including an increase in property, plant and equipment related to our production facilities, and increased borrowings in relation to the ongoing construction of our production projects.

In addition, this increased emphasis on our nickel product production business may expose us to a variety of risks and challenges, including but not limited to operational, regulatory and other risks related to doing business in Indonesia, our ability to maintain strong relationship with customers and suppliers for our production business, and growth in downstream demand for our nickel-cobalt compound products. See "Risk Factors — Risks Related to Our Business and Industry — Our nickel product production business is expected to contribute a significantly higher portion of our revenue going forward, particularly with the acquisition of HPL. This increased emphasis on our nickel product production business may have a material impact on results of operations and expose us to additional risks and challenges" for more details.

Revenue by Business Segment

The following table sets forth a breakdown of our revenue by business segment, in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(Unaudited)*	*(%)*	*RMB'000*	*(%)*
Nickel Product Trading										
Laterite nickel ore	5,121,164	54.8	3,126,720	40.3	4,780,838	38.4	1,683,474	41.2	2,311,259	23.1
Ferronickel	1,377,120	14.7	1,878,785	24.2	2,739,369	22.0	1,047,751	25.6	1,898,965	19.0
Nickel-cobalt compounds(1)	—	—	—	—	1,250,856	10.0	136,551	3.3	—	—
Subtotal	6,498,284	69.5	5,005,505	64.5	8,771,063	70.4	2,867,776	70.1	4,210,224	42.1
Nickel Product Production										
Ferronickel	2,357,449	25.2	1,642,049	21.2	1,538,886	12.4	793,323	19.4	983,785	9.9
Nickel-cobalt compounds(1)	—	—	—	—	909,611	7.3	—	—	3,966,929	39.7
Subtotal	2,357,449	25.2	1,642,049	21.2	2,448,497	19.7	793,323	19.4	4,950,714	49.6
Equipment Manufacturing and Sale										
Revenue from HPL and HJF(2)	383,553	4.1	912,436	11.8	885,760	7.1	301,552	7.3	621,509	6.2
Revenue from independent third parties	33,302	0.4	107,796	1.4	117,632	1.0	51,996	1.3	49,866	0.5
Subtotal	416,855	4.5	1,020,232	13.2	1,003,392	8.1	353,548	8.6	671,375	6.7
Others	74,846	0.8	87,388	1.1	226,366	1.8	73,639	1.9	145,970	1.6
Total	**9,347,434**	**100.0**	**7,755,174**	**100.0**	**12,449,318**	**100.0**	**4,088,286**	**100.0**	**9,978,283**	**100.0**

Notes:

(1) Prior to November 29, 2021, we held 36.9% equity interest in HPL, the project company of phases I and II of the HPAL project, and purchased nickel-cobalt compound products from HPL. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and has since November 30, 2021 treated HPL as one of our subsidiaries, consolidating its financial results into our consolidated financial statements. As such, our nickel product production business has started to generate revenue from the sale of nickel-cobalt compound products produced by the HPAL project since November 30, 2021.

(2) Following the consolidation of HPL's financial results into our consolidated financial statement after November 30, 2021, revenue from our sale of machinery and equipment to HPL has been eliminated as intra-group transactions. However, given that (i) this segment is not our strategic focus, and (ii) revenue generated from this segment accounted for a small percentage of our total revenue during the Track Record Period, and is expected to further decrease going forward, the consolidation of HPL is not expected to have any material adverse effect on our operations. See "Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Revenue" for more details.

Please refer to "Financial Information — Results of Operations" for a discussion on the fluctuation of our revenue during the Track Record Period.

Revenue by Geographic Region

The following table sets out a breakdown of our revenue by geographic region (primarily based on shipping destination), each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Years ended December 31,						**Six months ended June 30,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Greater China Area										
Mainland China	7,611,512	81.4	6,648,087	85.7	10,379,462	83.4	3,606,910	88.3	7,788,705	78.1
Hong Kong	—	—	—	—	58,853	0.5	14,188	0.3	20,174	0.2
Taiwan	601,767	6.4	—	—	402,333	3.2	—	—	—	—
	8,213,279	87.9	6,648,087	85.7	10,840,648	87.1	3,621,098	88.6	7,808,879	78.3
South Korea	746,971	8.0	188,030	2.4	633,096	5.1	145,245	3.6	1,010,280	10.1
Indonesia	387,184	4.1	919,057	11.9	887,027	7.1	301,552	7.4	664,138	6.7
Malaysia	—	—	—	—	—	—	—	—	460,284	4.6
Others[(1)]	—	—	—	—	88,547	0.7	20,391	0.4	34,702	0.3
Total	**9,347,434**	**100.0**	**7,755,174**	**100.0**	**12,449,318**	**100.0**	**4,088,286**	**100.0**	**9,978,283**	**100.0**

Note:

(1) Including United Arab Emirates, Singapore and British Virgin Islands.

Please refer to "Financial Information — Revenue — Revenue by Geographic Region" for a discussion on the fluctuation of our revenue by geographic region during the Track Record Period.

Revenue by Downstream Application

The following table sets forth a breakdown of our revenue generated from nickel product trading and nickel product production businesses, which are our core businesses, by downstream application, in absolute amount and as a percentage of the total revenue generated from these two business segments, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*
							(Unaudited)			
Stainless steel industry[(1)]	8,855,733	100.0	6,647,554	100.0	9,059,093	80.7	3,524,548	96.3	5,194,009	56.7
NEV industry[(2)]	—	—	—	—	2,160,467	19.3	136,551	3.7	3,966,929	43.3
Total	**8,855,733**	**100.0**	**6,647,554**	**100.0**	**11,219,560**	**100.0**	**3,661,099**	**100.0**	**9,160,938**	**100.0**

Notes:

(1) Representing revenues from sales of laterite nickel ore and ferronickel in our trading business and sales of ferronickel in our production business.

(2) Representing revenues from sales of nickel-cobalt compounds in our trading and production business.

In 2019 and 2020, we primarily generated revenue from selling nickel products in our trading business and ferronickel in our production business to downstream customers in the stainless steel industry. We started to generate revenue from the sale of nickel-cobalt compounds to downstream customers in the NEV industry since the two production lines of phase I of the HPAL project commenced production in May 2021. Our revenue generated from the sale of nickel-cobalt compounds to downstream customers in the NEV industry has increased rapidly since our consolidation of HPL (the project company of phases I and II of the HPAL project) in November 2021.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
							(Unaudited)			
Nickel Product Trading										
Laterite nickel ore	528,430	10.3	448,244	14.3	660,472	13.8	203,690	12.1	334,515	14.5
Ferronickel	46,527	3.4	31,897	1.7	76,123	2.8	9,031	0.9	101,154	5.3
Nickel-Cobalt compounds	—	—	—	—	3,145	0.3	352	0.3	—	—
Subtotal	574,957	8.8	480,141	9.6	739,740	8.4	213,073	7.4	435,669	10.3
Nickel Product Production										
Ferronickel	395,718	16.8	378,078	23.0	249,885	16.2	95,358	12.0	121,876	12.4
Nickel-Cobalt compounds	—	—	—	—	376,758	41.4	—	—	2,402,188	60.6
Subtotal	395,718	16.8	378,078	23.0	626,643	25.6	95,358	12.0	2,524,064	51.0
Equipment Manufacturing and Sale	44,260	10.6	89,168	8.7	111,608	11.1	29,970	8.5	114,631	17.1
Others	3,166	4.2	5,272	6.0	37,937	16.8	14,487	19.7	9,838	6.7
Total gross profit	**1,018,101**	**10.9**	**952,659**	**12.3**	**1,515,928**	**12.2**	**352,888**	**8.6**	**3,084,202**	**30.9**

The fluctuations in our gross profit during the Track Record Period were generally in line with the fluctuations in our revenue, and the fluctuations in our gross profit margin during the Track Record Period were generally in line with the fluctuations in the average selling price of our nickel products. Our gross profit and gross profit margin were significantly higher in the six months ended June 30, 2022, primarily due to (i) we began to generate revenue from the sale of self-produced nickel-cobalt compounds, which had higher profit margins compared to self-produced ferronickel, since November 30, 2021 as a result of our consolidation of HPL, and (ii) we recorded higher gross profit and gross profit margins for our trading and production businesses during the six months ended June 30, 2022, primarily due to higher average selling price of our nickel products, which was as a result of an increase in nickel price due to market growth and an unprecedented price spike in the LME nickel price attributable to the geo-political conflict in early 2022. For details, see "Risk Factors — Risks relating to Our Business and Industry — We are exposed to market fluctuations of prices of nickel, nickel products and other related products." Please refer to "Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Gross Profit and Gross Profit Margin" for a detailed discussion on the fluctuation of our gross profit and gross profit margin during the Track Record Period.

Sales Volume and Average Selling Price of Our Products

The table below sets forth the sales volume and average selling price for our nickel product trading and production businesses, which are our core businesses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Volume (tons[(1)])	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*
Nickel Product Trading										
Laterite nickel ore	17,633,427	0.3	10,677,613	0.3	11,655,645	0.4	4,619,619	0.4	4,803,604	0.5
Ferronickel	14,500	95.0	20,694	90.8	24,975	109.7	10,621	98.6	13,059	145.4
Nickel-Cobalt Compounds	—	—	—	—	7,721	116.3	956	111.4	—	—
Nickel Product Production										
Ferronickel	25,353	93.0	17,969	91.4	14,606	105.4	8,259	96.1	7,603	129.4
Nickel-Cobalt Compounds	—	—	—	—	5,185	119.2	—	—	19,779	148.0

Note:

(1) consistent with industry practice, "tons" refers to metric tons for laterite nickel ore, and metal tons for ferronickel and nickel-cobalt compounds.

We determine the prices of our nickel products generally based on factors such as the prevailing market prices of similar-grade nickel products, market demand, prices of downstream products and our costs and expenses.

During the Track Record Period, the fluctuations in sales volume of our nickel products were primarily affected by factors including (i) downstream customer demand, the fluctuation of which generally led to fluctuation in the sales volume of our nickel products, (ii) COVID-19 outbreak, which adversely affected the sales volume of our nickel ore trading business in 2020 and the sales volume of our self-produced ferronickel in the six months ended June 30, 2022, and (iii) Indonesian government's export ban, which adversely affected our nickel ore trading volume in 2020 but had a positive impact on the sales volume of ferronickel for our trading business in 2020 and 2021. The sales volume of our nickel products was also affected by (i) the commencement of production of the HPAL project in May 2021, as a result of which we sold nickel-cobalt compounds for our trading business between May 2021 and November 2021 and self-produced nickel-cobalt compounds since November 2021, (ii) the temporary shut-down of our Jiangsu Facilities in September 2021 due to power shortage, which adversely affected the sales volume of our self-produced ferronickel in 2021, (iii) our consolidation of HPL since November 2021, as a result of which we began to sell self-produced nickel-cobalt compounds since November 2021, and (iv) our disposal of Xiangxiang Enterprise in 2020, which led to a decrease in our sales volume of self-produced ferronickel in 2020.

The fluctuations in the average selling prices of our nickel products were generally in line with the fluctuations in the prevailing market prices of these products. For more details, see "Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Sales Volume and Average Selling Price of Our Products".

OUR COMPETITIVE STRENGTHS

We believe our following core competitive strengths have contributed to our success and differentiated us from our competitors.

- We Have Formed a Complete Industry Ecosystem Centered Around Nickel Resources;
- We Are Well-positioned to Significantly Benefit from the Rapid Growth of Demand in Various Downstream Sectors;
- Through Breakthroughs in Key Processes and Techniques, We Have Achieved First-mover Advantages and Developed the Lowest Cash Cost Nickel-cobalt Compound Production Project Worldwide;
- We Maintain a Long-term, Stable Supply of Core Upstream Resources;
- We Have Formed Long-term Cooperation with a High-quality Customer Base; and
- Experienced Management Team and Comprehensive Talent Incentive Mechanism.

OUR GROWTH STRATEGIES

We strive to strengthen our leading position in the global nickel industry and to further expand and deepen our business across the industry value chain. We plan to achieve our goals by pursuing the following major strategies:

- Expanding Upstream Resource Channels and Seeking High-quality Nickel Mine Investment Opportunities;
- Completing and Expanding Our Nickel Product Production Projects and Seizing Growth Opportunities in Downstream Industries;
- Enhancing Research and Development Capabilities and Promoting Technological Innovation; and
- Creating a More Open and Robust Nickel Resource Ecosystem.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of smelting and refining companies and stainless steel manufacturers in the stainless steel industry, as well as smelting and refining companies and ternary battery material manufacturers in the NEV industry. Revenue contributed by our largest customer in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB2,767.8 million, RMB1,288.3 million, RMB1,545.3 million and RMB1,177.0 million and accounted for 29.6%, 16.6%, 12.4% and 11.8% of our revenue for the respective periods; and revenue contributed by our five largest customers in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB5,179.8 million, RMB4,179.3 million, RMB4,984.0 million and RMB4,047.4 million and accounted for 55.4%, 53.9%, 40.0% and 40.6% of our revenue for the respective periods. See “Business — Customers.”

Our suppliers primarily include suppliers for laterite nickel ore, ferronickel, production equipment, logistics services, electricity, coals and other raw materials and ancillaries supplies. Purchases from our largest supplier in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB986.8 million, RMB1,415.7 million, RMB3,850.8 million and RMB1,806.4 million and accounted for 12.0%, 21.4%, 35.0% and 21.1% of our total purchase for the respective periods, while purchases from our five largest suppliers in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB2,922.2 million, RMB3,430.5 million, RMB6,137.0 million and RMB3,321.5 million and accounted for 35.4%, 51.8%, 55.8% and 38.8% of our total purchase for the respective periods. See “Business — Suppliers.”

COMPETITION

We compete with a number of Chinese and international nickel trading companies, mainly companies trading laterite nickel ore and ferronickel, and nickel product manufacturing companies, mainly companies producing ferronickel and nickel-cobalt compounds, including MHP, nickel sulfate and cobalt sulfate. For more information, see “Industry Overview.” We are confident that we are well positioned to compete against industry peers with our high-quality nickel products, strong technical innovation capabilities and entire industrial chain covering the trading and production of nickel products, equipment manufacturing and sale, and other relevant business segments.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. The details are set out in the section headed “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face are relating to:

- We are exposed to the market forces in the nickel industry.

- We are exposed to market fluctuations of prices of nickel, nickel products and other related products.

- We face risks in relation to our current and future production projects.
- We are subject to risks in connection with planned or future investments or acquisitions and may encounter difficulties in integrating the acquired assets into our existing business operations.
- Our businesses and operations require significant capital resources on an ongoing basis and we recorded net current liabilities and negative cash flows from operations during the Track Record Period.
- Our financial performance and results of operations may be materially and adversely affected by export bans and other trading restrictions. In particular, our business operations and financial performance were adversely affected by the Indonesian government's export ban on laterite nickel ore.
- We are subject to extensive environmental, chemical manufacturing, health and safety laws and regulations and production standards, and our compliance with these laws, regulations and standards may be onerous and costly.
- The Indonesian government may expand the scope of the nickel ore export ban to include downstream nickel products, or impose tariff or adopt other restrictive measures on the export of such products, which may materially and adversely affect our business.
- Our nickel product production business is expected to contribute a significantly higher portion of our revenue going forward, particularly with the acquisition of HPL. This increased emphasis on our product production business may have a material impact on our results of operations and expose us to additional risks and challenges.
- Factors that impact the NEV industry may materially and adversely affect our business, financial condition and results of operations.
- New legislations or changes in the PRC regulatory requirements regarding the end markets of our products, particularly the NEV market, may affect our business operations and prospects.
- Some of our major customers contributed a significant portion of our revenues during the Track Record Period while we typically do not enter long-term contracts with these customers. If these customers reduce or terminate business with us, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.
- We depend on a limited number of core suppliers for the supply of a substantial portion of laterite nickel ore and ferronickel. Our inability to obtain these raw materials from these suppliers or any increases in the price of such raw materials could have a material adverse effect on our business, financial condition and results of operations.

- Our business operation in Indonesia is subject to various risks, including the evolving regulatory environment and perceived prevalence of corruption and bribery.

- We are exposed to risks associated with our overseas operations.

LEGAL AND COMPLIANCE

As of the Latest Practicable Date, there was no material litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

SUMMARY FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss

The following table sets forth a summary, as extracted from Appendix IA to this prospectus, of our consolidated results of operations in absolute amounts. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	**9,347,434**	**7,755,174**	**12,449,318**	**4,088,286**	**9,978,283**
Cost of sales	(8,329,333)	(6,802,515)	(10,933,390)	(3,735,398)	(6,894,081)
Gross profit	1,018,101	952,659	1,515,928	352,888	3,084,202
Other income and gains	70,946	122,406	424,900	56,108	108,924
Selling and distribution expenses	(55,869)	(50,128)	(124,124)	(23,346)	(43,170)
Administrative expenses	(132,547)	(174,178)	(301,134)	(110,342)	(480,192)
Impairment losses on financial assets, net	(812)	115	(4,172)	(1,581)	(2,685)
Other operating expenses	(13,812)	(40,232)	(91,944)	(57,639)	(111,330)
Finance costs	(66,559)	(42,176)	(79,325)	(25,466)	(108,517)
Share of profits and losses of associates	(34,352)	(68,063)	99,008	(52,975)	(54,713)
Profit before tax	**785,096**	**700,403**	**1,439,137**	**137,647**	**2,392,519**
Income tax expense	(218,370)	(182,065)	(179,174)	(48,691)	(102,896)
Profit for the year/period	**566,726**	**518,338**	**1,259,963**	**88,956**	**2,289,623**
Profit attributable to:					
Owners of the parent	565,584	520,156	1,099,508	86,053	1,350,119
Non-controlling interest	1,142	(1,818)	160,455	2,903	939,504
	566,726	**518,338**	**1,259,963**	**88,956**	**2,289,623**

Other income and gains primarily consists of (1) government grants, (2) bank interest income, (3) investment income from financial assets at fair value through profit or loss and changes in fair value of financial assets at fair value through profit or loss, primarily related to wealth management products and futures products purchased by us, (4) gain on disposal of Xiangxiang Enterprise, a subsidiary of ours, (5) gain on step acquisition of subsidiaries, (6) net foreign exchange gains, and (7) changes in fair value of financial assets at fair value through profit or loss. Other income and gains increased by 72.5% from RMB70.9 million in 2019 to RMB122.4 million in 2020, primarily due to (i) a RMB38.0 million increase in government grants, and (ii) a RMB33.1 million increase in net exchange gains, primarily due to the appreciation of the RMB against U.S. dollars. Other income and gains increased significantly from RMB122.4 million in 2020 to RMB424.9 million in 2021, primarily attributable to our gains of RMB282.6 million in the step acquisition of subsidiaries and increase of RMB20.9 million in government grants. Other income and gains increased by 94.1% from RMB56.1 million in the six months ended June 30, 2021 to RMB108.9 million in the same period of 2022, primarily attributable to our gains of RMB44.3 million from the change in fair value of the hedging instrument recognized under HPL's interest rate swap agreement.

Share of profits and losses of associates primarily represents our share of profits and losses of HPL (which used to be our associate until it became our subsidiary on November 30, 2021) and HJF. We recorded share of profits of associates of RMB99.0 million in 2021, compared to share of losses of associates of RMB68.1 million in 2020 and RMB34.4 million in 2019, primarily because HPL began to generate revenue by selling nickel-cobalt compound products in 2021. Share of losses of associates increased by 3.3% from RMB53.0 million in the six months ended June 30, 2021 to RMB54.7 million in the same period of 2022, which was primarily due to increased losses incurred by HJF, as the RKEF project has not yet commenced production.

Our profit for the year decreased by 8.5% from RMB566.7 million in 2019 to RMB518.3 million in 2020, primarily due to: (i) a 23.0% decrease in revenue generated from our trading business, primarily as a result of (a) Indonesian government's export ban on nickel ore, and (b) a significant decrease in nickel price and customer demand in early 2020 due to the COVID-19 outbreak, (ii) a 31.4% increase in administrative expenses from RMB132.5 million in 2019 to RMB174.2 million in 2020, primarily due to an increase in staff costs and tax fees, as our business continued to grow, and (iii) a significant increase in other operating expenses from RMB13.8 million in 2019 to RMB40.2 million in 2020, primarily attributable to increase in our donations related to epidemic preventions. Our profit for the year increased by 143.1% from RMB518.3 million in 2020 to RMB1,260.0 million in 2021, primarily as a result of: (i) increase in revenue from all business segments, (ii) we recorded share of profits of associates of RMB99.0 million in 2021, compared to share of losses of associates of RMB68.1 million in 2020, as HPL began to generate revenue by selling nickel-cobalt compound products in 2021, and (iii) our other income and gains increased significantly from RMB122.4 million in 2020 to RMB424.9 million in 2021, primarily attributable to our gains of RMB282.6 million in acquisition of HPL and increase of RMB20.9 million in government grants. We recorded profit for the period of RMB2,289.6 million in the six months ended June 30, 2022, compared to RMB89.0 million in the same period of 2021, primarily due to a significant increase in revenue generated from our production business from RMB793.3 million in the six months ended June 30, 2021 to RMB4,950.7 million in the same period of 2022. This increase was primarily due to the commencement of sale of nickel-cobalt compound products produced by HPL.

Summary of Consolidated Statements of Financial Positions

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	1,324,981	1,679,358	7,637,849	9,560,098
Current assets	3,075,888	2,201,084	4,643,551	7,559,230
Current liabilities	3,239,237	2,476,915	3,496,180	5,356,962
Net current (liabilities)/assets	(163,349)	(275,831)	1,147,371	2,202,268
Non-current liabilities	14,743	11,472	3,611,563	3,980,595
Net assets	1,146,889	1,392,055	5,173,657	7,781,771

We had net current liabilities of RMB163.3 million and RMB275.8 million as of December 31, 2019 and 2020, respectively, primarily due to our interest-bearing bank and other borrowings amounting to RMB1,493.9 million and RMB1,024.5 million as of the same dates, respectively. We had net current assets of RMB1,147.4 million as of December 31, 2021. This change in our financial position was primarily attributable to our acquisition of HPL in November 2021, which led to a RMB1,156.4 million increase in cash and cash equivalents, and a RMB578.3 million increase in inventories. Our net current assets increased from RMB1,147.4 million as of December 31, 2021 to RMB2,202.3 million as of June 30, 2022, primarily due to (i) an increase of RMB1,546.1 million in cash and cash equivalents; (ii) an increase of RMB841.0 million in trade and bills receivables; and (iii) an increase of RMB253.8 million in inventories, partially offset by an increase of RMB1,426.0 million in interest-bearing bank and other borrowings. See "Financial Information — Working Capital" for more details.

With our revenue continues to increase and our close monitoring of receivables and payables with our customers and suppliers, we expect to continue to record net current assets in the near future.

Our net assets increased by 21.4% from RMB1,146.9 million as of December 31, 2019 to RMB1,392.1 million as of December 31, 2020, primarily attributable to our profit for the year of RMB518.3 million in 2020. Our net assets increased significantly from RMB1,392.1 million as of December 31, 2020 to RMB5,173.7 million as of December 31, 2021, primarily attributable to (i) acquisition of subsidiaries of RMB2,448.6 million in 2021, which was related to our acquisition of HPL, (ii) profit for the year of RMB1,260.0 million in 2021, and (iii) issue of shares of RMB687.0

million in 2021, which was related to capital injection from our shareholders. This increase was partially offset by our declaration of dividends of RMB845.8 million in 2021. Our net assets increased from RMB5,173.7 million as of December 31, 2021 to RMB7,781.8 million as of June 30, 2022, primarily attributable to profit for the period of RMB2,289.6 million in the six months ended June 30, 2022.

Summary of Consolidated Cash Flow Statements

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Net cash (used in)/from operating activities	(361,524)	889,307	811,321	(454,286)	1,646,522
Net cash used in investing activities	(971,492)	(364,796)	(643,300)	(379,460)	(1,845,021)
Net cash from/(used in) financing activities	1,287,416	(453,180)	997,235	966,620	1,679,830
Net (decrease)/increase in cash and cash equivalents	**(45,600)**	**71,331**	**1,165,256**	**132,874**	**1,481,331**
Cash and cash equivalents at beginning of year/period	233,687	188,399	256,903	256,903	1,413,298
Effect of foreign exchange rate changes, net	312	(2,827)	(8,861)	(1,199)	64,762
Cash and cash equivalents at the end of year/period	**188,399**	**256,903**	**1,413,298**	**388,578**	**2,959,391**

We experienced a net operating cash outflow of RMB361.5 million and RMB454.3 million in 2019 and the six months ended June 30, 2021, respectively, compared to net operating cash inflow of RMB889.3 million, RMB811.3 million and RMB1,646.5 million in 2020, 2021 and the six months ended June 30, 2022, respectively. The net operating cash outflow in 2019 was primarily due to a RMB808.3 million increase in trade and bills receivables, which was primarily as a result of increased sales in late 2019, as our customers increased their nickel ore purchases in anticipation of the Indonesian government's export ban. The net operating cash outflow in the six months ended June 30, 2021 was primarily due to a RMB636.9 million increase in trade and bill receivables and a RMB216.6 million increase in inventories as a result of our increased sales.

With our revenue continues to increase and our close monitoring of receivables and payables with our customers and suppliers, we expect to continue to record operating cash inflow in the near future.

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios as of the dates or for the periods indicated.

	Years ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Profitability:					
Gross profit margin[(1)]	10.9%	12.3%	12.2%	8.6%	30.9%
Net profit margin[(2)]	6.1%	6.7%	10.1%	2.2%	22.9%
Rates of return:					
Return on average assets[(3)]	16.3%	12.5%	15.6%	N/M[(8)]	N/M[(8)]
Return on average equity[(4)]	56.5%	40.8%	38.4%	N/M[(8)]	N/M[(8)]
Liquidity:					
Gearing ratio[(5)]	1.3	0.7	0.9	N/A	0.8
Current ratio[(6)]	0.9	0.9	1.3	N/A	1.4
Quick ratio[(7)]	0.8	0.7	1.0	N/A	1.2

Notes:

(1) Gross profit margin equals gross profit divided by total revenue during the year/period, multiplied by 100%.

(2) Net profit margin equals net profit divided by total revenue during the year/period, multiplied by 100%.

(3) Return on average assets ratio equals net profit divided by average assets during the year/period, multiplied by 100%.

(4) Return on average equity ratio equals net profit divided by average equity during the year/period, multiplied by 100%.

(5) Gearing ratio equals total interest-bearing bank borrowings divided by total equity.

(6) Current ratio equals total current assets divided by total current liabilities.

(7) Quick ratio equals total current assets less inventories divided by total current liabilities.

(8) These ratios are not meaningful as numbers for the period are not comparable to the numbers for the year.

See "Financial Information — Key Financial Ratios" for more information.

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Cai, one of the executive Directors, the chairman of the Board and the founder of our Company, will hold approximately 59.65% interest in our Company consisting of (i) approximately 26.88% direct interest; (ii) approximately 32.70% indirect interest through Lygend Investment, a company controlled by Mr. Cai; and (iii) approximately 0.06% indirect interest through Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Xie Wen (謝雯), the spouse of Mr. Cai, will also hold approximately 1.99% interest in our Company.

Accordingly, Mr. Cai, and Lygend Investment will be our Controlling Shareholders immediately after the Listing, together with Ms. Xie Wen and Ningbo Lizhan who will be presumed to be part of the group of controlling shareholders of our Company. For further details of our Controlling Shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Pre-IPO Investment

The Pre-IPO Investor invested in our Company through subscription for increased registered capital of our Company. For further details of the identity and background of the Pre-IPO Investor, please refer to the subsection headed "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — (5) Pre-IPO Investment" in this prospectus.

LISTING EXPENSES

Our listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Based on the mid-point of the indicative Offer Price range for the Global Offering and assuming the Over-allotment Option is not exercised, our listing expenses are estimated to be approximately RMB153.8 million (HK$170.1 million), accounting for approximately 4.1% of the gross proceeds from the Global Offering. This includes (i) underwriting-related expenses, including underwriting commission and other expenses, of approximately RMB93.5 million (HK$103.4 million), and (ii) non-underwriting-related expenses of approximately RMB60.3 million (HK$66.7 million), comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately RMB38.7 million (HK$42.7 million), and (b) other fees and expenses of approximately RMB21.7 million (HK$24.0 million).

During the Track Record Period, we incurred RMB33.9 million of listing expenses, of which RMB2.6 million was charged to our consolidated statements of profit or loss and other comprehensive income and RMB31.3 million will be deducted from equity. We expect to incur additional expenses of approximately RMB177.6 million after June 30, 2022 of which RMB8.8 million is expected to be charged to our consolidated statements of profit or loss and RMB168.8 million is directly attributable to the issue of the shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard.

The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operation.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering had been completed and 232,547,600 new Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised.

	Based on an indicative price per Offer Share of HK$15.60	Based on an indicative price per Offer Share of HK$19.96
Our market capitalization(1)	HK$24,184.9 million	HK$30,944.3 million
Unaudited pro forma consolidated adjusted net tangible assets to equity shareholders of our Company per Share(2)	HK$5.05	HK$5.68

Notes:

(1) The calculation of market capitalization is based on 1,550,316,350 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible asset per Share as at June 30, 2022 is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

FUTURE PLANS AND USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$17.78 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$3,964.6 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 56.4% of our total estimated net proceeds, or HK$2,236.0 million, will be used for the development and construction of our nickel product production projects on the Obi Island, including phase III of the HPAL project and phase II of the RKEF project;

- approximately 24.0% of our total estimated net proceeds, or HK$951.5 million, will be used to contribute additional capital to CBL, our joint venture with Contemporary Amperex Technology Co., Limited ("CATL"), which will be focused on projects across the NEV battery value chain;

- approximately 9.6% of our total estimated net proceeds, or HK$380.6 million, will be used for potential minority investments in nickel mines in Indonesia. As of the latest Practical Date, we have not entered into any binding commitment, whether oral or written, for any business or asset acquisitions; and

- approximately 10.0% of our total estimated net proceeds, or HK$396.5 million, will be used for our working capital and general corporate purposes.

For further details, please see the section headed "Future Plans and Use of Proceeds".

DIVIDENDS

We declared dividends of RMB300.0 million, RMB190.0 million and RMB845.8 million in 2019, 2020 and 2021, respectively, all of which have been fully paid as of June 30, 2022. We did not have any fixed dividend payout ratio during the Track Record Period, and may not have any fixed dividend payout radio in the near future. Subsequent to December 31, 2021 and as of the Latest Practicable Date, we have not declared any additional dividends. Pursuant to relevant PRC laws and regulations applicable to us, we are required to set aside a certain amount of our accumulated after tax profits each year, if any, to fund statutory reserves. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. See "Financial Information — Dividends" for more information.

INDONESIAN GOVERNMENT'S EXPORT BAN ON LATERITE NICKEL ORE

Indonesia aims to encourage investments in the construction of local production facilities to produce refined goods that help create more jobs and improve the country's trade position. Specifically, Indonesia banned exports of nickel ore in both 2014 (which was temporarily relaxed in 2017) and 2019 (with the ban announced in August 2019 and took effect on January 1, 2020) as it seeks to preserve Indonesia's nickel ore resource and develop a full nickel supply chain. According to Imran Muntaz & Co., our Indonesian legal advisor, based on Ministry of Energy and Mineral Resources Regulation No. 25 Year 2018 on Mineral and Coal Mining Business, as amended by Ministry of Energy and Mineral Resources Regulation No. 11 Year 2019 and Ministry of Energy and Mineral Resources Regulation No. 17 Year 2020, (i) the export ban is limited to nickel ore and does not apply to downstream products produced from nickel ore, such as ferronickel and nickel-cobalt compounds. As such, we may freely export the nickel products produced by the Obi projects; and (ii) the export ban also does not restrict us from procuring nickel ore from local suppliers for purposes of producing downstream products in Indonesia. As advised by our Indonesian legal advisor, the export ban has not been lifted, relaxed, or expanded as of the Latest Practicable Date.

The Indonesian government's export ban is mainly imposed to incentivize and encourage the investment in, and the development of, Indonesia's downstream nickel industry value chain, such as the production of downstream nickel products. By imposing an export ban on nickel ore, the Indonesian government is effectively requiring nickel product manufacturers to produce the downstream nickel products in Indonesia, thereby contributing to local employment and economic growth. However, these downstream nickel products cannot be consumed by the local Indonesian market due to limited local demand, and will need to be sold in overseas markets. As such, extending the export ban to the downstream nickel products would contradict with the underlying policy goal intended by the export ban. Based on the foregoing, Imran Muntaz & Co. is of the view that the likelihood that the Indonesian government will extend the export ban to other nickel products is remote.

Our business operations, financial performance and results of operations in 2020 were adversely affected by the export ban. In 2019, 34.8% of nickel ore for our trading business and 55.5% of nickel ore for our ferronickel production were procured from Indonesia. As a result of the export ban, we could no longer procure nickel ore from Indonesia, and had to increase our procurement of nickel ore from the Philippines, New Caledonia and other countries and regions. As it took some time for us to secure a significantly higher volume of nickel ore in these other countries and regions, our business operations and financial performances for both our trading and production businesses were negatively affected. In particular:

- ***Nickel product trading***: the sales volume of nickel ore for our trading business decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020, and revenue generated from our trading business decreased by 23.0% from RMB6,498.3 million in 2019 to RMB5,005.5 million in 2020.

- ***Ferronickel production***: the Indonesian export ban has also affected our ferronickel production business. Prior to 2020, we primarily procured nickel ore from Indonesia for our Jiangsu Facilities' ferronickel production. Because of the export ban, we have been procuring nickel ore for our Jiangsu Facilities' ferronickel production from the Philippines, New Caledonia and other countries and regions since 2020. Specifically, we increased the portion of nickel ore procured from the Philippines while decreasing the portion of nickel ore procured from New Caledonia in 2021 primarily due to cost considerations, as the procurement price of nickel ore from the Philippines is significantly lower than that from New Caledonia. As the nickel ore from the Philippines is of relatively lower nickel content, the average nickel content of the nickel ore used in our ferronickel production decreased accordingly, resulting in a 19.8% decrease in our ferronickel production output in terms of metal tons from 2020 to 2021. Partially as a result of the foregoing, our ferronickel production revenue decreased by 6.3% from 2020 to 2021. Please refer to "Business — Indonesian Government's Export Ban on Laterite Nickel Ore" for more details.

Both our trading and production businesses have recovered from the negative impact of the export ban since 2021:

- ***Nickel product trading***: the sales volume of nickel ore for our trading business increased by 9.2% from 10,677,613 metric tons in 2020 to 11,655,645 metric tons in 2021, as (i) we managed to procure a higher volume of nickel ore for our trading business from the Philippines in 2021 at a generally lower price than that from Indonesia prior to the export ban (in 2021, we purchased 11.5 million metric tons of nickel ore, or 98.4% of total nickel ore we procured for our trading business for the same period, from the Philippines, compared to 10.2 million, or 95.3% of total nickel ore we procured for our trading business for the same period, in 2020), and (ii) there was increased customer demand, due to the steady growth of the stainless steel industry. Our ferronickel trading business was not affected by the export ban and experienced an increase in sales volume from 2020 to 2021 as well. In addition, as phase I of the HPAL project commenced production in May 2021, we also generated revenue from the trading of nickel-cobalt compounds produced by the HPAL project between May and November 2021 (until HPL became one of our consolidated subsidiaries). As a result, revenue generated from our trading business increased by 75.2% from RMB5,005.5 million in 2020 to RMB8,771.1 million in 2021.

- ***Nickel product production***: despite the fact that our ferronickel production business was adversely affected by the export ban in 2021 as discussed above, revenue generated from our overall nickel production business increased by 49.1% from RMB1,642.0 million in 2020 to RMB2,448.5 million in 2021. The increase was primarily because we began to generate revenue from the sales of self-produced nickel-cobalt compounds produced by our Obi projects (which directly source nickel ore in Indonesia from our Indonesian Partner and therefore are not affected by the export ban) since November 30, 2021. Once the Obi projects achieve full scale operation, it is estimated that more than 95% of our nickel product production revenue will be generated from the Obi projects, and as such the impact of the export ban on our production business is expected to be minimal.

In addition, according to Imran Muntaz & Co., our Indonesian legal advisor, as of the Latest Practicable Date, the export ban (i) is limited to nickel ore and does not apply to downstream products produced from nickel ore, such as ferronickel and nickel-cobalt compounds, and (ii) does not restrict us from procuring nickel ore from local suppliers for purposes of producing downstream products in Indonesia. Moreover, as of the Latest Practicable Date, our Indonesian legal advisor is not aware of any plan by the relevant Indonesian authorities to modify or expand the scope of export ban. As such, as of the Latest Practicable Date, our trading activities of ferronickel in Indonesia and production activities of ferronickel and nickel-cobalt compounds in Indonesia are not, and will not likely be, materially and adversely affected by Indonesia's export ban. However, we cannot assure you the Indonesian government will not extend its export ban to other nickel products. See "Risk Factors — Risks Relating to Our Business and Industry — The Indonesian government may expand the scope of the nickel ore export ban to include downstream nickel products, or impose tariff or adopt other restrictive measures on the export of such products, which may materially and adversely affect our business" for more details.

See "Business — Indonesian Government's Export Ban on Laterite Nickel Ore" and "Financial Information — Effects of Indonesian Government's Export Ban on Our Financial Condition and Results of Operations" for more details.

COVID-19 OUTBREAK

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. More recently, there have been regional outbreaks of COVID- 19 variants including Delta and Omicron. In particular, the Omicron variant is a recent emergence which is significantly more infectious than its predecessors. The resurgence in case number caused by Omicron variant has led to a new round of restrictive measures in various degrees in countries and regions where we operate, and has created uncertainties for the outlook of relaxing the governments' restrictive measures and our business operations in affected countries and regions.

Partly as a result of the COVID-19 outbreak, our business operations and financial performance in 2020 were temporarily and adversely affected. In particular, demand for laterite nickel ore for our trading business, the average selling price of ferronickel for our trading business and our Jiangsu Facilities' ferronickel production were affected, and the construction schedule of our HPAL and RKEF projects on the Obi Island was delayed, as a result of the COVID-19 outbreak. Reduced transportation capacities and rising shipping costs also prolonged our average shipping duration and shipping costs, contributing to an increase in our costs of operation. However, our business operations have recovered from the COVID-19 outbreak and the impact of the recent resurgences of cases caused by the COVID-19 variants on our business operations and financial performance has been limited. Please refer to "Financial Information — Effects of the COVID-19 Pandemic on Our Results of Operations" for more details.

To the best knowledge of our Directors, as of the Latest Practicable Date, there had not been any COVID-19-related breach or cancelation of our material contracts, material issues with collection of customer receivables, or disputes with major customers. After considering (i) our robust financial performance and key operational indicators (such as trading volume and production output) during the Track Record Period, (ii) the construction schedule of our Obi projects has not experienced significant delays as of the Latest Practicable Date, (iii) our long-term and stable relationships with both our major suppliers and customers, and (iv) the nature, scale and the increasingly diversified coverage of our business operations, both in terms of business segment and geographic reach, our Directors are of the view that the COVID-19 pandemic has not, and is not expected to have, any material adverse impact on our operations or financial performance.

Continuance or recurrence of the COVID-19 outbreak in China, the Philippines, Indonesia or other parts of the world may materially and adversely affect our business operations. For more details, please see "Risk Factors — Risks relating to Our Business and Industry — Our business operations and financial performance have been and may continue to be affected by the COVID-19 pandemic."

OUR ACQUISITION OF HPL

HPL was established by our Company and our Indonesian Partner as a joint venture company in July 2018. In November 2021, we made a strategic decision to increase our aggregate shareholding in HPL from 36.9% to 54.9% through our acquisition of Kang Xuan from Feng Yi, an entity affiliated with our Indonesian Partner. Such acquisition to achieve a majority stake in HPL has enabled us to consolidate HPL into our Group and exercise a greater control over HPL, which operates expanding production lines for nickel-cobalt compounds, and thereby produces a synergistic effect with our Group's business in the nickel industry value chain.

For details of the above acquisition, please refer to the subsection headed "History, Development and Corporate Structure — Strategic Acquisitions" in this prospectus. For the pre-acquisition financial information on HPL from the commencement of the Track Record Period to the date of acquisition, please refer to the subsection headed "Financial Information — Financial Information of HPL" and Appendix IB to this prospectus.

OUR ESG POLICIES

We are subject to the relevant laws and regulations, as well as the relevant risks, regarding environmental protection and climate-related matters, occupational health and safety, and social and corporate governance matters promulgated in the jurisdictions in which we operate our business. To comply with such requirements, address the relevant risks and reduce our impact on the environment, we have adopted a number of measures and practices.

During the Track Record Period, we primarily implemented the following measures to address our ESG-related risks and ensure our compliance with applicable ESG-related laws and regulations in the jurisdictions we operate:

- we assigned different departments or responsible persons to manage ESG-related matters at the operational level and regularly monitor ESG indicators, industry trends, and ESG-related (including climate change) risks and opportunities;

- as a company engaged in production business, we closely monitor the level of our emissions of certain pollutants and greenhouse gases, as well as our consumption of energy and utility, including for our Jiangsu Facilities and the Obi projects. We have implemented various measures and practices and set quantitative targets to reduce these emissions and consumption; and

- we also closely monitor our labor practice, and have implemented systems and procedures addressing matters related to occupational health and safety.

Looking forward, we are committed to establishing an ESG committee under the Board of Directors at the Group level with clear terms of reference. We also target to formulate the Group's ESG management system in accordance with the Listing Rules Appendix 27, the Environmental, Social and Governance Reporting Guide, to clearly define the division of duties of each department, and to effectively manage ESG-related and climate-related risks and opportunities. We are also committed to achieving our targets to reduce emission level and consumption of utility and energy. See "Business — Environmental, Occupational Health and Safety" for more details.

RECENT DEVELOPMENTS

Certain Updates on Our Operational and Financial Performance

Based on our management accounts, our total revenue and gross profit in the nine months ended September 30, 2022 significantly increased from that of the same period in 2021. Such increase was attributable to the continued growth of both our trading and production businesses. In particular, the year-over-year increase in revenue from our production business was primarily because the production lines of phase I of the HPAL project was not put into operation until May 2021, whereas these production lines operated at full capacity for the nine months ended September 30, 2022. For our trading business, because of the Indonesian government's export ban on nickel ore, we continued to procure a substantial majority of our nickel ore from the Philippines.

Our nickel product trading business continued to grow in the nine months ended September 30, 2022. In the nine months ended September 30, 2022, the sales volume of nickel ore for our trading business was over 8 million metric tons, reflecting an over 24% increase from the same period in 2021, and the sales volume of ferronickel for our trading business was over 24 thousand metal tons, reflecting an over 40% increase from the same period in 2021.

With respect to the Obi projects, as the two production lines of phase I of the HPAL project had reached full capacity by December 2021, the production volume of these production lines was 31,438.5 metal tons of nickel-cobalt compounds, and the utilization rate of these production lines for the nine months ended September 30, 2022 was 113.6%, higher than that of 2021 and the six months ended June 30, 2022, which was 86.0% and 112.2%, respectively. The utilization rates of these production lines exceeded 100% during the relevant periods primarily due to (1) higher recovery rate of nickel from laterite nickel ore that led to higher actual output volume of nickel-cobalt compounds in terms of metal ton and (2) longer uptime, both of which were primarily attributable to our technical expertise, optimization and improvement on the production equipment and processes, and the consistent quality of laterite nickel ore that HPL procured from our Indonesian Partner. For more details, see "Business — Production of Nickel Products — Production of Nickel-Cobalt Compounds — Production Capacity."

The remaining production lines and facilities of the Obi projects are being constructed on an ongoing basis. However, due to the COVID-19 outbreak and the delayed schedule in sending the required personnel and equipment to the construction sites, the operation commencement time for the nickel sulfate and cobalt sulfate production lines for phase I of the HPAL project, the production lines for phase II of the HPAL project and the production lines for phase I of the RKEF project has been delayed by six months, two months and four months, respectively, and the construction commencement time for phase III of the HPAL project has been delayed by two months. For details of the most updated timeline of the Obi projects, see "Business — Production of Nickel Products — Production Expansion Plan and Product Pipeline."

With respect to our Jiangsu Facilities, its total ferronickel production volume for the nine months ended September 30, 2022 was 10,694.14 metal tons of ferronickel, representing a utilization rate of 79.4%, slightly lower than that for the six months ended June 30, 2022 of 83.6%. The slight decrease in utilization rate was primarily due to local government's electricity rationing measures in response to Jiangsu province's power shortages caused by extreme heatwaves and droughts. As a result of such electricity rationing measures, our Jiangsu Facilities had to suspend production for certain time period of the day for 15 days, which may last from 1.5 hours to 14 hours per day. This led to a 27.3% decrease in its production volume from July 2022 to August 2022. However, the electricity rationing measures had limited impact on our results of operations and our operations were back to normal in September 2022: calculated using the average selling price of ferronickel in August 2022, our lost revenue due to such electricity rationing measures only accounted for less than 0.2% of our total revenue for the nine months ended September 30, 2022.

The Russia-Ukraine Conflict and LME Nickel Price Spike

The Russia-Ukraine tensions have accelerated in February 2022, following which countries and regions, including the U.S. and European countries, imposed various forms of economic sanctions on Russia, Russian entities and individuals, such as ban on the export of dual-use goods, Russian flights and all Russian oil and gas imports. In addition, in relation to the geo-political conflict, since early March 2022, there has been an unprecedented price spike in the LME nickel price, exceeding US$50,000 per ton. Despite the LME nickel price spike, our procurement prices of nickel ore have not experienced any significant fluctuation because there is no direct correlation between the procurement price of laterite nickel ore with the LME nickel price. This is because laterite nickel ore is a natural mineral resource and the content of nickel, water and other impurities contained in laterite nickel ore of different batches and origin could vary widely, directly affecting its selling price. As such, laterite nickel ore is not a standard commodity that can be traded on the spot market or exchanges. In addition, the impact of fluctuations in nickel prices on our business operations and financial performance has been limited during the Track Record Period, because we are generally able to pass on any increase in nickel ore procurement prices to our customers. Our average selling prices of nickel products had experienced a moderate increase following the price spike, leading to increased profitability. Gross profit margin for our nickel ore trading business increased from 12.1% in the six months ended June 30, 2021 to 14.5% in the same period of 2022. See "Business — Risk Management — Russia-Ukraine Conflict and LME Nickel Price Spike" for more details.

Recent Regulatory Developments

China

On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (collectively, the "**Draft Overseas Listing Regulations**") for public comments, both of which had a comment period that expired on January 23, 2022. The Draft Overseas Listing Regulations, if adopted in their current form, will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Our PRC Legal Advisor is of the view that, the Draft Overseas Listing Regulations were released only for soliciting public comments at this stage and their provisions and anticipated adoption or effective date are subject to changes, and thus their interpretation and implementation remain substantially uncertain.

Article 7 of the Provisions of the State Council on the Administration of the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) prohibits overseas offerings and listings under certain specified circumstances (the "**Forbidden Circumstances**"). Please see "Regulatory Overview — Overview of Laws and Regulations in the PRC — Industry Regulations — PRC Laws and Regulations on Overseas Listings" for more details. To our best knowledge and after our PRC Legal Advisor's due inquiry, we and our PRC Legal Advisor believe that we do not fall within any of the Forbidden Circumstances which would prohibit us from conducting overseas offering and listing under the Draft Overseas Listing Regulations. In the event that the Draft Overseas Listing Regulations are promulgated in their current form, subject to the specific filing procedures expected to be detailed in implementation rules subsequently, and the CSRC explicitly requires the application of such rules to the Company, we do not foresee any substantial legal impediment in obtaining the approval from and completing the filing procedures with the Draft Overseas Listing Regulations.

In addition, according to Article 6 of the Special Administrative Measures (Negative List) for the Foreign Investment Access (2021) (the "**2021 Negative List**") which took effect on January 1, 2022, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities. As confirmed by our PRC Legal Advisor, according to the 2021 Negative List, companies engaged in the trading and production of nickel products and equipment manufacturing and sales like us do not fall within the prohibited areas provided in the 2021 Negative List, and therefore the requirements stipulated in the aforementioned Article 6 are not applicable to us.

On the basis of the above and the due diligence conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors which would contradict the Directors' and the PRC Legal Advisor's views with regards to the recent regulatory developments in the PRC as disclosed above.

However, we cannot guarantee that new rules or regulations promulgated in the future, including without limitation to the Draft Overseas Listing Regulations, will not impose any additional requirements on us. Please see "Risk Factors — Risks Relating to Doing Business in the PRC — Relevant requirements of the State Council and the CSRC may have an uncertain impact on our Global Offering and future fundraising activities" for more details.

Indonesia

On October 29, 2021, the Indonesian Government enacted Law No. 7 of 2021 concerning Harmonization of Tax Regulations ("**Law No. 7/2021**"). In addition to stipulating certain new legal requirements concerning the various tax laws and regulations, the Indonesian government stipulates new provisions regarding carbon tax. As of the Latest Practicable Date, detailed guidance specifying the relevant carbon tax thresholds and the calculation of carbon tax was still being drafted, and it remains uncertain when such guidance will become available. As such, our Indonesian legal advisor and our Directors are of the view that whether any of our current or future Indonesian subsidiaries will be subject to carbon tax, and if so, the estimated amount of carbon tax that they will be incurring, remains uncertain. In September 2022, we conducted an interview with an account representative of KPP Madya Jakarta Pusat. According to our Indonesian legal advisor, Imran Muntaz & Co., KPP Madya Jakarta Pusat is the competent tax authority of our joint ventures in Indonesia and is the competent authority to consult these entities' carbon tax related matters with, and the account representative interviewed is competent and authorized to represent the authority in such matters. During the interview, the account representative confirmed that, as of the Latest Practicable Date, detailed guidance specifying the relevant carbon tax thresholds and the calculation of carbon tax was still being drafted, and it remains uncertain when such guidance will become available. Until such detailed guidance becomes available, we are not able to determine which of our joint venture entities in Indonesia will be subject to carbon tax or estimate the amount of potential carbon tax to be imposed. Once the Indonesian government provides clear guidance on the applicability of carbon tax, we will promptly estimate its potential impact and adjust our business operations to cope with the relevant legal and regulatory requirements. For further details on Law No. 7/2021, see "Regulatory Overviews — Overview of Laws and Regulations in Indonesia — Harmonization of Tax Regulations" for more details.

Although the detailed guidance on Indonesia's carbon tax regime has not been released, we are aware of a few non-official publicly available news and media reports that predict certain details under the carbon tax regime. For example, one of the sources predicted the potential way of calculating the carbon tax. Specifically, the emissions thresholds (the thresholds below which the emissions will not be subject to carbon tax) may be set at 0.918 tons of CO2e per megawatt hour for a power plant with a capacity above 400 MW, 1.013 tons of CO2e per megawatt hour for a power plant with a capacity between 100 MW to 400 MW and 1.094 tons of CO2e per megawatt hour for a mine-mouth plant with the same capacity. However, there is no assurance as to the accuracy of such publicly available news.

As of the Latest Practicable Date, two power plants with capacity of 30 MW each have been put into operation to supply the power usage of phase I of the HPAL project, and one of the four power plants with capacity of 150 MW each has been put into operation to supply the power usage of phase I of the RKEF project. In addition, one power plant with capacity of 60 MW is expected to be put into operation in December 2022 to supply the power usage of phase II of the HPAL project. As such, the capacity of the two power plants for phase I of the HPAL project and the capacity of the one power plant (which is currently under construction) for phase II of the HPAL project are below the capacity thresholds as mentioned in the news. While the capacity of the power plants for Phase I of the RKEF project is within the capacity thresholds as mentioned in the news, each of these power plants' emissions level is expected to be far below the emissions thresholds as mentioned in the news, which is 1.013 tons of CO2e per megawatt hour. As such, if the carbon tax is going to be implemented pursuant to the thresholds mentioned in the news, none of the power plants of the Obi projects are expected to be subject to such carbon tax.

Having taking into account that: (i) none of the power plants of the Obi projects are expected to be subject to carbon tax according to the thresholds set forth in the news, and (ii) power generation is not our main business operation, our Indonesian legal advisor is of the view that the carbon tax regime is not expected to pose any material adverse impact on our overall business operations and financial performance. However, we will continue to monitor regulatory updates and further assess the impact of the carbon tax regime as the relevant implementation details become available. We will make announcements and regular reporting in our future interim and annual reports in relation to the regulatory updates on the carbon tax and the impact of such carbon tax on our business operations and financial performance.

With the rising awareness of climate change and environmental protection, there may be more stringent regulations laws and regulations that may affect our business operations. Accordingly, we will need to devote more efforts and resources to ensure our compliance. We have in place and plan to further adopt a series of measures aiming to ensure our compliance of the applicable laws and regulations. See "Business — Risk Management — Legal and Compliance" for more information. We believe that our relevant risk management measures can effectively mitigate the relevant risks and help us navigate the complex regulatory environment.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, save as disclosed above, there has been no material adverse change in our financial performance or business operations since June 30, 2022, the end of the period reported on in the Accountants' Report set out in Appendix IA to this prospectus and there is no event since June 30, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix IA to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this prospectus.

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix IA to this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong (formerly known as the Financial Reporting Council of Hong Kong)
"Articles of Association" or "Articles"	the articles of association of our Company adopted on December 31, 2021 and which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix VI to this prospectus
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"Capital Market Intermediaries" or "capital market intermediary(ies)" or "CMI(s)"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CBL"	Contemporary Brunp Lygend Co., Ltd.（寧波普勤時代有限公司）, a limited liability company established in the PRC on October 19, 2020 in which our Company indirectly holds a 30.0% interest
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus and for geographical reference only, Hong Kong, Macau and Taiwan
"CIC"	China Insights Industry Consultancy Limited, our industry consultant, which is an Independent Third Party
"CIC Report"	an industry report issued by CIC, containing an analysis of the global and China nickel industry, as referred to in the section headed "Industry Overview" in this prospectus
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Lygend Resources & Technology Co., Ltd. (宁波力勤资源科技股份有限公司) (formerly known as Ningbo Lygend International Trade Co., Ltd. (宁波力勤国际贸易有限公司), Ningbo Lygend Mining Co., Ltd. (宁波力勤矿业有限公司) and Lygend Resources & Technology Co., Ltd. (宁波力勤资源科技开发有限公司)), a limited liability company established in the PRC on January 5, 2009 and converted into a joint stock limited liability company on September 16, 2021
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Cai, Lygend Investment, Ms. Xie Wen (謝雯) and Ningbo Lizhan
"COVID-19"	coronavirus disease 2019
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Domestic Shares"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB by domestic investors and are not listed on any stock exchange
"EIT"	enterprise income tax
"Employee Incentive Platforms"	Ningbo Litai, Ningbo Yangcheng, Ningbo Xinpan and Ningbo Yufeng, which are each Shareholders of our Company
"Extreme Conditions"	Any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
"Feng Yi" or "Pre-IPO Investor"	Feng Yi Pte. Ltd., a private limited company incorporated in Singapore on June 14, 2021 and our Pre-IPO Investor, details of

	which is set out in the subsection headed "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company — (5) Pre-IPO Investment" in this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries from time to time or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are to be listed on the Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HJF"	PT Halmahera Jaya Feronikel, a limited liability company established under the laws of Indonesia on December 12, 2019, and directly held as to 36.9% by our Company
"HK$" or "Hong Kong dollar(s)"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Bwhale"	Hong Kong Blue Whale International Limited (formerly known as Hong Kong Lygend International Limited), a limited company incorporated under the laws of Hong Kong on March 29, 2016 and a subsidiary wholly-owned by our Company
"Hong Kong Offer Shares"	the 23,254,800 H Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 18, 2022 relating to the Hong Kong Public Offering and entered into by, among other parties, our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters
"HPL"	PT Halmahera Persada Lygend, a limited liability company established under the laws of Indonesia on July 27, 2018, and directly and indirectly held as to 54.9% by our Company
"HPAL project"	a nickel product smelting project on the Obi Island, phases I-II of which are operated by HPL and phase III of which is operated by ONC
"IAS"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IDR"	Indonesian rupiah, the lawful currency of Indonesia
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
"Indonesia"	the Republic of Indonesia
"Indonesian Partner"	PT Trimegah Bangun Persada, a limited liability company established under the laws of Indonesia and a substantial shareholder of certain non-wholly owned subsidiaries of our Company, together with its associates

"International Offer Shares"	the 209,292,800 H Shares being initially offered in the International Offering together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S
"International Underwriters"	a group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among other parties, our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date
"Jiangsu Facilities"	Our manufacturing facilities in Suqian, Jiangsu Province, China
"Jiangsu Wisdom"	Jiangsu Wisdom Industrial Co., Ltd. (江蘇惠然實業有限公司), a limited liability company established in the PRC on March 21, 2011 and a wholly-owned subsidiary of our Company
"JLL"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer commissioned by us to conduct a valuation on the property interests held by our Group
"Joint Bookrunners"	the joint bookrunners as named in the "Directors, Supervisors and Parties Involved in the Global Offering" section of this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in the "Directors, Supervisors and Parties involved in the Global Offering" section of this prospectus
"Joint Lead Managers"	the joint lead managers as named in the "Directors, Supervisors and Parties involved in the Global Offering" section of this prospectus
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
"KPS"	PT Karunia Permai Sentosa, a limited liability company established under the laws of Indonesia on November 26, 2021, and indirectly held as to 65.0% by our Company

"Latest Practicable Date"	November 14, 2022, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Lida Logistics"	Ningbo Leda International Logistics Co., Ltd. (寧波勵達國際物流有限公司), a limited liability company established in the PRC March 17, 2021 and a subsidiary wholly-owned by our Company
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about December 1, 2022, on which the H Shares are listed on the Stock Exchange and from which dealings in the H Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"LME"	the London Metal Exchange, a futures and forwards exchange
"Lygend Investment"	Zhejiang Lygend Investment Co., Ltd. (浙江力勤投资有限公司), a limited liability company established in the PRC on April 19, 2010 controlled by Mr. Cai, and one of our Controlling Shareholders
"Lygend Shanghai"	Shanghai Lygend International Trade Co., Ltd. (上海力勤國際貿易有限公司), a limited liability company established in the PRC on June 11, 2018 and a subsidiary wholly-owned by our Company
"Lygend Singapore"	Lygend Resources Pte. Ltd., a private limited company incorporated under the laws of Singapore on August 16, 2018 and a subsidiary wholly-owned by our Company
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Cai"	Mr. Cai Jianyong (蔡建勇), our founder, one of our executive Directors, chairman of the Board and one of our Controlling Shareholders
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法) effective from January 1, 2008 as amended on December 29, 2018, and as amended, supplemented or otherwise modified from time to time
"Ningbo Huiran"	Ningbo Lygend Wisdom Co., Ltd. (寧波力勤惠然貿易有限公司), a limited liability company established in the PRC on June 7, 2017 and a wholly-owned subsidiary of our Company
"Ningbo Litai"	Ningbo Litai Enterprise Management Partnership (Limited Partnership) (寧波勵泰企業管理合夥企業（有限合夥）), a limited partnership established in the PRC on November 29, 2021, of which Ms. Fei Feng (費鳳) is the general partner, and one of our Employee Incentive Platforms
"Ningbo Lizhan"	Ningbo Lizhan Trade Co., Ltd. (宁波励展贸易有限公司), a limited liability company established in the PRC on July 30, 2021 and one of our Controlling Shareholders, which is in turn wholly-owned by Lygend Investment, another one of our Controlling Shareholders
"Ningbo Xinpan"	Ningbo Xinpan Enterprise Management Partnership (Limited Partnership) (寧波鑫盼企業管理合夥企業（有限合夥）), a limited partnership established in the PRC on November 29, 2021, of which Ms. Fei Feng (費鳳) is the general partner, and one of our Employee Incentive Platforms

"Ningbo Yangcheng"	Ningbo Yangcheng Enterprise Management Partnership (Limited Partnership) (寧波揚承企業管理合夥企業（有限合夥）), a limited partnership established in the PRC on November 29, 2021, of which Ms. Fei Feng (費鳳) is the general partner, and one of our Employee Incentive Platforms
"Ningbo Yufeng"	Ningbo Yufeng Enterprise Management Partnership (Limited Partnership) (寧波禹豐企業管理合夥企業（有限合夥）), a limited partnership established in the PRC on November 29, 2021, of which Ms. Fei Feng (費鳳) is the general partner, and one of our Employee Incentive Platforms
"Nomination Committee"	the nomination committee of the Board
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Obi Island"	the largest island among a group of islands in the Indonesian province of North Maluku, the place where our Company's HPAL project and RKEF project are located
"Obi projects"	HPAL project and RKEF project
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015%)
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
"ONC"	PT OBI Nickel Cobalt, a limited liability company established under the laws of Indonesia on August 26, 2021, and indirectly held as to 60.0% by our Company
"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 34,882,000 H Shares at the Offer Price to cover over-allocations in the International Offering, if any

"Overall Coordinators"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, which was last amended and became effective on October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《中國企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisor"	Zhejiang T&C Law Firm, our legal adviser on PRC laws
"Pre-IPO Investment"	the investment in our Company undertaken by the Pre-IPO Investor, the details of which are set out in the section headed "History, Development and Corporate Structure" in this prospectus
"Pre-IPO Share Incentive Scheme"	the pre-IPO share incentive scheme adopted by our Company on October 20, 2021, the principal terms of which are set out in the section headed "Statutory and General information — D. Share Incentive Scheme" in Appendix VII to this prospectus
"Price Determination Agreement"	the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about November 24, 2022, on which the Offer Price will be determined and, in any event, not later than November 30, 2022

"Property Valuation Report"	the text of a letter and valuation certificate from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, as set out in Appendix III to this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Underwriters, any of their or our Company's respective directors, officers or representatives or any other person involved in the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"RKEF project"	a nickel product smelting project on the Obi Island, phase I of which is operated by HJF and phase II of which is operated by KPS
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Share(s)"	share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen

"Singapore"	the Republic of Singapore
"SOE"	state-owned enterprise
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Track Record Period"	the period comprising the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Foreign Shares"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in a currency other than RMB by foreign investors and are not listed on any stock exchange
"Unlisted Shares"	Domestic Shares and Unlisted Foreign Shares
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States

"VAT"	value added tax
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xiangxiang Enterprise"	Suqian Xiangxiang Enterprise Co., Ltd (宿遷翔翔實業有限公司), a limited liability company established in the PRC on September 22, 2003, which is currently a wholly-owned subsidiary of Lygend Investment, one of our Controlling Shareholders
"Xi'an Pengyuan"	Xi'an Pengyuan Metallurgical Equipment Co., Ltd. (西安鵬遠冶金設備有限公司), a limited liability company established in the PRC on February 20, 2017 and directly held as to 70.0% by our Company

In this prospectus, the terms "associate", "close associate", "connected person", "connected subsidiary", "core connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

This glossary of technical terms contains definition of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"beneficiation"	a separation process by which valuable constituents of an ore is concentrated. This includes crushing, grinding, gravity concentration and flotation concentration, followed by processing activities such as smelting and refining
"cash cost"	in the context of nickel product production, refers to the costs of production per unit of output at site level
"CO_2e"	carbon dioxide equivalent, a metric measure used to compare the emissions from various greenhouse gases on the basis of their global warming potential, by converting amounts of other gases to the equivalent amount of carbon dioxide with the same global warming potential
"cobalt"	a chemical element with the symbol Co and atomic number 27
"cobalt sulfate"	an inorganic compound with the formula $CoSO_4$ that is soluble and red-colored. It is widely used as a raw material for producing NEV ternary battery
"coke"	a type of fuel for pyrometallurgy. It also can be used as a reducing agent in the production process if below required grade
"content"	the amount of a particular substance contained in the product
"cylinder mineral washer"	a machined used for ore washing, as a preparatory step before beneficiation
"electric arc furnace"	a machine that heats material by means of an electric arc
"ferronickel"	A ferroalloy that usually contains nickel and iron and can be used to produce stainless steel
"flue"	a duct or pipe for transmitting vapor from a machine, such as a furnace, to other machines or the outside of a building
"grade"	in the field of mining, refers to the concentration of metal in the ores

"High Pressure Acid Leach process" or "HPAL process"	a mainstream hydrometallurgical process that utilizes elevated temperatures, elevated pressures and sulfuric acid to separate nickel and cobalt from laterite nickel ores
"hydrometallurgy"	the technique or process of extracting metals involving the use of aqueous solutions
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**") is a professional code of practice that sets minimum standards for public reporting of minerals exploration results, mineral resources and ore reserves
"laterite nickel ore"	a major type of commercial nickel ore resources that can be used to produce nickel products through metallurgical processes
"lime"	a calcium-containing inorganic mineral that can be used as a raw material for production of nickel products
"limonite"	a type of nickel ore with nickel content typically ranging from 1.1% to 1.5%
"metal ton"	a unit of mass associated with the price of metal, often used in the price calculation of products containing metal elements. When used in this prospectus, "metal ton" refers to tons of nickel, unless otherwise specified
"metric ton"	a unit of weight equal to 1,000 kilograms. In the context of laterite nickel ore, metric ton refers to wet metric ton, which is a unit of weight equal to 1,000 kilograms that measures the actual weight of the laterite nickel ore, including the nickel content, associated metals, water and other impurities contained therein
"mixed hydroxide precipitate" or "MHP"	an intermediate product of laterite nickel ore processed by hydrometallurgy
"mixed sulfide precipitate" or "MSP"	an intermediate product of laterite nickel ore processed by hydrometallurgy
"NEV"	new energy vehicles, which typically include pure battery-powered electric vehicle and plug-in hybrid electric vehicle
"nickel"	a chemical element with the symbol Ni and atomic number 28

"nickel matte"	a smelter product that typically contains approximately 75% of nickel and is usually produced from laterite nickel ores by pyrometallurgy
"nickel sulfate"	an inorganic compound with the formula $NiSO_4$ that is soluble and blue-green-colored. It is widely used as a raw material for producing NEV ternary battery
"nickel-cobalt compound"	a chemical compound that includes nickel and/or cobalt, such as MHP, nickel sulfate and cobalt sulfate
"photovoltaic"	the conversion of light into electricity using semiconducting materials
"pyrometallurgy"	the treatment of ores at high temperature to effect their conversion to raw metals
"reserve"	the economically mineable part of a measured and/or indicated resource, including diluting materials and allowances for losses which may occur when the material is mined
"rotary kiln"	a machine used to raise materials to a high temperature in a continuous process
"Rotary Kiln-Electric Furnace process" or "RKEF process"	a mainstream pyrometallugical process that produces ferronickel from laterite nickels ore using rotary kiln and electric furnace
"saprolite"	a type of nickel ore with nickel content typically ranging from 1.5% to 2.1%
"semi-coke"	a new type of carbon material produced from high-quality Jurassic clean coal. It is a key raw material in the production of ferronickel that has gradually replaced metallurgical coke
"slag"	a waste product of various ores after going through metallurgical processes
"slurry"	a semi-liquid mixture typically with fine particles suspended in water
"stainless steel"	a group of ferrous alloys that, depending on their specific types, contain elements including chromium, nickel and others

"submerged arc furnace"	a machine that heats material by means of an electric arc, except that the arc is buried by the slag and charge and the arc is invisible
"sulfide"	a chemical compound of sulfur with another element
"tailings"	materials separated from the ore during the beneficiation process that contain relatively low useful content, which currently cannot be used for further production
"ternary battery"	a type of lithium battery that uses three metal oxides of nickel, cobalt and manganese as batteries' cathode material. The composition proportion of nickel, cobalt and manganese can be adjusted based on actual needs

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedules", "goal", "outlook" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain known and unknown risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and future developments, trends and conditions in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- the actions of and developments affecting our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors".

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking statement.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are expressly qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this document and, in particular, the risks and uncertainties described below, before making an investment in our H Shares. We are affected materially by requirements and restrictions that arise under laws, regulations, judicial interpretations and government policies in nearly all aspects of our businesses in the jurisdictions where we operate.

The risks described below are not the only risks that may affect us or our Global Offering. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, results of operations, financial condition and growth prospects. If any of the possible events described below occurs, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. The market prices of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to the market forces in the nickel industry.

We are exposed to the market forces in the nickel industry, including the current and expected demand and supply dynamics of nickel, which are primarily based on resources availability, discovery of new mines, stability of the global supply chain, competitive landscape of the nickel industry, end market demands for products in which nickel are used, technological developments, government policies and global and regional economic conditions.

Demand Side

The demand for our nickel products depends on factors such as the use of nickel in the end markets (including the NEV market and the stainless steel market), technological developments that could result in product or technological substitutions, changes in relevant laws, regulations and government policies, as well as general economic conditions. The demand in the end market in turns depend on the end products that our customers develop, produce and sell, the pace of industry acceptance and adoption of new technologies or standards. Any reduction in demand or activities in such industries could cause our customers to place fewer orders or reduce the volume of their orders, which could materially impact our business, financial condition and results of operations. If we fail to anticipate the industry trends of the end markets that we serve, our prospects may be materially and adversely affected.

The consumption of nickel increased from 1.0 million metal tons in 2016 to 1.4 million metal tons in 2021, representing a CAGR of 7.6% during the same period, driven by a number of end use applications, primarily including ternary battery and stainless steel, according to the CIC Report. However, we cannot assure you that the growth in demand of nickel in the end market can be sustained at a high rate, if at all, in the future. A number of factors which may be beyond our control can adversely and materially affect the growth in these end markets, including the introduction of new laws, regulations and policies, as well as the modification, amendment or repealing of existing ones, that can affect these end markets (including those that may have an indirect effect, such as policies on environmental protection and carbon emission reduction). For example, the Chinese government has introduced incentives to support the NEV industry, including a variety of benefits for NEV purchasers and subsidies for NEV manufacturers. However, if such a favorable policy changes or becomes abolished in the future, the NEV market's growth rate may be adversely and materially affected, which may in turn adversely impact the demand for nickel and nickel products. Similarly, if more cost-effective substitutes for nickel gain acceptance in the end markets, demand for nickel and nickel products may be adversely affected accordingly. If the growth in the end markets' demand for our nickel products slows down or stagnates, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Supply Side

We primarily procure our laterite nickel ore from the Philippines and ferronickel from Indonesia. The current or expected supply of nickel and ferronickel may fluctuate, depending on resource availability in the relevant markets, and this may result in our inability to procure nickel ore and ferronickel with high quality at competitive prices in a stable and predictable manner. For example, Indonesia imposed export bans on laterite nickel ore in 2014 and 2020, respectively, as a result of which we could no longer procure laterite nickel ore from Indonesia, and had to increase our procurement of laterite nickel ore from the Philippines. Our revenue in 2020 was in turn negatively affected. See "Financial Information" for more details. In the future, the Indonesian government may further impose restrictive measures on the export of ferronickel, including imposing tariffs, and any of such restrictive measures may have an adverse impact on our ferronickel trading business. The Philippines also implemented stricter environmental policies on producers of laterite nickel ore in 2016 to reduce the mining and export of laterite nickel ore. If the Philippines government adopts restrictive policies on laterite nickel ore exports similar to those adopted by the Indonesian government, or introduces more restrictive environmental protection policies to reduce the extraction and export of laterite nickel ore, our trading business may be materially and adversely affected.

Furthermore, our laterite nickel ore trade may be affected by seasonality. Due to the unique geographical conditions of the Philippines, during the annual rain season from late October to late March, mining and shipping of laterite nickel ore from certain major nickel mining areas in the Philippines may be significantly reduced. Accordingly, the export of laterite nickel ore from the Philippines during the same period every year are usually reduced, which in turn will affect the supply and demand dynamics and the prices of laterite nickel ore. In addition, despite our advanced planning, sudden and unexpected spike in the demand for laterite nickel ore may rapidly deplete our stock, rendering us unable to meet customers' demand. In addition, in recent years, the global climate changes have made extreme weathers more frequent, larger in scale and stronger in intensity. In the event the annual rainy season in the Philippines becomes prolonged or otherwise results in an overall decrease in the supply of laterite nickel ore, our procurement and export activities may be adversely affected.

The majority of laterite nickel ore from the Philippines are produced by only a few suppliers. As we are operating in a competitive landscape where existing competitors and new market entrants are constantly seeking sources of nickel ore, there is no assurance for us to be able to continue to secure high-quality nickel ore at relatively competitive costs. See "— We depend on a limited number of core suppliers for the supply of a substantial portion of laterite nickel ore and ferronickel. Our inability to obtain these raw materials from these suppliers or any increases in the price of such raw materials could have a material adverse effect on our business, financial condition and results of operations." In addition, the discovery and successful exploration of new nickel mines by new or existing competitors may affect the global nickel supply and the global prices of nickel, which in turn adversely affect the price of nickel products and our business. For example, new nickel mines are being explored in Latin America and Myanmar, which could provide additional sources of nickel at competitive cost to our competitors. This may affect the global nickel ore supply, the global prices of nickel ore and nickel products, and ultimately our businesses. See "— We are exposed to market fluctuations of prices of nickel, nickel products and other related products."

We are exposed to market fluctuations of prices of nickel, nickel products and other related products.

Changes in current and expected supply and demand of nickel, nickel products and other related products impact their price trends. In recent years, market prices for nickel, nickel products and other related products experienced fluctuations in various degrees. For example, the recent increase in the market price for nickel was primarily as a result of the fluctuations in market demands caused by the continuous outbreak of COVID-19, which in turn led to the increase in prices of nickel products and other related products. In general, the market price for nickel maintained an upward trend with slight fluctuations from 2016 to 2021. According to CIC, the annual average price of nickel increased from US$9,595.2 per metal ton in 2016 to US$18,487.7 per metal ton in 2021. The average price of nickel was US$28,744.9 per metal ton during the six months ended June 30, 2022.

Any significant decline in the prices of nickel, nickel products and other related products could materially and adversely affect our business, results of operations and financial condition. Other factors that may impact nickel prices include global economic growth, government policies, changes to the cost of production, including energy, raw material and labor costs, changes to freight costs, changes to exchange rates, capital availability, stockpiling of commodities and technological developments. There is no assurance that a fall in prices of nickel will not occur, which in turn could lead to the decrease in prices of nickel products and other related products. These factors may materially and adversely affect our business, results of operations, financial condition and prospects in various ways, including but not limited to the following:

- a significant or sustained reduction in nickel price could result in customers' unwillingness to honor their contractual commitments to purchase laterite nickel ore, ferronickel and other nickel products at pre-agreed pricing terms;

- a significant or sustained reduction in prices of nickel, nickel products and other related products could result in a reduction in our sales, profit and earnings;

- a significant or sustained reduction in nickel price could directly or indirectly result in write-downs to our assets, including our inventory and production lines;
- the production of our ferronickel and nickel-cobalt compounds may be curtailed or suspended if they are no longer economically viable; and
- a significant or sustained reduction in nickel price could make it more difficult for us to obtain financing and may increase the financing costs for our businesses.

On the other hand, in the event of a significant or sustained increase in prices of nickel, nickel products and other related products, customers may seek end product alternatives. For example, customers may choose alternative NEV batteries or other more affordable energy solutions to ternary battery, or increase the proportion of nickel resources acquired or extracted from the recycling and reuse of nickel products, all of which may reduce the demand for our nickel products. Consequently, the sales volumes of our nickel products may be materially and adversely affected. Even if our customers cannot find end product alternatives, they may still request us not to raise the price of our products. In the event we cannot transfer the high nickel price to our customers, our profit margin may be adversely affected. Any occurrence of the foregoing could materially and adversely affect our business, results of operations, financial condition and prospects.

The Russia-Ukraine tensions have accelerated in February 2022, following which countries and regions, including the U.S. and European countries, imposed various forms of economic sanctions on Russia, Russian entities and individuals, such as ban on the export of dual-use goods, Russian flights and all Russian oil and gas imports. In relation to the recent Russian-Ukraine conflict, since early March 2022, there has been an unprecedented price spike in LME nickel price, exceeding US$50,000/ton. The LME nickel price fluctuated within the price range of US$22,900 per ton to US$35,000 per ton in the second quarter of 2022. As a result, we have incurred losses, and may continue to incur losses, in our futures products. See "— Our results of operations and financial condition may be adversely affected by our purchase of derivative financial instruments. We may be exposed to fair value changes for financial assets at fair value through profit or loss" and "Business — Risk Management — Nickel Product Price Risk Management" for more details. If the LME nickel price continues to surge, we may incur additional losses in our futures products and our business and results of operations may be adversely affected.

We face risks in relation to our current and future production projects.

We face a number of risks, including the delayed or prolonged construction progress and project overspending, related to our current and future projects of nickel production, including the HPAL and RKEF projects currently under construction, in collaboration with our local partner in Indonesia. As of the Latest Practicable Date, for the HPAL project, we have two HPAL production lines in operation and another four HPAL production lines under construction and planning. We are also constructing, or will construct, nickel sulfate and cobalt sulfate production lines for the HPAL project. The production lines of the RKEF project, which we have jointly developed with our Indonesian Partner, have commenced/are expected to commence operation between the fourth quarter of 2022 and July 2024.

Our investments on the Obi Island are subject to a number of risks. Construction of production lines may take longer than scheduled as a result of various reasons, including the change of laws, regulations and policies by the Indonesian or local governments, the resurgence of COVID-19 (including its variants), any adverse change in the diplomatic relationship between China and Indonesia, and local protests and disputes. For example, the Indonesia government has imposed, and may continue to impose from time to time, quarantines and/or restrictive measures in response to the occurrence and resurgence of the COVID-19 outbreaks, including those caused by its variants. As a result, we were, and may continue to be, unable to transport to the Obi Island certain raw materials, machinery and equipment and personnel as required by our construction schedule, which has resulted in, and may continue to cause in the future, delays in our construction progress and increase in the cost of construction for both of the HPAL and RKEF projects.

Even when our construction of production lines for the HPAL and RKEF projects is complete, we cannot assure you that the ramp-up of production capacity and actual output of the nickel-cobalt compounds can meet our expectation as scheduled. In the event the increase in revenue from the production lines we constructed on the Obi Island fails to meet our expectation or it cannot cover the additional depreciation and operational expenses we expect to incur associated with these production lines, our profitability may be adversely affected.

Further, we have a significant number of Chinese employees based on the Obi Island and are in the process of hiring more local and Chinese employees to work in our manufacturing facilities as more production lines are put into operation. We cannot assure you that we can timely find a sufficient number of employees who can meet our requirements and maintain the necessary labor permits. If we face any shortage in manpower, our construction progress and production may be materially and adversely affected.

In addition, the construction and operation costs of projects on the Obi Island may be significantly higher than what we have expected. In particular, it is not uncommon in the past for other nickel production projects utilizing the HPAL process to have the costs and expenses of their construction and operation exceed — sometimes significantly exceed — what were planned previously. We may overestimate our abilities to tackle the technical challenges and difficulties involved in constructing and operating commercial-scale HPAL and RKEF production lines and we may also underestimate the shortage of local infrastructure, including utilities, roads, wharfs, and other supporting facilities on the Obi Island, resulting in overspending for our projects on the Obi Island. In addition, we may continue to invest in other nickel production projects in the future, the success of which depends on a number of reasons that may be beyond our control, including the construction progress of third-party construction service providers, whether we could obtain relevant permits, licenses and approvals from the relevant government authorities in a timely manner, if at all, local laws and regulations applicable to such projects, and availability of, and our accessibility to, government support (including subsidies and tax deductions). If we are unable to construct and operate our existing or future production lines as planned, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We are subject to risks in connection with planned or future investments or acquisitions and may encounter difficulties in integrating the acquired assets into our existing business operations.

As part of our expansion plan, we intend to continue to seek investment opportunities and acquire certain assets when suitable opportunities arise in the future. We do not have specific timetables for these plans and we cannot be certain that we will be able to identify additional suitable investments or acquisition candidates available for sale at reasonable prices to consummate any investment or acquisition or investment. In addition, we are subject to risks related to such investments and acquisitions and may encounter various risks in connection with integrating acquired assets into our existing business operations, many of which may be beyond our control.

Investments and/or acquisitions may expose us to a number of risks, undisclosed issues or legal liabilities, such as diversion of management attention from our existing business, potential loss of our key employees or the key employees of any business that we acquire, unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the investments and/or acquisitions, and decline in the value of invested/acquired assets or companies. These risks could cause us not to realize the benefits anticipated to result from the investments or acquisitions, and could have a material adverse effect on our ability to grow our business, financial condition and results of operations.

We are also exposed to various risks in connection with integrating acquired assets into our existing business operations. In November 2021, we indirectly acquired an additional 18% interest in HPL, a project company incorporated in Indonesia that owns three production lines under phases I and II of the HPAL project, and, as of the Latest Practicable Date, we held a total of 54.9% interest in HPL. We started to present the financial performance of HPL on a consolidated basis from the acquisition completion date. While we have been responsible for the design, construction and operation of the production lines under phases I and II of the HPAL project, as we became the controlling shareholder of HPL following the acquisition, we may need to make adjustments to certain aspects of its business operations as necessary. We cannot assure that that these changes will not affect the business operations of the production lines under phases I and II of the HPAL project during the transition period. In addition, the integration of HPL into our existing operations may be subject to unforeseeable delays or even the risk of failure due to various reason which may be beyond our control, including, among others, regulatory changes, discovery of unforeseen or hidden liabilities, and unforeseen difficulties in integrating HPL with our existing operational infrastructure. Such delays or failure in integration HPL may increase our integration costs, strain our production capacity at other locations, decrease our production efficiency, cause delays in delivery of customer orders, and divert our management attention and resources from our existing business. Our existing operations may also not be able to generate sufficient revenues to offset the costs and expenses in connection with the delays in, or failure of, integrating our acquisitions. Any difficulties encountered in the acquisition and integration process may have an adverse effect on our ability to manage our business and harm our results of operations, financial condition and prospects.

Our businesses and operations require significant capital resources on an ongoing basis and we recorded net current liabilities and negative cash flows from operations during the Track Record Period.

The operation of our business requires substantial capital and other long-term expenditures, including expenditures for maintaining processing and manufacturing plants, machinery and equipment in our Jiangsu Facilities in China and our two HPAL production lines that have been put into operation on the Obi Island, Indonesia. We further need to invest a significant amount of capital expenditures for constructing our remaining HPAL production lines and RKEF production lines on the Obi Island and for maintaining these production lines once they are put into operation. In the future, we may further from time to time require significant capital to build, maintain, operate and expand production facilities, purchase machinery and equipment, and develop new technologies and products. In 2019, 2020, 2021 and the six months ended June 30, 2022, our capital expenditures, comprised of (i) prepayments for property, plant and equipment, (ii) interests in associates, and (iii) interests in a joint venture, were RMB498.5 million, RMB686.8 million, RMB661.6 million and RMB1,680.0 million, respectively.

We recorded net current liabilities of RMB163.3 million, RMB275.8 million as of December 31, 2019 and 2020 and we recorded net current assets of RMB1,147.4 million and RMB2,202.3 million as of December 31, 2021 and June 30, 2022, respectively. We had net cash used in operating activities of RMB361.5 million in 2019. Please see "Financial Information — Working Capital" and "Financial Information — Liquidity and Capital Resources" for details. Having net current liabilities could constrain our operational flexibility, expose us to liquidity risk and adversely affect our ability to expand our business. When we construct new production facilities or expand production capacities, we expect to fund the related financial commitments and other capital and operating expenses from a combination of cash on hand, cash generated from operations, banking facilities and the proceeds from this Global Offering. We cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing at interest rates and on other terms that are reasonable to us or consistent with our expectations, if at all. To the extent we cannot finance our operations, expansions or acquisitions at reasonable costs, or at all, in the future, our business may be harmed. In addition, our expansion may require us to procure more raw materials, and as a result, during certain quarters we may incur higher working capital needs that may affect our working capital operation. We cannot assure you that we will not experience any higher working capital needs in the future, and our business, financial position, results of operations and prospects and working capital may be affected.

Our financial performance and results of operations may be materially and adversely affected by export bans and other trading restrictions. In particular, our business operations and financial performance were adversely affected by the Indonesian government's export ban on laterite nickel ore.

For our nickel product trading business, we procure laterite nickel ore primarily from the Philippines and ferronickel from Indonesia. For our nickel product production business, we procure laterite nickel ore, the raw material for our self-produced ferronickel, primarily from the Philippines and New Caledonia. The current or expected supply of nickel ore and ferronickel may fluctuate, depending on resource availability in the relevant markets, which in turn may be materially affected by governments policies on trading and export of the relevant products. This may result in our inability to procure nickel ore and ferronickel with high quality at competitive prices, with a sufficient quantity and in a stable and predictable manner.

In particular, our financial performance and results of operations in 2020 were adversely affected by the Indonesian government's export ban on laterite nickel ore starting January 1, 2020. In 2019, in terms of volume, 34.8% of nickel ore for our trading business and 55.5% of nickel ore for our ferronickel production were procured from Indonesia. As a result of the export ban, we could no longer procure nickel ore from Indonesia, and had to increase our procurement of nickel ore from the Philippines, New Caledonia and other countries and regions. As it took some time for us to secure a significantly higher volume of nickel ore in these other countries, our business operations and financial performances for both our trading and production businesses were negatively affected. See "Financial Information" for more details.

In addition, we also procure ferronickel for our trading business from Indonesia. For our production business, the HPAL project on the Obi Island has commenced producing nickel-cobalt compounds, and phase I of the RKEF project on the Obi Island will commence producing ferronickel between October and December 2022. We currently sell, and expected to sell, our products primarily to customers based in China. To the extent the Indonesian government further imposes restrictive measures on the export of nickel products produced using laterite nickel ore, including imposing tariffs, export quota or an outright export ban, our trading and production businesses may be materially and adversely affected. As a result, with respect to our trading business, we may need to procure ferronickel from other countries and regions, which may reduce our price-competitiveness and thus lower our revenue and profitability of our ferronickel trading business. With respect to the ferronickel and nickel-cobalt compounds under our production business, such restrictive measures may require us to produce the downstream products of ferronickel and nickel-cobalt products, which in turn may result in us incurring additional capital expenditure for the construction of the corresponding facilities. Any occurrence of the foregoing may materially and adversely affect our business operation, financial performance and prospects.

Furthermore, we cannot assure you that the Filipino government will not impose a similar export ban on laterite nickel ore in the future, in which event we may need to increase our procurement of laterite nickel from other countries and regions, such as Turkey, New Caledonia and Guatemala. We may not be able to procure laterite nickel ore from suppliers in these countries and regions with a sufficient quantity or on such terms favorable to us, if at all. Moreover, compared to the Philippines, these countries and regions are farther away from China where most of our customers are located, and we may need to incur higher transportation costs, which may reduce the price-competitiveness of our products. If this is to happen, our financial performance and prospects may be adversely affected.

More generally, our trading and production businesses, to the extent cross-border procurement and sales of goods and products are involved, may be affected by adverse changes and developments in trading restrictions, including both the restrictive measures by the exporting countries and trade protectionism and trade barriers by the importing countries. If such measures are introduced or imposed by the governments of countries and regions where our suppliers and customers are located, our overall trading and sales volume may be materially and adversely affected. As such, the financial performance of our businesses may be materially and adversely affected. Restrictive trade measures and trade protectionism may also bring volatility in the financial markets, which may slow down economic activities in our major markets and in turn adversely affecting our financial performance and business strategies in these markets.

We face competition in the nickel industry.

We trade laterite nickel ore (the raw material for the production of ferronickel and MHP) and ferronickel (used for the production of stainless steel); we primarily produce ferronickel, as well as MHP (mainly used in the production of NEV batteries).

We compete with a number of domestic and international companies for the relevant products. For our laterite nickel ore and ferronickel, we primarily compete with nickel product trading companies, while for our nickel-cobalt compound products, we primarily compete with other nickel-cobalt compound producers. Many of our competitors may have well-established market presence and reputation, more effective financing channels on the capital market, greater expertise and abilities in R&D, sales and marketing, establishing strategic partnerships with other companies throughout the industry value chain, recruiting, retaining and managing capable technical staff and talent, maintaining more effective communication channels with relevant regulatory authorities, and reaching a broader base of customers than we do. Mergers and acquisitions in nickel products trading and production industries may result in even more resources being concentrated among a small number of our competitors. If we fail to compete effectively, we may no longer be able to maintain our current market position, especially our market leadership position for nickel ore trading, in the future. As a result, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

In addition, our competitors, suppliers and customers may seek to extend their reach throughout the industry value chain, which in turn could intensify the competition in our industry. For example, some of our competitors and customers have started to construct nickel production projects utilizing the HPAL and/or RKEF processes in Indonesia. The products we plan to produce from our production lines may face direct and additional competition when our competitors' production lines are put into operation. Competition could have an adverse impact on the demand for, and pricing of, our nickel products, which in turn affects our business, results of operations, financial condition and growth prospects.

We are subject to extensive environmental, chemical manufacturing, health and safety laws and regulations and production standards, and our compliance with these laws, regulations and standards may be onerous and costly.

Our business operations are affected by laws and regulations, administrative determinations, court decisions and similar constraints, especially the extensive environmental, chemical manufacturing, health and safety laws and regulations and stringent production standards of nickel products promulgated by the PRC government and the governments of overseas jurisdictions in which we operate, such as Singapore, Indonesia and the Philippines. We are also required to comply with the restrictions and conditions imposed by various government authorities in order to conduct our business, including satisfying any of the conditions required for the obtaining, maintenance and renewal of our approvals, licenses and certificates.

We are required to comply with the extensive environmental laws and regulations relating to air and water quality, waste management and public health and safety in the PRC and Indonesia and these laws and regulations are highly complex. For the construction and operation of production lines on the Obi Island, we must obtain, and have obtained, the relevant approval for environmental impact analysis reports and environmental acceptance approval of our facilities under construction by relevant Indonesian authorities. Our production facility on the Obi Island is also subject to certain environmental, waste discharge, tailings, health and safety laws and regulations, as well as a number of licenses and annual inspections, including Environmental Feasibility Decree (*Keputusan Kelayakan Lingkungan Hidup),* Environmental Management Plan and Environmental Monitoring Plan (*Rencana Pengelolaan Lingkungan Hidup dan Rencana Pemantauan Lingkungan Hidup* or RKL-RPL), Disposal of Wastewater to the Sea License (*Izin Pembuangan Air Limbah ke Laut*), Occupational Health and Safety Certificates, and Lifting Instrument Certificates. For our operation of production lines in our manufacturing facilities located in Suqian, Jiangsu Province (the "**Jiangsu Facilities**"), we are also subject to Chinese environmental, waste discharge, tailings, health and safety laws and regulations, as well as a number of licenses and annual inspections, including permit for operations of dangerous wastes and pollution discharge permit. Our business operation is also required to complete the registration form for foreign trade operators. If we fail to obtain any of the necessary licenses, approvals or permits, complete the required annual inspection, or otherwise meet the required conditions for maintaining or renewing these licenses, approvals and permits, the relevant authorities may suspend the construction and/or operation of our production facilities and impose a fine on us. As a result, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

As more production lines under the Obi projects commence production and achieve full-scale operation, our nickel product production business is expected to be an increasingly more important business segment going forward. Accordingly, we expect to experience higher emission of wastes and require more consumption of energy. See "Business — Environmental, Occupational Health and Safety — Environmental Protection and Climate-related Matters — Metrics and Targets" for more information, including our emissions and energy consumption during the Track Record Periods. In particular, as a result of the specific techniques and processes utilized in the HPAL process, a significant amount of slags will be generated, which may be perceived by the local governments in Indonesia as having relatively high environmental impacts. The RKEF process also requires a significant amount of energy. We cannot assure you that the Indonesian government, in response to the growing domestic nickel product production industry, will not impose more stringent environmental laws and regulations in the future, including adopting targeted measures to deal with the wastes generated from projects utilizing the HPAL process and the high energy consumption of projects utilizing the RKEF process. As a result, we may be required to incur substantial additional costs, including but not limited to those in connection with constructing additional facilities for storage and further processing slags generated by the HPAL project as well as installing more energy-saving equipment and machinery for the RKEF project, in order to remain compliant with the relevant Indonesian laws and regulations.

Separately, we are also subject to risks related to compliance with local labor laws and regulations in Indonesia. We have adopted internal policies to ensure illegal labor practices, including forced labor and child labor, will not occur in our production facilities in China and Indonesia. We also have implemented relevant measures to ensure the situation of child labor and forced labor does not exist among our suppliers. See "Business — Environmental, Occupational Health and Safety — Occupational Health and Safety and Corporate Policy — Compliance with Labor Laws and Regulations" for more information. However, we cannot assure you that the Indonesian government will not adopt more stringent labor laws and regulations in the future and we accordingly are required to incur substantial additional costs to remain compliant with these laws and regulations. Further, despite our implemented measures, our suppliers may still employ forced labor and child labor, which may not only expose us to negative publicity and reputation risks, but also potentially jeopardize the sales of our products to downstream customers. Any occurrence of the foregoing could materially and adversely affected our business, results of operations, financial condition and growth prospects.

In addition, the environmental, chemical manufacturing, health and safety laws and regulations, administrative determinations and court decisions in the PRC, Singapore, Indonesia, the Philippines and other jurisdictions to which we are subject may continue to evolve. The relevant authorities may adopt stricter standards and enforcement, remove certain prevailing exemptions, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed production facilities, as well as a heightened degree of responsibility for companies and their officers, directors and employees. Any changes or amendments to such laws or regulations may cause us to incur additional compliance costs (including financial resources and other resources to establish effective internal control and compliance programs to address the legal and regulatory changes), capital expenditures and costs incurred to upgrade or modify our facilities, which we may not be able to pass on to customers, or other obligations or liabilities which could decrease our capital and our ability to pursue developments in other areas. This in turn could result in delay in, or suspension of, our trading, production and other business operation. Any such adverse changes in Indonesia's industry policy could adversely and materially effect on our business, results of operations, financial condition and growth prospects.

The Indonesian government may expand the scope of the nickel ore export ban to include downstream nickel products, or impose tariff or adopt other restrictive measures on the export of such products, which may materially and adversely affect our business.

The Indonesian government's export ban on nickel ore, which became effective on January 1, 2020, has not been lifted or relaxed as of the Latest Practicable Date. According to Imran Muntaz & Co., our Indonesian legal advisor, the export ban is limited to nickel ore and does not apply to downstream products produced from nickel ore, such as ferronickel and nickel-cobalt compounds; the export ban also does not restrict us from procuring nickel ore from local suppliers for purposes of producing downstream products in Indonesia. See "Business — Indonesian Government's Export Ban on Laterite Nickel Ore" for more information on the export ban.

However, we cannot assure you that the Indonesian government will not impose additional restrictive measures that may limit or prohibit us from exporting the nickel products produced by the Obi projects, if at all. For example, the Indonesian government may in the future impose export ban on certain downstream nickel products produced by the Obi projects, including ferronickel, MHP, nickel sulfate and cobalt sulfate. As a result, we may not be able to export such products at all and may need to find domestic buyers in Indonesia as an alternative. However, the relevant downstream industry in Indonesia at that time may not be sufficiently developed, and accordingly there may not be sufficient demand for our products. As a result, our nickel product production business could be materially adversely affected.

Alternatively, we may have to further process these nickel products and manufacture downstream products in order to export them without violating the relevant export restrictions. However, under such circumstances, we may be required to incur significant additional capital expenditures for the construction of the relevant manufacturing facilities and further incur additional costs and expenses in relation to the operation of these facilities, while there is no assurance that we can acquire sufficient market share and customer demand for the downstream products to be manufactured to offset these additional costs and expenses. In addition, as we may not have the relevant experience or expertise in the business operation related to such downstream products, we may incur additional expenses, including from hiring and training experienced personnel for the relevant production processes. If any of the above is to happen, our financial performance and profitability could be materially adversely affected.

In addition, the Indonesian government may also adopt other less restrictive measures for the nickel products produced by the Obi projects, including imposing tariff on the export of such products. If this is to happen and we cannot pass on the additional costs and expenses to our customers, our profit margin of the relevant products will be adversely affected.

Any occurrence of the foregoing hypothetical adverse changes in Indonesia's export policies could materially and adversely affect our business, results of operations, financial condition and growth prospects.

Our production operations are exposed to production safety, production difficulties and other risks that could damage our reputation, subject us to liability claims and result in substantial costs.

Our production processes typically require a high-temperature and/or high-pressure environment. While we believe we have adequate systems of safe production and related training, we cannot assure you that accidents or other risk related to workplace injuries and occupational safety will not arise during our production activities or during the construction of production facilities on the Obi Island. If a workplace accident occurs, we will not only be required to pay compensations and damages, but also be subject to penalties from regulatory authorities, including fines, suspension of relevant operation and construction, and even revocation of permits, licenses or approvals that are required for our operation and construction. During the Track Record Period, Jiangsu Wisdom, our subsidiary that owns and operates our Jiangsu Facilities, was fined by the relevant regulatory authorities for violating certain laws and regulations related to production safety, with RMB123 thousand in total. We cannot assure you that we will not be fined and penalized for non-compliances with laws and regulations related to production safety in the future.

In addition, our operations may also be subject to production difficulties such as production capacity constraints, mechanical and systems failures, construction and upgrade delays and delays in the delivery of machinery and equipment (including spare parts for their repair), any of which could result in suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our production output. In particular, the HPAL process is a technically complex process that involves numerous production steps, many of which need to be carried out under a high-temperature and high-pressure environment with the presence of concentrated sulfuric acid. Certain production steps require the operator to adjust the parameters of the machines and equipment in a timely manner according to the production parameters and status of reaction intermediates, which require relevant experience and involve human judgment. Any misjudgment or untimely adjustment may cause damages to the crucial machine and equipment involved in the HPAL process. In severe cases, we may need to halt the production for repair, which may take as long as several months and result in our inability to produce and sell nickel-cobalt compounds produced from these production lines. Any significant manufacturing disruption could adversely affect our ability to produce and sell nickel products, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In general, as part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of heavy machinery and, handling of hazardous chemicals. As a result, we are subject to risks associated with these activities, including geological catastrophes, toxic gas and liquid leakages, equipment failures, industrial accidents, fires and explosions. These risks and hazards can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and, damage to our reputation and corporate image. In addition, we may be subject to claims resulting from subsequent use by the customers or other third parties of the facilities and the products we produce.

We generally seek to lower our exposure to potential claims associated with our businesses through contractual limitations on liability, indemnities from customers and suppliers, and insurance. These measures, however, may not always be effective due to various factors, many of which may be out of our control. The occurrence of any of these risks may harm our business operations and reputation, which could inhibit our ability to take on other contracts or otherwise grow our businesses.

Our trading and production businesses are subject to transportation-related risks.

Our trading and production businesses are subject to transportation-related risks. Our production operations are further dependent on access to adequate transportation channels. We rely on a combination of sea and road transportation both in China and overseas to deliver the products we procure and produce to customers. In particular, we are responsible for arranging the transportation by sea required for our trading and production businesses, including transporting the laterite nickel ore and ferronickel we purchased from suppliers and the ferronickel and nickel-cobalt compounds we produce. However, there can be no assurance that the existing or planned transportation systems will be sufficient to meet our transportation requirements. Any shortage, disruption or limitation of transportation capacity may limit the volume of products delivered to our customers and may cause us to accumulate inventories and scale back production. Due to certain special features of laterite nickel ore and other nickel products, to transport these products by sea requires ships of specific designs, while there are only a limited number of such ships and suppliers available in the market. We may not be able to secure a sufficient number of ships in a timely manner to transport our products to meet the demand of our trading and production businesses on schedule for reasons beyond our control. This situation has been further exacerbated by the COVID-19 outbreak, including the quarantine and other restrictive measures imposed by ports around the world. For more information, see "— Our business operations and financial performance have been and may continue to be affected by the COVID-19 pandemic." Any disruption in the transportation and logistics of our business may in turn damage our business reputation and adversely affect our business, financial condition and results of operations.

With respect to road transportation, our ability to deliver the products we procure and produce to our customers may be adversely affected by the availability and capacity of the transportation network and the rise in transportation costs, including the reduction or disruption in the transportation capacities caused by events such as earthquakes, serious accidents on highways, labor strikes, and traffic congestions during holiday seasons. Any of these occurrences may cause material and adverse effect to our business, financial condition and results of operations.

In 2019, 2020, 2021 and the six months ended June 30, 2022, our transportation costs recognized in cost of sales amounted to RMB1,108.6 million, RMB684.9 million, RMB1,758.7 million and RMB899.8 million, respectively. In addition, the COVID-19 outbreak has caused, and is expected to continue to cause, a significant increase in shipping costs. Risks that we may not be able to anticipate, including the congestions at major ports and/or canals around the globe may exacerbate the risks that we are already exposed to, further reducing the availability of ships at an economically viable cost. This in turn could adversely and materially affect our abilities to procure and deliver raw materials and products to our customers on time, thereby having a material adverse effect on our business, financial condition and results of operations.

Our historical results of operations and financial performance may not be indicative of our future performance.

Our business has grown rapidly since our inception, but we may not be able to effectively manage our growth in the future for reasons that may be beyond our control. The price of nickel has been increasing in the past few years and such an increase may not sustain in the future. The decline of nickel price will have an impact on our revenue and net profit. In addition, the increase in nickel price in recent year was partly resulted from the introduction of a number of favorable policies by the Chinese government to the NEV market, one of our end markets. We cannot assure you that the NEV market will continue to enjoy the benefits brought by these favorable policies in the future. Accordingly, our historical results of operations and financial performance may not be indicative of our future performance, and we cannot assure you that our business will be able to maintain the growth rate we achieved in the past.

Managing our growth will require significant expenditures and allocation of resources. To manage our growth and maintain profits, we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our production facilities as well as research and development. In particular, we are in the process of building multiple production lines under the HPAL and RKEF projects on the Obi Island, Indonesia, which will require significant capital expenditures. We also expect to continue our investment in R&D activities, including our collaboration with third party research institutes and organizations, to improve and upgrade the technology and techniques employed in our production processes. In line with the expansion of our production activities in the future, our cost for procuring raw materials and expenses related to our R&D activities and the operation and maintenance of our production lines are also expected to increase. All of these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures, which could strain our ability to improve our operational, human resources, financial and management capabilities. If our costs and expenses grow faster than our revenue, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Our trading business has a relatively low profit margin compared to our production business, and our profitability is affected by changes in our product mix.

During the Track Record Period, our nickel product trading business contributed a majority of our revenue. Nickel product trading generally has lower profit margin compared to nickel product production, which requires complicated production techniques, expertise and know-hows. In 2019, 2020, 2021 and the six months ended June 30, 2022, the gross profit margin of our nickel product trading business was 8.8%, 9.6%, 8.4% and 10.3%, respectively, compared to 16.8%, 23.0%, 25.6% and 51.0%, respectively, for our nickel product production business. In particular, for our nickel product trading business, the gross profit margin for laterite nickel ore was 10.3%, 14.3%, 13.8% and 14.5% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and the gross profit margin for ferronickel was 3.4%, 1.7%, 2.8% and 5.3% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As more production lines under the HPAL and RKEF projects commence production, our nickel product production business is expected to contribute a significantly higher portion of our revenue, which is expected to increase our overall profitability. However, our trading business is expected to continue to contribute a significant portion of our revenue going forward and as a result, will continue to cast a negative impact on our overall gross profit margin.

In addition, the profitability of our trading business may be affected by the fluctuation in the price of nickel products we trade. For example, if we cannot pass down the increase in our procurement prices of nickel ore and ferronickel to our customers, the profitability of our trading business may be adversely affected.

Accordingly, our overall profitability has been, and will continue to be affected by, changes in our product mix. See "Financial information — Factors Affecting Our Financial Condition and Results of Operations — Fluctuation in Nickel Prices and the Supply and Demand Dynamics of Nickel Products" and "— Expansion of Production Capacity and Diversification of Product Portfolio" for more details.

Our nickel product production business is expected to contribute a significantly higher portion of our revenue going forward, particularly with the acquisition of HPL. This increased emphasis on our nickel product production business may have a material impact on our results of operations and expose us to additional risks and challenges.

In 2019, 2020, 2021 and the six months ended June 30, 2022, nickel product trading contributed 69.5%, 64.5%, 70.4% and 42.1% of our total revenues, respectively, whereas nickel product production contributed 25.2%, 21.2%, 19.7% and 49.6% of our total revenues, respectively. With the acquisition of HPL and the production lines under the HPAL and RKEF projects gradually commencing operation, our nickel product production business is expected to contribute a significantly higher portion of our total revenue going forward. This increased emphasis on our nickel product production business will also lead to (i) changes in our cost structure, including but not limited to an increase in costs of raw materials and ancillary materials used in nickel product production, increased depreciation of production equipment, and increased labor costs as we recruit additional staff to support our production and related activities, and (ii) changes in our asset-liability profile, including an increase in property, plant and equipment related to our production facilities, and increased borrowings in as the construction of our nickel product production projects continues. All of the above could expose us to additional risks and challenges.

Starting our business as a nickel product trading company, such increased emphasis on our nickel product production business may expose us to a variety of other risks and challenges, including but not limited to:

- we may lack the experience to maintain and expand the profitability of our nickel product production business;
- we may face uncertainties associated with the expansion of our business and we may fail to manage our growth effectively;
- as a substantial portion of our nickel product production operations are based on the Obi Island, Indonesia, we may not be able to effectively manage our overseas operations as much as we manage our operations in China, and are exposed to potential operational regulatory and other risks, see "— Risks Relating to Our Overseas Operations" for more details;
- as we currently rely on our Indonesian Partner to supply nickel ore for our Obi projects, any deterioration of our relationship with our Indonesian Partner may adversely affect our ability to procure a stable supply of nickel ore at competitive prices;
- we may not be able to establish and maintain relationship with a sufficient number of customers for our nickel product production business; and
- if the downstream demand in the NEV industry do not grow as expected, demand for our self-produced nickel-cobalt compound products may also be adversely affected. See "— Factors that impact the NEV industry may materially and adversely affect our business, financial condition and results of operations" for more details.

Our relatively short operating history in this business segment also provide limited insight to investors and make it difficult to evaluate our business and prospects.

Factors that impact the NEV industry may materially and adversely affect our business, financial condition and results of operations.

Our nickel-cobalt compound products are raw materials for the production of ternary battery, a critical component in the manufacturing of NEVs. As a result, we are indirectly subject to factors that may impact the demand of NEVs and the NEV industry as a whole. As revenue from our nickel-cobalt compound product production is expected to constitute a significantly higher portion of our total revenue going forward, factors that impact the demand of NEVs and the NEV industry as a whole may materially and adversely affect our business, financial condition and results of operations.

First, any adverse change in the government policies toward the NEV market may adversely affect our business. The NEV market has historically benefited from government subsidies, economic incentives and government policies that support the growth of NEVs. For example, qualified purchasers can enjoy subsidies from China's central government and certain local governments. In certain cities, quotas that limit the purchase of internal combustion engine vehicles do not apply to electrical vehicles (a type of NEV), thereby incentivizing customers to purchase electric vehicles. However, these policies are subject to certain limits as well as changes and such limits and changes may not be favorable to the NEV market. For instance, the subsidies for NEV purchases have been and will likely be continuously lowered and the total number of NEVs in China that will be entitled to subsidies may also be capped. Governments may also reduce the grants, subsidies and other forms of economic and regulatory incentives NEV manufacturers are entitled to. See "— New legislations or changes in the PRC regulatory requirements regarding the end markets of our products, particularly the NEV market, may affect our business operations and prospects" for more details. Any of the foregoing could materially and adversely affect price competitiveness of NEVs, reduce the demand for NEVs and ultimately lead to the decreased demand of raw materials required for the manufacturing of NEVs, including the ternary battery and in turn, our nickel products.

Second, the continuing shortage in the supply of raw materials for the production of NEVs may indirectly result in the decreased demand of our products. The manufacturing of NEVs involves a large number of parts and components. The shortage in the supply of any of the critical parts and components that do not have readily available alternatives or substitutes may limit the overall production volume of NEVs. For example, since October 2020, the supply of semiconductors used for automotive production has been subject to a global shortage. Certain NEV manufacturers have been adversely affected and there is no assurance that the NEV manufacturers, including those that have not been adversely affected thus far, will be able to obtain sufficient number of semiconductors and semiconductor-contained components at reasonable cost in the future. To the extent there is a prolonged shortage in the supply of semiconductors, NEV manufacturers may choose to limit their NEV production, which in turn could result in a decreased demand of ternary battery. Accordingly, the demand for our nickel products may be materially and adversely affected.

Lastly, the NEV industry is experiencing rapid technological changes and innovations, some of which may adversely affect the demand of our nickel products. Ternary battery is currently the mainstream type of battery used in the production of NEVs. NEV manufacturers and the upstream battery suppliers are continuously developing new technologies to enhance battery's performance and reduce its cost, as well as looking into alternative technological pathway and materials for the production of batteries. However, we cannot assure you that such technological developments and innovations, while beneficial to the NEV industry, may always lead to the increase in demand for our nickel products. In fact, some technological breakthroughs may reduce the demand of nickel products in the production of battery. For example, the lithium iron phosphate battery, an alternative type of battery used in the production of NEVs, does not contain either nickel or cobalt. Any technological development and innovations that lead to the adoption of low-nickel or no-nickel battery can materially and adversely affect the demand of our nickel products.

Accordingly, any occurrence of the foregoing may materially and adversely affect business, results of operations, financial condition and prospects.

New legislations or changes in the PRC regulatory requirements regarding the end markets of our products, particularly the NEV market, may affect our business operations and prospects.

Our products are used in the production of, or are incorporated into, final products that are sold into a number of end markets which include the NEV market and the stainless steel market. New legislations or changes in the PRC regulatory requirements regarding these end markets, particularly the NEV market (given that the regulatory framework of the stainless steel market is relatively established), may affect our business, financial condition, results of operations and prospects. For instance, the PRC government has promulgated, amended and updated a series of legislations in relation to the NEV market. On March 13, 2015, the Ministry of Transport issued the Opinions on Accelerating the Promotion and Application of NEVs in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). It is further clarified that by 2020, the application of NEVs in the transportation industry will be established and should reach 300,000 vehicles in total numbers. A preferential vehicle licensing system has also been adopted in several major cities in the PRC to further encourage the purchases of NEVs. On March 16, 2016, the National People's Congress passed the 13th Five-Year Plan for the National Economic and Social Development (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), which highlighted China's next five years' focus on accelerating the development of core technologies in the fields of NEVs. On January 31, 2018, the Measures for Implementation of Encouraging Purchase and Usage of NEVs in Shanghai (《上海市鼓勵購買和使用新能源汽車實施辦法》) was issued, granting subsidies for NEVs. On February 8, 2021, five government authorities, including the Shanghai Development and Reform Commission, promulgated the new version of the Measures for Implementation of Encouraging the Purchase and Usage of NEVs in Shanghai (《上海市鼓勵購買和使用新能源汽車實施辦法》).

In April 2020, the Ministry of Finance of the PRC, together with several other PRC government departments, issued the Announcement on Policies concerning the Exemption of New Energy Vehicles from Vehicle Purchase Tax (《關於新能源汽車免徵車輛購置稅有關政策的公告》), and the Circular on Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》), or the 2020 Subsidy Circular, which extended certain subsidies and tax exemptions on NEV purchases to the end of 2022. China's central government also provides certain local governments with funds and subsidies to support the roll out of a charging infrastructure. These policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to the NEV industry. For instance, according to the 2020 Subsidy Circular, in principle, the subsidies for NEV purchases from 2020 to 2022 will generally be lowered by 10%, 20% and 30%, respectively, based on the level of the previous year with limited exceptions in the area of public transport, and the total number of NEVs in China that will be entitled to such subsidies should be no more than two million each year. Furthermore, any reduction or elimination of government subsidies and economic incentives because of policy changes, fiscal tightening or other factors may result in the diminished competitiveness of the NEV industry generally, which in turn may affect the demand for our products. We may need to change or adapt our business focus from time to time in response to the new rules and regulations regarding the end markets of our products, but we may not be able to do so in a timely and efficient manner which may materially and adversely affect our business, results of operations, financial condition and prospects.

Some of our major customers contributed a significant portion of our revenues during the Track Record Period while we typically do not enter long-term contracts with these customers. If these customers reduce or terminate business with us, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

Our customers primarily consist of smelting and refining companies and stainless steel manufacturers in the stainless steel industry and smelting and refining companies and ternary battery materials manufacturers in the NEV industry. Our customers also include certain nickel product trading companies that will subsequently sell the products they procure from us to smelters and stainless steel manufacturers in the stainless steel industry. In 2019, 2020, 2021 and the six months ended June 30, 2022, revenue contributed by our five largest customers accounted for 55.4%, 53.9%, 40.0% and 40.6% of our revenue for the same periods, respectively. To the extent that we cannot continue to maintain good business relationship with any of these customers, our business, results of operations and financial condition may be adversely affected.

As a result of consolidation in our downstream industry and high barriers to entry due to demanding technological and technical requirements, there are a limited number of companies in our downstream industry, and our customers are typically industry-leading companies. Although we have historically maintained good and stable business relationships with these companies in the past, we cannot assure you that our relationships will continue on similar terms, if at all, in the future. Furthermore, in line with industry practice, we typically do not enter long-term contracts with our customers, other than certain customers for the nickel-cobalt compounds we produce. Instead, we enter into sales and purchase contracts with our customers when they place orders with us. We cannot assure you that our existing major customers will continue to place orders with us or that these major customers will not reduce the amount or frequency of their orders. Given the volatility of short-term orders, we may experience a material change in our revenue.

In addition, the volume of products purchased by these customers is affected by factors that may be beyond our control, including the quality and price of products offered by our competitors, whether the industry is booming or declining in general, and our customers' own business conditions. In the event that our customers terminate their business relationships with us or significantly reduce their purchase of our products, we may not be able to find replacement for the sales of our products in a timely manner or on similar terms, if at all. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We are exposed to credit risk of our customers and failure of our customers to fulfill their contractual obligations to us may affect our financial condition and results of operations.

As of December 31, 2019, 2020, 2021 and June 30, 2022, our trade and bills receivables were RMB862.4 million, RMB549.2 million, RMB1,025.2 million and RMB1,866.2 million, respectively, representing 28.0%, 25.0%, 22.1% and 24.7% of our respective total current assets as of the same dates. While we generally evaluate our customers' credit in accordance with our internal risk management criteria, such as credit history and likelihood of default, we have limited information about our customers and may encounter difficulties in the collection of receivables from certain customers or in certain geographic areas or businesses with which we have less experience in our dealings. We cannot assure you that all of our customers will fully perform their obligations under their respective contracts with us, and the deterioration of any customers' credit or payment conditions may result in defaults by those customers on their contractual obligations, which could materially adversely affect our business, results of operations, financial condition and growth prospects.

Historically, we have not experienced material collection issues in connection with our trade and other receivables. In 2019, 2020 and 2021, and the six months ended June 30, 2022, our trade and bills receivables turnover days were 29.6 days, 33.3 days, 23.0 days and 26.2 days. Moreover, we recognized impairment loss on trade and bills receivables of RMB2.5 million, RMB2.1 million, RMB6.4 million and RMB8.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle our trade and bills receivables in full for any reason, we may incur impairment losses, and our results of operations and financial position could be materially adversely affected. In addition, there may be a risk of delay in payment by our customers, which in turn may result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from our customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

We depend on a limited number of core suppliers for the supply of a substantial portion of laterite nickel ore and ferronickel. Our inability to obtain these raw materials from these suppliers or any increases in the price of such raw materials could have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period, a majority of our revenue was generated from our trading of laterite nickel ore and ferronickel. In addition, the key raw material required for our production business is laterite nickel ore. As such, it is essential for us to secure a stable supply of laterite nickel ore and ferronickel. We purchase a substantial portion of laterite nickel ore and ferronickel for our trading and production business from a number of major suppliers located in the Philippines and Indonesia (including the purchase of laterite nickel ore from our Indonesian Partner for the Obi projects).

We typically do not enter into long-term supply agreements with a term more than one year with our suppliers for laterite nickel ore and ferronickel. Instead, we typically enter into a purchase and sales contract for each purchase of the relevant raw materials. As such, despite our historically stable business relationships with our core suppliers, we cannot assure you that such relationships can continue in the future, or that our existing suppliers will continue to provide us with laterite nickel ore and ferronickel with the same volume on terms acceptable to us. As there are only a limited number of laterite nickel ore and ferronickel suppliers of sufficiently large scale in the Philippines and Indonesia, if we are no longer able to procure laterite nickel ore or ferronickel at a price acceptable to us from our existing core suppliers, we may not be able to find comparable suppliers as replacement.

In addition, nickel mines in the Philippines and Indonesia are subject to risks related to limited mining life and uncertain, if the estimates for the reserves are not accurate. If the quality and quantity of the nickel ore produced from our core suppliers' nickel mines fall short of their estimation, we may not be able to continue to procure nickel ore from our core suppliers at quantities or prices acceptable to us. Moreover, nickel mines in the Philippines and Indonesia are subject to extensive regulations, the violation of which may lead to our core suppliers subjecting to penalties, including suspension of production or revocation of licenses, which in turn may prevent them from continuing to supply nickel ores and/or ferronickel to us. Any occurrence of the foregoing could materially and adversely affect our financial condition, results of operations and prospects.

We are dependent on suppliers for various other products and services in our business.

In addition to laterite nickel ore and ferronickel, we rely on third-party suppliers for various other goods and services including utilities, energy, raw materials, transportation and logistics, human resources, project design and construction, resources development services and testing services, in line with industry practice. We endeavor to source goods and services from third-party providers that we believe are able to meet our quality standards, delivery schedule and other requirements. Nevertheless, we may not be able to monitor the performance of these third-party providers effectively and efficiently. Therefore, we are exposed to the risk that our third-party service providers may fail to adequately perform their obligations, which may in turn adversely affect our business operations.

For example, we collaborated with China ENFI Engineering Corporation ("**ENFI**," formerly China Nonferrous Engineering and Research Institute), in the design and planning of the production lines of the Obi projects, and with certain construction service providers for the construction of the manufacturing facilities of the Obi projects. See "Business — Research and Development and Technical Improvement" for more details. If the quality of their services fails to meet our requirements or they fail to deliver their services as scheduled, we may be unable to complete the construction of our production lines on time and may incur additional expenses due to such delays or sub-standard performance. If ENFI or our construction service providers terminate their services with us, we cannot assure you that we are able to find replacement service providers in a timely manner with similar service terms, if at all. In addition, in the trading and production businesses, we use third-party inspection agencies to issue certificates to determine the average contents of nickel and other elements and impurities, as applicable, in the laterite nickel ore and ferronickel. We typically settle the final payment with our suppliers and customers based on the inspection results from the certificates. However, the test results may not always accurately reflect the actual composition of the products we deliver or produce due to various reasons which may be beyond our control, including human errors during sampling. Any of these occurrences may cause unnecessary and additional losses and delays to our businesses.

In addition, if we need extra manpower due to a shortage of labor, or in order to accelerate the progress of work, we may need to hire short-term temporary workers, or engage independent third-party labor providers. However, qualified labor providers and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire a sufficient number of qualified short-term temporary workers in Indonesia on terms that are commercially acceptable to us, our ability to complete our projects on the Obi Island as scheduled may be impaired, which in turn may adversely affect the results of our operation and financial performances. Outsourcing may also expose us to risks associated with non-performance, delayed performance or sub-standard performance by labor providers or other third parties. As a result, we may experience deterioration in the quality of our products, incur additional expenses due to delays to or higher costs of the delivery of our products, or be subject to liability under the relevant contract for the non-performance, delayed performance or sub-standard performance of our labor providers or other third parties.

Any of the above events could have a material adverse impact on our profitability, financial performance and reputation, and may result in litigations or damage claims against us.

Our nickel production depends on a stable, timely and adequate supply of energy, power and raw materials in addition to nickel ore at favorable prices. In particular, we experienced power shortages during the Track Record Period and may continue to experience power shortages in the future, which may have a material and adverse effect on our business operations and financial performance.

In addition to nickel raw materials, we depend on the supply of energy, power and raw materials including coals, lime, sulfuric acid, water and other chemicals in order to maintain our production processes. Our production volume and production costs are dependent on our ability to source such materials at acceptable prices and maintain a stable supply. The prices for these raw materials are subject to price volatility attributable to a number of factors which may be beyond our control, including inflation, disruption in the global supply chain, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for the same materials, the availability of complementary and substitute materials, and local and national regulatory requirements. Furthermore, there can be no assurance that shortages of energy or water will not occur in the future or that we will be able to pass on any cost increases in raw materials, energy or water to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly, and may also harm our competitive advantages with respect to the affected products. In particular, increases in energy and raw material prices that we are unable to pass onto our consumers will reduce our profit margins.

Moreover, if the supply of such materials is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply in sufficient quantities, of suitable quality and/or at acceptable prices.

In addition, continuous changes in government policies may adversely affect the prices and supply of energy and utilities that are required in our production. Recently, the Chinese government introduced the overall goal, and the corresponding timetable, of carbon peak and carbon neutrality. In order to achieve these goals, the relevant government authorities may adopt certain restrictions or guiding measures for domestic companies with high energy consumption. These measures may include production reduction and curtailment or requiring these companies to either install low-energy-consuming machinery and equipment for their production and operation, or upgrade existing ones to reduce their energy consumption and carbon emissions. In addition, out of political and diplomatic considerations, including preventing negative publicity from the international community, the Chinese government may discourage, restrict or even prohibit certain high-emission industries from investing or implementing projects in other countries and regions.

Our Jiangsu Facilities are engaged in the production of ferronickel which, consistent with the industry practice, requires relatively high energy consumption. Accordingly, our operations, production schedules and potential future expansion in its production capacities may be subject to these policies and limited by the corresponding restrictions, which in turn may adversely affect our production output and results of operation. For instance, our Jiangsu Facilities had to temporarily shut down in September 2021 due to power shortages. This power shortage, which was as a result of the local government's electricity rationing efforts targeting energy intensive enterprises in Jiangsu province, lasted 17 days, during which our Jiangsu Facilities had to temporary suspend its production activities. As a result of the power shortage, our Jiangsu Facilities' monthly production volume in September 2021 decreased to 419 metal tons of ferronickel, reflecting an over 70% decrease from that of the same periods in 2019 and 2020. Although our Jiangsu Facilities resumed operation in October 2021, it continued to be subject to electricity rationing measures from time to time in October 2021, which also adversely affected its ferronickel production. See "Business — Energy" for more details. There is no assurance that the relevant government authorities in China will not implement similar electricity rationing measures in the future that may have a material and adverse effect on our business operations and financial performance. In addition, we may need to incur additional costs and expenses to replace high-energy-consuming machinery and equipment and purchase, or upgrade existing machinery and equipment into, low-energy-consuming and low-emission ones. In the long term, China's "carbon peak" strategy may lead to a change in the structure of energy mix, decreasing the proportion of power generated from coal burning while increasing the proportion of new energy including wind power and solar power. This change may in turn lead to an increase in our energy procurement costs and costs of production. Any occurrence of the foregoing may materially and adversely affect our revenue and profitability.

Furthermore, although the Obi projects have not been affected by these policies as of the Latest Practicable Date, they require adequate power generation facilities to ensure that their production activities can be carried out smoothly. We and our Indonesian Partner have jointly invested in the power plants for phase I of the HPAL project and phase I of the RKEF project, and are jointly investing in the power plants for phase II of the HPAL project, all of which are time consuming and cost intensive, and may subject us to regulatory risks, risks associated with business cooperation, and uncertainties and risks involved in the construction. We may also consider collaborating with our Indonesian Partner to construct photovoltaic power generation facilities for the Obi projects in the future, to supplement the power generation by their power plants. However, we cannot assure you that generating electricity from solar power is more reliable or cost-competitive compared to other traditional energy sources.

We may not be able to keep abreast with the latest development and advancement of technology while our competitors may have more robust R&D capabilities and be able to develop better products, and our downstream market may not be able to develop and grow as we previously expected.

Our abilities to improve our production capabilities and launch new products depend largely on our research and development capabilities. We have continuously invested in upgrading and optimizing our production techniques and the machine and equipment used in our production, in order to improve the production efficiency, energy efficiency and quality of our products, which we believe are crucial to our future development. As of June 30, 2022, our R&D and technical team consisted of 276 employees, who are primarily based in Shanghai and Xi'an. We cannot assure you that such investments will yield immediate tangible benefits or our research and development efforts will be effective. Even if such efforts are successful, we may not be able to apply our newly developed technologies to our products in ways that are accepted by our customers. Even if we can successfully translate our R&D results into commercial products, our competitors may have more robust R&D capabilities that enable them to make breakthroughs in production techniques and machinery and equipment used for their production; they may also develop products that demonstrate better quality, can more effectively address the unique and diverse needs of customers, or can be marketed at more competitive prices. If we are unable to maintain or enhance our research and development capabilities, our competitiveness may be undermined, which could adversely affect our business, results of operations, financial condition and growth prospects.

In addition, the nickel-cobalt compounds we are producing, or expect to produce in the future, are all raw materials required for the production of NEV batteries. In recent years, the rapid growth in the ternary battery market has in turn led to the increase in demand for nickel-cobalt compounds. However, no assurance can be given that such an upward trend can continue at a similar growth rate. In the event that a substitute to ternary battery which is more price-competitive or demonstrates better performance becomes available, the demand for our nickel-cobalt compounds may be materially and adversely impacted, and our business, results of operations, financial condition and prospects may accordingly be materially and adversely affected.

Failure to maintain an effective quality control system could have a material adverse effect on our business, financial condition and results of operations.

As the quality of our products is critical to the success of our businesses, we must maintain an effective quality control system for our trading, production and other operational activities. For example, our Company, Ningbo Huiran and Jiangsu Wisdom are certified to ISO 9001-2015 quality management system. However, the effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees and third party suppliers adhere to our quality control policies and guidelines.

Any failure or deterioration of our quality control system could result in defects in our products or that our products fall short of the specifications stipulated in the contracts, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

Seasonality may cause fluctuations in our sales and operating results.

We have in the past experienced, and expect in the future to continue to experience, seasonal fluctuations in our revenue and sales from time to time. In anticipation of the annual rain season in the Philippines from late October to late March (during which mining and shipping of nickel ore from certain major nickel mining areas in the Philippines may be significantly reduced), our nickel ore customers typically increase their order volume from us starting mid-year, as a result of which our nickel ore trading business has typically experienced higher sales and recorded higher revenue in the third and fourth quarter of the year. The growth in our business has offset this seasonal trend to some extent, however, seasonality is expected to continue to impact our results of operations and financial condition.

Our operation is affected by non-recurring government grants.

During the Track Record Period, we received government grants of RMB21.3 million, RMB59.3 million, RMB80.2 million and RMB41.9 million for 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, accounting for 0.2%, 0.8%, 0.6% and 0.4% of our revenue for the respective periods. These government grants are non-recurring in nature and mainly include (i) government grants received from local governments in connection with our payment of taxes, and (ii) utility subsidies. The award of government grants may be discretionary and subject to certain selection criteria and procedures stipulated by the local governments, which we may not qualify in the future. There can be no assurance whether and when we will be able to receive any such government grants in the future, or at all. If we do not receive government grants in 2022 or any subsequent periods at the same level as we did during the Track Record Period, our profitability for these periods may be adversely affected.

The gain on step acquisition of subsidiaries we recorded during the Track Record Period is non-recurring in nature.

In 2021, we recorded a gain on step acquisition of subsidiaries of RMB282.6 million which was non-recurring and related to our acquisition of 18% additional interest in HPL in November 2021. See Note 35 in Appendix IA to this prospectus for more details. The availability of such non-recurring gain is dependent on a variety of factors. We have in the past made and may in the future seek to make acquisitions and investments and enter into strategic alliances to further expand our business, if we are presented with appropriate opportunities. However, we cannot assure you that we will always be able to complete such acquisitions successfully or on terms acceptable to us. We cannot assure you that we will continue to record non-recurring gains on the same or similar scale, if at all.

We are subject to inventory risks.

Our inventory primarily includes finished nickel products, including ferronickel and MHP, which we have not sold to our customers, as well as nickel products, including laterite nickel ore and ferronickel, which we have procured for our trading businesses but have not delivered to our customers. We also maintain an appropriate level of raw materials for our production. As of December 31, 2019, 2020, 2021 and June 30, 2022, the balance of our inventories amounted to RMB632.2 million, RMB396.3 million, RMB974.6 million and RMB1,228.4 million, respectively. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our inventory turnover days were 23.1, 27.6, 22.9 and 28.8 days, respectively. However, forecasts, including those for our customers' demand and for our production requirements, are inherently uncertain. Our industry, including its downstream markets, is fast-changing and experiencing rapid technological advancement. Our customers may change their demands accordingly to cope with the development in their industries. If our forecasted demand is lower than what eventually transpires, we may not be able to maintain an adequate inventory level of products we procured in our trading business or our finished products we produce in our production business, or manufacture our products in a timely manner, and we may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Excess inventory levels may lead to increases in inventory costs, risks of inventory obsolescence and provisions for write-downs. In particular, in the event there is a decline in the downstream markets and/or the prices of nickel products, or we experience inventory loss or damage either because of our improper management or factors beyond our control including natural disasters, we may need to record significant write-offs for our inventory. Any occurrence of the foregoing will materially and adversely affect our business, results of operations, financial condition and prospects.

In order to maintain an appropriate inventory level of trading products, finished products and raw materials to meet market demand, we adjust our procurement amount and production schedule from time to time based on customers' orders and anticipated demand. We also carry out inventory review and aging analysis on a regular basis. However, we cannot guarantee that these measures will always be effective and that we will be able to maintain an appropriate inventory level. We may still be exposed to the risk of holding excessive inventory, which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs. This could have a material adverse effect on our business, results of operations and financial condition. We did not record any inventory write-offs during the Track Record Period.

Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions.

We have historically relied on interest-bearing bank and other borrowings to fund a portion of our capital expenditures, and we expect to continue such reliance in the future. As of September 30, 2022, we had interest-bearing bank and other borrowings of RMB6,724.5 million. For details of our bank and other borrowings, see "Financial Information — Indebtedness."

As of September 30, 2022, our current bank borrowings, which were due within one year or on demand, amounted to RMB2,665.3 million. These borrowings arose primarily from our use of interest-bearing borrowings from banks in the PRC to satisfy our working capital and capital expenditure needs. Due to our reliance on these borrowings, we are exposed to interest rate risk resulting from interest rate fluctuations.

Rising interest rates could increase interest expenses relating to our outstanding variable-rate borrowings, which could materially adversely affect our business, results of operations, financial condition and prospects.

Our ability to meet our debt obligations largely depends on our operating performance and the ability of our customers to fulfill their payment obligations to us. If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations, financial condition and prospects may be materially and adversely affected, and we may not be able to expand our business. We may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures.

We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debts could result in increases in interest rates that we pay on our debt and legal actions against us by our creditors, or even bankruptcy.

In addition, obtaining additional external financing may require us to issue additional equity or debt securities or obtain additional bank loans. The issuance of additional equity or convertible debt securities could result in dilution of our shareholders' equity interests. The incurrence of additional indebtedness could result in increased fixed obligations and operating covenants that restrict our operations. We cannot assure you that additional financing will be available in amounts or on terms acceptable to us, if at all.

Due to our level of borrowings, our ability to respond to changing market conditions may be limited and our business expansion plans through acquisitions may be impeded. This could also increase our vulnerability to adverse economic and industry conditions and place us at a disadvantaged position compared to competitors who have lower levels of debt obligations.

We may incur impairment losses for our intangible assets and goodwill.

As of June 30, 2022, we had intangible assets of RMB519.0 million and goodwill of RMB218.0 million, primarily arose from our acquisition of an additional 18% interest in HPL in November 2021. Our intangible assets mainly represent customer relationship related to our offtake agreements with customers. Our goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. See Notes 15 and 16 in Appendix IA to this prospectus for more details.

During the Track Record Period, we did not record any impairment losses for our intangible assets or goodwill. Any significant impairment charges of intangible assets or goodwill in the future could have a material adverse effect on our business, financial condition and results of operations. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our intangible assets or goodwill. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of these intangible assets and goodwill in the future, which may in turn result in impairment losses. Significant impairment losses on intangible assets and/or goodwill may have a material adverse effect on our financial condition and results of operations.

We may incur impairment losses for prepayments, other receivable and other assets.

Our prepayments, other receivables and other assets primarily include prepayments (primarily related to our procurement of nickel ore and leasing of vessel for the shipment of nickel products), other receivables and other current assets. As of December 31, 2019, 2020, 2021 and June 30, 2022, we recorded impairment allowance for prepayments, other receivables and other assets of RMB1.5 million, RMB0.7 million, RMB0.6 million and RMB0.7 million, respectively, primarily related to the disposal of Xiangxiang Enterprise. See "Financial Information — Analysis of Selected Consolidated Statements of Financial Position — Prepayments, Other Receivables and Other Assets" and Note 21 in Appendix IA to this prospectus for more details. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our prepayments, other receivables and other assets. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of our prepayments, other receivables and other assets in the future, which may in turn result in impairment losses. Any significant impairment losses of prepayments, other receivables and other assets in the future could have an adverse effect on our business, financial condition and results of operations.

We are subject to risk of recoverability of deferred tax assets.

As of December 31, 2019, 2020, 2021 and June 30, 2022, our deferred tax assets amounted to RMB21.4 million, RMB24.3 million, RMB43.2 million and RMB65.8 million, respectively. Further details are included in Note 30 to the Accountant Report included in Appendix IA to this prospectus. Deferred tax assets are recognized 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 utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Any changes in management's judgment as well as our future taxable profits and tax planning strategies would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements, and therefore could materially and adversely affect our financial condition and results of operation in future years.

Fluctuation of the operational results of our invested joint ventures and associates may adversely affect our financial position.

During the Track Record Period, we made strategic investments in a number of entities, primarily including: (i) DCM and ONC, our joint ventures, (ii) HJF, our associate, and (iii) HPL, which was our associate prior to November 30, 2021. As of December 31, 2019, 2020, 2021 and June 30, 2022, we recorded interests in joint venture of nil, nil, RMB0.7 million and nil, respectively, and interests in associates of RMB670.3 million, RMB1,015.7 million, RMB581.9 million and RMB556.6 million, respectively. See Notes 17 and 18 in Appendix IA to this prospectus for more details.

Our investments in our invested associates and joint ventures are generally illiquid. Our ability to realize our anticipated investment returns will depend on the investees' ability to pay dividends, which in turn relies on, among other things, the business and financial performance of our investees. There is no assurance that our invested associates and joint ventures will declare and/or pay any dividends because the declaration, payment and amount of dividends are subject to the discretion of directors of associates, depending on, among other considerations, their operations, earnings, cash flows and financial positions, constitutional documents and applicable law. Even if we recognize share of profits of these associates and joint ventures under equity reporting method, our investment would not generate any cash flow for us unless our investees declare and pay dividends to us. In addition, for our investments in associates, if our share of profits of these associates were to fluctuate, our results of operations may be adversely affected. We recorded share of losses of associates of RMB34.4 million, RMB68.1 million and RMB54.7 million in 2019, 2020 and the six months ended June 30, 2022, respectively, compared to share of profits of associates in RMB99.0 million in 2021.

Our success depends upon our key personnel. Any failure to attract and retain necessary talent may materially and adversely affect our business, results of operations, financial condition and growth prospects.

Our success depends, to a significant extent, on the capability, expertise and continued services of our senior management team and core technical team. We rely on the expertise and experience of our key executives in developing business strategies, product development, business operation and maintaining relationships with customers, while we rely on the knowledge, expertise and experience of our core technical team in designing, operating and maintaining our production lines under the HPAL and RKEF projects. If we lose the services of any of our key executives or members of core technical team, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

Our success also depends on our ability to attract and retain key talented personnel such as key research and development employees, engineers and other technical staff, especially those with experience in the HPAL and RKEF processes, for our business and operations in the PRC and overseas. We may not be able to attract or retain all these personnel we need. The HPAL process involves long and complicated production processes and requires its operators and technical staff to have deep knowledge and experience to make swift and accurate judgment. The market and industry we are in are growing rapidly and, as we build our brand and our technical mastery becomes more well known, our competitor or other companies may be more likely to poach our talent, including our core technical team and other technical staff and engineers. We may need to offer better remuneration and other benefits to attract and retain our key or experienced personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention costs. Any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and to grow our business. Furthermore, while we have entered confidentiality agreements (which typically also include anti-competition clauses) with many of our employees, we cannot assure you our confidential information and trade secrets can be properly protected and will not be leaked. In addition, while our technical staff are subject to anti-competition clauses, the term for the anti-competition obligation typically lasts two years, and we cannot assure you that they will not join our competitors either within or after the two-year period. If we fail to attract and retain competent key personnel or our technical staff choose to join our competitors, our business, results of operations, financial condition and prospects may be materially adversely affected.

Work stoppage and other labor related matters may have an adverse effect on our businesses.

We believe that we have a good working relationship with our employees across our respective business segments. We did not experience any material work stoppages, strikes or other major labor problems in the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption to our operations and/or incur higher on-going labor costs, which may have an adverse effect on our business and results of operations.

As of June 30, 2022, we had 6,272 full-time employees, a majority of whom were based on the Obi Island, Indonesia. Our employees in Indonesia are not represented by labor unions. However, we cannot assure you that they will not unionize in the future. In case they become unionized, any conflicts between us and our employees' labor unions could have an adverse effect on our financial condition and results of operations. See "— Risks Related to Our Overseas Operations — Labor Activism could adversely affect our business in Indonesia" for more information.

In addition, labor costs in regions where we operate have been increasing in recent years and could continue to increase in the future. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to fully pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

We are subject to risks associated with contract liabilities.

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had contract liabilities of RMB240.9 million, RMB318.4 million, RMB296.9 million and RMB152.2 million, respectively. Our contract liabilities represent short-term advances received from customers. A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the relevant products is transferred. See Note 28 in Appendix IA to this prospectus for more details. If we fail to fulfill our obligations under contracts with our customers for any reason, we may not be able to recognize such contract liabilities as revenue, and our customers may require us to refund the advances we have received, which may adversely affect our cash flow and liquidity position and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. Also, such failures in fulfilling our contractual obligations may also adversely affect our relationship with such customers, which may further affect our reputation and results of operations in the future.

We face certain risks relating to non-compliance in relation to the real properties we own, use or lease.

For real properties that we own, including those related to our manufacturing activities and offices, we must obtain various permits, certificates and other approvals from the relevant government authorities at various stages of property development, including the land use right certificates, planning permits, construction permits and building ownership certificates. For real properties that we use or lease, we are also subject to various regulations, including the requirement to register our lease agreements with the local housing bureau within 30 days after signing the lease agreements.

We have title defects or non-compliances relating to the real properties that we own, use and lease. As of the Latest Practicable Date, the main office building of Jiangsu Wisdom, one of our subsidiaries, with a gross floor area of 4,830.33 square meters (accounting for approximately 1.8% of the total gross floor area of the properties we occupy), has not obtained the ownership certificate, because a small portion of the land area on which this building is built has exceeded the area permitted in the relevant government approval. As a result of this defect, we are subject to a number of risks. Jiangsu Wisdom may be unable to continue to use this office building and may be ordered by the relevant government authorities to return the portion of land exceeding the area permitted in the relevant government approval. In addition, Jiangsu Wisdom may be subject to a potential fine up to RMB307 thousand for exceeding the area permitted, and a fine up to RMB954 thousand for failure to obtain ownership certificate of our main office building. For more details, see "Business — Properties — Owned Land and Buildings — Title Defects — Main office building."

We have communicated and consulted with the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province on the plan to rectify the non-compliance concerning this property. Based on such communication and consultation, we plan to first purchase from the local government the land use right of the small portion of the land area on which this building is built that has exceeded the area permitted in the relevant government approval. We have accordingly started our preparatory work. Our PRC Legal Advisor has advised us that the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province is the competent authority to handle the title defect related matters concerning this property. If we are unable to continue using this property due to the non-compliance, we may need to rent another place in proximity to the current location as the main office building for Jiangsu Wisdom, which we expect to incur approximately RMB0.7 million of rental expenses per annum. In addition, if we are ordered to demolish this building as a result of such non-compliance, we estimate that we may further incur up to approximately RMB0.6 million for the demolishing of this building.

In addition, as of the Latest Practicable Date, the warehouse (which is used for certain solid hazardous wastes), central control room and exhibition room of Jiangsu Wisdom, with an aggregate gross floor area of 9,342.7 square meters (accounting for approximately 3.5% of the total gross floor area of the properties we occupy), has not obtained the ownership certificates. Jiangsu Wisdom did not obtain the relevant building ownership certificates for these properties because it commenced construction without obtaining the construction planning permit from the relevant government authorities. This in turn is because the land occupied by these properties is in close proximity to the canal area, on which no new project of industrial and mining enterprises that are not conducive to the ecological and environmental protection can be constructed. As a result of this defect, we are subject to a number of risks. We may be unable to continue to use these properties. In addition, Jiangsu Wisdom may be required by the competent authority to take corrective measures to eliminate the impact and be subject to a fine. If Jiangsu Wisdom fails to take the appropriate measures to eliminate the impact, it may be ordered to demolish the properties by the relevant authorities. It may be further subject to a fine up to RMB1.3 million for failure to obtain ownership certificates of the warehouse, the central control room and the exhibition room.

We have suspended the use of the warehouse as of the Latest Practicable Date and do not expect to put this property back into use before obtaining the relevant building ownership certificate. The gross floor area of the central control room and the exhibition room is relatively small and we have readily available space in our other properties that can serve the same functions currently served by these two properties. In the event that Jiangsu Wisdom is no longer able to use these properties, we do not believe that it will have any material adverse effect on our operations.

We are actively communicating and consulting with the relevant government authorities on the plan to rectify the non-compliance concerning the central control room and the exhibition room. We are in the process of obtaining the construction planning permits, following which we plan to apply for the building ownership certificates for these properties. In September 2022, the People's Government of Suyu District, Suqian, Jiangsu Province hosted a meeting to discuss the title issues related to these properties, during which they have agreed to, through the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province, facilitate our applications for the construction planning permits of the warehouse, the central control room and the exhibition room, which has to be completed before we obtain the ownership certificates of the relevant buildings. Following the meeting, we submitted applications for the construction planning permits of the warehouse, the central control room and the exhibition room to the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province in the same month. Our PRC Legal Advisor has advised us that the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province is the competent authority to handle the title defect related matters concerning the warehouse, the central control room and the exhibition room. If we fail to obtain the relevant construction planning permits or building ownership certificates and are subsequently ordered to demolish these properties, we estimate that we may incur up to approximately RMB1.4 million for the demolishing and/or relocation of these three properties in relation to the relevant non-compliances.

For more information related to the title defects relating to the real properties that we own, see "Business — Properties — Owned Land and Buildings — Title Defects."

As of the Latest Practicable Date, we have 12 leases concerning property located in China that have not been registered with the relevant authorities as required, because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As a result, we may be exposed to potential monetary fines ranging from RMB1,000 to RMB10,000 for each non-registration. As such, our maximum potential penalty for non-registration of leases is RMB120,000. As of the Latest Practicable Date, we have not been fined by any such authorities for non-registration of leases. However, we cannot assure you that we will not be fined by such authorities, or required to have our leases registered in the future, which in turn may increase our compliance costs. We plan to continue to maintain regular communication with the relevant lessors and ask them to provide us with the required documents and assist us to complete the registration of the relevant lease agreements with the relevant housing administrative authorities.

If we are unable to rectify our title defects in time, if at all, we may be subject to penalties, including the property being required to be demolished, or we may be forced to vacate the property. As a result, we may need to relocate the facilities in these properties, which may have a material and adverse impact on our business, including incurring additional expenses, loss of business, or delays in delivery of our products, and becoming subject to damage claims by our customers. In addition, if we are unable to complete the lease registration in time, if at all, we may be subject to penalties including monetary fines. Any such relocation or penalties may disrupt our business operation and have a material adverse effect on our business, financial condition, operating results and growth prospects.

Negative publicity related to the nickel industry, especially that concerning the environmental impact of the production process, could materially and adversely affect our business operations.

As of the Latest Practicable Date, our manufacturing facilities comply with the material local laws and regulations applicable to our production. In particular, for the HPAL and RKEF projects on the Obi Island, we have actively taken into consideration in our design and construction of our production lines such factors including workplace safety and environmental protection. However, we cannot assure you that our production and operation activities will not have an adverse impact on the local environment or cause tension between us and the local community due to reasons that may be beyond our control, including natural disasters, human negligence or errors during operation, repairing or maintenance. If any environmental-related accidents occur or our relationship with the local community deteriorates, our business, financial condition, results of operations and growth prospects may be adversely and materially affected.

In addition, other nickel production projects, especially those employ the hydrometallurgy process such as the HPAL process, have caused, or may in the future experience, negative reports and publicity in relation to their negative environmental impacts and their tension with the local communities. In general, companies in the nickel production industry, including our business partners in the Philippines and Indonesia, may from time to time be subject to negative reports and publicity in relation to their environmental impacts, which in turn may adversely affect our business reputation. These reports and negative publicity have further caused NGOs, markets and investors to form a negative impression of the HPAL process and our industry in general. Regardless of whether such negative publicity can be substantiated by data and facts, they may adversely impact our operations on the Obi Island, including:

- end consumers and/or NGOs may require our customers to stop using, or reduce the use of, nickel-cobalt compounds produced from the HPAL process;

- our customers may require us to adopt more environmentally friendly but more costly ways to process the tailings and other wastes generated from the production of nickel-cobalt compounds, which may in turn increase our costs and reduce our profit margins;

- consumers, NGOs or local communities may pressure or lobby the relevant government authorities to adopt and impose more stringent laws, regulations and policies on our production activities, which may significantly increase our compliance and operating costs; and

- based on the judgment that our project is not environmentally friendly, investors may choose to divest from our Company, which may adversely affect our stock price.

Any occurrence of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business operation in Indonesia is subject to various risks, including the evolving regulatory environment and perceived prevalence of corruption and bribery.

Corruption and poor governance in Indonesia have historically been a hindrance to the Indonesian government's ability to attract foreign investment and stimulate economic growth. For example, according to the 2021 corruption perception index published by Transparency International, a non-governmental organization for combatting global corruption and preventing criminal activities arising from corruption, Indonesia ranked 96 out of 180 countries and regions, with a score of 38 out of 100. Failure of the Indonesian government to continue to fight corruption or the perceived risk of corruption in Indonesia, including those at the central and local governments levels, could have an adverse effect on the Indonesian economy. The risks of corruption, bribery and other unethical practices of local government and the lack of transparency within the Indonesian legal systems may adversely affect our businesses.

In addition, the regulatory landscape implicating our business operation in Indonesia has been and is expected to continue evolving. The evolving regulatory environment might not necessarily have a positive effect on our operations and business development. For example, the Indonesian government has imposed an export ban on the nickel ore effective on January 1, 2020 to encourage the foreign investment in the downstream production sectors; See "Business—Indonesian Government's Export Ban on Laterite Nickel Ore" for more details. It has also proposed to adopt a "carbon tax" regime to protect the environment. See "Regulatory Overview—Harmonization Tax Regulations—Carbon Tax" for more information. Moreover, many existing and proposed Indonesian laws and regulations lack clarity on how exactly these laws and regulations should be implemented. There also remain inherent and substantial uncertainties and inconsistencies in the interpretation, implementation and enforcement of laws and government policies that are relevant to us. The ambiguous legal and regulatory requirement, coupled with the corruption in certain government bodies and the lack of transparency within the legal systems, can adversely affect our business operations in Indonesia, including the construction schedule of the Obi projects and the production of nickel products, thereby causing delay, suspension and even termination to the relevant works. We have implemented an regulatory compliance, anti-corruption and anti-bribery policy, a summary of which can be found under "Business — Risk Management — Regulatory Compliance, Anti-bribery and Corruption Risk Management" in this prospectus. However, the sufficiency and effectiveness of such measures cannot be assured and the extent of our exposure to the relevant risks varies depending on the stages of the Obi projects and the further evolvement of the regulatory environment, which is beyond our control. The above factors may disrupt the operation of the Obi projects, incur loss of staff and assets and may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business depends on our ability to protect our intellectual property rights. Our intellectual property rights may be infringed upon by third parties, and we may also be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

Our intellectual property rights primarily include patents, trade secrets and trademarks. We rely primarily on a combination of our patents, trade secrets, trademarks and employee and third-party confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we had 44 registered patents, 25 trademarks, two copyrights and three domain names in the PRC. As of the same date, we were not aware of any material violation or infringement of our patents, trade secrets, trademarks and other intellectual property rights. However, we cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and other resources, including time and money, away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and will have to bear all costs arising from such litigations to the extent that we are unable to recover from other parties.

Our success also depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations.

We are exposed to foreign currency exchange fluctuations.

The currencies used in our business operation primarily include U.S. dollar and Renminbi. For our operations in Indonesia, we primarily use U.S. dollar as the transaction currency, except that we use Indonesian rupiah for the purchase of nickel ore and certain other raw materials and ancillary materials. While we strive to match the currency used in our transactions, to the extent our procurement and the subsequent sales involve different currencies, we are subject to risks arising from the use of different currencies, especially for the export of products and sales outside the country of procuring and manufacturing. Exchange rates between the Renminbi and the U.S. dollar, as well as between the Indonesian rupiah and the U.S. dollar, may fluctuate and our financial performance can be affected. For example, for our trading business, if we procure the products using U.S. dollar while selling the same products to our customers based in China in Renminbi, our financial performance may be adversely affected if the Renminbi depreciates against the U.S. dollar. In addition, following our acquisition of an additional 18% equity interest in HPL, we started to present the financial performance of HPL on a consolidated basis from the acquisition completion date. HPL's procurement of nickel ore in Indonesia mainly uses Indonesian rupiah, which is expected to constitute an important part of our costs for our production business. As a result, when the Indonesian rupiah appreciates against the U.S. dollar, our financial performance may be adversely affected.

Market forces or the government policies of the PRC, Indonesia, the U.S., or any other jurisdictions where we operate may adversely impact the exchange rates between the Renminbi, the Indonesian rupiah, the U.S. dollar or any other corresponding currencies we may use for our business operation or transactions in the future. Movements in the exchange rates among currencies are affected by factors including changes in the respective countries' political and economic conditions and their respective foreign exchange policies. For example, during the Track Record Period, while exchange rates between the U.S. dollar and the Renminbi fluctuated in 2019 and the first half of 2020, the Renminbi has started to generally appreciate against the U.S. dollar from June 2020 to May 2021, and the exchange rates between the U.S. dollar and the Renminbi slightly fluctuated between June 2021 and March 2022. Renminbi further started to generally depreciate against the U.S. dollar between April 2022 and June 2022. As a result, (i) we recorded net exchange losses of RMB12.6 million and RMB15.8 million in 2019 and in the six months ended June 30, 2022, which were recognized as other operating expenses in our consolidated statements of profit or loss, and (ii) we recorded net foreign exchange gains of RMB33.1 million and RMB40.6 million in 2020 and 2021, respectively, which were recognized as other income and gains in our consolidated statements of profit or loss. It is difficult to predict how market forces or the government policies of the PRC, Indonesian or the U.S. may impact the exchange rates between the Renminbi and the U.S. dollar and between the Indonesian rupiah and the U.S. dollar, as applicable, in the future. Any increased costs or reduced revenues as a result of foreign currency exchange fluctuations could adversely affect our margins and financial performance.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. During the Track Record Period, we did not enter into foreign exchange transactions such as long-term or short-term forward and swap contracts to manage our foreign currency risks. However, even if we enter such contracts in the future, the effectiveness of these hedges may be limited, and we may not be able to successfully hedge our exposure, or at all.

Our results of operations and financial condition may be adversely affected by our purchase of derivative financial instruments. We may be exposed to fair value changes for financial assets at fair value through profit or loss.

The derivative financial instruments we purchase include futures products and interest rate swaps. We purchase futures products from time to time to hedge our exposure against price fluctuations of nickel products. We purchase interest rate swaps to hedge our exposure against interest rate fluctuations of our variable-rate bank borrowings.

In connection with the settled futures products, we recorded RMB26.0 million investment income in other income and gains in 2019, primarily as a result of decreases in the LME nickel prices; we recorded RMB10.2 million, RMB41.2 million and RMB87.1 million investment loss in other operating expenses in 2020 and 2021 and the six months ended June 30, 2022, respectively, primarily as a result of increases in the LME nickel prices. In connection with the unsettled futures products, we recorded RMB0.06 million book profit of changes in fair value of futures products under other income and gains in the six months ended June 30, 2022; we recorded RMB6.8 million book loss of changes in fair value of futures products under other operating expenses in 2021, primarily due to fluctuations in nickel prices. As of December 31, 2019, 2020, 2021 and June 30, 2022, our financial liabilities at fair value through profit or loss relating to futures products, which represent fair value losses of the unsettled futures products as of the year end, amounted to nil, nil, RMB6.8 million and nil, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, our financial assets at fair value through profit or loss relating to futures products, which represent fair value gains of the unsettled futures products as of the respective dates, amounted to nil, nil, nil and RMB0.06 million, respectively.

In connection with our interest rate swaps, we recorded RMB44.3 million changes in fair value of financial assets at fair value through profit or loss as of June 30, 2022, as a result of fluctuations in interest rates of our variable-rate bank borrowings.

In relation to the recent Russia-Ukraine conflict, since early March 2022, there has been an unprecedented price spike in the LME nickel price, exceeding US$50,000 per ton. The LME nickel price fluctuated within the price range of US$22,900 per ton to US$35,000 per ton in the second quarter of 2022. Following the LME nickel price spike, we have settled all of our futures contracts on the LME, incurring a total loss of approximately US$3.0 million. If the LME nickel price continues to surge, we may incur additional losses in our futures products and our business and results of operations may be adversely affected if we are to open futures products position again going forward. See "— We are exposed to market fluctuations of prices of nickel, nickel products and other related products" for more details.

We may continue to realize loss in futures products and we cannot assure you that we will continue to generate fair value gain for our derivative financial instruments in the future. If our investments in derivative financial instruments incur a fair value loss or if our financial liabilities continue to increase as a result of our loss in futures products, our results of operations and financial condition may be adversely affected.

Our results of operations and financial condition may be adversely affected by our purchase of wealth management products. We may be exposed to fair value changes for financial assets at fair value through profit or loss.

During the Track Record Period, we invested our cash-on-hand to purchase wealth management products from time to time to improve our profitability. We recorded investment income of RMB3.2 million, RMB1.4 million, RMB0.1 million and nil in other income and gains in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. As of December 31, 2019, 2020, 2021 and June 30, 2022, our closing balance of wealth management products issued by commercial banks and financial institutions in China amounted to RMB187.1 million, RMB152.4 million, nil and RMB76.1 million, respectively. The investment in wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment, general market conditions, as well as risk control and credit of issuing banks, which may adversely affect the net changes in the fair value of these wealth management products. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. Although we have adopted a set of internal policies and guidelines to manage our investment in wealth management products, there could be no assurance that such internal policies and guidelines will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in wealth management products and incur such fair value losses, we may incur significant losses, and as a result, our financial condition, results of operations and prospects may be materially adversely affected.

Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted the Pre-IPO Share Incentive Scheme on October 20, 2021 to incentivize selected employees, supervisors and directors. See "Appendix VII — Statutory and General Information — D. Share Incentive Scheme" for more details. As the share incentive awards were issued under the Pre-IPO Share Incentive Scheme at fair value at the grant date, which was determined by an external valuer by the discounted cash flow method, no share-based payment expenses was charged to profit or loss in 2021. See Note 40 to Appendix IA to this prospectus for more details. As we do not plan to issue additional share incentive awards under the Pre-IPO Share Incentive Scheme, no share-based payment expenses were expected to be charged to profit or loss with respect to such scheme going forward. However, to further incentivize our employees, supervisors and directors, we may grant additional share incentive awards under new share incentive schemes in the future. Issuance of additional Shares under new share incentive schemes may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

Governmental import or export controls on nickel ore and other nickel products could materially and adversely affect our business, results of operations, financial condition and prospects.

Our raw materials and products, in addition to laterite nickel ore, ferronickel and nickel-cobalt compounds, may be subject to governmental import and export controls, including from China and overseas. Governmental regulations on the import or export of our raw materials products, or our failure to obtain any required import or export authorization for our raw materials and products, if any, may harm our business and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products may create delays in the introduction of our products in international markets or, in some cases, prevent the export of our products to some countries altogether.

U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. If we fail to comply with export and import regulations and such economic sanctions, we may be fined or subject to other penalties, including a denial of certain export privileges. Moreover, any new import or export restrictions, new legislation or shifting approaches in the enforcement or scope of existing regulations, could result in increased operating costs, or our decreased ability to export our products to existing or potential international customers, which could materially adversely affect our business, results of operations, financial condition and prospects.

Our intra-group transactions may result in adverse tax consequences.

Under applicable tax laws and regulations, our intra-group transactions, primarily related to sales and procurement of tangible goods (including nickel products and equipment) and supporting services among our subsidiaries in the PRC, Singapore and Indonesia, may be subject to audit or scrutiny by the tax authorities in respective jurisdictions. We could face material and adverse tax consequences if the relevant tax authorities believe that the transfer prices of our intra-group transactions were not entered into on an arm's-length basis and therefore constituted unfavorable transfer pricing arrangements. Unfavorable transfer pricing arrangements could, among other things, result in an upward adjustment on taxation, increasing our tax liabilities. Moreover, if the country or territory from which the income is being reallocated after adjustment on taxation does not agree to the reallocation, the same income could be subject to taxation by both countries or territories. As of June 30, 2022, our maximum potential tax exposure arising from the risks associated with our intra-group transactions amounted to approximately RMB3.0 million. See "Business — Transfer Pricing Arrangement — Tax Implication and Compliance" for further details.

Although our Directors are of the view that our intra-group transactions during the Track Record Period were consistent with the arm's length principle and did not involve any tax evasion, we cannot assure you that the transfer pricing laws will not be modified, or the taxation authorities will not challenge our tax filings in the past, which, as a result, may require changes to our transfer pricing arrangements or operating procedures. Any determination of income reallocation or modification of transfer pricing laws could result in an income tax assessment of the portion of income deemed to be derived from the taxation jurisdiction that so reallocates the income or modifies its transfer pricing laws. Our results of operations may be materially and adversely affected if its tax liabilities increase significantly or if they are required to pay interest on late payments. For information related to the commercial rationale, transfer pricing assessment and tax implication and compliance for our intra-group transactions, please see "Business — Transfer Pricing Arrangement."

Under the New EIT Law, we may not be classified as a "high and new-technology enterprise" of the PRC. Such classification could result in unfavorable tax consequences.

Pursuant to the New EIT Law, a high and new-technology enterprise may enjoy a preferential EIT rate of 15%. In December 2019, Xi'an Pengyuan obtained the "Certificate of High and New-Technology Enterprise," with a validity period of three years. The high and new technology EIT rate of 15% enjoyed by Xi'an Pengyuan will expire in December 2022, after which Xi'an Pengyuan may apply for extension review to continue to enjoy favorable tax rate or will be subject to a normal EIT rate of 25% as for all PRC enterprises.

Despite being eligible for the high and new-technology enterprise rate, there is no assurance that Xi'an Pengyuan would remain qualified as a high and new-technology enterprise so as to enjoy the high and new-technology enterprise rate after the expiry of the Certificate of High and New-Technology Enterprise. The effective tax rate for Xi'an Pengyuan will therefore significantly increase and may materially adversely affect Xi'an Pengyuan's profitability, which may have an adverse effect on our business, results of operations and financial condition. There is also no assurance that other subsidiaries of our Group will be eligible to qualify as a high and new-technology enterprise in the future. Furthermore, there can be no assurance that the PRC New EIT Law, its application or its interpretation will not continue to change, in which case the effective income tax rate applicable to us may increase significantly.

A severe or prolonged downturn in the Chinese or global economy, any financial or economic crisis, or perceived threat of such a crisis, could materially and adversely affect our business and financial condition.

The COVID-19 pandemic may continue to have a severe and prolonged negative impact on the Chinese and the global economy. Even before the outbreak of COVID-19, the global macroeconomic environment faced numerous challenges. The growth rate of the Chinese economy has gradually slowed down in recent years and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which have been adopted by the central banks and financial authorities of some of the world's leading economies, including the

United States and China, even before 2020. The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the hostilities in the Ukraine, and the economic slowdown in the Eurozone in 2014. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. It is unclear whether these challenges will be contained and what effects they each may have. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries such as the Philippines and Indonesia over matters related to the South China Sea, which may potentially have negative diplomatic, political and economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy might lead to tighter credit markets, increased market volatility, sudden drops in business and dramatic changes in business, and may result in lower-than-expected growths of the industries in which we operate or which we serve, and may materially adversely affect our business, results of operations, financial condition and growth prospects.

Our current and future joint ventures and strategic partnership may fall short of expectations or taker longer than expected to materialize.

We currently have joint ventures with our local partner in Indonesia for both the HPAL and RKEF projects. We have also established CBL, our joint venture with one of our nickel-cobalt compound customers, which will be focused on the development and construction of NEV battery projects. We may further look for potential minority investment opportunities in nickel mines in Indonesia. We may continue to evaluate and establish potential joint ventures and strategic partnerships with other appropriate partners to further develop our business. However, we may not realize the anticipated amount of benefits from these joint ventures and strategic partnerships, or it may take longer than anticipated for realize these benefits. The success of these joint ventures and strategic partnerships will depend, in part, on the successful partnership between the relevant partner and us. Such a joint venture or partnership is subject to the risks outlined below, and more generally, to the same types of business risks as would impact our business operations when pursued on a collaborative basis:

- we may not have the right to exercise sole decision-making authority regarding the joint venture;

- our partners may become bankrupt or fail to pay the relevant consideration for the cooperation with us;

- our partners may be subject to negative publicity, which in turn may adversely affect the business operation and financial performances of our joint venture and even our own business reputation;

- our partners' interests may not be aligned with our interests as our partners' economic, political, tax or other business interests or goals may be or change to be inconsistent with our business interests or goals during the course of cooperation, and may take actions contrary to our policies or objectives;

- our partners may take actions unrelated to our business agreement but which reflect adversely on us because of our joint ventures;

- changes in the terms of the arrangements of our partnerships may materially and adversely affect our ability to complete or operate projects we are pursuing or contemplating through joint venture and strategic partnerships;

- disputes between us and our partners may result in litigation or arbitration that would increase our expenses and prevent our management from focusing their time and effort on our business; and

- we may in certain circumstances be liable for the actions of our partner or guarantee all or a portion of the joint venture's liabilities.

We may fail to realize our expectations for the existing or future joint ventures and strategic partnerships, which in turn may materially adversely affect our business, results of operations, financial condition and growth prospects.

We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, joint venture partners, suppliers, employees, logistics service providers, inspection service providers, construction service providers, research institutes and organizations, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially adversely affect our business, results of operations, financial condition and prospects.

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may not be adequately insured against losses and liabilities arising from various operational risks and hazards that we are subject to.

We face various operational risks in connection with our businesses, including: production interruptions caused by operational errors; electricity outages; breakdown of equipment and other risks; operating limitations imposed by environmental or other regulatory requirements; social, political and labor unrest; environmental or industrial accidents; and catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters. In particular, we have extensive business operation in Indonesia and the Philippines, and both countries are located in geographic area with a high frequency of natural disasters, including volcanic eruptions, tsunamis and earthquakes. These risks can result in damage to, and destruction of, production facilities, cargos and inventory, personal injury or loss of life, environmental damage, monetary losses and legal liability. The occurrence of any of these events may result in the interruption of our operations and subject us to significant losses or liabilities.

We may not have adequate or any insurance coverage on the above operational risks. We maintain life insurance and travel accident insurance for our employees bases in Indonesia. There can be no assurance that our insurance coverage would be sufficient in case of such major accidents. In the event that we incur substantial losses or liabilities and that our insurance is unavailable or inadequate to cover such losses or liabilities, our business, results of operations, financial condition and prospects could be materially adversely affected.

Our business operations and financial performance have been and may continue to be affected by the COVID-19 pandemic.

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. Since early 2020, different countries and regions where we operate have been affected, and are expected to be continuously affected, by the outbreak and resurgences of COVID-19 (including its existing and future variants) and, in response, governments of these countries and regions have implemented, among other measures, shutdowns, quarantines, restrictions on mobility and travel and cancelation of public activities, to contain the spread of the virus. As a result, prices of our raw materials and finished products have experienced fluctuations, shipping costs have experienced significant increase, and our business as well as the businesses of certain of our suppliers and customers have and may continue to experience delays, disruptions or suspensions.

In particular, we experienced a delay for the construction of the HPAL project, as our engineers and workers are restricted from traveling in and out of the construction site and the transportation of relevant devices, machinery and equipment were affected or delayed from May 2020 to September 2020. Due to similar reasons, the construction of phase I of the RKEF project has also been delayed for three months. Our business was also adversely affected by the rise in shipping costs caused by the continued COVID-19 pandemic. Moreover, crew of the ships we used to transport nickel products, including laterite nickel ore and ferronickel, were often required to go through COVID-19 tests at the loading/unloading ports. If any crew member was tested positive for COVID-19, depending on the specific policy adopted by the loading/unloading port, the ship may either be denied entry, or be required to change that infected crew member before it could receive permission to enter the loading/unloading ports for cargo loading/unloading, adversely affecting our shipping efficiency.

We took a series of measures in response to the outbreak to protect our employees, including, among others, temporary closure of certain of our offices, construction sites and manufacturing facilities, which temporarily reduced the capacity and efficiency of our operations. In addition, we made flight arrangements for our overseas employees and offered protective equipment, COVID-19 tests and vaccines to our employees, which had increased and may continue to increase our operations and support costs. Although we have resumed our office operations, and our construction and production activities have accordingly resumed, our business activities could still be disrupted or suspended if any of our employees is suspected of contracting the COVID-19 or there is resurgence of COVID-19 (including its existing or future variants) or outbreak of any other epidemic disease, since our employees could be quarantined and/or our offices may have to be shut down for disinfection.

There remain significant uncertainties surrounding the further development of COVID-19 as a global pandemic. Any future resurgence of the virus, countries and regions where we or our suppliers operate, including China, Indonesia and the Philippines, may again take emergency measures to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact our businesses. While the global rollout of vaccines could help control the spread, it is difficult to predict whether the current or future vaccines will remain effective against the existing and future variants of COVID-19. The potential downturn brought by and the duration of the COVID-19 pandemic may be difficult to assess or predict as the actual effects will depend on many factors which may be beyond our control. While we believe the overall impact on our business due to the outbreak of COVID-19 has been limited, it is hard for us to quantify the impact and estimate the extent to which the COVID-19 pandemic will impact our long-term results.

We are exposed to severe weather and climate conditions, acts of God, severe contagious diseases, acts of terrorism or war, and adverse work environments in the PRC and abroad.

Some of our and our suppliers' business activities, particularly those activities related to mining, construction and productions, are conducted outdoors and could be materially and adversely affected by severe weather and climate conditions. We and our suppliers also operate in areas that are under the threat of ice storms, floods, earthquakes, tsunamis, typhoons, volcanic eruptions, landslides, or mudslides. Acts of war and terrorist attacks, including those in Indonesia, the Philippines and other foreign jurisdictions in which we or our suppliers have operations, may cause damage or disruption to us and our suppliers and our respective employees, operations, equipment, facilities and markets, any of which could impact our revenues, cost of sales and reputation. The outbreak of any severe contagious disease such as the severe acute respiratory syndrome in 2003, the H1N1 influenza in 2009 and COVID-19 since the end of December 2019 could also result in interruption of our business. In addition, the physical impacts of climate change on our operations are highly uncertain and will be particular to the geographic circumstances. These may include changes in rainfall patterns, water shortages, rising sea levels, increased storm intensities and higher temperatures. During periods of curtailed activity, we may continue to incur operating expenses, but our revenue from operations may be delayed or reduced. Such events could also have severe effects on the overall business sentiment and environment in China and worldwide, and may in turn lead to a slower economic growth in China or globally, which may have a material adverse effect on our business, operating results and financial condition.

In addition, we conduct some of our operations under a variety of challenging geographical and other conditions, including difficult terrains, harsh conditions, long distance between islands, busy urban centers where delivery of materials and availability of labor may be affected and sites which may have been exposed to environmental hazards. Such conditions may result in personal injuries or fatalities or have a negative effect on our work performance and efficiency.

Indonesia is located in one of the most volcanically active regions in the world and is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves. Although the Indonesian government has invested a significant amount of resources in disaster prevention, we cannot assure you that the occurrences of natural disasters in the future will not affect our production facilities on Obi Island, or that we can receive timely and adequate assistance and resume production efficiently and effectively after the disaster occurs. In addition, a significant earthquake, geological disturbance or tsunami affecting any of Indonesia's more populated cities could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting us.

The Philippines is located in a geographic area that is prone to typhoons, which can regularly have adverse impact on our trading business of laterite nickel ore, and such an impact may intensify and become more unpredictable if the global climate change intensifies. For more details, see "— We are exposed to the market forces in the nickel industry." At the same time, the Philippines is often affected by natural disasters including volcanic eruption and earthquakes. These disasters may result in a reduction in, or the suspension of, the production activities of our local partners' mines and other facilities, which in turn may materially and adversely affect our trading activities.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Relevant requirements of the State Council and the CSRC may have an uncertain impact on our Global Offering and future fundraising activities.

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), which sets forth certain requirements on the overseas issuance and listing by domestic enterprises, mainly including: (I) requiring domestic enterprises to perform filing procedures regarding overseas issuance and listing with the securities regulatory authorities of the State Council, report relevant information, and that the filing materials shall be true, accurate and complete and shall not contain false records, misleading statements or make major omissions; (II) setting out the conditions for overseas issuance and listing of domestic enterprises; (III) requiring domestic enterprises to comply with the regulations in relation to foreign investment, Internet security and data security, and if security review is involved, to perform the security review procedures; (IV) requiring domestic enterprises to establish the articles of association, improve internal control system, and standardize corporate governance and financial and accounting practices in accordance with the PRC laws and regulations; and (V) requiring domestic enterprises to abide by national laws and regulations and relevant rules, establish and improve confidentiality system, and that damages to national security and public health is prohibited.

On December 24, 2021, the CSRC issued the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) based on the Provisions of the State Council on the Administration of the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), provided for the overseas issuance and listing by domestic enterprises and their overseas issuance of listed bonds after listing, mainly including: (i) for domestic enterprises that directly issue and list securities overseas, the issuer shall perform the filing procedures, and report relevant information; after the issuer's filing and before the completion of overseas issuance and listing, any major changes in main businesses or business license qualifications, shareholding structure or changes in controls, and major adjustments to the issuance and listing plan should be reported to the CSRC in a timely manner and the issuer shall update the filing information within three working days from the date of the occurrence of the relevant matters; (ii) for overseas listed securities to be issued after overseas issuance and listing, the issuer shall, within three working days after the completion of the issuance, submit filing materials to the CSRC; if the issuer would issue overseas listed securities to purchase assets after overseas listing, it shall perform relevant filing procedures in accordance with the requirements of the Administration Measures for the Overseas Listing (Draft for Comment); if there is any change in its controls after its overseas listing and investigation or punishment by the relevant competent authorities, and any circumstance that the issuer voluntarily terminates the listing or is forced to terminate the listing, the issuer shall report to the CSRC within three working days from the date of the change; if the domestic enterprises issue and list directly overseas, they shall prepare the articles of association with reference to the Guidelines for Articles of Association of Listed Companies to standardize the corporate governance; and (iii) if the issuer violates the Administration Measures for the Overseas Listing (Draft for Comment), the CSRC and the relevant competent departments of the State Council may, according to the seriousness of the circumstances, order to make corrections or conduct regulatory talks, issue warning letters and take other measures, or investigate legal responsibilities in accordance with the law.

The deadline for feedback on the Provisions of the State Council on the Administration of the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) is January 23, 2022. As of the Latest Practicable Date, there has been no update in relation to the enactment of these regulations. When these regulations will take effect and the extent of impact of these regulations on us when they come into effect are still uncertain.

The Draft Overseas Listing Regulations are not clear on the exact criteria for qualified issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the listing process shall be subject to the said CSRC filing procedures. Although according to the existing text of the Draft Overseas Listing Regulations, the Global Offering could be subject to the proposed expanded regulatory scope of the CSRC and the proposed report and filing procedures for constituting a "direct overseas offering and listing by a PRC company". We cannot predict the impact of the Draft Overseas Listing Regulations on the Global Offering, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

Notwithstanding the foregoing, we have, in accordance with the existing Securities Law of the People's Republic of China (《中華人民共和國證券法》) and the Special Regulations of the State Council concerning Floating and Listing of Shares Overseas by Joint Stock Limited Company (《國務院關於股份有限公司境外募集股份及上市的特別規定》), obtained the Reply Approval in Respect of Lygend Resources & Technology Co., Ltd. Global Offering of Listed Foreign Shares (H shares) on Main Board of The Stock Exchange of Hong Kong Ltd (Zhengjianxuke [2022] No. 1714) (《關於核准寧波力勤資源科技股份有限公司首次公開發行境外上市外資股（H股）並在香港聯合交易所主板上市的批覆》(證監許可[2022]1714號)) by the CSRC in relation to our Global Offering on August 2, 2022. As advised by our PRC legal advisors, we have completed all the necessary domestic procedures in relation to our Global Offering under the currently effective PRC laws and regulations.

At this stage, we are unable to rule out the possibility that the relevant authorities may enact additional regulations to restrict or raise new compliance requirements for our business and the Global Offering. Therefore, we cannot guarantee that the CSRC or other PRC authorities will not require us to complete other procedures for the Global Offering, which may have a material adverse effect on our business, results of operations, financial condition as well as the Global Offering.

Changes in the PRC's economic, political and social conditions as well as governmental policies could affect our business, financial condition and results of operations.

In 2019, 2020, 2021 and the six months ended June 30, 2022, we derived a majority of our revenues from mainland China. As a result, our revenues and net income are impacted to a large extent by economic, political and social conditions in China and globally. China's economic conditions are sensitive to global economic conditions. The global financial markets have experienced significant disruptions since 2008 and the United States, Europe and other economies have experienced periods of recession. The global macroeconomic environment is facing new challenges and there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. Recent international trade disputes, including tariff actions announced by the United States, the PRC and certain other countries, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. There have also been concerns about the economic effects of the military conflicts and political turmoil or social instability in the Middle East, Europe, Africa and other places. The global economy, markets and levels of consumer spending are influenced by many factors which may be beyond our control, including consumer perception of current and future economic conditions, political uncertainty, levels of employment, inflation or deflation, real disposable income, interest rates, taxation and currency exchange rates. Any severe or prolonged slowdown in the global economy may adversely affect the Chinese economy which in turn may adversely affect our business, results of operations, financial condition and prospects.

The rate of economic growth in the PRC has been experiencing a slowdown, primarily as a result of the COVID-19 pandemic. In addition, any future escalation of the ongoing trade war between the United States and China, regional or national instability, or ongoing impact of the COVID-19 pandemic may negatively impact the growth in both the Chinese economy and the global economy as a whole. Although the PRC government has implemented a number of measures to address the economic slowdown, it is uncertain if these measures will be successful. Any continuing or worsening economic slowdown could significantly reduce growth rates of the industries in which we operate or which we serve. An economic downturn, whether actual or perceived, a further decrease in economic growth rates, or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

The Chinese government's control of foreign currency conversion may limit our foreign exchange transactions.

Currently, Renminbi still cannot be freely exchanged into any foreign currencies, and exchange and remittance of foreign currencies are subject to the PRC foreign exchange regulations. It cannot be guaranteed that, under a certain exchange rate, we will have sufficient foreign currencies to meet our demand for foreign currencies. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us do not require advanced approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at financial institutions within the PRC that have the license to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE except foreign exchange capital, foreign debts and repatriated funds raised through overseas listing. If we fail to obtain approval from the SAFE to exchange the Renminbi into any foreign currencies for any purposes, our capital expenditure plans, and even our business, results of operations, financial condition and prospects, may be materially adversely affected. In addition, the PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the Chinese foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

Our labor costs may increase for various reasons including the implementation of the PRC Labor Contract Law and related regulation, labor shortage or inflation in the PRC.

As of June 30, 2022, we had 2,405 employees in the PRC. The PRC Labor Contract Law (《中華人民共和國勞動合同法》) was issued on June 29, 2007 and became effective on January 1, 2008 in the PRC and its amendments were on December 28, 2012 and became effective on July 1, 2013. It imposes stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. For example, pursuant to the PRC Labor Contract Law, an employer is required to make a compensation payment to a fixed-term contract employee when the term of his or her employment contract expires, if the employer does not propose to renew the employment contract with such employee with contract terms that are the same or better. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which was issued on December 14, 2007 and became effective on January 1, 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' service. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

As a result of the PRC Labor Contract Law and the Regulations on Paid Annual Leave for Employees, our labor costs may increase. Further, under the PRC Labor Contract Law, the employer may be required to compensate when an employer terminates its PRC employees' employment. In the event that we decide to significantly change or decrease our workforce, the PRC Labor Contract Law could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that we desire, which could result in an adverse impact on our business, financial condition and results of operations.

Further, if there is a shortage of labor or for any reason the labor cost in the PRC rises significantly, our production costs are likely to increase. This may in turn affect the selling prices of products, which may then affect the demand for such products and thereby adversely affect our sales and financial condition. Increase in costs of other components required for production may cause similar adverse effects, particularly if we are unable to identify and employ other appropriate means to reduce the costs of production. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. According to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 2.9%, 2.5% and 0.9% in 2019, 2020 and 2021, respectively. Inflation in the PRC increases the costs of labor and other costs for production. Rising labor costs may increase our operating costs and partially erode the cost advantage of our operations and therefore negatively impact our profitability.

Failure to comply with the PRC labor laws and regulations in relation to social insurance and housing fund contributions for our employees could subject us to fines and other legal or administrative sanctions.

We are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in China.

According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2019, we are required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund on time and in full for our employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010, effective on July 1, 2011 and last amended and effective on December 29, 2018, a PRC enterprise is required to obtain social insurance certificates (社會保險登記證) for its employees and to pay the social insurance contributions on time and in full. We have paid social insurance and housing provident fund contributions for our current employees (except certain exceptional cases including those who have reached retirement age, part-time employees and interns). However, the amounts of contributions payable were not calculated based on the employee's average salary for the preceding 12 months, but is determined according to the employee's internal rank in our Group, as agreed between our employees and us. According to CIC, such arrangement with respect to the payment of social insurance and housing provident fund contributions is common in the PRC. However, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident funds will be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities. In the event of any such non-compliance, we may be required to pay any shortfall in social insurance and housing provident funds contributions within a prescribed time period and to pay penalties if we fail to do so. We have made full provision for the underpaid amounts of our social insurance and housing provident fund contributions as at December 31, 2019, 2020, 2021 and June 30, 2022, which amounted to approximately RMB22.9 million, RMB17.6 million, RMB40.6 million and RMB63.3 million, respectively.

As advised by our PRC Legal Advisor, if our historical and current practice is deemed to be non-compliant with relevant PRC laws and regulations by PRC government authorities, the relevant PRC authorities may request us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. Such overdue charge, if requested to be paid by the relevant government authorities as of June 30, 2022, amounted to approximately RMB5.8 million. If we fail to repay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the outstanding contribution amount. If we fail to make payments of outstanding housing fund contributions prior to the deadline, we may be subject to an order from the relevant people's courts to make such payment.

According to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and became effective on January 1, 1995 and was amended on December 29, 2018, we are required to maintain a system of daily working hours for each worker not in excess of eight hours and average weekly working hours not in excess of 44 hours. In addition, according to the Provisions of the State Council on the Working Hours of Employees (《國務院關於職工工作時間的規定》), which was promulgated by the State Council on February 3, 1994 and became effective on March 1, 1994 and was last amended on March 25, 1995 and became effective on May 1, 1995, the daily working hours of an employee shall be eight hours and the weekly working hours of an employee shall be 40 hours. However, according to the Notice on Issuing the Measures for the Examination and Approval of Flexible Working Hours Arrangement and Comprehensive Working Hours Scheme Adopted by Enterprises (《關於企業實行不定時工作制和綜合計算工時工作制的審批辦法》), which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, enterprises that are not in a position to maintain a system of daily and weekly working hours under the Labor Law of the PRC due to particularities of their production may adopt a flexible working hours arrangement or comprehensive working hours scheme and other measures for work and rest. Local measures for work and rest such as flexible work hours work systems or comprehensive work hours work systems shall be formulated by the labor administration department of the various provinces, and filed with the labor administration department of the State Council. Should any of our subsidiaries adopt a flexible working hours arrangement in the future, we cannot assure you that such arrangement will be deemed to have complied with the relevant regulations, or that the relevant labor administrative departments will not deem the excess working hours as overtime working hours, and thus order our relevant subsidiaries to pay our employees overtime wages, which will lead to an increase in our labor costs.

In addition to the above, if we fail to comply with any other relevant PRC labor laws and regulations, we may be exposed to penalties or be required to pay damages to employees. For example, if any of our PRC subsidiaries engaging in manufacturing fails to comply with the relevant laws on prevention and treatment of occupational diseases, then such a subsidiary may be subject to fines and other administrative penalties, and any employees who are deemed to suffer from occupational diseases may also have rights to seek compensation from us. Compliance with the relevant PRC labor laws and regulations could substantially increase our labor costs. Increases in our labor costs and future disputes with our employees could adversely affect our business, results of operations, financial condition and prospects. In particular, an increase in labor costs in China could increase our production costs in the future and we might not be able to pass these increases on to our consumers due to competitive pricing pressure.

Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. While we conduct periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as waste water, slags, noise, fume, smoke and dust. The discharge of waste water and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

Uncertainties with respect to the PRC's legal system could limit the legal protections available to you and us. Holders of our H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

Some of our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC's legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in the PRC, our operations are principally governed by PRC laws and regulations. However, since the PRC's legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, certain important aspects of the PRC corporate law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders, restrictions on directors, disclosure requirements, different rights of classes of shareholders, general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Hong Kong Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions. Intellectual property rights and confidentiality protections in the PRC may not be as effective as in Hong Kong, the United States or other countries or regions. In addition, we cannot predict the effect of future developments in the PRC's legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

Changes in tax regulations and failure to comply with such tax regulations in the PRC may adversely affect our business and financial results.

The New EIT Law effective in 2008 and amended in 2018 imposes a tax rate of 25% on business enterprises in the PRC. Some of our subsidiaries are entitled to preferential tax treatment. For instance, as a high and new technology enterprise, our subsidiary Xi'an Pengyuan enjoys a preferential EIT rate of 15%. To the extent there are any changes in, non-renewal or withdrawals of, our preferential tax treatment, or increases in the effective tax rate, our tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added, business, resources, fuel and oil, property development and other taxes. Non-compliance with the PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to the PRC tax laws and regulations and tax penalties or fines could have an adverse effect on our business, financial condition and results of operations.

Payment of dividends or gains from the sale or other disposition of H Shares is subject to restrictions under PRC law.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if we know the identity of the individual shareholder and the tax rate applicable thereto. There is uncertainty as to whether gains realized upon disposition of Shares listed on an overseas stock exchange by non-PRC individuals are subject to the PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to the PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the New EIT Law and other applicable PRC tax regulations and statutory documents. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to verification by PRC tax authorities.

There remain significant uncertainties as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax on gains derived by holders of our H Shares from their disposition of our H Shares on the overseas stock exchange may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected. For more details, please see “Appendix IV — Taxation and Foreign Exchange.”

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against us or our respective management residing in the PRC.

A substantial majority of our Directors and executive officers reside within the PRC, a substantial majority of our subsidiaries are located in the PRC, and a substantial amount of our assets are located in the PRC and Indonesia. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon us or our respective management including for matters arising under applicable securities law.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. If a final and conclusive judgment made by a Hong Kong court is applied for recognition and enforcement in the PRC, the relevant PRC court shall examine it in accordance with the international treaties concluded or acceded to by the PRC or with the principle of reciprocity. In this regard, so far as we know, there exists Supreme People’s Court, Arrangement of the Supreme People’s Court between China and Hong Kong on Reciprocal Recognition and Enforcement of the

Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (“**Arrangement**”) regarding the recognition and enforcement of the civil and commercial judgment between the PRC and Hong Kong, which is applied where an agreement is subject to the exclusive jurisdiction of the Hong Kong court or the PRC court (as the case may be).

Insofar as PRC laws are concerned and after examination by the PRC courts in accordance with the Arrangement and concluding no contradiction of the basic principles of PRC laws or violation of state sovereignty, security and social and public interest of the country, the PRC court would recognize it by a ruling and, where necessary, issue an order of enforcement to enforce it according to the procedures specified by the PRC laws pursuant to the Arrangement, subject to compliance with applicable provisions of the Civil Procedure Law relating to the enforceability of judgments rendered by foreign courts.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries with respect to civil and commercial matters. As a result, recognition and enforcement in the PRC of judgments from various jurisdictions is uncertain.

Inflation in China could negatively affect our growth and profitability.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the Chinese government has implemented various policies from time to time to control inflation. For example, the Chinese government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the Chinese government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by Chinese government measures, our cost of sales will likely increase and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases on to our customers.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct (accidental or otherwise) committed by our employees or third parties.

We are exposed to risk associated with fraud or other misconduct committed by our employees, or third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, theft conducted by third parties may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market.

Our internal control systems and procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on our business, reputation, financial position and results of operations.

RISKS RELATING TO OUR OVERSEAS OPERATIONS

We are exposed to risks associated with our overseas operations.

Once the construction of HPAL and RKEF projects is completed and all our production lines are put into operation, a substantial part of our production of nickel-cobalt compounds and related business operations will be conducted in Indonesia. As of the Latest Practicable Date, we also have operations in the Philippines and Singapore. Our operations in the Philippines are primarily related to our trading of laterite nickel ore, while our operations in Singapore are primarily related to entrepot trade. We also procure laterite nickel ore from countries and regions including Turkey and New Caledonia and may in the future operate and have investments in other places in the world. These countries and regions have different legal frameworks and government policies. Our business, financial condition and results of operations are subject to risks and uncertainties relating to the relevant countries in which we operate or have investments, including but not limited to:

- exposure to international, regional and local economic and political conditions and regulatory policies;
- exposure to different legal standards and ability to enforce contracts in some jurisdictions;
- changes in legal developments and enforcement risks;
- control of foreign exchange and fluctuations in foreign exchange rate;
- developments in labor law and increase in staff cost;
- failure to negotiate the collective labor agreements on satisfactory terms with trade unions;
- restrictions or requirements relating to foreign investments;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations;

- failure to protect our reputation from negative publicity against us; and
- limitation on ability of non-nationals to reside and work in such countries.

Our business operations are affected by the economic, political and legal developments of the places where we or our business partners operate. There can be no assurance that economic, political or legal systems of those places will not develop in a way that is detrimental to our business, results of operations and prospects.

We are exposed to risks associated with our operations in Indonesia.

As of the Latest Practicable Date, we have two production lines put into operation and are constructing another four production lines (including the production lines of nickel sulfate and cobalt sulfate) under the HPAL project and 20 RKEF production lines under the RKEF project, on the Obi Island, Indonesia. Accordingly, our business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Indonesia. Risks associated with these negative developments include, but not limited to, the risks of war, regional conflicts, terrorism, extremism, nationalism, expropriation of our assets, nullification of contracts, changes in interest rates, imposition of capital controls, changes in government policies or changes on rules or regulations concerning mining, production and export of nickel-related products, labor (including labor activism), currency exchange, foreign direct investment, importation, environmental regulations, changes in interest rates, economic growth, national fiscal and monetary policies, inflation, deflation, methods of taxation and tax policy. In addition, any changes implemented by the local government resulting, among others, in currency and interest rate fluctuations, capital restrictions, and changes in duties and taxes detrimental to our business could materially and adversely affect the business operation of the new production plant. If any of the risks associated with any negative developments materializes, it may adversely affect our business, financial condition, results of operations and prospects. As Indonesia is expected to remain as one of our markets and places of operation in the foreseeable future, negative developments in Indonesia economy may have a material adverse effect on our business, financial condition, and results of operations.

Furthermore, the ongoing outbreak and future resurgences of COVID-19 (including its existing and future variants) have caused, and may continue to cause in the future, adverse impact on our business operation, including construction and operation of the production lines. The measures taken by the governments against COVID-19 (including its existing and future variants), including quarantines and restriction on travel in and out of Indonesia, have not only caused disruption and delays in our business operations, but also adversely affected the psychology and daily life of our employees, especially those employees we dispatched from China. To help them cope with the uncertain and evolving situations, we have taken various measures, including making flight arrangements for our overseas employees, offered protective equipment, conducted COVID-19 tests and vaccines to our employees, and we have accordingly incurred additional expenses and costs. If the outbreak of COVID-19 (including its existing and future variants) continues, our business operations may continue to be adversely affected and we may continue to incur expenses related to the COVID-related support we offer to our employees working in Indonesia, which in turn may adversely affect our business, financial condition, and results of operations. In addition, to the extent the COVID-19 outbreak could severely disrupt the Indonesian economy and undermine investor confidence, our financial condition or results of operations and the market value of our securities may also be materially and adversely affected.

In addition, we cooperate with our Indonesian Partner in the construction and operation of the Obi projects. We do not have any control over our Indonesian Partner, and we may in certain circumstances be liable for their actions. See "Risks Related to Our Business and Industry — Our current and future joint ventures and strategic partnership may fall short of expectations or taker longer than expected to materialize" for more details.

There may be instances of non-compliance in our operations in Indonesia.

Our operations in Indonesia are subject to relevant laws and regulations, some of which contain ambiguities that may potentially result in unintended non-compliances in our Indonesian operations. As of the Latest Practicable Date, HPL, our 54.9% owned subsidiary and the project company of phases I and II of the HPAL project, and HJF, the project company of phase I of the RKEF project and in which we hold a 36.9% equity interest, have not obtained their own environmental impact analysis ("**AMDAL**") and environmental licenses, and instead have been relying on the AMDAL and environmental license of our Indonesian Partner. Based on Article 22 Paragraph 5 of the Government Regulation No. 22 Year 2021 concerning Implementation of Environmental Protection and Management ("**GR No.22/21**"), because the projects operated by HPL and HJF are located in the same area of that of our Indonesian Partner, HPL and HJF can use and integrate their activities into our Indonesian Partner's AMDAL and environmental licenses. This is also confirmed by the confirmation letters issued by the Environmental Services of the Ministry of North Maluku, which, according to our Indonesian legal advisor, is the competent authority for HPL and HJF's AMDAL and environmental licenses, on March 25, 2022, which confirmed that HPL and HJF's AMDAL and environmental licenses shall be integrated with that of our Indonesian Partner. Based on the foregoing, our Indonesian legal advisor, Imran Muntaz & Co., is of the view that HPL and HJF can rely on our Indonesian Partner's AMDAL and environmental licenses, and are not required to obtain their own AMDAL and environmental licenses. However, if future Indonesian laws require our current and future Indonesian subsidiaries to obtain additional licenses or permits, there is no assurance that they will be able to obtain such licenses within the prescribed time frame, or at all, in which case our operations in Indonesia may be adversely affected.

We cannot guarantee that we will be successful in our application for, or that we will continue to receive, the industrial incentives, tax breaks and exemptions, and other favorable government treatments potentially applicable to us in Indonesia in the future.

Pursuant to the Indonesian Tax Law, a VAT is generally applicable at a rate of 10% on the deliveries of goods and services within the Indonesian Customs Area whereas a general flat rate of

22% applies as Corporate Income Tax (CIT). Under the relevant industry policy introduced by the Indonesian government, the Indonesian government provided us with a decree on which we enjoy a ten-year CIT exemption, tariffs exemption in connection with the construction of the HPAL and RKEF projects, VAT rebate and product export tax rebate as of the Latest Practicable Date. We cannot assure you that we can continue to enjoy these tax benefits and exemptions in the future, nor can we assure you that the Indonesia Corporate Income Tax Law, its application and interpretation, or the industry policy applicable to us will not change, in which case the tax benefits and exemptions may be reduced or canceled and the effective income tax rate applicable to us may increase significantly.

Furthermore, there is no assurance that there will not be any change in laws or regulations or change in the interpretation of laws or regulations by tax authorities of Indonesia in the future which may result in our contractual arrangement with our local partner in Indonesia being scrutinized by the tax authorities and higher tax rates or additional tax being imposed on and incurred by our Indonesian subsidiaries in connection with our relevant contractual arrangements with our local partner in Indonesia and thereby adversely affecting our business, results of operations and financial condition.

Labor activism could adversely affect our business in Indonesia.

Our construction, and the future operations, of production lines under the HPAL and RKEF projects are labor intensive. Our business operations on the Obi Island have not been materially affected by any significant labor dispute in the past. However, we may, in the future experience labor unrest, activism, disputes or actions involving our employees any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, laws permitting the formation of labor unions, combined with weak economic conditions, have resulted, and may continue to result, in labor unrest in Indonesia. On March 25, 2003, the Indonesian government enacted Law No. 13 Year 2003 regarding Manpower, last amended by the Law No. 11 Year 2020 regarding Job Creation (the "**Manpower Law**"). The Manpower Law, among other things, and subject to certain procedural requirements, gives the right to employees to strike. Due to the active involvement of various non-governmental organizations, employees' awareness of Indonesian employment regulations has also increased during the last several years. The Manpower Law, existing Indonesian employment regulations and any manpower regulations and laws adopted in Indonesia aim the future may have an impact on the business environment, including ours, which may limit our ability to downsize or implement flexible labor policies.

Furthermore, to terminate employment in Indonesia, we must follow certain steps before we can permanently terminate our labor relationship with the employee when there is a breach of contract by the same employee, unless the employee commits serious breach (e.g. criminal action). Such steps include bipartite forum between us and the employee, tripartite forum between us, the employee, and the manpower department of Indonesia.

Labor unrest and activism in Indonesia could disrupt our operations, the operations of our suppliers, joint venture partners, or contractors and could affect the financial condition of our Indonesian subsidiaries in general. Any of such events could have a material adverse effect on our business, financial condition, results of operation and prospects. We had not been subject to any damages and loss resulting from this risk during the Track Record Period and up to the Latest Practicable Date.

The legal systems in Indonesia and the Philippines are subject to considerable discretion and uncertainty.

A substantial portion of our business and operations are conducted in Indonesia and the Philippines and are governed by laws and regulations of Indonesia and the Philippines, respectively. Both jurisdictions are not a purely common law system like Hong Kong and are subject to considerable discretion and uncertainty.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedents and are not systemically published. Indonesia's commercial and civil laws are historically based on Dutch law as in effect prior to Indonesia's independence in 1945. Some of these laws have not been revised to reflect the complexities of modern financial transactions and instruments. There may be uncertainty in the interpretation and application of legal principles in Indonesia. The application of legal principles in Indonesia depends upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. Therefore, any judgment made by the same judge may differ from one case to another. In addition, in Indonesia, judges are not bound by previous rulings, and any jurisprudence only serves as a non-binding reference. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion and uncertainty.

Unlike the common law system in Hong Kong, the Philippine legal system is an unusual mixture of common law and civil law principles. Additionally, the Philippine legal system continues to evolve rapidly, the interpretations of many laws, rules and regulations may not always be the same and enforcement of such laws, rules and regulations involves uncertainties, which may limit the legal protections available to us. Moreover, we cannot predict the effect of future developments in the Philippine legal system, including the changes to existing laws, the enforcement or interpretation of laws, promulgation of new laws, or the pre-emption of local rules and regulations by the national laws. These uncertainties could limit the legal protections available to us and the foreign investors. Further, any litigation in the Philippines may be protracted and may result in substantial costs and diversion of our resources and management attention.

Terrorist activities in Indonesia and the Philippines may lead to substantial adverse effect on the local social stability and economic development.

Both Indonesia and Philippines have experienced terrorist activities in recent year. In Indonesia, with last major terrorist attack occurred in March 2021, there have been various terrorist attacks directed towards the government buildings, government officials, foreign governments, religious institutions, and public and commercial buildings all over the country, which have killed and injured a number of people, either civilian, police or military. We cannot assure you that further terrorist acts will not occur in the future. Acts of terrorism in Indonesia could destabilize Indonesia, leading to social, political and economic instability and unrest. Violent acts arising from and leading to instability and unrest have in the past had and may continue to have a material adverse effect on investment and confidence in and the performance of the Indonesian economy and may have a material adverse on the operation of our facilities on the Obi Island, its financial condition, the results of operations and future prospects.

The Philippines has also been subject to a number of terrorist attacks since 2000, and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy, which in turn may have a material adverse on our business operations in the Philippines.

Territorial disputes and other diplomatic conflicts between Indonesia, the Philippines and China may adversely affect our business operations.

The Philippines, Indonesia, China and several other Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the South China Sea. The "nine-dash line" area claimed by China covers most of the South China Sea and overlaps with the exclusive economic zone claims of countries including Indonesia, with respect to the Natuna Islands (with a recent incident involving Natuna Islands taking place in December 2021), and the Philippines, with respect to a group of small islands and reefs known as the Scarborough Shoal. Indonesia, the Philippines and China made several efforts, including diplomatic, legal and military means, to assert their territorial claims, and these actions sometimes lead to diplomatic frictions, exchange of verbal threats, and even temporary disruptions of trade and movement of people among these countries. These disputes have caused in the past, and may continue to cause in the future, anti-China sentiment in Indonesia and the Philippines, which may in turn adversely affected our business operation in these countries. Should these territorial disputes continue or escalate further, the Philippines and Indonesia and their economic relations with China may be disrupted, especially when these countries impose trade restrictions on the other's imports or seek to suspend visits by Chinese citizens to the Philippines or Indonesia, or vice versa. Should any of these impact from the disputes occur, and our operations, financial condition, results of operations and prospects could be adversely affected as a result.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and an active public market for our H Shares may not develop or be sustained.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of the Global Offering. In addition, the Offer Price of our H Shares may not be indicative of the price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The liquidity and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the market.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, could cause large and sudden changes to the price and trading volume at which our H Shares will trade, such as:

- variations in our revenue, earnings and cash flow;
- announcement of new investments, strategic alliances or acquisitions;
- any unexpected business interruptions resulting from natural disasters or power shortages;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete with our competitors effectively;
- political, economic, financial and social developments;
- fluctuations in market prices for our products or raw materials; or
- the removal of the restrictions on H share transactions.

The Stock Exchange and other securities markets have, from time to time, experienced significant trading price volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market prices of our H Shares.

Since there will be a gap of several days between the pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the trading price of our H Shares could fall during this period before the trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period.

Accordingly, the price of our H Shares could fall before trading begins due to adverse market conditions or other adverse developments between the time of sale and the date on which the trading begins.

Future public offering in China or conversion of our Domestic Shares and Unlisted Foreign Shares into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional equity capital in the future, or may result in dilution of your shareholdings.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares. In addition, our Unlisted Foreign Shares may be converted into H Shares subject to regulatory approvals and compliance with relevant regulatory requirements. Any conversion of our Unlisted Foreign Shares will increase the number of H Shares available on the market and may affect the trading price of our H Shares.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of our H Shares.

The price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

As the Offer Price of our H Shares is higher than our consolidated net tangible assets book value per H Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon the Shareholding percentage of our H Shares.

The Offer Price of our H Shares is higher than the net tangible asset book value per share of the H Shares immediately prior to the Global Offering. As a result, purchasers of the H Shares in the Global Offering will experience immediate dilution in shares adjusted net tangible assets. Purchaser of H Shares may experience further dilution if the Overall Coordinators (on behalf of the International Underwriters) exercise the Over-allotment Option or if we issue additional H Shares in the future.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield favorable returns for our Shareholders. We plan to use the net proceeds from the Global Offering to fund our construction on the Obi Island, expand our businesses, and conduct potential minority investments. See "Future Plans and Use of Proceeds" in this prospectus. However, our management will have discretion as to our actual use of the net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend for the specific uses we will make of the net proceeds from this Global Offering.

Dividends declared and paid in the past may not be indicative of our dividend policy in the future.

We declared dividends of RMB300.0 million, RMB190.0 million, RMB845.8 million in 2019, 2020 and 2021, respectively, all of which have been fully paid as of June 30, 2022. However, dividends paid in prior periods may not be indicative of future dividend payments. We cannot assure you when, if and in what form or size we will pay dividends in the future.

Our Board of Directors determines the frequency and amount of dividend distributions mainly based on our results of operations, cash flow and financial position, capital adequacy ratios, business prospects, regulatory restrict ions on the payment of dividends and other factors that our Board of Directors deems relevant. See "Financial Information — Dividends." We may not adopt the same dividend policy that we have adopted in the past.

Waivers from compliance with certain requirements of the Listing Rules by the Stock Exchange have been granted. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us, a number of waivers and consents under the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules" for further details. We cannot assure you that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs, and face uncertainties arising from challenges of multi-jurisdictional compliance, all of which could materially and adversely affect us and our Shareholders.

Certain facts and statistics derived from government sources contained in this document may not be reliable.

We have derived certain facts, forecasts and statistics in this document relating to the PRC, the Philippines, Indonesia and their respective economies, as well as the nickel industry from various official government publications and other publicly available publications. However, our Directors cannot guarantee the quality or reliability of such source and materials. We believe that the sources of the said information are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have taken reasonable care in the extraction and reproduction of the information, these facts, forecasts and statistics, which may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside of the PRC, have not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties. No representation is given as to its accuracy. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

You should read the document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

We may be subject to press and media coverage prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the Global Offering. The press and media may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this document.

You should rely solely upon the information contained in this document, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding the Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the Global Offering.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publications. Accordingly, prospective investors should not rely on any such information, reports or publications in making their investment decisions regarding the Global Offering.

In making their decisions as to whether to invest in our H Shares, prospective investors should only rely on the financial, operational and other information included in this document, the Global Offering and any formal announcements made by us in Hong Kong. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this document, the Global Offering and any formal announcements made by us in Hong Kong.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interest of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 61.64% equity interest in our Company, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his/her relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Our Company has appointed Ms. Fei Feng and Ms. Tang Wing Shan Winza, as the joint company secretaries of our Company to jointly discharge the duties and responsibilities of company secretary of our Company with reference to their work experience and qualifications.

Ms. Fei Feng has been appointed as a joint company secretary of our Company on January 28, 2022. Ms. Fei currently holds the position of executive Director and deputy general manager of the Company and the secretary to the Board and is responsible for the coordination and management of our Company's day-to-day operation, including monitoring administrative matters of the Board. Our Board acknowledges that Ms. Fei does not possess the academic or professional qualifications as set out in Note 1 to Rule 3.28 of the Listing Rules. However, our Company believes Ms. Fei is capable of discharging the duties as a secretary of our Company and is a suitable person to act as a company secretary of our Company due to her thorough understanding of the internal administration and business operations of our Group.

Furthermore, we have appointed Ms. Tang Wing Shan Winza to act as a joint company secretary and to provide assistance to Ms. Fei for an initial period of three years from the Listing Date to enable Ms. Fei to acquire the relevant experience to discharge the functions of a company secretary of a Hong Kong listed company. Ms. Tang Wing Shan Winza is an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) and meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tang Wing Shan Winza has been appointed with effect from the Listing Date so as to enable Ms. Fei to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Fei as our company secretary on the condition that Ms. Fei will be assisted by Ms. Tang Wing Shan Winza as our joint company secretary throughout the three-year period from the Listing Date. Such waiver will be revoked immediately if and when

Ms. Tang Wing Shan Winza ceases to provide such assistance or ceases to meet the requirements under Rule 3.28 of the Listing Rules, or if there are material breaches of the Listing Rules by our Company. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Fei, having had the benefit of Ms. Tang Wing Shan Winza's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Further information on the qualifications and experience of Ms. Fei Feng and Ms. Tang Wing Shan Winza is disclosed in the section headed "Directors, Supervisors and Senior Management" in this prospectus.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange. Our Group's management and business operations are primarily based outside of Hong Kong. The head office and senior management of the Group are primarily based in the PRC, where the Group's management is best able to attend to its functions. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to the Group, and would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we will put in place the following measures, which are in line with Guidance Letter HKEX-GL9-09 issued by the Stock Exchange:

- we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Fei Feng and Ms. Tang Wing Shan Winza ("**Authorized Representatives**"). The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

- each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;

- all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;

- our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;

- Somerley Capital Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange;

- we have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the compliance advisor's officers who will act as the compliance advisor's contact persons between the Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules; and

- each Director will provide his or her mobile phone numbers, office phone number, e-mail address and fax number, where available, to the Stock Exchange.

WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Rule 8.08(1)(b) of the Listing Rules provides that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalization at the time of listing of not less than HK$125,000,000. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% to 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer shall have an expected market capitalization at the time of listing of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage of public float;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document;

(d) the issuer will confirm the sufficiency of the public float in annual reports after listing; and

(e) a sufficient portion (to be agreed in advance with the Hong Kong Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1) of the Listing Rules to reduce the minimum public float of our Company to 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 our enlarged share capital.

In support of such application, our Company has confirmed to the Stock Exchange that it will (a) make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in this prospectus; (b) confirm sufficiency of public float in our successive annual reports after the Listing; (c) implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Stock Exchange; (d) have an expected market capitalization at the time of Listing of over HK$10 billion; and (e) there will be an open market in the H Shares, and the number of H Shares to be held by the public and their distribution would enable the market to operate properly with a lower percentage of public float.

Therefore, our minimum public float shall be the higher of (a) 15%; and (b) such percentage of H Shares to be held by the public immediately after the completion of the Global Offering (as increased by the H Shares to be issued upon any exercise of the Over-allotment Option).

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted waivers from strict compliance with (where applicable) the announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions are set out in the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

We have obtained an approval letter from the CSRC for the Global Offering and the making of the application to list our H Shares on the Stock Exchange dated August 2, 2022. In granting this approval, the CSRC does not accept responsibility for our financial soundness, or for the accuracy of any of the statements made or opinions expressed in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Relevant Persons, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

The Offer Price is expected to be determined between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price

Determination Date is expected to be on or around Thursday, November 24, 2022 and, in any event not later than Wednesday, November 30, 2022. If, for any reason, the Offer Price is not agreed among us and the Overall Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the **GREEN** Application Form.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus and the relevant **GREEN** Application Form.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our H Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us for permission by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Thursday, December 1, 2022, it is expected that dealings in the Shares on the Stock Exchange are expected to commence on Thursday, December 1, 2022. The H Shares will be traded in board lots of 200 H Shares each. The stock code of the H Shares will be 2245.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of us, the Relevant Persons, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we act for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of the Articles of Association";

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons apply for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Hong Kong dollars, Renminbi, U.S. dollars and Indonesian Rupiah.

Unless otherwise specified, this prospectus contains translations, for the purpose of illustration only, at the following rates:

US$1 = HK$7.8385

US$1 = RMB7.0899

IDR1 = RMB0.0005

HK$1 = RMB0.9045

No representation is made that any amounts in Hong Kong dollars, Renminbi, U.S. dollars and Indonesian Rupiah can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them. Any discrepancies in any table or chart in this document between the total shown and the sum of the amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, the English translation of the names of the PRC entities, enterprises, nationals, facilities, regulations in Chinese included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail. In addition, if there is any inconsistency between the names of any of the entities mentioned in the English version of this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. CAI Jianyong (蔡建勇)	Room 301, No. 33, Lane 95, Xinzhi Road Haishu District Ningbo, Zhejiang Province, PRC	Chinese
Mr. JIANG Xinfang (江新芳)	Room 402, 20 Shanlin Road, Lane 958, Shensong Road Minhang District Shanghai, PRC	Chinese
Ms. FEI Feng (費鳳)	Room 104, No. 197, Building 38 North Area Qianshuiwan Estate Qiuai Town, Yinzhou District Ningbo, Zhejiang Province, PRC	Chinese
Mr. CAI Jianwei (蔡建威)	Room 304, No. 14, Lane 18, Maocheng Middle Road, Zhonghe Road, Yinzhou District Ningbo, Zhejiang Province, PRC	Chinese
Mr. YU Weijun (余衛軍)	Room 503, No. 88, Lane 98, Changqing Road Haishu District Ningbo, Zhejiang Province, PRC	Chinese
Non-executive Directors		
Mr. Lawrence LUA Gek Pong	House 130 Cairnhill Road, #17-01 Singapore 229717	Singaporean
Independent Non-executive Directors		
Dr. HE Wanpeng (何萬篷)	Room 1001, No. 44, Lane 395, Shuangyang North Road Yangpu District Shanghai, PRC	Chinese
Ms. ZHANG Zhengping (張爭萍)	Room 1501, No. 21 Building 3, Zhongwan Plaza, Haishu District Ningbo, Zhejiang Province, PRC	Chinese

Name	Address	Nationality
Dr. WANG James Jixian (王緝憲)	Flat 5B, Block No. 15 University Residence The Chinese University of Hong Kong, Shatin New Territories, Hong Kong	Canadian

SUPERVISORS

Name	Address	Nationality
Mr. GE Kaicai (葛凱財)	Room 401, No. 5, Building 3, Haichuang Estate, Xiaying Road Yinzhou District Ningbo, Zhejiang Province, PRC	Chinese
Mr. DONG Dong (董棟)	Flat 2B2, Yijing Mansion No. 288, Yucai Road Jiangbei District Ningbo, Zhejiang Province, PRC	Chinese
Ms. HU Zhinong (胡志濃)	Room 106, No. 123, Lane 399, Siming Middle Road, Zhonggongmiao Road Yinzhou District Ningbo, Zhejiang Province, PRC	Chinese

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbor View Street
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

Overall Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central, Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central, Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	DBS Asia Capital Limited 73rd Floor, The Center No. 99 Queen’s Road Central Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong

	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central, Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong
	DBS Asia Capital Limited 73rd Floor, The Center No. 99 Queen's Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	BNP Paribas Securities (Asia) Limited 60/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbor View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central, Hong Kong
	BOCI Asia Limited 26/F, Bank of China Tower 1 Garden Road Central, Hong Kong

DBS Asia Capital Limited
73rd Floor, The Center
No. 99 Queen's Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BNP Paribas Securities (Asia) Limited
60/F-63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Silverbricks Securities Company Limited
Rooms 1004-1006, 10/F
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:
Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

As to PRC law:
Zhejiang T&C Law Firm
11/F, Block A, Dragon Century Square
No. 1 Hangda Road
Hangzhou, Zhejiang
PRC

As to Indonesia law:
Imran Muntaz & Co.
Office 8 Building, 35th Floor Zone G
Sudirman Central Business District Lot 28
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Indonesia

Legal advisors to the Joint Sponsors and Underwriters

As to Hong Kong and U.S. laws:
Herbert Smith Freehills
23/F, Gloucester Tower
15 Queen's Road
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
12-14/F, China World Office 2
No. 1 Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

As to Indonesia law:
Hiswara Bunjamin & Tandjung
18th Floor, Tower 1, Sudirman 7.8
Jl. Jendral Sudirman Kav. 7-8
Jakarta 10220, Indonesia

Auditor and Reporting Accountants

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited
10/F, Block B, Jing'an International Center
88 Puji Road
Jing'an District
Shanghai 200070
China

Independent Property Valuer

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7th Floor, One Taikoo Place
979 King's Road
Hong Kong

Transfer Pricing Consultant	**Ernst & Young (China) Advisory Limited** 50/F, Shanghai World Financial Center 100 Century Avenue Pudong New Area Shanghai China 200120
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
	China CITIC Bank International Limited 61-65 Des Voeux Road Central Hong Kong

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
Company's website	**www.lygend.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	**Ms. Fei Feng (費鳳)** Room 104, No. 197, Building 38 North Area Qianshuiwan Estate Qiuai Town, Yinzhou District Ningbo, Zhejiang Province PRC **Ms. Tang Wing Shan Winza (鄧潁珊)** *(an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators))* 46/F, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Authorized Representatives	**Ms. Fei Feng (費鳳)** Room 104, No. 197, Building 38 North Area Qianshuiwan Estate Qiuai Town, Yinzhou District Ningbo, Zhejiang Province PRC

	Ms. Tang Wing Shan Winza (鄧潁珊) 46/F, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Audit Committee	Ms. ZHANG Zhengping (張爭萍) (*Chairperson*) Dr. HE Wanpeng (何萬篷) Dr. WANG James Jixian (王緝憲)
Remuneration Committee	Dr. HE Wanpeng (何萬篷) (*Chairperson*) Ms. ZHANG Zhengping (張爭萍) Mr. YU Weijun (余衛軍)
Nomination Committee	Mr. CAI Jianyong (蔡建勇) (*Chairperson*) Dr. HE Wanpeng (何萬篷) Ms. ZHANG Zhengping (張爭萍)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Compliance Advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Principal Banks	**Agricultural Bank of China, Ningbo Branch** No. 1506-1512 Jiangnan Road Gaoxinqu, Yinzhou District Ningbo City, Zhejiang Province PRC
	Bank of China, Fenghua Branch 2/F, No. 159 Nanshan Road Fenghua District Ningbo City, Zhejiang Province PRC
	China CITIC Bank, Ningbo Jiangdong Branch No. 176 Baizhang Road Yinzhou District Ningbo City, Zhejiang Province PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by China Insights Consultancy or CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged China Insights Consultancy or CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCES OF INDUSTRY INFORMATION

We commissioned CIC to conduct research, provide an analysis of, and to produce the CIC Report on Global and China nickel industry. CIC is an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting services to both institutional investors and corporations. We incurred a total of RMB500,000 in fees and expenses for the preparation of the CIC Report.

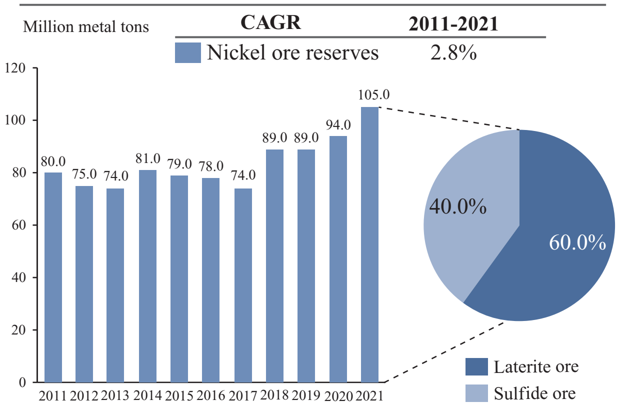
CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the United States geological survey industry associations, National Bureau of Statistics of China, special steel enterprises association of China, International Monetary Fund, United Nation Comtrade database, etc.

CIC's projection on the size of each market takes into consideration various factors, including the following: (i) the overall global social, economic, and political environment is expected to maintain a stable trend during the forecast period; (ii) the key industry drivers are likely to continue to drive the growth in each market during the forecast period, and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected either dramatically or fundamentally during the forecast period. Unless otherwise specified, all data and forecasts contained in this section are derived from the CIC Report. The Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the CIC Report.

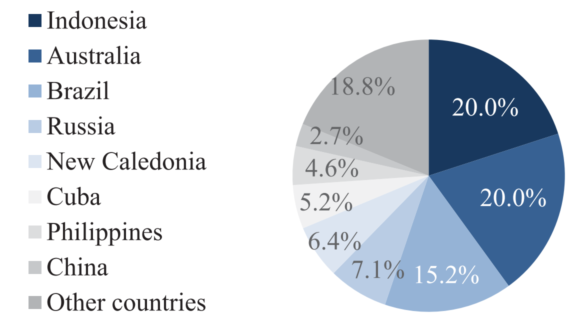
OVERVIEW OF THE GLOBAL NICKEL INDUSTRY

Global Reserves of Nickel

Global nickel ore reserves, 2011-2021



Global nickel ore reserves by country, 2021



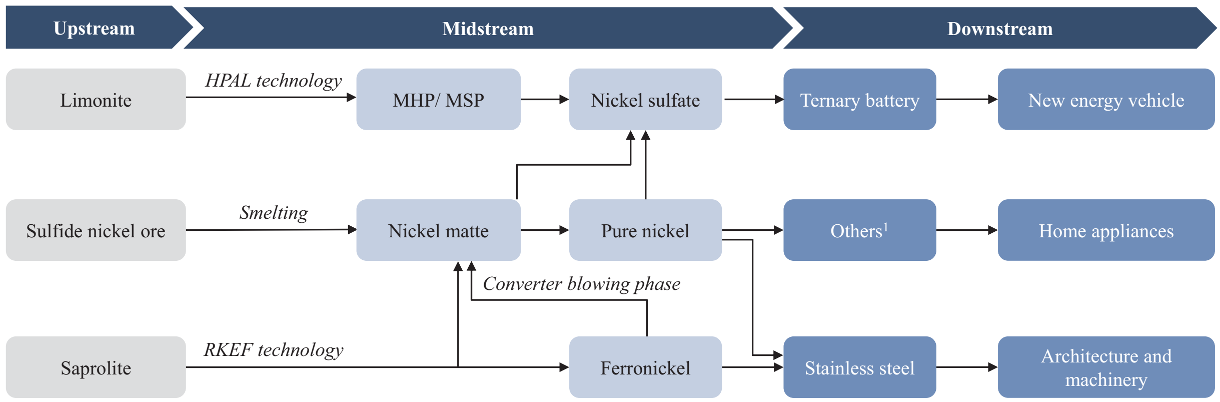
Source: United States Geological Survey, CIC Report

Nickel ore can be classified by ore composition into sulfide nickel ore and laterite nickel ore. In terms of Ni content, laterite nickel ore can be further categorized into limonite (1.1%< Ni content <1.5%) and saprolite (1.5%<Ni content <2.1%).

The global reserves of nickel ores are mainly concentrated in Indonesia, Australia and Brazil, accounting for 55.2% of the global nickel ore reserves as of 2021. The reserves of laterite nickel ore and sulfide nickel ore account for 60% and 40% respectively. Laterite nickel ore is mainly distributed in Indonesia, Brazil, New Caledonia, Cuba and the Philippines. Sulfide nickel ore is mainly distributed in Russia and China. Australia has both laterite nickel ore reserves and sulfide nickel ore reserves. Although China has a large demand for nickel resources, it has very limited nickel ore reserves, accounting for 2.7% of global reserves. Indonesia, one of the countries with the largest nickel ore reserves, implemented a comprehensive ban on the export of nickel ore since January 1, 2020 in order to develop its domestic nickel industry chain. The export of nickel ore is expected to shift to other countries as a result. Import-and-export traders and Chinese nickel industrial companies in Indonesia are expected to turn to invest in local smelting projects in Indonesia and export other nickel products, such as ferronickel, MHP and MSP.

Characterized by a high nickel content and a mature production process, sulfide nickel ore was historically the primary source of nickel, accounting for approximately 56.0% of the total nickel production in 2000. However, after a long period of exploitation, large deposits of sulfide ore became steadily fewer in number. In 2007, the application of a new process that could produce stainless steel from ferronickel instead of electrolytic nickel facilitated the mass adoption of laterite nickel ore. Laterite nickel ore is a more attractive alternative because it has higher reserves and is found at shallower depths than sulfide nickel ore, which simplifies and speeds up extraction operations. In recent years, over 70.0% of nickel ore production has been laterite nickel ore. It is expected that laterite nickel ore will continue to occupy an increasing share of the global nickel ore mining in the future.

Value Chain Analysis of the Nickel Industry



Source: CIC Report

Note: 1. Others include alloy steels, non-ferrous alloys, plating, etc.

The upstream of the nickel industry mainly consists of the mining of nickel ores. The specific production technology used varies depending on the type of nickel ore and its intended downstream usage.

The midstream of the nickel industry mainly consists of refining products including mix sulfide precipitate (MSP), mix hydroxide precipitate (MHP), and nickel matte, as well as further processed products including nickel sulfate, pure nickel, and ferronickel.

The downstream of the nickel industry has a wide range of applications including ternary battery used in new energy vehicle and stainless steel mainly used in architecture and machinery.

Analysis of primary nickel ore production technology

Technology		Features
Pyrometallurgy	Blast Furnace	• Mature technology • Widely industrial application • High requirement for the grade of nickel ore • Major downstream applications include stainless steel and alloy • RKEF may also been utilized for ternary battery industry with latest technology but having relatively high economic cost in comparison to hydrometallurgy
	Reduction Smelting Nickel Matte	
	Rotary Kiln Electric Furnaces	
Hydrometallurgy	Acid Leaching	• Complicated smelting technology • Lower energy consumption • High investment in smelting technology • Major downstream applications include ternary battery and electroplating • Relatively low economic cost of applying hydrometallurgy to ternary battery
	Reduction Roasting Acid Leaching	
	High Pressure Acid Leaching	

refer to the most competitive technologies

Source: CIC Report

Technically, production technologies are classified into pyrometallurgy technology and hydrometallurgy technology. Production technologies applied to sulfide nickel ore mainly refers to reduction smelting nickel matte process. Both pyrometallurgy and hydrometallurgy technology are available to process laterite nickel ore and the methods chosen are dependent on the nickel content of the ore source. MHP and MSP from limonite are processed through hydrometallurgy technology, which takes cost advantage compared with pyrometallurgy technology. In addition, the production of nickel matte from laterite ore adopts RKEF technology, while it is further divided into two technical routes. The direct production of nickel matte from saprolite is achieved by adding sulfur to the furnace together with nickel ore for production. The other route refers to a two-step process where the ore is first processed through RKEF technology to get ferronickel. Ferronickel needs to be refined with sulfur-containing materials through converter blowing to produce nickel matte. After then, the conversion from nickel matte to nickel sulfate involves the process of purification, leaching, and crystallization. This route is chosen while using sulfide nickel ore as raw ore. Considering the economic benefit brought by HPAL technology's higher recovery rate of nickel and cobalt, compared with traditional hydrometallurgy technology, the technical route from MHP/MSP to nickel sulfate is expected to gain enormous popularity in the industry.

Historical Development of Nickel Product's Production Technology

In the past, pyrometallurgy technology was initially adopted for nickel product production. Driven by its comparative low difficulty of processing and high technical maturity, it achieved wide industrial application.

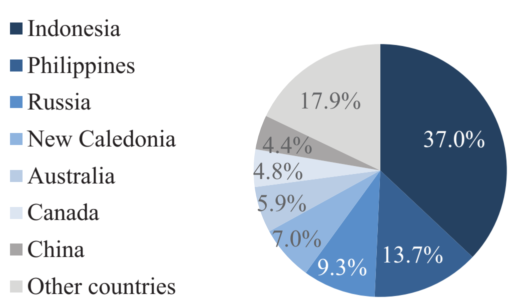
First generation of HPAL technology	The 1950s	The first attempt of hydrometallurgy technology referred to the Cuba's MOA nickel project started in 1957. The technology was still at the exploratory stage with simple process design and serious scaling problem.
Second generation of HPAL technology	The 1990s	After a few decades, the Murrin Murrin nickel project located in Australia started in 1997 representing the second generation of HPAL technology. While due to the flawed original design, it lacked a backup system and surge well preventing it from reaching the design capacity.
Third generation of HPAL technology	Early 21st century	In the early 21st century, HPAL technology evolved into the third generation and gradually stepped into a mature stage. The representative projects include the Ramu nickel project located in Papua New Guinea and the Coral Bay nickel project located in the Philippines. The Ramu nickel project was the first successful HPAL project which achieved high capacity utilization with relatively low operation cost. The third generation of HAPL technology is featured with low emission and low energy consumption. The Obi project is the most successful HPAL project after the Ramu nickel project by far, achieving the shortest construction period of greenfield project, and the lowest capital expenditure per nickel metal ton and the shortest duration of reaching production compared with other HPAL projects.

Global Nickel Ore and Ferronickel Trade

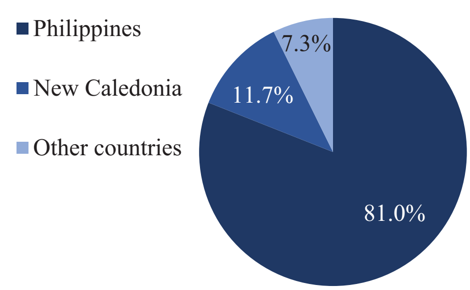
The global nickel ore mining recorded steady growth from 2.1 million metal tons to 2.6 million metal tons between 2016 and 2019. It then decreased by approximately 4% in 2020, owing primarily to the reduced demand caused by the COVID-19 pandemic. The decreased demand and production are offset by a rapid recovery in China's production of nickel-bearing stainless grade steel, booming new energy vehicle market in China and the continued ramp up of nickel pig iron projects in Indonesia. The global nickel ore mining reached 2.7 million metal tons in 2021.

The major nickel mining countries include Indonesia, the Philippines, Russia and New Caledonia. Indonesia and the Philippines are the leading nickel ores mining countries in the world, accounting for more than 50% of global production in 2021. After the ban of exporting nickel ore in Indonesia in 2020, the global nickel ore export is concentrated in the Philippines.

Global nickel ore mining by countries in terms of mine production volume, 2021



Global nickel ore trade volume by export countries, 2021



Source: United States Geological Survey, United Nation Comtrade database, CIC Report

With the increasing consumption for nickel, the global nickel ore trade grew steadily between 2016 and 2019. In terms of trade volume, global nickel ore trade volume increased from 41.7 million tons in 2016 to 66.0 million tons in 2019, representing a CAGR of 16.5%. Although Indonesia reinstated the ban on the export of nickel ore on January 1, 2020, which caused a huge decrease in global nickel ore trading volume in 2020, nickel ore trading companies will procure nickel ore from other key nickel ore exporting countries such as the Philippines and New Caledonia to fulfil the supply gap caused by Indonesia's nickel ore export ban. In addition, the rapid development of downstream industries such as stainless steel, new energy vehicles will drive the growth of global nickel ore trading volume. Given the fact that the global nickel ore trading volume reached 53.5 million tons in 2021, representing a year-on-year growth rate of 12.6%, it is expected that the expected growth of global nickel ore trading volume at a CAGR of 5.3% from 2021 to 2026.

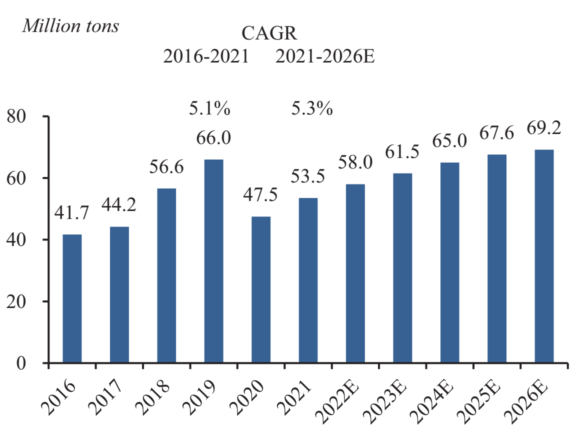
The global ferronickel trade volume increased from 1.8 million tons in 2016 to 4.9 million tons in 2021, representing a CAGR of 22.1%. The major application of ferronickel is in the manufacture of stainless steel. As many countries are expected to increase their spending on infrastructure in the future, the ferronickel trade will be driven by the growth of stainless steel industry. It is expected that the global ferronickel trade volume will reach 8.1 million tons in 2026.

Russia, mainly producing sulfide nickel ore, nickel matte and other nickel products, ranked third globally in terms of nickel ore mine production volume and ranked fourth globally in terms of nickel ore reserves. Regarding the Russia-Ukraine conflict, although Russia's nickel ore reserves and nickel ore mining rank among the top in the world, nickel ore and ferronickel exporting volume from Russia and Ukraine only account for less than 1% of global nickel ore and ferronickel trading volume. As a result, the Russia-Ukraine conflict will not have a great impact on global nickel ore and ferronickel trading.

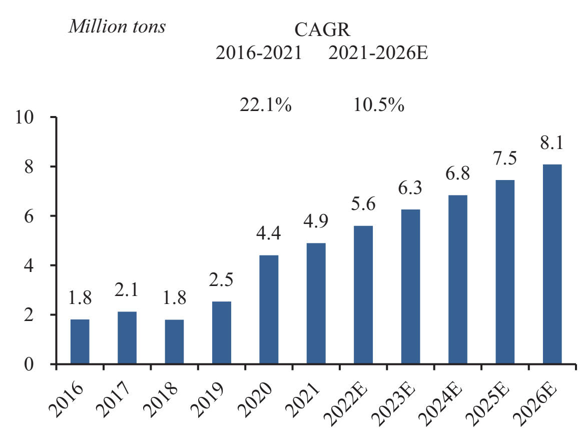
Due to the commodity characteristics of nickel, the global nickel market such as global nickel ore and ferronickel trading has a significant impact on the nickel industry. China is the biggest consumer of nickel ore. In 2021, 43.5 million tons of nickel ore were traded to China globally, accounting for approximately 81.3% of the global nickel ore trade volume.

Indonesia, one of the biggest nickel products export countries, reinstated the ban on the export of nickel ore on January 1, 2020. As a result, import-and-export traders and Chinese nickel industrial companies in Indonesia are expected to turn to invest in local smelting project and export ferronickel, which increased the export volume of ferronickel in Indonesia and the global ferronickel trade volume in 2020.

Global nickel ore trading volume, 2016-2026E



Global ferronickel trading volume, 2016-2026E



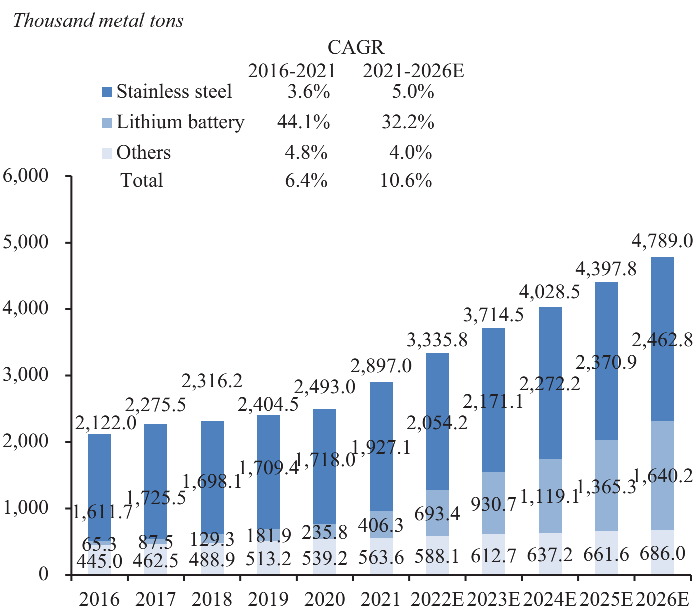
Source: United Nation Comtrade database, CIC Report

Global Nickel Consumption

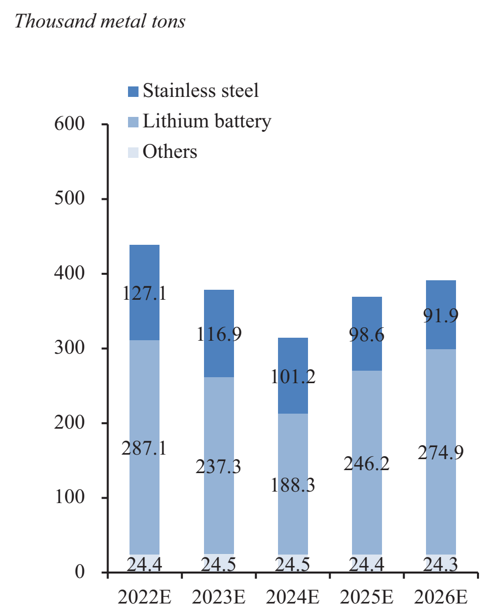
The global consumption for nickel products increased from 2,122.0 thousand metal tons in 2016 to 2,897.0 thousand metal tons in 2021, representing a CAGR of 6.4% over the period, mainly driven by the development of the electric vehicles markets and the growth of stainless steel consumption. As sales of electric vehicles and the loading volume of power batteries are projected to maintain substantial growth in the future which will increase the demand of nickel in battery industry, the global consumption for nickel is expected to reach 4,789.0 thousand metal tons in 2026, at a CAGR of 10.6% between 2021 and 2026.

Stainless steel has historically accounted for the largest share of the consumption of global nickel products. In 2021, nickel product consumption in stainless steel was 1,927.1 thousand metal tons, accounting for 66.5% of the global nickel consumption, while battery nickel consumption accounted for 14.0%. In the future, batteries, especially power batteries, are projected to be the main contributor to the growth of global nickel consumption. In 2026, battery is estimated to rank second in terms of global nickel consumption with a market share of 34.3%.

Consumption of nickel in terms of volume, by downstream application, Global, 2016-2026E



Nickel consumption incremental market, Global, 2022E-2026E



Note: The majority of battery refers to ternary battery for NEV industry, and may also include other forms of battery using Ni as cathode material.

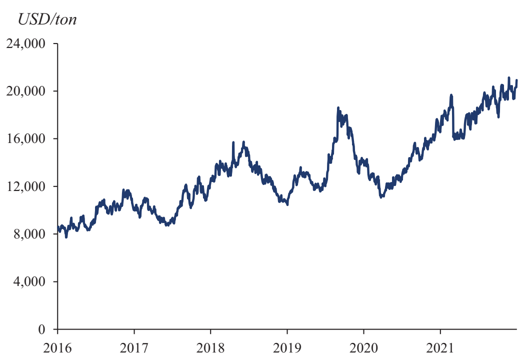
Source: CIC Report

Price Analysis of Nickel and Cobalt

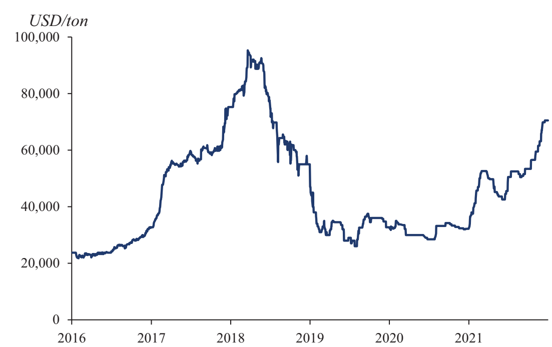
The nickel price maintained an upward tendency with fluctuations over the 2016-2021 period. Average annual LME cash price increased from USD9,595 per ton in 2016 to USD18,488 per ton in 2021. In the short term, the Russia-Ukraine conflict has led to speculation in the price of LME nickel which caused a LME nickel price spike in early 2022. LME canceled all nickel trades executed on March 8 because of nickel speculation. Meanwhile, low inventories of LME nickel and the market's concern over sanctions imposed on Russia also contributed to the increase in price of nickel. However, with the reduction in the speculative activities of nickel, the LME nickel price fell to, and kept fluctuating within, the price range of US$22,900 per ton - US$35,000 per ton during the second quarter of 2022. In the next few years, as ferronickel production capacities in Indonesia, one of the major countries of origin for nickel resources, are expected to ramp up, Indonesia is expected to provide more nickel-containing products, thereby greatly enhancing the global nickel supply and gradually bringing down the nickel price. At the same time, the nickel price is not expected to experience any significant decrease in the next few years, given the cash cost of nickel smelting projects and the strong market demand for nickel-containing power batteries. Considering a combination of these demand and supply factors, the LME nickel price is expected to fall to around US$20,000 per ton in 2026.

Due to the increasing demand in cobalt downstream application, cobalt price rose sharply in 2017. After peaking in May 2018, the cobalt price declined sharply within one year, mainly because of the surplus of cobalt supply. With the recovery from the COVID-19 pandemic and substantial growth in downstream demand such as new energy vehicles, cobalt price began to rebound in 2021. With the cobalt demand expected to recover in the next few years, LME cobalt price are expected to remain at a relatively high level and reach around USD51,000 per ton in 2026.

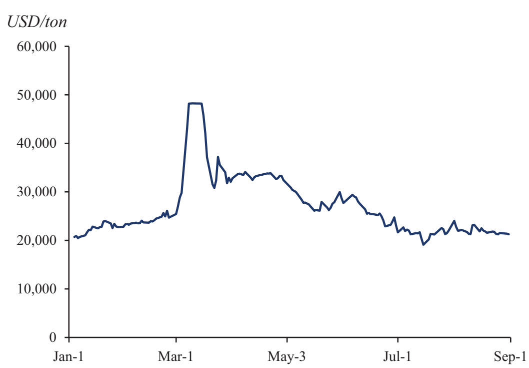
LME nickel cash price, 2016-2021



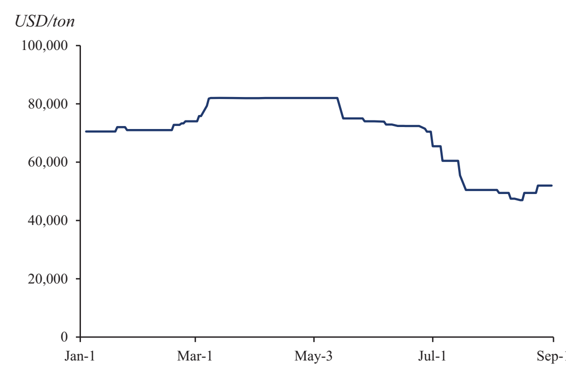
LME cobalt cash price, 2016-2021



LME nickel cash price, January 2022-August 2022



LME cobalt cash price, January 2022-August 2022

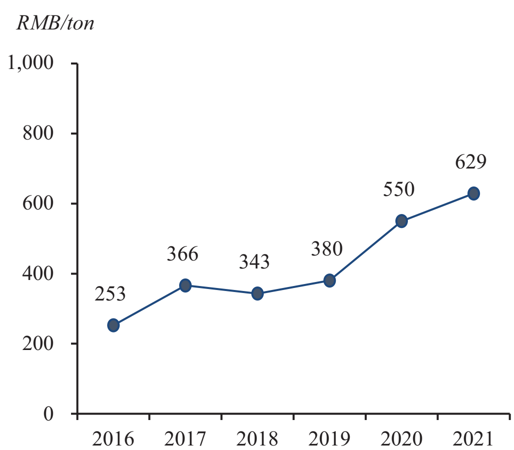


Source: CIC Report

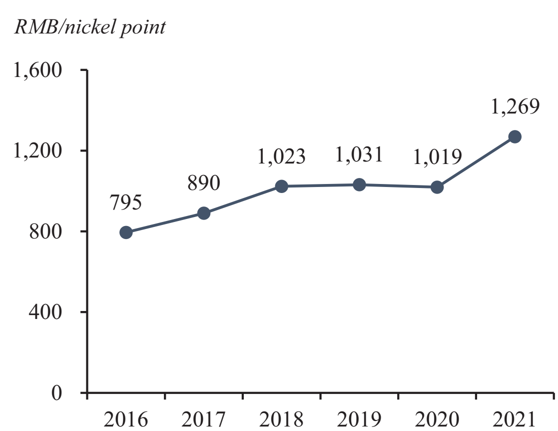
China, the main consumer of nickel, is heavily reliant on the trade of nickel due to China's scarce nickel ore resources. Nickel ore price increased from RMB253 per ton in 2016 to RMB629 per ton in 2021, mainly driven by the increasing downstream application consumption. Indonesia's ban on nickel ore exports in 2020 also drove the nickel ore price to increase. The annual average price of ferronickel, primarily used for the production of stainless steel, increased from RMB795 per nickel point in 2016 to RMB1,269 per nickel point in 2021. In the long run, other key nickel ore exporting countries such as the Philippines and New Caledonia will gradually fulfill the supply gap caused by Indonesia's nickel ore export ban and nickel ore supply will become more stable.

Meanwhile, with the commissioning of the ferronickel project in Indonesia, the supply of ferronickel is expected to maintain a stable upward trend. When it comes to demand, increasing downstream application consumption will bring steady demand for nickel ore and ferronickel. Regarding the Russia-Ukraine conflict, nickel speculation due to the Russia-Ukraine conflict has caused relatively large fluctuations in the prices of LME nickel in the early 2022. The nickel industry generally uses nickel prices on LME as a benchmark for physical transactions. However, when there is extreme volatility in the LME nickel prices that is clearly dislocated from the actual demand and supply situation in the industry, the correlation between the LME nickel prices and the actual nickel product transaction prices tend to be more limited. In 2022, the average LME nickel price increased from $22,326.0 per ton in January to $38,496.3 per ton in March, representing an increase of 72.4% during this period. During the same period, the increases in the price of nickel ore and ferronickel were only 10.0% and 19.3% respectively. With the improvement of market regulations, speculation in the nickel product market will gradually decrease and nickel product price will base on supply and demand. Nickel ore and ferronickel prices are expected to become more stable in the next few years.

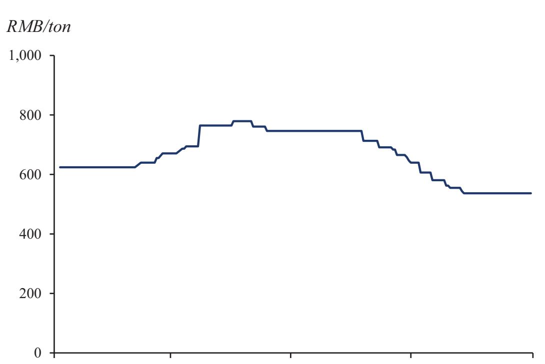
Nickel ore annual average nominal price (Ni:1.5-1.6%), 2016-2021



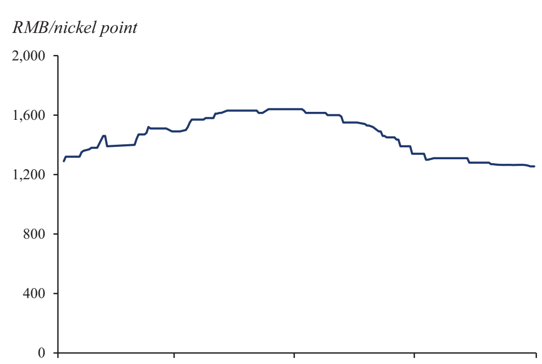
Ferronickel annual average nominal price (Ni:7-10%), 2016-2021



Nickel ore annual average nominal price (Ni:1.5-1.6%), January 2022-August 2022



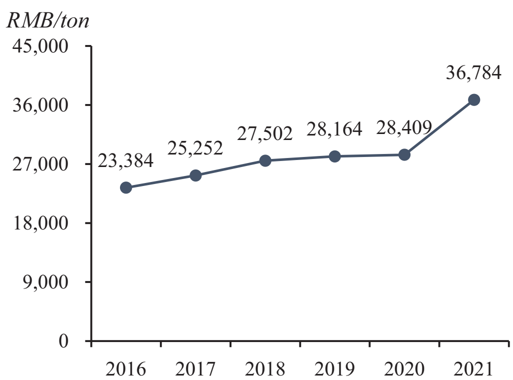
Ferronickel annual average nominal price (Ni:7-10%), January 2022-August 2022



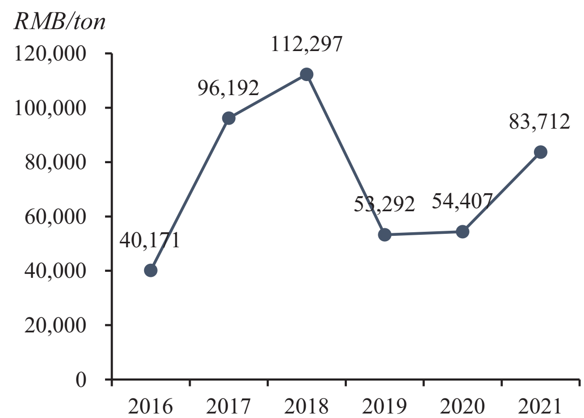
Source: CIC Report

As one of the main raw materials for new energy vehicle batteries, the price of nickel sulfate increases with downstream demand. Nickel sulfate annual average price increased from RMB23,384 per ton in 2016 to RMB36,784 per ton in 2021. The price of cobalt sulfate fluctuated with the price of cobalt and increased from RMB40,171 per ton in 2016 to RMB83,712 per ton in 2021.

Nickel sulfate annual average nominal price, 2016-2021



Cobalt sulfate annual average nominal price (Co:21%), 2016-2021



Source: CIC Report

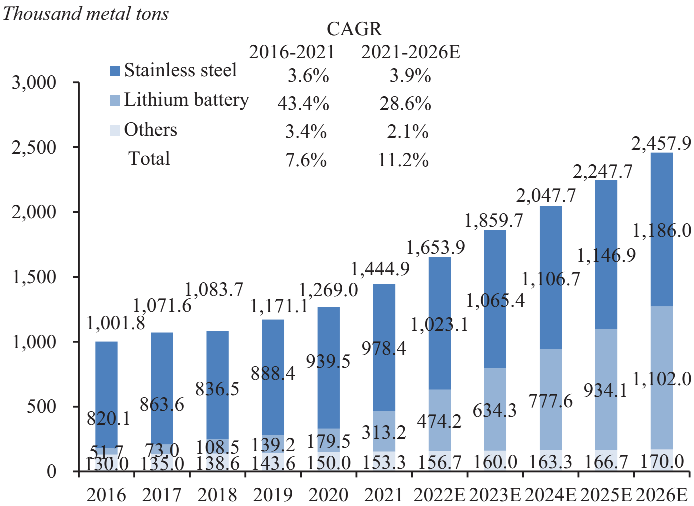
OVERVIEW OF CHINA'S NICKEL INDUSTRY

Nickel Consumption in China

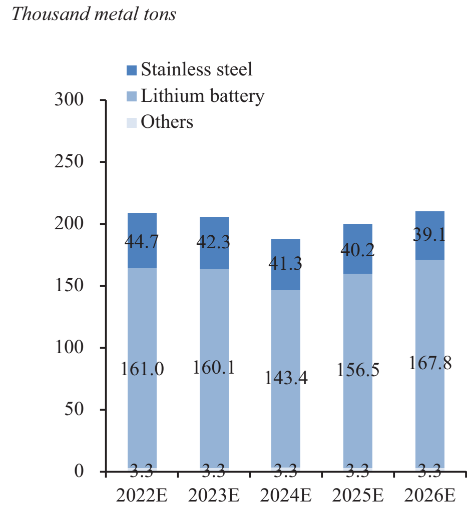
China is the world's largest nickel consumer. China's consumption for nickel increased from 1,001.8 thousand metal tons in 2016 to 1,444.9 thousand metal tons in 2021, representing a CAGR of 7.6% during the same period. China's consumption for nickel is expected to reach 2,457.9 thousand metal tons in 2026, representing a CAGR of 11.2% between 2021 and 2026. China's share of the global nickel consumption increased from 47.2% in 2016 to 49.9% in 2021, and is expected to further increase to 51.3% over the next few years. The future growth of nickel consumption in China will account for substantial portion in global market.

Stainless steel is the main downstream application of nickel in China, accounting for 67.7% of China's nickel consumption in 2021. It is expected that stainless steel will still account for the largest part of China's nickel consumption with a share of 48.3% in 2026. Battery grew at a faster pace in the 2016-2021 period and account for 21.7% of total consumption in 2021. Given battery's massive future growth potential, it is projected to grow at a rapid rate over the next few years and account for 44.8% of China's nickel consumption in 2026.

Consumption of nickel in terms of volume, by downstream application, China, 2016-2026E



Nickel consumption incremental market, China, 2022E-2026E



Note: The majority of battery refers to ternary battery for NEV industry, and may also include other forms of battery using Ni as cathode material.

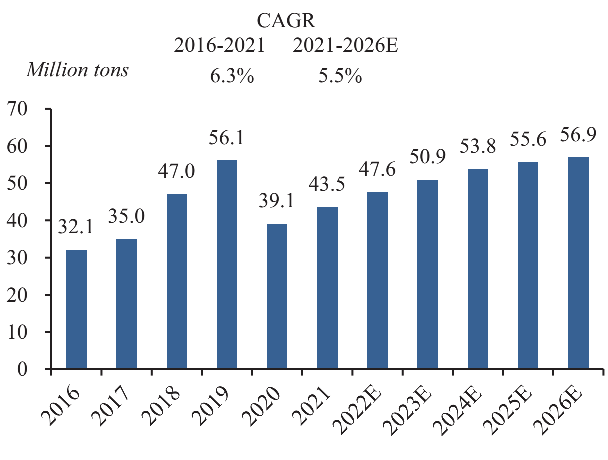
Source: CIC Report

The Nickel Ore and Ferronickel Trade Market in China

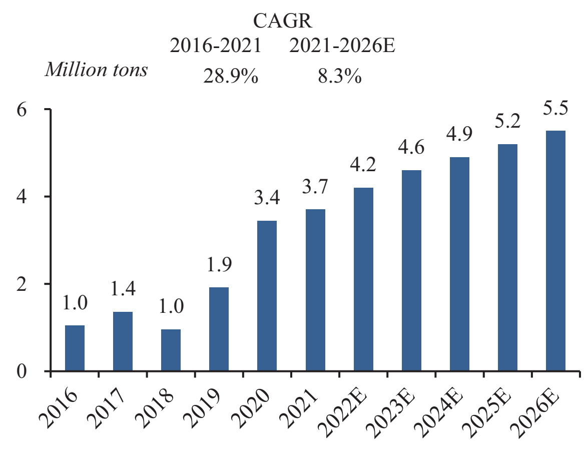
With a limited nickel resources, more than 90% of nickel ores consumed in China rely on trading. The trade volume of nickel ore to China increased from 32.1 million tons in 2016 to 56.1 million tons in 2019, before decreasing to 39.1 million tons in 2020 caused by the ban on the export of nickel ore in Indonesia. In 2021, nickel ore trading volume from other key nickel ore exporting countries such as the Philippines and New Caledonia has gradually fulfilled the supply gap caused by Indonesia's nickel ore export ban and the trade volume of nickel ore to China has reached 43.5 million tons in 2021. Historically, China mainly imported nickel ore from Indonesia, the Philippines and New Caledonia. Due to the continuous change of policies, global trade volume of nickel ore to China has experienced significant fluctuation.

China is the country with the largest trade volume of ferronickel and mainly trades ferronickel from Indonesia, New Caledonia, etc. Indonesia has large nickel reserves and the production cost of ferronickel is much lower in comparison to China. The increasing production capacity of ferronickel and Indonesia's nickel ore export ban policy contributed to the rapid growth of ferronickel trade volume between 2019 and 2020. Global trade volume of ferronickel to China increased from 1.0 million tons in 2016 to 3.7 million tons in 2021. It is expected that the ferronickel trade volume to China will reach 5.5 million tons in 2026, representing a CAGR of 8.3% from 2021 to 2026.

Nickel ore trade volume to China, 2016-2026E



Ferronickel trade volume to China, 2016-2026E

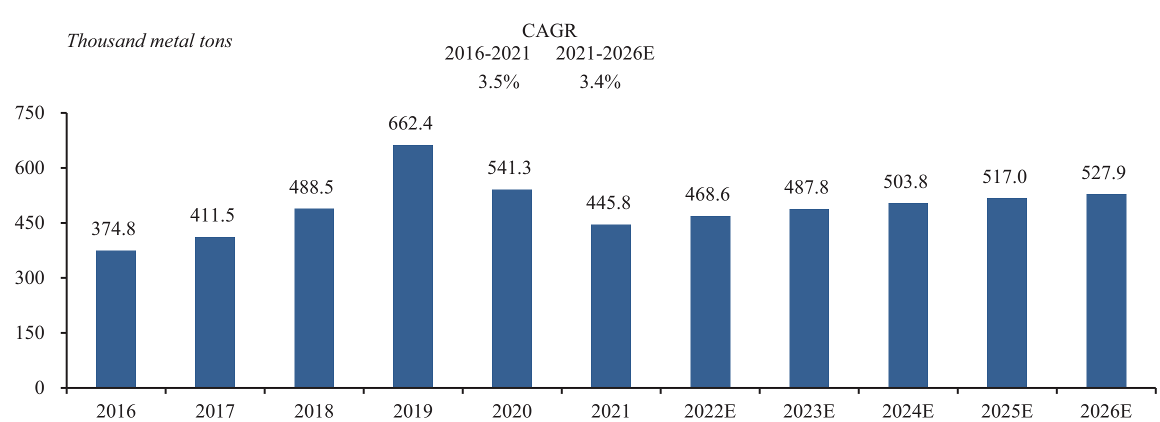


Source: United Nation Comtrade database, CIC Report

The Ferronickel Production Market in China

Ferronickel is commonly used in manufacturing of stainless steel and other alloys due to its high strength and resistance to corrosion. The production volume of ferronickel in China increased from 374.8 thousand metal tons in 2016 to 445.8 thousand metal tons in 2021, representing a CAGR of 3.5%. Under the impact of Indonesia's ban on nickel ore exports, Chinese leading companies have invested in smelting project aboard. In 2021, China's ferronickel production volume declined due to the energy control problem in China. As the energy supply gradually stabilizes, it is expected that the production volume of ferronickel will remain stable and reach 527.9 thousand metal tons in 2026, indicating a CAGR of 3.4% during the period of 2021-2026.

Ferronickel production volume, China, 2016-2026E



Source: CIC Report

China's Nickel Industry Market Drivers

The key drivers of China's nickel industry include:

- ***Rapid growth of the power battery industry:*** The rapid growth of the NEV industry is driving up the loading volume of power batteries, which further increases the demand for nickel. China's loading volume of power batteries reached 154.5GWh in 2021, approximately two times of that in 2016. As one of the essential raw materials of power batteries, nickel has likewise enjoyed strong growth of demand over the past few years. With the accelerating promotion and adoption of new energy vehicles, demand for nickel from power batteries is expected to increase further. In addition, the application of autonomous driving on NEVs puts forward a higher requirement on the power battery capacity as it is expected to rise power consumption by approximately 20%.

- ***Rising application of high-nickel ternary battery:*** With its advantages of higher energy density, the high-nickel ternary battery has become the main lithium battery preference among commercial NEV manufacturers. Energy density is a key characteristic of NEV batteries, as higher energy density directly translates to higher endurance mileage. Nickel plays an important role in increasing the energy density of ternary material and, therefore, high-nickel ternary battery can effectively increase endurance mileage of NEVs and alleviate consumer anxiety. Moreover, as the price of nickel is significantly lower than the price of cobalt, high-nickel ternary materials can effectively reduce the cost of raw materials by reducing the relative percentage of cobalt used.

- ***Supportive government policies:*** Supportive government policies and regulations are guiding the healthy and stable development of the industry. The Ministry of Industry and Information Technology (MIIT) recently stated that the development of new energy vehicles is a strategic objective for China in its plans to achieve carbon neutrality and other goals. China's new energy vehicle industry is booming in market size. On June 1, 2021, the National Administration of Institutional Affairs and the National Development and Reform Commission issued the "*14th Five-Year Plan for Energy and Resource Conservation by Public Institutions*" (《"十四五"公共機構節約能源資源工作規劃》) to encourage public institutions to take the lead in using new energy vehicles and the proportion of new energy vehicles in new and updated vehicles should not be less than 30%. Moreover, with the progress of the "Belt and Road" initiative, a more favorable trading environment has been established between China and participating countries.

- ***Upward demand for stainless steel:*** Promoted by the acceleration of construction activities, demand for stainless steel has maintained an upward trend, which further promote the development of the nickel industry. Moreover, China's commercial launch of 5G commercial is boosting the demand for 5G base stations construction. Stainless steel is a major material used in the construction of public infrastructure. The demand for stainless steel is therefore expected to increase with the further development of 5G technology. Consequently, the rising consumption of stainless steel directly contributes to the development of the nickel industry.

China's Nickel Industry Market Trends

The key trends of China's nickel industry include:

- ***Technical routes diversifications:*** Companies equipped with multiple technical routes suitable for different level of nickel content have competitive advantages in producing diversified products. Hydrometallurgy has been adopted to produce nickel sulfate, the key raw material of the cathode of ternary battery, from laterite nickel and is able to achieve less energy consumption, less pollution, and superior output quality. Driven by the strong demand for high-nickel ternary batteries, hydrometallurgy brings new growth potential. Meanwhile, the stable downstream demand for stainless steel positions pyrometallurgy technology used for the production of ferronickel, indispensable for the long-term development of a nickel industry player.

- ***Value chain integration:*** With nickel resources integration being the core development direction of the industry, market participants are accelerating their vertical extension to both upper and lower streams of the industrial chain, aiming to achieve integration of the entire chain. In order to strengthen competitive advantages, market participants are paying more attention to the vertical integration within the nickel industry. By covering upstream sourcing and trading of nickel resources, supply chain service, production of nickel products, technique improvement, engineering design, together with industry park construction and operation, companies are able to offer one-stop solutions that allow clients fully access to each phase within the nickel life-cycle. The integrated industrial chain can potentially benefit the nickel industry by reducing the frequency of delays in delivery and transportation, guaranteeing raw materials supply and achieving greater efficiencies in the production process.

- ***Overseas business development:*** China's nickel market participants will further develop their overseas business in order to fully link international resources with domestic market. Downstream demands for mineral resources such as nickel, cobalt, and lithium continue to rise. The ability to maintain a stable supply of nickel ore and achieve higher capabilities of nickel ore exploration is becoming increasingly significant to market participants in the nickel industry. Through cooperation with overseas nickel companies, China's nickel market participants are able to secure a stable nickel supply and further increase their number of overseas factories and overseas production operations, which help them better serve their downstream clients and alleviate the impact of the international nickel ore export ban. Since the Indonesian government has introduced a total ban on the export of nickel ore, China's ferronickel production enterprises are facing an insufficient supply of raw materials. Industry participants turn to invest in midstream value-added production facilities such as nickel sulfate projects and RKEF projects. By developing production business in advance, a nickel market participant can significantly mitigate the impact of the Indonesia Ban on its business of nickel ore by trading nickel products as alternatives.

Entry Barriers of the Nickel Industry

The entry barriers of the nickel industry include:

- ***Stable access to nickel ore resources:*** As the nickel industry is a resource-dependent industry, companies with stable access to nickel ore resources have distinct competitive advantage. It is not easy for Chinese companies to maintain a steady supply of raw materials, since most of nickel ore reserve is in several countries and regions, whose policy can have a great impact on the supply. Indonesia and the Philippines, which are located near the equator, are the two countries with the highest output due to the low mining cost and low transportation costs. These two tropical countries are major nickel ore suppliers for China, so changes in these countries' policies exert a large impact on the nickel ore supply. Therefore, enterprises having stable access to nickel ore resource presents a remarkable competitive advantage.

- ***Large capital investment:*** The nickel industry has significant economies of scale that have already been exploited by the existing firms to a large extent. For market participants involved in the production process of the nickel industry, large companies maintain a considerable scale of operation to reduce unit costs, achieving cost advantages. New entrants will be deterred by substantial initial investment in raw materials and fixed assets. Leading companies can increase concentration through low-cost advantages, further increasing the entry barrier for new entrants. For market participants involved in the trading of nickel ore, new entrants are difficult to compete with those industry giants in establishing stable upstream and downstream source.

- ***High requirements for operational capabilities:*** The HPAL process places extremely high requirements on operational capabilities. A slight improper operation of the core components will cause damage in a short period of time. Follow-up repairs can take several months, which will bring tremendous losses to the company. With the low level of fault tolerance of HPAL, professional technicians are required to accurately examine and respond to any operation challenges in order to avoid malfunctioning and the subsequent downtime. Moreover, research of targeted nickel ore and adaptive design are the key factors that directly affect the production cost of a HPAL project, which requires much experience in operation. Technology and material adopted by production equipment also generate crucial impacts on the capability utilization rate of the HPAL project. As such, the high requirement for operational capability presents a major barrier to new market entrants.

Opportunities, Threats and Challenges of the Nickel Industry

The opportunities, threats and challenges of the nickel industry include:

- ***A large amount of investment shifts to Indonesia:*** With its public infrastructure becoming more complete and reliable, more companies in the nickel industry are seeking to invest in Indonesia. With China well-accustomed to being the major player in the nickel smelting industry, the domestic nickel industry is going to be hurt if a large amount of investment shifts to Indonesia.

- ***Increasing nickel price for domestic manufacturers:*** Strict nickel policies from Indonesia and the Philippines are going to decrease the nickel ore supply available for export and import, driving up the nickel price and decreasing the profitability for domestic manufacturers.

OVERVIEW OF MAJOR DOWNSTREAM INDUSTRIES OF GLOBAL AND CHINA NICKEL CONSUMPTION

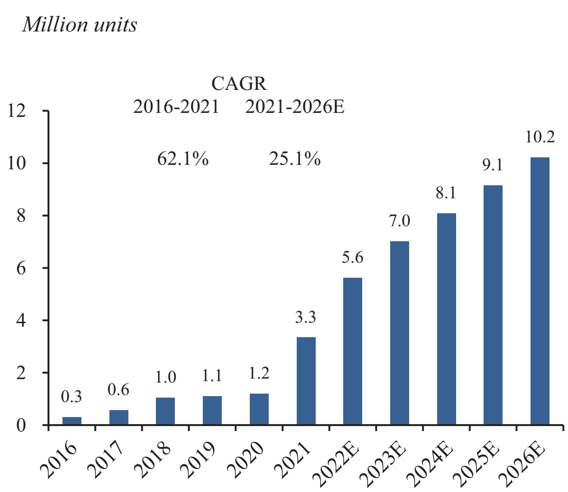
Analysis of major downstream industries of nickel consumption

NEV industry

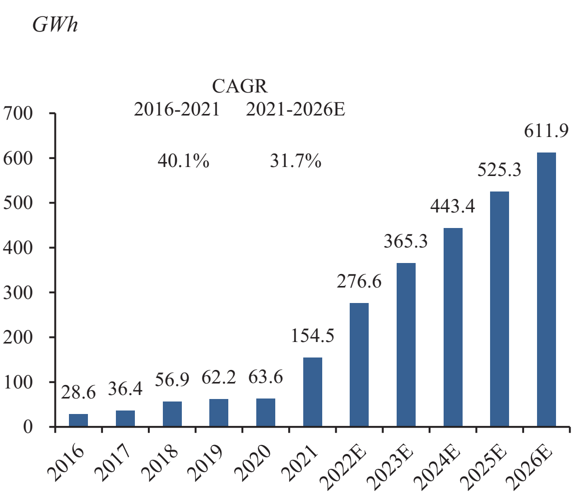
The NEV sales volume in China increased from 0.3 million vehicles in 2016 to 3.3 million vehicles in 2021, representing a CAGR of 62.2%. Driven by the sales of NEV, power battery installed volume increased from 28.6 GWh in 2016 to 154.5 GWh in 2021. Ternary battery is one of the most common types of power battery and the cathode material is the key component of power battery affecting the performance of power battery. Ternary battery raw materials include nickel-cobalt compounds such as nickel sulfate which can be obtained from MHP and MSP. With the growth of ternary battery, the demand of nickel sulfate from NEV industry in China is expected to increase from 223.7 thousand metal tons in 2021 to 977.7 thousand metal tons in 2026, representing a CAGR of 34.3%. According to the Technology Roadmap for Energy Saving and New Energy Vehicles 2.0 issued by China Society of Automotive Engineers, the proportion of NEV sales as of the total vehicle sales will rise to approximately 40% by 2030. By 2035, NEVs will account for over 50% of the total vehicle sales. Driven by favorable policies, evolving vehicle technology, and rapid battery cost reduction, as well as wider consumer acceptance of NEVs resulting from improved understanding and increasing demand for intelligent technology and connectivity, the NEV sales volume in China is expected to grow at a fast rate in the next few years. The penetration rate of NEVs, which is calculated by new energy passenger vehicle sales volume divided by all passenger vehicle sales volume, has increased significantly from 1.2% to 15.2% between 2016 and 2021. Given the fact that NEV sales volume in China achieves rapid growth in early 2022 with a year-on-year growth rate of 132% in January and 180% in February, and most motor vehicle groups also declared that the launch of NEV will be accelerated, it is expected that penetration rate of new NEV sales will reach 39.8% in 2026.

Key drivers including favorable policies; consumer awareness and acceptance of NEV; improvements in charging infrastructures; technology innovation and advancement of V2X[1] and autonomous driving; and rising application of high-nickel ternary battery will drive the continuous growth of NEV industry as well as the nickel consumption in China.

NEV sales volume, China, 2016-2026E



Power battery installed volume, China, 2016-2026E



Source: CIC Report

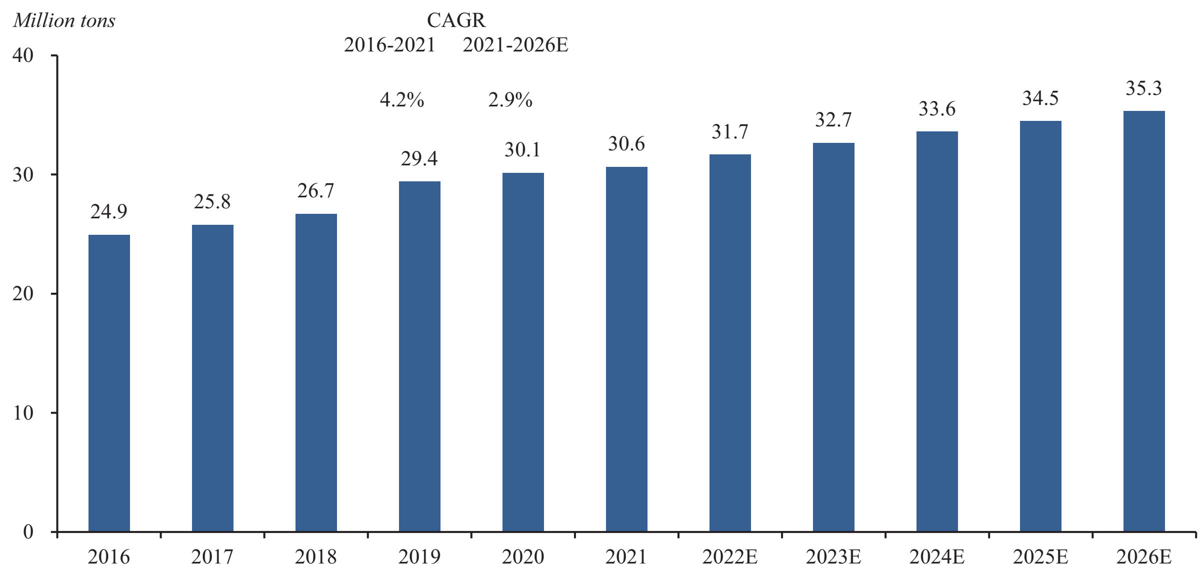
Stainless steel industry

With the development of stainless steel production, the raw materials of stainless steel have changed from pure nickel to ferronickel, and the proportion of ferronickel used as the main raw material gradually increases. As the production volume of stainless steel increases, the demand for ferronickel will also increase. China's production volume of stainless steel increased from 24.9 million tons in 2016 to 30.6 million tons in 2021, representing a CAGR of 4.2% over the period. China's production volume of stainless steel is expected to reach 35.3 million tons in 2026, indicating a projected CAGR of 2.9% over the 2021-2026 period. Production growth is mainly being driven by the renovation of old residential areas, development of new infrastructure, development of high-tech manufacturing, increasing demand for modern kitchen appliance and increasing consumption for high-nickel steel as a material for gas containers.

Key drivers including increasing renovation of old residential areas; continuous development of high-tech manufacturing, railway transportation, satellites, etc.; increasing need for modern kitchen appliances; development of 5G infrastructure; and increasing demand for nickel-rich austenitic stainless steels as material of gas containers will drive the sustainable demand of stainless steel as well as the nickel consumption in China.

Note: 1. V2X refers to vehicle-to-everything, which is a communication system that supports the transfer of information from a vehicle to moving parts of the traffic system that may affect the vehicle.

Production volume of stainless steel, China, 2016-2026E



Source: CIC Report

COMPETITIVE LANDSCAPE OF NICKEL ORE AND PRODUCT TRADING INDUSTRY IN GLOBAL AND CHINA

Market participants of global nickel product trading are mainly sizable trading companies and large multinational companies owning mines. In 2021, the Company ranked first globally in terms of nickel product trade volume and ranked first in China in terms of nickel ore trade volume.

As the reserves of nickel ore are relatively limited in China, there exists a considerable shortfall in the supply of nickel ore. Over 90% of nickel ores consumed in China rely on imports from Philippines, New Caledonia, etc., especially since the comprehensive ban on the export of nickel ore of Indonesia in 2020. As a capital-intensive, resource-dependent, and downstream-driven industry, China's nickel industry has relatively high entry barriers. Nickel ore suppliers play a significant role in providing nickel ore for downstream clients who do not have access to ore resources. It is not uncommon that nickel ore trading happens between nickel ore suppliers. It is common for companies engaged in nickel product trading business to procure from or sell to each other products including nickel ore and ferronickel of different nickel content depending on the availability and favorable pricing of these products.

Global top five nickel product suppliers, in terms of trade volume in 2021

Ranking	Company	Nickel product supply volume in 2021 (thousand metal tons)
1	**The Company**	**~227.3**[5]
2	Company E[1]	**~215.2**[6]
3	Glencore[2]	202.0
4	Nornickel[3]	200.0
5	Vale[4]	182.0

Source: CIC Report

Notes:

1. Company E is a Philippine-listed mining company established in 1969, which primarily mines laterite nickel ore, and the total revenue of the whole group was approximately US$0.6 billion in 2021 with a net profit of approximately US$0.2 billion in 2021. Company E is based at the Bonifacio Global City in Taguig, Metro Manila.
2. Glencore is one of the largest globally diversified natural resource companies headquartered in Switzerland, engaging in the production and trading of metal and minerals and energy products, listed on LSE and JSE. The total revenue of the whole group was approximately US$204 billion in 2021 with a net profit of approximately US$4 billion in 2021.
3. Nornickel is a leader in Russia's metals and mining industry producing palladium, nickel, platinum, copper, etc., listed on MCX and LSE. The total revenue of the whole group was approximately US$18 billion in 2021 with a net profit of approximately US$7 billion in 2021.
4. Vale is one of the world's largest mining companies headquartered in Brazil and is listed on B3, NYSE, and LATIBEX, which also engages in logistics, steel making, and energy businesses. The total revenue of the whole group was approximately US$55 billion in 2021 with a net profit of approximately US$25 billion in 2021.
5. Assuming the average nickel content of nickel ore is 1.5%, based on Company E's annual report which states that the nickel content of its nickel ore reserve ranges from 0.8% to 1.8% and its nickel ore exported to China is mostly used for ferronickel smelting, therefore the nickel content is relatively high.
6. Assuming the average nickel content of nickel ore is 1.2%, as the nickel content of laterite nickel ore traded by the Company ranged from 0.6% to 1.8%.
7. Listed companies generally disclose sales of nickel products in terms of nickel metal ton, given different nickel content of various nickel products.
8. Nickel product supply volume in terms of nickel metal ton of Glencore, Nornickel and Vale is directly disclosed in their respective annual reports.

Currently, the nickel ore trading industry in China is relatively concentrated as few companies have stable access to nickel ore resources, of which the top five market participants accounted for approximately 56.2% of the gross nickel ore trade volume to China in 2021. In 2021, the Company ranked as the largest nickel ore supplier in China in terms of trade volume, with a market share of approximately 26.8%. The Company is also one of a few nickel industry service providers engaged in the whole process of the industrial chain.

Apart from the Company, other nickel ore suppliers' trade volume is far below that of the Company. Company A was the second largest nickel ore supplier by trade volume in 2021 with a market share of 16.1%. Other sizable market participants, Company B, Company C and Company D, accounted for approximately 4.6%, 4.6% and 4.1% of market share, respectively, in 2021.

China top five nickel ore suppliers, in terms of trade volume in 2021

Ranking	Company	Trade volume in 2021 (million tons)	Market share of gross nickel ore trade volume to China in 2021
1	**The Company**	**11.7**	**26.8%**
2	Company A[1]	~7.0	~16.1%
3	Company B[2]	~2.0	~4.6%
4	Company C[3]	~2.0	~4.6%
5	Company D[4]	~1.8	~4.1%
		24.5	56.2%
	Others	19.0	43.8%
	Total market	43.5	100.0%

Source: CIC Report

Notes:

1. Company A, established in 1999, is a Chinese A-share listed metal products wholesales company that also offers integrated supply chain services. The total revenue of the whole group was approximately RMB178 billion in 2021 with a net profit of approximately RMB1 billion in 2021.
2. Company B, established in 1988 with a registered capital of approximately RMB250 million, is a private comprehensive trading company wholly owned by a state-owned conglomerate in China.
3. Company C, established in 2016 with a registered capital of approximately RMB50 million, is a Chinese private enterprise engaged in mineral product mining, trading, logistics, and terminal smelting process.
4. Company D, established in 1986 with a registered capital of approximately RMB1.5 billion, is a private trading company wholly owned by a large Chinese state-owned iron and steel company, and mainly engages in the trading of raw material, metallurgical equipment, spare parts, and related products applied in the stainless industry.

The Company is also tapped into the production of ferronickel. As of the Latest Practicable Date, the aggregate designed production capacity of the Company's Jiangsu Facilities is 18,000 metal tons of ferronickel per annum, ranking as the No. 9 ferronickel manufacturer in China, with a market share of 3.4%.

ANALYSIS ON NICKEL INDUSTRY IN INDONESIA

Overview of Nickel Ore Reserve in Indonesia

Indonesia has abundant nickel resources and it reserves approximately 21 million metal tons of nickel ore accounting for 20.0% of the global reserves in 2021, most of which are laterite nickel ore. Indonesia's nickel ore is mainly distributed in Obi island, Sulawesi island, and Halmahera Island. The average grade of nickel ore in Indonesia is comparatively high, and most of which can be directly obtained through low-cost open-pit mining. The government of Indonesia is encouraging the transformation of the nickel industry chain from direct export of nickel ore to focusing on nickel processing with higher added value. In recent years, the Indonesian government has issued a series of policies to encourage more investment in nickel industry value chain, such as production facilities in Indonesia.

Competitive Landscape of Nickel Product Production Industry in Indonesia

The Company plans to build 6 HPAL production lines and 20 RKEF production lines with a full production capacity of 120 thousand and 280 thousand metal tons, respectively. RKEF technology has been rolled out in Indonesia at a massive scale and global leading market participants have established RKEF projects in Indonesia with considerable capacity. Indonesia is also one of the popular investment destinations for many HPAL projects. The two production lines under phase I of PT OBI, the Company's HPAL project, have reached full production capacity.

The companies in this industry that are engaged in the ferronickel production and nickel ore trading business typically target the downstream stainless steel industry. Other companies that operate HPAL projects are typically targeting the downstream NEV industry.

To compare with other HPAL projects, PT OBI takes a leading position in terms of technology chalking up records in several aspects:

- the shortest construction period of greenfield project
- the lowest capital expenditure per nickel metal ton
- the shortest duration of reaching production

Comparative analysis of HPAL projects in Indonesia

HPAL Project	Location	Annual full production capacity of nickel (thousand metal tons)	Product	Actual / planned commissioning time	Market share in terms of annual full production capacity of nickel	Project status
Project Huashan[1]	NA	~123	MHP	NA[8]	22.2%	Announced the construction plan
PT OBI[2]	**OBI island**	**~120** **37 (1st phase)** **18 (2nd phase)** **65 (3rd phase)**	**MHP&MSP**	**2021.05 (1st phase)** **2022 (2nd phase)** **2023 (3rd phase)**	**21.6%**	**1st phase in operation** **2nd & 3rd phase under construction**
Project Huafei[3]	Weda Bay	~120	MHP&MSP	2023-2024	21.6%	Under construction
Project Huayue[4]	Morowali	~60	MHP	2021.12	10.8%	In operation
Project QMB[5]	Morowali	~50	MHP	2022-2023	9.0%	1st phase in operation 2nd phase under construction
Project BASF[6]	Weda Bay	~42	MHP	After 2025	7.6%	Under construction
Project Pomalaa[7]	Pomalaa	~40	MSP	After 2025	7.2%	Under construction

Source: CIC Report
Notes:

1. Project Huashan is operated by a Chinese listed company Huayou Cobalt and a Singapore private company Glaucous International, which has not commenced operation as of the Latest Practicable Date.
2. PT OBI is operated by the Company and its Indonesia partner.
3. Project Huafei is operated by a Chinese listed company Huayou Cobalt, a Chinese listed company EVE Energy, a Singapore private company Glaucous International, and a Singapore private company LINDO INVESTMENT.
4. Project Huayue is operated by a Chinese listed company Huayou Cobalt, a Chinese listed company China Molybdenum, a Chinese private company Tshingshan, a Chinese private company Huaqing Hualong Consulting, and Long Sincere.
5. Project QMB is operated by a Chinese listed company GEM, a Chinese private company New Horizon International, a Chinese listed company CATL, a Sino-Indonesian joint venture IMIP, a Korean listed company Ecopro, and a Japanese public company Hanwa.
6. Project BASF is operated by a German listed company BASF and a French listed company Eramet, which has not commenced operation as of the Latest Practicable Date.
7. Project Pomalaa is operated by a Brazilian listed company Vale and a Chinese listed company Huayou Cobalt, which has not commenced operation as of the Latest Practicable Date.
8. The announcement issued on June 20, 2022 did not disclose the production time or other information.

With the continuous exploration of the HPAL technology in the past few decades, several projects have been successfully commissioned so far. Among all nickel hydrometallurgy projects utilizing the HPAL process that have commenced production or are under construction globally, PT OBI ranked first in terms of annual designed production capacity, with a market share of approximately 17.1% (total of three phases) as of the Latest Practicable Date. Among all nickel hydrometallurgy projects utilizing the HPAL process that have commenced production or are under construction in Indonesia, PT OBI ranked first in terms of annual full production capacity with a market share of 34.3% (total of three phases) as of the Latest Practicable Date. The two production lines under phase I of PT OBI have reached full production capacity.

Comparative analysis of RKEF projects in Indonesia

Operating Company	Annual full production capacity of nickel (thousand metal tons)	Project status
Company F[1]	~800	Partially in operation & partially under construction
Company G[2]	~400	Partially in operation & partially under construction
The Company	**280**	**Under construction**
Other Chinese Companies[3]	~120	Partially in operation & partially under construction
Companies other than Chinese companies[4]	~200	Partially in operation & partially under construction
Total	**~1,800**	

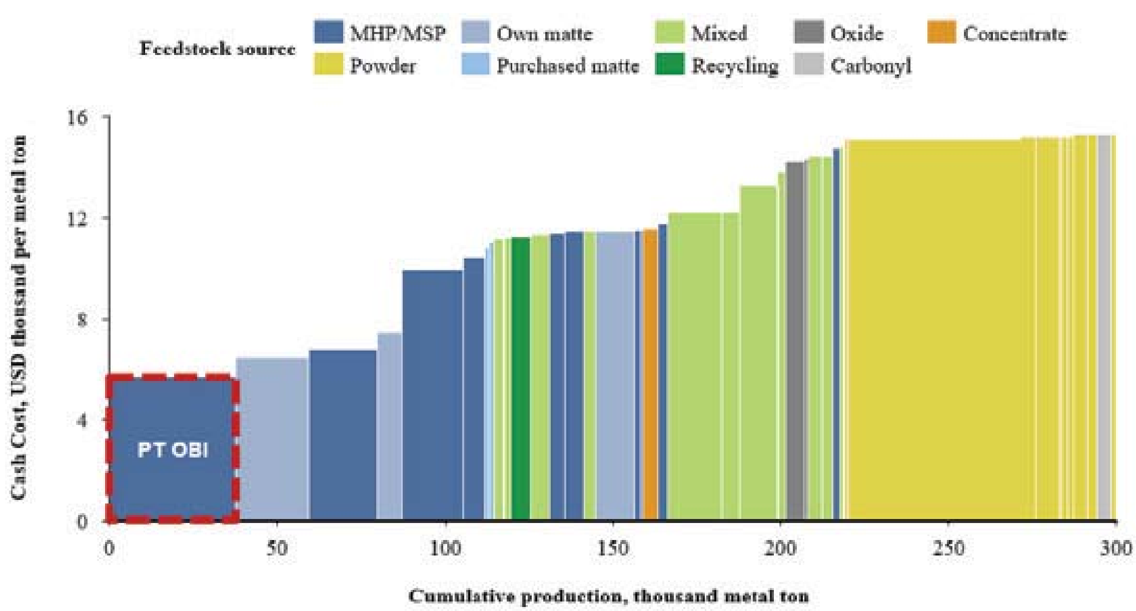
Source: CIC Report

Notes:

1. Company F, established in 1988, is a private company that is the largest stainless steel manufacturer in China. Company F recorded over RMB300 billion of revenue in 2021.
2. Company G, established in 2010, is a Chinese private company focusing on stainless steel smelting. Company G recorded over RMB100 billion of revenue in 2021.
3. Approximately 20 remaining Chinese companies also operate RKEF objects in Indonesia, which mostly are engaged in the smelting of stainless steel.
4. Companies other than Chinese companies mainly refer to private Indonesian and other listed foreign companies engaging in mining business, with a total number of less than 15.

In addition to its HPAL project, the Company's RKEF project is ranked the third largest RKEF project among all projects that have commenced production or are under construction in Indonesia, with a market share of approximately 15.6 % in terms of designed production capacity as of the Latest Practicable Date. As of the Latest Practicable Date, the total designed production capacity of RKEF projects in Indonesia that have commenced production or are under construction in Indonesia is approximately 1,800 thousand metal tons. The top two RKEF projects in Indonesia are operated by Chinese private leading stainless steel manufacturing companies. The Company's RKEF project accounts for a market share of approximately 9.0% of the total RKEF projects that have commenced production or are under construction globally, in terms of designed production capacity as of the Latest Practicable Date.

Cash cost curve of global nickel-cobalt compound product and/or nickel sulfate smelting projects[1]



Source: CIC Report

Note:

1. Refer to projects that were under production in 2020.

Different technical routes of nickel-cobalt compound product and/or nickel sulfate smelting require various types of feedstock sources. Each color of pillars in the graph represents a type of feedstock source used for nickel-cobalt compound product and/or nickel sulfate smelting, including MHP and MSP, own and purchased nickel matte, NiO, concentrate, $Ni(CO)_4$, nickel ore powder, recycling nickel and mixed of multiple feedstocks. Each pillar stands for a single project, while the largest pillar in yellow stands for the aggregation of other facilities in China. As the conversion from MHP/MSP to nickel-cobalt compound product and/or nickel sulfate requires lower cash cost due to the higher recovery rate of nickel and cobalt, it generally sits in the low-cost tail of the related field's smelting projects' cash cost curve. While other projects using mixed materials, nickel oxide, nickel concentrate, own and purchased nickel matte, recycling, powder and nickel carbonyl as feedstock sources to produce nickel-cobalt compound product sits in the high-cost tail of the cash cost curve, which is primarily on account of the relatively low recovery rate. By adopting one of the most advanced production technology, PT OBI has the lowest cash cost among all nickel-cobalt compound production projects worldwide that were under production in 2020.

The following sets out a summary of the significant laws and regulations that affect our businesses in the PRC and Indonesia, where our principal business is located. Information contained below shall not be construed as a comprehensive summary of all the laws and regulations applicable to us.

OVERVIEW OF LAWS AND REGULATIONS IN THE PRC

This section summarizes the principal PRC laws, rules and regulations that are relevant to our business.

Principal Regulatory Authorities

The entire industry chain covering the provision of nickel products and services where the Company operates is subject to the supervision of the National Development and Reform Commission (the "NDRC") and the Ministry of Industry and Information Technology of the People's Republic of China (the "MIIT"). The main products of the Company such as nickel sulfate are hazardous chemicals, which are subject to the regulation of the MIIT and the Ministry of Emergency Management of the People's Republic of China (the "MEM").

The main functions of the NDRC include formulating and implementing strategies of national economic and social development; medium and long-term development plans and annual plans, coordinating economic and social development, being responsible for coordinating and addressing major issues in economic operation and adjusting economic operation.

The main functions of the MIIT include proposing new industrialization development strategies and policies; formulating and implementing industry planning, plans and policies of the industries, including the regulations for the industries of lithium battery and power battery; monitoring and analyzing the trend of industry operation; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industry energy conservation and comprehensive utilization of resources and promotion of clean production. Accordingly, MIIT is responsible for the planning and layout of the production and storage of hazardous chemicals.

The main functions of the MEM, which were taken over from the former State Administration of Work Safety, include administrating the comprehensive safety supervision and management of hazardous chemicals; organizing the identification, publication, and adjustment of Catalogs of Hazardous Chemicals; guiding and supervising the issuance and administration of the Permits for the Safe Use of Hazardous Chemicals and the Operating Licenses for Hazardous Chemicals throughout the country; and being responsible for the supervision over and administration of the Registration of Hazardous Chemicals nationwide.

Industry Self-regulatory Organizations

China Nonferrous Metals Fabrication Industry Association and China Nonferrous Metals Industry Association Nickel Branch are the national industry self-regulatory organizations, whose functions mainly include providing services for enterprises and industries, administrating the industry and conducting statistical surveys and analyzing and releasing industry information under the commission of relevant authorities, assisting the government in formulating industry policies as well as medium and long-term development planning, and prescribing product quality standards of the industry.

Industry Regulations

PRC Laws and Regulations on the Production of Industrial Products

1. *Regulations of the People's Republic of China for the Administration of Production Licenses for Industrial Products* and *Measures for the Implementation of Regulations of the People's Republic of China for the Administration of Production Licenses for Industrial Products*

Pursuant to the *Regulations of the People's Republic of China for the Administration of Production Licenses for Industrial Products* promulgated on July 9, 2005 and implemented on September 1, 2005, and the *Measures for the Implementation of Regulations of the People's Republic of China for the Administration of Production Licenses for Industrial Products* promulgated on April 21, 2014 and implemented on August 1, 2014, important industrial products in connection with public safety, human health and well-being, and the protection of property are subject to the system of production licenses imposed by the PRC central government. The catalog of industrial products subject to the production licensing regime implemented by the State is made by the competent department of the State Council in charge of the production license for the industrial products together with the other relevant departments of the State Council, consulted with China Consumers Associations and related product industry associations, and promulgated to the public after the same has been approved by the State Council. Any enterprise that fails to obtain a production license shall not produce the products listed in the abovementioned catalog, and no entity or individual is allowed to sell or use any products listed in the same catalog without the relevant production license, or otherwise an administrative penalty by the competent department of the relevant industrial product production licenses will be imposed on such an entity or individual. Moreover, criminal liability may also be imposed on such an entity or individual.

2. *Decision of the State Council on Adjusting the Management Catalog of Production Licenses for Industrial Products and Simplifying the Approval Process for Trial Implementation*

Pursuant to the Decision of the State Council on Adjusting the Management Catalog of Production Licenses for Industrial Products and Simplifying the Approval Process for Trial Implementation promulgated and implemented by the State Council on June 24, 2017, the management of production licenses for some products is canceled and replaced by compulsory product certification management; the industrial product production license management authority of some products is delegated to the quality and technical supervision departments of provincial people's governments. Products that remain subject to the industrial product production license management after this abovementioned adjustment include hazardous chemicals, hazardous chemical packaging, and hazardous chemical containers, of which the management authority is also delegated to the quality and technical supervision departments of provincial people's governments.

3. *Decision of the State Council on Adjusting the Management Catalog of Production Licenses for Industrial Products and Enhancing Interim and Ex-post Supervision*

Pursuant to the *Decision of the State Council on Adjusting the Management Catalog of Production Licenses for Industrial Products and Enhancing Interim and Ex-post Supervision* promulgated and implemented by the State Council on September 8, 2019, the management of production licenses for some products is canceled and replaced by compulsory product certification management; the industrial product production license management authority of some products is delegated. Products that remain subject to the industrial product production license management after the abovementioned adjustment include hazardous chemicals, hazardous chemical packaging, and hazardous chemical containers, of which the management authority is also delegated to the quality and technical supervision departments of provincial people's governments.

PRC Laws and Regulations on Hazardous Chemicals

1. *Regulations on Safety Management of Hazardous Chemicals*

Pursuant to the *Regulations on Safety Management of Hazardous Chemicals* promulgated by the State Council on January 26, 2002, taking effect on March 15, 2002, and lastly amended on December 7, 2013, hazardous chemicals include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or combustion-supporting, which are dangerous to human body, facilities and environment. The relevant governmental authorities will promulgate and adjust the Catalogs of Hazardous Chemicals from time to time. An enterprise which engages in the production of hazardous chemicals must obtain the Safety Production Permit for Hazardous Chemicals prior to the commencement of production. An enterprise producing hazardous chemicals listed in the Catalog of the Industrial Products that are subject to the production licensing system shall obtain the Production License for Industrial Products pursuant to the *Regulations of the People's Republic of China for the Administration of Production Licenses for Industrial Products*.

The safety conditions of newly built, altered or expanded construction projects for the production and storage of hazardous chemicals are subject to the scrutiny of the work safety administrative department. The safety conditions of the newly built, altered and expanded port construction projects for the storage, loading and unloading of hazardous chemicals are subject to the scrutiny of the port administrative department in accordance with the provisions of the transport department under the State Council. In the event that the enterprise undertaking such construction projects fails to meet the safety conditions, the relevant work safety administrative department shall order such enterprise to cease operation and rectify within the specified period.

The State Council implemented a licensing system for the operation of hazardous chemicals (including warehousing). No entity or individual may deal in hazardous chemicals without such licensing. If an enterprise engaging in the production of hazardous chemicals which is established according to the laws sells hazardous chemicals it produces in the factory, the Operation Permit for Hazardous Chemicals is not required. If a chemical enterprise uses hazardous chemicals for production and the quantities reaches the prescribed threshold, the enterprise shall obtain the Permits for the Safe Use of Hazardous Chemicals pursuant to the *Regulations on Safety Management of Hazardous Chemicals*, save for those enterprises engaging in the production of hazardous chemicals. An enterprise which engages in road transportation of hazardous chemicals should comply with provisions of laws and administrative regulations on road transport, obtain the license for road transportation of hazardous chemicals, and proceed with registration procedures with the administrative department of industry and commerce. An enterprise engaging in road transportation of hazardous chemicals should be equipped with full-time safety management personnel.

2. *Measures for Implementation of Safety Production Permit of Hazardous Chemicals Production Enterprises*

Pursuant to the *Measures for Implementation of Safety Production Permit of Hazardous Chemicals Production Enterprises* promulgated by the State Administration of Work Safety (now the MEM) of the PRC and taking effect on May 17, 2004, and lastly amended and taking effect on March 6, 2017, an enterprise which engages in the production of final products or intermediate products listed in the Catalogs of Hazardous Chemicals must obtain the Safety Production Permit for Hazardous Chemicals prior to the commencement of production of hazardous chemicals.

3. *Administrative Measures for the Registration of Hazardous Chemicals*

Pursuant to the *Administrative Measures for the Registration of Hazardous Chemicals* promulgated by the State Administration of Work Safety (now the MEM) of the PRC on October 8, 2002 and taking effect on November 15, 2002, and lastly amended on July 1, 2012 and taking effect on August 1, 2012, a newly established production enterprise of hazardous chemicals shall proceed with the hazardous chemicals registration procedure before the completion and acceptance of the project. The Hazardous Chemicals Registration Certificate is valid for three years. The Hazardous Chemicals Registration Certificate should set out details including but not limited to the nature of the enterprise (regardless of whether the registering enterprise is a producer or importer of hazardous chemicals or both), the registered products and the validity period. An enterprise which engages in the production and storage of hazardous chemicals and an enterprise using hyper-toxic and other hazardous chemicals the quantities of which constitute a material source of danger shall register the hazardous chemicals according to the national laws. The Registration Center for Chemicals under the State Administration of Work Safety (now the Registration Center for Chemicals under the MEM) shall undertake the specific work and technical management of registration of hazardous chemicals throughout the country. Hazardous chemicals registration offices or hazardous chemicals registration centers established by work safety supervision and administration departments (now the emergency management departments) under people's governments of all provinces, autonomous regions and municipalities directly under the Central Government shall undertake the specific work and technical management of registration of hazardous chemicals within their respective administrative regions.

PRC Laws and Regulations on Environmental Protection

1. *Environmental Protection Law of the People's Republic of China* and *Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (2019)*

Pursuant to the *Environmental Protection Law of the People's Republic of China* promulgated by the Standing Committee of the National People's Congress (the "SCNPC") and taking effect on December 26, 1989, and lastly amended on April 24, 2014 and taking effect on January 1, 2015, as well as the *Classification Administration List of Pollutant Discharge Permitting for Fixed Pollution Sources (2019)* promulgated by the Ministry of Ecology and Environment of the People's Republic of China (the "MEE") and taking effect on December 20, 2019, the construction of any project that causes pollution to the environment must comply with the regulations on environment protection relating to the construction projects. The environmental protection facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main construction works. The PRC government implements a system for administering licenses for the discharge of pollutants under the provisions of the laws. Enterprises, units and other production operators under the licensing management for pollutant discharge should only discharge pollutants which satisfy the requirements of pollutant discharge license. Those that have not obtained the pollutant discharge license may not discharge pollutants. Pollutant-discharging enterprises, units and other production operators shall pay sewage fees pursuant to the relevant provisions of the State Council. The State Council implements focused management to simplify the management and registration of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. The MEE shall be responsible for guiding the implementation and the supervision of the National Sewage Permit system. The municipal environmental protection department shall be responsible for issuing the pollutant discharge license in the district where the pollutant-discharging enterprise is located.

2. *Law of the People's Republic of China on Environmental Impact Assessment*

Pursuant to the *Law of the People's Republic of China on Environmental Impact Assessment* promulgated by the SCNPC on October 28, 2002, taking effect on September 1, 2003, and lastly amended and taking effect on December 29, 2018, construction entities shall implement the following procedures for their construction projects in accordance with the classification of construction project lists for environmental impact assessments promulgated by the MEE:

(i) for projects with potentially serious environmental impacts, an environment impact report shall be prepared to provide a comprehensive assessment of their environmental impacts;

(ii) for projects with potentially mild environmental impacts, an environmental impact statement shall be prepared to provide an analysis or specialized assessment of their environmental impacts; and

(iii) for projects with very small environmental impacts so that an environmental impact assessment is not required, an environmental impact registration form shall be filled out.

The construction project at issue may not proceed if its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or are disapproved after the review.

3. *Regulations on the Administration of Environmental Protection for Construction Project*

Pursuant to the *Regulations on the Administration of Environmental Protection for Construction Project* promulgated by the State Council and taking effect on November 29, 1998, and lastly amended on July 16, 2017 and taking effect on October 1, 2017, entities carrying out the construction shall assess the environmental impacts of their construction projects before commencing the construction. Such entities shall, depending on the level of the environmental impacts, report environmental impact reports and the required environmental impact forms prepared by institutions which possess relevant qualifications to the relevant construction and protection administration and obtain approval from relevant administration. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, such entities shall file an application with the competent department of environmental protection administration for acceptance inspection. Any entity that fails to obtain prior approval or fails to pass the acceptance of the completed environmental protection facilities may be ordered to stop the construction or operation of the facilities or to correct within a specified time or be fined by the competent environmental authorities.

4. *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*

The *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, promulgated by the SCNPC on October 30, 1995 and taking effect on April 1, 1996, and lastly amended on April 29, 2020 and taking effect on September 1, 2020, stipulates that construction projects where solid waste is generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Ancillary facilities necessary for the prevention and control of environmental pollution by solid waste set out in the environmental impact reports of construction projects shall be designed, constructed and put into operation simultaneously with institutional projects. The preliminary design of the construction project shall, as required by the environmental protection design standards, incorporate the prevention and control of environmental pollution by solid waste into the environmental impact assessment document and implement the measures for the prevention and control of environmental pollution and ecological damage by solid waste and the investment estimates for facilities for the prevention and control of environmental pollution by solid waste. The construction employer shall, as required by the relevant laws and regulations, conduct acceptance inspection of the facilities for the prevention and control of environmental pollution by solid waste built as ancillaries, prepare an acceptance inspection report, and disclose it to the public.

5. *Law of the People's Republic of China on Prevention and Control of Water Pollution*

Pursuant to the *Law of the People's Republic of China on Prevention and Control of Water Pollution* promulgated by the SCNPC on May 11, 1984 and taking effect on November 1, 1984, and lastly amended on June 27, 2017 and taking effect on January 1, 2018, an environmental impact assessment must be conducted lawfully in respect of all projects involving the construction, alternation or expansion of water facilities which discharge pollutions directly or indirectly into water. Facilities for prevention and control of water pollution of construction projects must be designed, constructed and put into operation simultaneously with the main facility. Water pollution prevention and control facilities should meet the requirements of the approved or filed environmental impact assessment documents.

6. *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*

Pursuant to the *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution* promulgated by the SCNPC on September 5, 1987 and taking effect on June 1, 1988, and lastly amended and taking effect on October 26, 2018, when construction projects have an impact on atmospheric environment, enterprises, public institutions and other production operators shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

7. Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution and *Law of the People's Republic of China on Noise Pollution Prevention and Control*

The Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution was promulgated by the SCNPC on October 29, 1996 and taking effect on March 1, 1997, and lastly amended and taking effect on December 29, 2018. The Law of the People's Republic of China on Noise Pollution Prevention and Control came into force on June 5, 2022, upon which the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise shall be repealed. Pursuant to the Law of the People's Republic of China on Noise Pollution Prevention and Control, new construction, reconstruction or expansion projects that may cause noise pollution shall be subject to the environmental impact assessment in accordance with the law. The facilities for the prevention and control of environmental noise pollution of the construction projects shall be designed, constructed and put into use simultaneously with the main body of the project. Before a construction project is put into production or use, the construction employer shall, in accordance with the provisions of relevant laws and regulations, conduct the acceptance check of the supporting facilities for noise pollution prevention and control, work out the acceptance check report, and release it to the public. The construction project may not be put into production or use before its acceptance check is carried out or if it fails to pass its acceptance check.

8. *Environmental Protection Tax Law of the People's Republic of China* and *Implementing Regulations for the Law of the People's Republic of China on Environmental Protection Tax*

Pursuant to the *Environmental Protection Tax Law of the People's Republic of China* promulgated by the SCNPC on December 25, 2016 and taking effect on January 1, 2018, and last amended and taking effect on October 26, 2018, and the *Implementing Regulations for the Law of the People's Republic of China on Environmental Protection Tax* promulgated by the State Council on December 25, 2017 and taking effect on January 1, 2018, enterprises that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas are under the jurisdiction of the PRC. Such polluters should pay environmental protection tax based on the pollutant discharged. Polluters who have paid pollutant discharge charges shall not be exempted from the liability of preventing and controlling pollution, making compensation relating to the pollution made and other liabilities under laws and administrative regulations.

9. *Law of the PRC on Promoting Clean Production*

Pursuant to the *Law of the PRC on Promoting Clean Production* promulgated by the SCNPC on June 29, 2002 and taking effect on January 1, 2003, and amended on February 29, 2012 and taking effect on July 1, 2012, for any new construction, reconstruction and expansion projects, an environmental impact assessment shall be conducted in respect of the use of raw materials, the consumption of resources, overall utilization of resources, and the generation and disposal of pollutants. Priority shall be placed on the adoption of clean production technologies, techniques and equipment with higher resource efficiency and lower pollutant generation.

10. *Measures for the Administration of Permit for Operation of Hazardous Wastes*

Pursuant to the *Measures for the Administration of Permit for Operation of Hazardous Wastes* issued by the State Council on May 30, 2004 and taking effect on July 1, 2004, and lastly amended and taking effect on February 6, 2016, any entity undertaking the business activities of collection, storage and disposal of hazardous wastes within the territory of the PRC shall obtain the permit for operation of hazardous wastes in accordance with the provisions of the Measures.

Pursuant to the *Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Environmental Pollution* issued by the Supreme People's Court and the Supreme People's Procuratorate released on December 23, 2016 and taking effect on January 1, 2017, any entity undertaking the business activities of collection, storage, utilization and disposal of hazardous wastes without a hazardous waste management license will bear criminal liability. Criminal liability will also be imposed on any individual or entity who has no hazardous waste licenses, for purposes of making profits, by extracting materials from hazardous waste as raw materials or fuel, illegally discharge pollutants, discharge pollutants in excess of standards or otherwise cause environmental pollution.

PRC Laws and Regulations on Production Safety

1. *Production Safety Law of the People's Republic of China* and *Regulation of Safe Production Licenses*

Pursuant to the *Production Safety Law of the People's Republic of China* promulgated by the SCNPC on June 29, 2002 and taking effect on November 1, 2002, and lastly amended on June 10, 2021 and taking effect on September 1, 2021, together with the *Regulation of Safe Production Licenses* promulgated by the State Council and taking effect on January 13, 2004, and lastly amended and taking effect on July 29, 2014, any production and business operation entity shall comply with relevant laws regulations concerning the production safety. Production and operation units shall have the conditions for safe production as specified in this law and relevant laws, administrative regulations and national standards or industry specifications. It is prohibited to engage in production and operation activities without the conditions of safe production. The enterprise that intends to obtain a safe production license shall establish and improve the responsibility system for work safety, and formulate a whole set of work safety procedures and operating rules. The State Council implements a safe production licensing system on mining enterprises, construction enterprises and enterprises that produce dangerous chemicals, fireworks and fire crackers, and civil equipment for blasting explosions. Enterprises may not engage in such production activities without safe production licenses. The production and business operation entities shall satisfy the conditions for safe production as provided in relevant laws, administrative regulations, national standards and industrial standards. Any entity that has not met the conditions for safe production may not engage in production and business operation activities. The department of work safety supervision and administration (now the MEM) under the State Council shall be in charge of the central management on the issuance and administration of safe production licenses for enterprises which engage in the non-coal mining, production of hazardous chemicals, fireworks and crackers. The departments of work safety supervision and administration (now the emergency management departments) under the people's government of provinces, autonomous regions or municipalities directly under central government, are in charge of the issuance and administration of safe production licenses for enterprises which engage in non-coal mining, the production of hazardous chemicals, fireworks and crackers, other than those under jurisdiction of the previous provision, and such departments are subject to the guidance and supervision of the department of work safety supervision and administration (now the MEM) under the State Council.

Entities that engage in the operation of mines, metal smelting, construction and road transport as well as those engaged in the production, selling and storage of hazardous substances shall establish an administrative organ for production safety or have full-time personnel for the administration of production safety. Save for such production and operation entities, the production business operation entities with more than 100 employees shall establish an administrative organ for production safety or have full-time personnel for the administration of production safety; while for those with less than 100 employees, they shall have fulltime or part-time personnel for the administration of production safety.

Any entity fails to comply with relevant production safety laws and regulations may be subject to fines, confiscation of illegal income, compensation for damages, revocation of qualification, order to correct within a certain period of time, order to suspend production, and be held criminally liable.

2. *Administrative Regulations on the Safety Supervision of Construction Project Involving Hazardous Chemical*

The *Administrative Regulations on the Safety Supervision of Construction Project Involving Hazardous Chemical* promulgated by the State Administration of Work Safety of the PRC (now the MEM) on January 30, 2012 and taking effect on April 1, 2012, and lastly amended on May 27, 2015 and taking effect on July 1, 2015, stipulate that projects involving the construction, alternation and expansion of facilities used in the production or storage of hazardous chemicals, as well as projects which produce hazardous chemicals, are subject to safety scrutiny. Such construction projects must not be undertaken or put into operation or use without first completing the safety scrutiny and the acceptance inspection of the completed safety facilities.

PRC Laws and Regulations on Product Liability

1. *Civil Code of the People's Republic of China*

Pursuant to the *Civil Code of the People's Republic of China* promulgated by the National People's Congress (the "NPC") on May 28, 2020, and taking effect on January 1, 2021, the manufacturers and suppliers of defective products in China may be held liable for losses and damages caused by such products. If a defective product causes damage to the property or body of any person, the manufacturer or supplier may be held liable for civil damages in accordance with the law.

2. *Product Quality Law of the People's Republic of China*

Pursuant to the *Product Quality Law of the People's Republic of China* promulgated by the SCNPC on February 22, 1993 and taking effect on September 1, 1993, and lastly amended and taking effect on December 29, 2018, producers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. Producers shall be liable for compensating for the injury to a person or damage to property other than the defective products per se due to the defects of products, unless the producer is able to prove that:

(i) the products have not been put into circulation;

(ii) the defects causing the damage did not exist when the products were put in circulation; or

(iii) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects.

Sellers shall be liable for compensation if the personal injury or damage to the property of others is caused due to defects resulting from the fault on the part of sellers. Sellers shall be liable for compensation if they cannot identify the producers or suppliers of the defective products. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the producer or the seller.

PRC Laws and Regulations on Import and Export Goods

1. *Foreign Trade Law of the People's Republic of China* and *Measures for the Record and Registration of Foreign Trade Operators*

Pursuant to the *Foreign Trade Law of the People's Republic of China* promulgated by the SCNPC on May 12, 1994 and taking effect on July 1, 1994, and lastly amended and taking effect on November 7, 2016, and the *Measures for the Record and Registration of Foreign Trade Operators* promulgated by the Ministry of Commerce of the People's Republic of China (the "MOFCOM") on June 25, 2004 and taking effect on July 1, 2004, and lastly amended on May 10, 2021, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator.

2. *Customs Law of the People's Republic of China*

Pursuant to the *Customs Law of the People's Republic of China* promulgated by the SCNPC on January 22, 1987 and taking effect on July 1, 1987, and lastly amended and taking effect on April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

3. *Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities*

Pursuant to the *Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities* promulgated by the General Administration of Customs on November 19, 2021 and taking effect from January 1, 2022, the consignees and consignors for imported or exported goods and the customs brokers engaged in customs declarations shall undergo recordation formalities at the relevant administration department of customs in accordance with the laws.

PRC Laws and Regulations on Labor Protection

1. *Labor Contract Law of the People's Republic of China* and *Regulations on Implementation of the Labor Contract Law of the People's Republic of China*

Pursuant to the *Labor Contract Law of the People's Republic of China* promulgated on June 29, 2007 and taking effect on January 1, 2008, and lastly amended on December 28, 2012 and taking effect on July 1, 2013, and the *Regulations on Implementation of the Labor Contract Law of the People's Republic of China* promulgated and taking effect on September 18, 2008, a written labor contract shall be concluded for the establishment of a labor relationship. Employers shall not coerce employees to work overtime. Any employer that requires a worker to work overtime shall pay the worker overtime wages pursuant to the relevant provisions of the State Council. Wages shall not be less than the local minimum wage and shall be paid to employees in a timely manner.

2. *Social Insurance Law of the People's Republic of China*, *Interim Regulations on Collection and Payment of Social Insurance Premiums*, *Trial Measures for Enterprise Staff Maternity Insurance*, *Regulations on Work-Related Injury Insurance*, and *Regulations on Management of Housing Provident Fund*

Pursuant to the *Social Insurance Law of the People's Republic of China* promulgated by the SCNPC on October 28, 2010 and taking effect on July 1, 2011, and lastly amended on December 29, 2018; the *Interim Regulations on Collection and Payment of Social Insurance Premiums* promulgated by the State Council and taking effect on January 22, 1999, and lastly amended and taking effect on March 24, 2019; the *Trial Measures for Enterprise Staff Maternity Insurance* promulgated by the Ministry of Labor (now the Ministry of Human Resources and Social Security of the People's Republic of China) on December 14, 1994 and taking effect on January 1, 1995; the *Regulations on Work-Related Injury Insurance* promulgated by the State Council on April 27, 2003 and taking effect on January 1, 2004, and lastly amended on December 20, 2010 and taking effect on January 1, 2011; and the *Regulations on Management of Housing Provident Fund* promulgated by the State Council and taking effect on April 3, 1999, and lastly amended and taking effect on March 24, 2019, employers must pay basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund for its employees. Where an employer fails to pay social insurance premiums in full and on time, the social insurance premium collecting agency shall order the employer to pay or supplement the premiums within a prescribed time limit and impose an overdue fine or penalty; where an employer fails to go through social insurance registration, the administrative department of social insurance shall order the employer to make corrections within a prescribed time limit or impose a penalty. Where an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its staff, the housing provident fund management center may order the employer to go through the formalities within a prescribed time limit; where the employer fails to go through the formalities upon expiration of the time limit, a fine may be imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the housing provident fund management center may order the employer to make the payment and deposit within a prescribed time limit; where the payment and deposit have not been made after the expiration of the time limit, the housing provident fund management center may apply to a people's court for enforcement.

PRC Laws and Regulations on Taxation

1. *Enterprise Income Tax Law of the People's Republic of China* and *Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China*

Pursuant to the *Enterprise Income Tax Law of the People's Republic of China* promulgated by the SCNPC on March 16, 2007 and taking effect on January 1, 2008, and lastly amended on December 29, 2018, and the *Implementation Rules for the Enterprise Income Tax Law of the People's Republic of China* promulgated by the State Council on December 6, 2007 and taking effect on January 1, 2008, and lastly amended and taking effect on April 23, 2019, a resident enterprise shall pay the EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes has no actual connection to its office or establishment inside China must pay EIT on the incomes derived from China at an EIT rate of 10%.

2. *Administrative Measures on Accreditation of High-tech Enterprises*

Pursuant to the *Administrative Measures on Accreditation of High-tech Enterprises* promulgated by the Ministry of Science and Technology (the "MOST"), the Ministry of Finance (the "MOF") and State Taxation Administration (the "SAT") on January 29, 2016, and taking effect on January 1, 2016, qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate. Upon obtaining the qualification as a high-tech enterprise, the enterprise may complete the formalities for tax incentives with the competent tax authorities pursuant to the provisions of Article 4 of these Measures.

3. *Interim Regulations of the People's Republic of China on Value-Added Tax* and *Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax*

Pursuant to the *Interim Regulations of the People's Republic of China on Value-Added Tax* promulgated by the State Council on December 13, 1993 and taking effect on January 1, 1994, and lastly amended and taking effect on November 19, 2017, and the *Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax* promulgated by the MOF and taking effect on December 25, 1993, and lastly amended on October 28, 2011 and taking effect on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

4. *Notice on the Adjustment to VAT Rates*

The *Notice on the Adjustment to VAT Rates* promulgated by the MOF and the SAT on April 4, 2018 and taking effect on May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

5. *Announcement on Relevant Policies for Deepening Value-Added Tax Reform*

Pursuant to the *Announcement on Relevant Policies for Deepening Value-Added Tax Reform* promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and taking effect on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% and 10% applies currently, the VAT rate shall be adjusted to 13% and 9%, respectively.

PRC Laws and Regulations on Intellectual Property

1. *Patent Law of the People's Republic of China* and *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China*

Pursuant to the *Patent Law of the People's Republic of China* promulgated by the SCNPC on March 12, 1984 and taking effect on April 1, 1985, and lastly amended on October 17, 2020 and taking effect on June 1, 2021, and the *Detailed Rules for the Implementation of the Patent Law of the People's Republic of China* promulgated by the State Council on June 15, 2001 and taking effect on July 1, 2001, and lastly amended on January 9, 2010 and taking effect on February 1, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent, ten years for a utility model patent, and 15 years for a design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activities in infringement of a patent without prior authorization of the patent holder shall pay compensation to the patent holder and is subject to disciplines, confiscation or fines imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. In addition, according to the Patent Law, any organization or individual that applies for a patent in a foreign jurisdiction for an invention or utility model patent established in China is required to report to the China National Intellectual Property Administration for confidentiality examination.

2. *Trademark Law of the People's Republic of China*

Pursuant to the *Trademark Law of the People's Republic of China* promulgated by the SCNPC on August 23, 1982 and taking effect on March 1, 1983, and lastly amended on April 23, 2019 and taking effect on November 1, 2019, the period of validity for a registered trademark is ten years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is ten years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the laws.

3. *Measures for the Administration of Internet Domain Names* and *Implementing Rules of China ccTLD Registration*

Pursuant to the *Measures for the Administration of Internet Domain Names* promulgated by the MIIT on August 24, 2017 and taking effect on November 1, 2017, and the *Implementing Rules of China ccTLD Registration* promulgated by China Internet Network Information Center and taking effect on June 18, 2019, the MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

4. *Copyright Law of the People's Republic of China* and *Regulation for the Implementation of the Copyright Law of the People's Republic of China*

Pursuant to the *Copyright Law of the People's Republic of China* promulgated by the SCNPC on September 7, 1990 and taking effect on June 1, 1991, and lastly amended on November 11, 2020 and taking effect on June 1, 2021, and the *Regulation for the Implementation of the Copyright Law of the People's Republic of China* promulgated by the State Council on August 2, 2002 and taking effect on September 15, 2002, and lastly amended on January 30, 2013 and taking effect on March 1, 2013, works of Chinese citizens, legal persons or other organizations, including works of literature, art, natural science, social science, engineering technology and computer software created in written or oral form, shall be entitled to the copyright protection, regardless of whether it has been published or not. A copyright holder enjoys various rights, including the right of publication, the right of attribution, and the right of reproduction.

PRC Laws and Regulations on Trade Secrets

1. *Anti-unfair Competition Law of the People's Republic of China*

Pursuant to the *Anti-unfair Competition Law of the People's Republic of China* promulgated by the SCNPC in September 2, 1993 and taking effect on December 1, 1993, and lastly amended and taking effect on April 23, 2019, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by:

(i) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means;

(ii) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the preceding subparagraph;

(iii) disclosing, using, or allowing another person to use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; and

(iv) abetting a person, or tempting or aiding a person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential.

If a third party knows or should have known of the abovementioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

PRC Laws and Regulations on Foreign Investment

1. *Company Law of the People's Republic of China*

Pursuant to the *Company Law of the People's Republic of China* promulgated by the SCNPC on December 29, 1993 and taking effect on July 1, 1994, and lastly amended and taking effect on October 26, 2018, companies are generally classified into two categories: limited liability companies and companies limited by shares. The Law also applies to foreign-invested limited liability companies. Pursuant to this Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

2. *Foreign Investment Law of the People's Republic of China* and *Regulations on Implementing the Foreign Investment Law of the People's Republic of China*

The *Foreign Investment Law of the People's Republic of China* was promulgated by the SCNPC on March 15, 2019 and took effect on January 1, 2020. Upon this Law coming into effect, the *Law on Wholly Foreign-owned Enterprises of the People's Republic of China*, the *Law on Sino-foreign Equity Joint Ventures of the People's Republic of China*, and the *Law on Sino-foreign Contractual Joint Ventures of the People's Republic of China* have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations ("foreign investors") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law, including:

(i) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors;

(ii) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises;

(iii) investing by foreign investors in new projects in China alone or jointly with other investors; and

(iv) other forms of investment prescribed by laws, administrative regulations or the State Council.

On December 26, 2019, the State Council promulgated the *Regulations on Implementing the Foreign Investment Law of the People's Republic of China* which came into effect on January 1, 2020. Upon the Regulations coming into effect, the *Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China*, the *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law*, the *Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the People's Republic of China*, and the *Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law of the People's Republic of China* have been repealed simultaneously. Pursuant to the Regulations, Foreign investment enterprises may obtain financing in China or overseas pursuant to the law via public offering of securities such as shares and corporate bonds, as well as public or non-public offering of other financing instruments and borrowing foreign debts.

3. *Guiding Foreign Investment Direction* and *Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition)*

The *Guiding Foreign Investment Direction* was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002. The *Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition)* was promulgated by the MOFCOM and NDRC on December 27, 2021 and took effect on January 1, 2022, which sets out in a unified manner the restrictive measures, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

4. *Measures for the Reporting of Foreign Investment Information*

On December 30, 2019, the MOFCOM promulgated the *Measures for the Reporting of Foreign Investment Information*, which came into effect on January 1, 2020. Upon the Measures coming into effect, the *Interim Measures on the Administration of Filing for Establishment and Change of Foreign Investment Enterprises* has been repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the competent commerce authorities pursuant to these measures.

PRC Laws and Regulations on Outbound Investment

1. *Administrative Measures for Outbound Investment*

Pursuant to the *Administrative Measures for Outbound Investment* promulgated by the MOFCOM on September 6, 2014 and taking effect on October 6, 2014, the MOFCOM and provincial competent commerce departments shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls under any other circumstances shall be subject to administration by record-filing. Sensitive countries and regions subject to approval administration refer to countries that have not established diplomatic relations with the People's Republic of China and countries subject to sanctions of the United Nations. Where necessary, the MOFCOM may separately announce the list of other countries and regions subject to approval administration. Sensitive industries subject to approval administration refer to industries exporting products and technologies the export of which is restricted by the People's Republic of China, and industries affecting the interests of more than one country or region.

2. *Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions*

Pursuant to the *Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions* promulgated by the State Administration of Foreign Exchange on July 13, 2009 and taking effect on August 1, 2009, domestic institutions shall, with the approval document of the competent department of overseas direct investment and the foreign exchange registration certificate of overseas direct investment, handle the procedures of remittance of overseas direct investment funds in the designated foreign exchange bank.

3. *Administrative Measures for Outbound Investment by Enterprises*

Pursuant to the *Administrative Measures for Outbound Investment by Enterprises* promulgated by the NDRC on December 26, 2017 and taking effect on March 1, 2018, a domestic enterprise making an outbound investment shall obtain approval, conduct record-filing or other procedures applicable to outbound investment projects, report relevant information, and cooperate with the supervision and inspection. Sensitive projects carried out by such domestic enterprises directly or through overseas enterprises controlled by them shall be subject to approval; non-sensitive projects directly carried out by such domestic enterprises, namely, non-sensitive projects involving direct contribution of assets or rights and interests or provision of financing or guarantee of such domestic enterprises shall be subject to record-filing. The aforementioned "sensitive project" means a project involving a sensitive country or region or a sensitive industry as described above.

PRC Laws and Regulations on Overseas Listings

Pursuant to the *Provisions of the State Council on the Administration of the Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments)* and *Administrative Measures for* *the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (collectively, the "****Draft Overseas Listing Regulations****")* issued by CSRC on December 24, 2021, which were open for public comments until January 23, 2022 and have not yet come into effect as of the Latest Practicable Date, PRC domestic enterprises that directly offer or list their securities in an overseas market shall fulfill filing procedures and report relevant information to the securities regulatory authority under the State Council.

It is also stipulated that in the following circumstances, domestic enterprises shall not offer securities and be listed overseas: (1) it is clearly prohibited from securities offering and listing for financing by national laws and regulations and relevant provisions; (2) overseas offering or listing will threaten or jeopardize national security as reviewed and determined by the relevant competent authorities under the State Council in accordance with the law; (3) there exist material disputes over the ownership of equity, major assets, core technology and other aspects; (4) the domestic enterprises, their controlling shareholders, and de facto controllers have committed corruption, bribery, embezzlement, misappropriation of property or other criminal offences that disrupted the socialist market economic order within the last three years, or are being investigated by judicial authorities because of suspected crime, or being investigated for suspicion of material violations; (5) directors, supervisors and senior management have been subject to administrative punishment with serious violations within the last three years, or are being investigated by judicial authorities because of suspected crime, or being investigated for suspicion of material violations, and (6) other circumstances determined by the State Council.

Failure to complete the filing under the Draft Overseas Listing Regulations may subject a PRC domestic enterprise to a warning or a fine of RMB1 million to RMB10 million.

In addition, according to the "Reply to the Reporters' Question by the CSRC Responsible Officers" dated December 24, 2021, the CSRC clarified that it adheres to the principle of non-retroactivity of the law, and the CSRC would start applying the filing requirements to new initial public offerings and refinancing by existent overseas listed Chinese companies. Companies that are already listed overseas will be arranged separately so as to give them a sufficient transition period to complete their filing procedures. However, the CSRC responsible officers did not provide clear instructions regarding companies which have already submitted the application for initial public offering overseas but the whole listing process has not been completed; it remains unclear whether such companies are the "new offerings and listings" as mentioned above and it is subject to further explanation by the CSRC. We cannot guarantee that we will not be categorized as "new offerings and listings" by the CSRC.

As of the Latest Practicable Date, the procedure of soliciting the comments to Draft Overseas Listing Regulations has been completed but the final version and the effective date of the Drafts relating to Overseas Listings are still subject to change with substantial uncertainty as of the Latest Practicable Date. The Draft Overseas Listing Regulations are not clear on the exact criteria of qualified issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the whole listing process shall be subject to the said CSRC filing procedures. As such, we cannot predict the impact of the Draft Overseas Listing Regulations on this Listing, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

PRC Laws and Regulations on the Stainless Steel Industry

1. *Made in China (2025)*

On May 8, 2015, the State Council issued the Notice of the State Council on the Issuing the "Made in China (2025)", encouraging the development of strategic priorities such as the new generation of information technology, high-end equipment, new materials and bio-medicine, guiding the accumulation and gathering of all kinds of social resources, and promoting the rapid development of competitive and strategic industries. In the field of high-end equipment innovation project, the iron and steel industry was encouraged to comprehensively enhance design, manufacturing, techniques and management levels to develop to the high end of the value chain.

2. *Guidance Catalog for Products and Services of Emerging Industries of Strategic Importance (2016 version)*

To guide orientation of social resources, the NDRC released Guidance Catalog for Products and Services of Emerging Industries of Strategic Importance (2016 version) on January 25, 2017. The catalog involves eight industries in five fields of emerging industries of strategic importance. According to this document, stainless steel industry is considered a key products and emerging industry of strategic importance.

3. *Catalogue of Recommended Technologies and Products to be Imported*

The NDRC, MOF and MOFCOM have promulgated the Catalogue of Recommended Technologies and Products to be Imported in September 2016, pursuant to which stainless steel have been listed in the catalog of encouraged industry. It is expected that more PRC enterprises will join the stainless steel industry and drive the technology upgrade of the whole industry.

PRC Laws and Regulations on the NEV Industry

1. *Provisions on Administration of Investment in Automotive Industry*

Pursuant to the Provisions on Administration of Investment in Automotive Industry, which was promulgated by the NDRC and became effective on January 10, 2019, enterprises are encouraged to, through equity investment and production capacity cooperation, facilitate mergers and restructuring, enter into strategic alliances, carry out joint research and development of products, organize joint manufacturing, and increase industrial integration. The leading resources in production, education, research, application, and other areas are encouraged to be integrated, and core enterprises in the automotive industry are encouraged to form industrial alliance and industrial consortium.

2. *Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products*

Pursuant to the Administrative Rules on the Admission of New Energy Vehicle Manufacturers and Products, to be included in the Vehicle Manufacturers and Products Announcement, NEVs must satisfy certain conditions, including meeting certain standards set out therein, meeting other safety and technical requirements specified by the MIIT, and passing inspections conducted by a state-recognized inspection institution. After these conditions are met and the application has been approved by the MIIT, the qualified vehicles will be included in the Vehicle Manufacturers and Products Announcement by the MIIT. If an NEV manufacturer manufactures or sells any model of an NEV without prior approval of the competent authorities, including the inclusion in the Vehicle Manufacturers and Products Announcement by the MIIT, it may be subject to penalties, including fines, forfeiture of any illegally manufactured and sold vehicles and spare parts, and revocation of its business licenses.

3. *Government Subsidies for NEV Purchasers*

On April 22, 2015, the MOF, the Ministry of Science and Technology, the MIIT, and the NDRC jointly issued the Circular on the Financial Support Policies on the Promotion and Application of New Energy Vehicles in 2016-2020, which became effective on the same day. This circular provides that those who purchase NEVs specified in the Catalog of Recommended New Energy Vehicle Models for Promotion and Application by the MIIT from 2016 to 2020 may obtain subsidies from the PRC government. The circular also provides a preliminary phase-out schedule for the provision of subsidies.

On December 29, 2016, the MOF, the Ministry of Science and Technology, the MIIT, and the NDRC jointly issued the Circular on Adjusting the Subsidy Policy for the Promotion and Application of New Energy Vehicles, which became effective on January 1, 2017, to adjust the existing subsidy standard for NEV purchasers by capping the local subsidies at 50% of the national subsidy amount and further specifying that the national subsidies for purchasers of certain NEVs (except for fuel cell vehicles) from 2019 to 2020 will be reduced by 20% from the 2017 subsidy standards. The subsidy standard is reviewed and updated on an annual basis.

On April 23, 2020, the MOF, the Ministry of Science and Technology, the MIIT, and the NDRC jointly issued the Circular on Improving the Subsidy Policy for the Promotion and Application of New Energy Vehicles, pursuant to which, the original end date of subsidies for NEV purchasers will be extended by two years to the end of 2022 and the national subsidies for NEVs will be reduced in 10% increments each year, commencing from 2020. In addition, the circular also limits the number of vehicles eligible for subsidies each year to approximately 2 million.

On December 31, 2020, the MOF, the Ministry of Science and Technology, the MIIT, and the NDRC jointly issued the Circular on Further Improving the Subsidy Policies for the Promotion and Application of New Energy Vehicles, which became effective on January 1, 2021. Pursuant to this circular, the national subsidies for NEVs will be reduced in 20% increments in 2021 compared with that of 2020.

On December 31, 2021, the MOF, the Ministry of Science and Technology, the MIIT, and the NDRC jointly issued the Notice on the Fiscal Subsidy Policy for the Promotion and Application of New Energy Vehicles in 2022, which became effective on January 1, 2022. Pursuant to this notice, the subsidy standard for NEVs in 2022 will be reduced by 30% as compared to that of 2021 and the 2022 policies on government subsidies for NEVs will end on December 31, 2022.

4. *Exemption of Vehicle Purchase Tax*

On December 26, 2017, the MOF, the SAT, the MIIT, and the Ministry of Science and Technology jointly issued the Announcement on Exemption of Vehicle Purchase Tax for New Energy Vehicle, pursuant to which, from January 1, 2018 to December 31, 2020, the vehicle purchase tax applicable to ICE vehicles is not imposed on purchases of qualified NEVs listed in the Catalog of New Energy Vehicle Models Exempt from Vehicle Purchase Tax issued by the MIIT, including NEVs listed before December 31, 2017.

On April 16, 2020, the MOF, the SAT, and the MIIT jointly issued the Announcement on Exemption Policy of Vehicle Purchase Tax for New Energy Vehicle, which became effective on January 1, 2021, pursuant to which the exemption of vehicle purchase tax for the NEVs will be extended to December 31, 2022.

5. *Non-Imposition of Vehicle and Vessel Tax*

Pursuant to the Preferential Vehicle and Vessel Tax Policies for Energy-Saving and New Energy Vehicles and Vessels jointly promulgated by the MOF, the Ministry of Transport, the SAT, and the MIIT on July 10, 2018, NEVs, including battery electric commercial vehicles, plug-in (including extended-range) hybrid electric vehicles, fuel cell commercial vehicles are exempt from vehicle and vessel tax, whereas BEVs and fuel cell passenger vehicles are not subject to vehicle and vessel tax. The qualified vehicles are listed in the Catalog of New Energy Vehicle Models Exempt from Vehicle and Vessel Tax issued by the MIIT and SAT from time to time.

6. *Regulations for the Administration of New Energy Storage Projects (Interim)*

According to the Regulations for the Administration of New Energy Storage Projects (Interim) promulgated by the National Energy Administration on September 24, 2021, the competent energy department under the State Council is responsible for the planning, guidance, supervision and administration of new energy storage projects nationwide; the competent provincial energy department will, in accordance with the national development plan for new energy storage, study the key tasks of the region and guide the development of new types of energy in the region and provide guidance on energy storage development following the principles of integrated planning, adjusting measures to local conditions, innovation-driven, demonstrating first, market-oriented and orderly development, safety-based and standardized management.

7. *Regulations on Battery Recycling for Electric Vehicles*

The Interim Measures for the Administration of Recycling Traction Batteries of New Energy Vehicles, which was promulgated by the MIIT in conjunction with the MOFCOM, the QSIQ and the National Energy Administration on January 26, 2018 and effective from August 1, 2018, implements the system of extended responsibility of producers, according to which the main responsibility for traction battery recycling is borne by automobile manufacturers, and relevant enterprises shall fulfill their corresponding responsibilities in all aspects of traction battery recycling and utilization to ensure the effective use and environmentally-friendly disposal of traction batteries.

According to the Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles, which was issued by the MIIT on July 2, 2018 and effective on August 1, 2018, the "Integrated Management Platform for National Monitoring of New Energy Vehicles and Traceability of Traction Battery Recycling and Utilization" shall be established to collect information on the whole lifecycle of traction battery production, sales, use, disposal, recycling and utilization, and to monitor the fulfillment of the responsibility of battery recycling and utilization by the subjects of each link. From the effective date of the Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles, the new energy vehicle products that have newly been included in the Vehicle Manufacturers and Products Announcement and the imported new energy vehicles that have obtained compulsory product certification are managed in a traceable manner. For the new energy vehicle products that have been included in the Vehicle Manufacturers and Products Announcement and the imported new energy vehicles that have obtained compulsory product certification before the effective date of the Interim Provisions on Traceability Management of Traction Battery Recycling for New Energy Vehicles, the implementation of traceability management will be delayed for 12 months. If, after the deadline, it is necessary to use traction batteries that are not coded according to national standards in the process of maintenance or other processes, an explanation shall be submitted.

OVERVIEW OF LAWS AND REGULATIONS IN INDONESIA

Overview on Foreign Investment Company

Company law in Indonesia is regulated based on Law number 40 of 2007 concerning limited liability company as amended by Law number 11 of 2020 concerning Job Creation ("**Company Law**"). In general, Republic of Indonesia recognized two main type of private limited liability company ("**Company**") models which are:

1. Domestic Investment Company or *Perseroan Terbatas Penanam Modal Dalam Negeri*, which the shareholders consist solely of Indonesian citizen and/or Indonesian legal entity.

2. Foreign Capital Investments Company or *Perseroan Terbatas Penanaman Modal Asing* ("**PMA Company**"), which shareholders consist of entirely foreign entity or by mutual collaboration between Indonesian entity and foreign entity.

Based on the Company Law, any Company in Indonesia must have a minimum of two shareholders, one director and one commissioner. Directors have the obligation to act as the legal representative of the Company and as the daily administrator of the Company, meanwhile commissioner shall act as the supervisory body of the Company and advises the board of directors.

Foreign direct investment

Foreign direct investment in Indonesia is regulated under Law number 25 of 2007 concerning Investment as amended by Law number 11 of 2020 concerning Job Creation ("**Investment Law**"). There are two ways foreign entity can enter and establish Company in Indonesia:

1. Establish new PMA Company pursuant to which the shareholders must register the article of association with Indonesia Ministry of Law and Human Rights ("**MOLHR**") for the issuance of approval from MOLHR and obtain Business Identification Number (Nomor Induk Berusaha, or "**NIB**") and Business Licensing, which consist of Business License and Commercial/Operational License from Indonesia Investment Coordinating Board ("**BKPM**") before such PMA Company is recognized and duly established in Indonesia; and

2. Enter into existing Company (in the form of acquiring new shares and/or acquiring shares from existing shareholders), pursuant to which the Company need to amend its shareholders composition in its article of association and request an approval from MOLHR and change the shareholders composition in BKPM of which BKPM shall issue amended licenses.

Both ways are subject to limitation of share ownership or restriction to enter into a certain industry as stipulated in the Presidential Regulation number 10 of 2021 concerning Investment Business Sector as amended by Presidential Regulation number 49 of 2021 ("**PR No. 10/2021**").

PR No. 10/2021 stipulates limitation and requirements in certain business sector to be involve in foreign capital. Basically, all business sectors are open to Investment activities, except for the business sectors which is declared to be restricted for Investment or for activities that can only be carried out by the Central Government. In addition, the business sector of nickel products production, which includes production of ferronickel and nickel-cobalt compounds, is not subjected to this restriction, including any foreign ownership restrictions.

Environmental Law

The relevant law in relation to environmental regulation is specified in Law No. 32 of 2009 on Environmental Protection and Management and its supplementary regulations as amended by Law

No. 11 of 2020 concerning Job Creation ("**Environmental Law**"). In Indonesia, any Company who carries out business activities with a high level of Risk are required to have an environmental approval in the form of Environmental Feasibility Decree which carried out through the formation of Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan*, or "**AMDAL**") and AMDAL feasibility studies.

The obligation to obtain the environmental license is also stipulated under Government Regulation No. 5 of 2021 concerning Implementation of Risk-Based Business Licensing. To fulfill the requirements in Risk-Based Business License (*Perizinan Berusaha*), it is required to obtain environmental documents.

In principle, AMDAL is a study of the potential significant impact of the proposed business activity on the environment. Environmental Law has provided a list of criteria for determining which activities/operations have a significant impact on the environment, which include: (a) where a change in topography occurs, (b) where the exploitation of natural resources is involved (whether renewable or non-renewable; (c) where there is a potential for pollution or environmental damage, as well the degradation of natural resources; (d) where there is a potential impact on the natural environment; man-made environment or socio-cultural environment; (e) where resource and/or nature conservation areas are affected; and (f) where the introduction of a new species of flora, fauna or microorganism is involved.

Based on Government Regulation No. 22 Year 2021 concerning Implementation of Environmental Protection and Management, the obligation to obtain AMDAL is exempted for business and/or activities that is located in an area that already have AMDAL location and Environmental Approval in the form of Environmental Feasibility Decree.

Industrial Business License

In Indonesia, industrial activities are regulated under the Law No. 3 of 2014 concerning Industry ("**Industrial Law**"). As an implementing regulation of the Industrial Law, the Government Regulation No. 107 of 2015 on Industrial Business License ("**GR 107/2015**"). Pursuant to GR 107/2015, any industrial activity would be required to obtain an Industrial Business License (*Izin Usaha Industri*, or "**IUI**"). IUI will be valid on the date of its issuance and remain effective as long as the company conducts its industrial business activity in accordance with the IUI. If the company does not carry out any industrial business activity in three consecutive years, it will be served with two warning letters, each within a space of one year and if the company still fails to carry out its industrial business activity following the second warning letter, the IUI will be revoked and declared void.

A holder of IUI may carry out an expansion activity, which is an increase of production capacity for the same business classification as referred to in the IUI. However, the holder of IUI should apply for an expansion license (*izin perluasan*). If the expansion will have impact to the environment, the company is required to revise environmental management and monitoring documents (*upaya pengelolaan lingkungan hidup dan upaya pemantauan lingkungan hidup*, or "**UKL-UPL**") document. The expansion license is provided to the company that has completed the preparation and other activities, such as construction, procurement, installation for the purposes of the expansion.

Offshore Loan

Offshore loan is regulated in Law number 24 of 1999 concerning Foreign Exchange Traffic Activities and Exchange Rate System ("**Law No. 24/1999**"). Based on Law No. 24/1999, every resident (natural or legal entities established in Indonesia) is obliged to provide information and data regarding the activities of foreign exchange, directly or through other parties as determined by Bank Indonesia. Based on Bank Indonesia Regulation Number 21/2/PBI/2019 of 2019 concerning Reporting of Foreign Exchange Traffic Activities ("**BI Regulation No. 21/2019**"), a company is obligated to submit foreign exchange traffic (locally known as *lalu lintas devisa*, or "**LLD**") report monthly no later than the 15th day of the next month. LLD report shall include the data and information on:

1. The trading of goods, services, and other transactions between Residents and non-Residents;

2. Foreign debts and/or risk participation primary data;

3. Foreign debts and/or risk participation withdrawal and/or payment plan;

4. Foreign debts and/or risk participation withdrawal and/or payment realization;

5. Foreign financial assets, foreign financial liabilities, and/or risk participation position and amendment; and/or

6. New foreign debts plan and/or its amendment.

Further, Bank Indonesia Regulation Number 16/21/PBI/2014 of 2014 concerning the Implementation of Prudential Principles for The Management of Foreign Loans of Non-Bank Corporations as amended by Bank Indonesia Regulation Number 18/4/PBI/2016 of 2016 ("**BI Regulation No. 16/21/2014**") regulates that non-bank corporations that have foreign debt in foreign currencies must implement prudential principles. The prudential principles shall fulfill the following requirements:

The Hedging Ratio

The certain minimum Hedging Ratio be set at 25% of:

1. the negative difference between foreign exchange assets and foreign exchange liabilities, that will be due in up to the next three months from the end of quarters; and

2. the negative difference between Foreign Exchange Assets and Foreign Exchange Liabilities, that will due in more than three months up to the next six months from the end of quarters.

The Liquidity Ratio

Non-bank corporations that have foreign debt in foreign currencies must fulfill a certain minimum liquidity ratio by providing adequate foreign exchange assets against foreign exchange liabilities that will be due in up to the next three months from the end of quarters. The minimum liquidity ratio shall be set at a minimum of 70%.

The Credit Rating

The obligation to fulfill the credit rating for non-bank corporations that engage in a foreign debt agreement in foreign currencies from their parent companies, or those that are guaranteed by their parent companies, may be undertaken by using the credit rating of the parent companies.

The implementation of prudential principles (*kegiatan penerapan prinsip kehati-hatian*, or "**KPPK**") as abovementioned shall be reported to Bank Indonesia based on Bank Indonesia Regulation No. 16/22/PBI/2014 on the Foreign Exchange Activities Reporting and the Application of the Prudential Principle in Managing Offshore Loans for Non-Bank Companies Reporting as partially amended by BI Regulation No. 21/2019 ("**BI Regulation No. 16/22/2014**"). The requirements for KPPK implementation report are as follows:

1. KPPK report, which includes:

   a. Foreign Exchange Assets; and

   b. Foreign Exchange Liabilities, which will mature up to three and/or six months.

2. KPPK reports that have gone through the Attestation Procedure, which includes information from the result of an assessment by an independent public accountant based on the attestation procedure;

3. Information regarding compliance with credit ratings, which includes credit rating, rating time and the name of the rating agency;

4. Financial reports, which includes unaudited quarterly financial report and audited quarterly financial report.

The abovementioned reports shall be submitted quarterly and no later than the end of the third month after the end of the quarterly reporting.

Electricity Supply for Private Interest

In Indonesia, electricity is regulated by Law number 30 of 2009 concerning electricity as amended by Law number 11 of 2020 ("**Electricity Law**"). Business licensing in electricity sector is regulated under the Minister Of Energy And Mineral Resources Regulation Number 11 of 2021 concerning the Implementation of Electricity Business ("**MEMR No. 11/2021**"), which stated that such business licensing shall be granted to business entities with the following activities:

1. Electricity supply business for public interest;

2. Electricity supply business for personal interest; and

3. Electricity supporting services.

In relation to the electricity supply business for personal interest, business entities shall obtain Electricity Supply Business License for Personal Interest (*Izin Usaha Penyediaan Tenaga Listrik untuk Kepentingan Sendiri*, or "**IUPTLS**"). The IUPTLS must be owned by business entities operating electricity supply business for their personal interest with total power plant capacity of more than 500 kilowatts in one electricity installation system. IUPTLS shall be valid for a maximum period of ten years and may be extended.

Based on Government Regulation Number 14 of 2012 concerning Electricity Supply Business Activities as amended by Government Regulation Number 23 of 2014 ("**GR No. 14/2012**"), the holders of electricity supply business license with excess electricity may sell their electricity surplus to holders of electricity supply license or to the public after obtaining approval from the Ministry, governor, or regent/mayor in accordance with their authority. Holders of electricity supply business license is also required to comply with electricity safety requirement, which includes the fulfillment of standardization of equipment and utilization of electricity, security of electricity installations, and electricity utilization.

Employment

In general, Indonesian employment law is governed by Law number 13 of 2003 concerning Manpower as amended by Law number 11 of 2020 concerning Job Creation ("**Manpower Law**"). Based on Article 43 of the Manpower Law jo. Article 6 of Government Regulation number 34 of 2021 concerning Use of Foreign Worker, the employer of foreign worker must have a Foreign Worker Plan (*Rencana Pengunaan Tenaga Kerja Asing*, or "**RPTKA**") that is approved by the Ministry of Manpower. After obtaining the RPTKA, every foreign worker must obtain an Expatriate Manpower Utilization Plan Ratification ("**RPTKA Ratification**"), whereby the employer shall employ the relevant foreign worker based on such RPTKA Ratification that generally regulates the position, working period, and working location. Law number 6 of 2011 concerning Immigration Affairs as lastly amended by Law number 11 of 2020 concerning Job Creation also requires that the foreign worker residing in Indonesia shall obtain a Limited Stay Permit (*Izin Tinggal Terbatas*, or "**ITAS**").

Additionally, based on Law number 7 of 1981 concerning Mandatory Manpower Report in a Company, every company in Indonesia must submit an annual report regarding its manpower to the relevant authority.

Based on Article 111 of the Manpower Law, a company that employs at least ten employees must have a company regulation that must be ratified by the Ministry of Manpower. A company regulation will remain to be effective for the period of two years.

Employers and employees are also subject to company regulations (or work rules) or, if applicable, a collective labor agreement, as well as the express provisions of the employment agreement between the employer and the employee, in addition to the aforementioned laws.

Work Safety and Health

In Indonesia, the provisions related to health safety and protection is generally regulated under Law number 1 of 1970 concerning Occupational Health and Safety ("**Occupational Health and Safety Law**"). The Occupational Health and Safety Law covers all working place conducted in the territory of the Republic of Indonesia including workplace conducted under water and/or above water and it applies in the working place which involves machinery and/or any other dangerous tools that may cause harm.

Further, the rights of the employee to have occupational health and safety protection is also regulated under Manpower Law and Government Regulation number 50 of 2012 concerning Implementation of Occupational Health and Safety Management (*Penerapan Sistem Manajemen Keselamatan dan Kesehatan Kerja*) ("**GR No. 50/2012**"). Based on Article 87 of Manpower Law jo. Article 5 GR No. 50/2012, every company which has 100 or more employees or whose works may cause harms or occupational accidents shall implement the occupational health and safety management. The implementation of such occupational health and safety management consists of the following components: (i) stipulation of work safety and health policies; (ii) planning; (iii) plan implementation; (iv) monitoring and evaluation of plan implementation; and (v) review and improvement. Based on Article 190 of Manpower Law, any violation to the Article 87 of Manpower Law will be subject to administrative sanctions as follows:

- notification;
- written warning;
- limitation of the business activities;
- suspension of the business activities;
- annulment of approval;

- annulment of registration;
- temporary termination of all or parts of the production unit; and
- license revocation.

Pursuant to Law number 24 of 2011 concerning Agency of Employee Social Security (*Badan Penyelenggaraan Jaminan Sosial*) lastly amended by Constitutional Court of Indonesia Decree number 6/PUU-XVIII/2020 ("**Law No. 24/2011**"), Presidential Regulation number 82 of 2018 concerning Health Security as lastly amended by Presidential Regulation number 64 of 2020 ("**PR No. 82/2018**") and Government Regulation number 86 of 2013 concerning Guidelines of Administrative Sanctions of Employer Besides Government and Everyone Beside Employer, Worker, and Tuitions Recipient for Social Security Implication ("**GR No. 86/2013**"), an employer that is not the government shall register their employees (permanent or contract) for Employee Social Security (*Jaminan Sosial Tenaga Kerja*, or "**BPJS**"). BPJS is further divided into BPJS Manpower and BPJS Health. Based on GR No. 86/2013, any violation to the abovementioned provisions will be subject to administrative sanctions in the form of written warning, fine payment, and/or rejection to obtain public services.

Harmonization of Tax Regulations

On October 29, 2021, the Indonesian Government enacted Law No. 7 of 2021 concerning Harmonization of Tax Regulations ("**Law No. 7/2021**"), an omnibus law of the Taxation Law that amends several provisions of the law at once.

The Indonesian government issued Law No. 7/2021 with the purposes of (i) increasing sustainable economic growth and supporting accelerated economic recovery, (ii) optimizing state revenues to finance the national development independently towards a just, affluent, and prosperous Indonesian society, (iii) realizing a tax system that is more just and with legal certainty, (iv) implementing administrative reforms, consolidated taxation policies, and broaden the tax base, and (v) improving voluntary compliance of Taxpayers.

In general, Law No. 7/2021 amends 4 (four) regulations and stipulates 2 (two) new provisions. Specifically, the following regulations were amended:

(1) Law Number 6 of 1983 concerning General Taxation Provisions and Procedures as amended, lastly by Law Number 16 of 2009;

(2) Law Number 7 of 1983 concerning Income Tax as amended lastly by Law Number 36 of 2008;

(3) Law Number 8 of 1983 on Value-Added Tax on Goods and Services and Luxury Goods Sales Tax as amended lastly by Law Number 42 of 2009; and

(4) Law Number 11 of 1995 on Excise as amended by Law Number 39 of 2007.

Furthermore, Law No. 7/2021 regulates new provisions regarding the Taxpayer Voluntary Disclosure Program and Carbon Tax.

Carbon Tax

Under Law No. 7/2021, Indonesia will effectively impose a carbon tax regime on selected entities from 2022 to 2024 for entities, and for all entities from 2025 onwards. The carbon tax is imposed on carbon emissions which have negative impacts on the environment. The carbon tax is expected to be effectively imposed only limited to entities operating in the field of coal-fired power plants/*Pembangkit Listrik Tenaga Uap* (*PLTU*). In the phase from 2022 to 2024, the implementation of the carbon tax will be using cap and tax mechanism limited only for the entities operating in the power plant sector using coal-fired power. Starting from 2025 onwards, the full implementation of carbon trading and the expansion of the carbon taxation sector should be implemented to other business sectors subject to the readiness of the relevant sectors and taking into account, among others, economic conditions, the readiness of actors, impacts and scale. However, as advised by our Indonesian legal advisor, Imran Muntaz & Co., the relevant government authorities further postponed the implementation of the carbon tax regime in June 2022 in consideration of the adverse impact from global risks on Indonesia's economic recovery, and have not provided an updated timeline as of the Latest Practicable Date. As such, the actual timetable for implementation of the carbon tax regime remains uncertain as of the Latest Practicable Date.

The carbon tax rate shall be set higher than or equal to the carbon market price per kilogram of carbon dioxide equivalent (CO_2e) or its equivalent unit, with the minimum carbon tax rate is set at a minimum of IDR30.00 per kilogram of carbon dioxide equivalent (CO_2e) or its equivalent.

As advised by our Indonesian legal advisor, Imran Muntaz & Co., the provisions and regulations under Law No. 7/2021 stipulate that, coal-fired power plants meeting both of the following threshold conditions will become the first group of entities that will be subject to carbon tax: (1) its operation scale surpasses certain threshold level, and (2) its carbon emissions are beyond certain threshold level. In addition, only the part of carbon emissions beyond the threshold level will be used to calculate the amount of carbon tax. However, Law No. 7/2021 does not specify either threshold, and detailed guidance specifying (i) these thresholds or (ii) how the carbon tax will be calculated have not been issued as of the Latest Practicable Date. As such, our Indonesian legal advisor and our Directors are of the view that whether any of our current or future Indonesian subsidiaries, especially HPL and HJF that operate coal-fired power plants (see "Business—Production of Nickel Products—Production of Nickel-cobalt Compounds" for more details), will be subject to carbon tax, and if so, the estimated amount of carbon tax that they will be incurring, remains uncertain. In September 2022, we conducted an interview with a representative of KPP Madya Jakarta Pusat. According to our Indonesian legal advisor, Imran Muntaz & Co., KPP Madya Jakarta Pusat is the competent tax authority of our joint ventures in Indonesia and is the competent authority to consult these entities' carbon tax related matters with, and the representative interviewed is competent and authorized to represent the authority in such matters. During the interview, the representative confirmed that, as of the Latest Practicable Date, detailed guidance specifying the relevant carbon tax thresholds and the calculation of carbon tax was still being drafted, and it remains uncertain when such guidance will become available. Until such detailed guidance becomes available, we are not able to determine which of our joint venture entities in Indonesia will be subject to carbon tax or estimate the amount of potential carbon tax to be imposed. In particular, we do not know, as of the Latest Practicable Date, whether (i) the operation scale of the power plants operated by HPL and HJF will surpass the threshold level that will be specified in the detailed guidance, and (ii) these power plants' carbon emission levels will surpass the threshold level that will be specified in the detailed guidance. As such, until the detailed guidance under Law No. 7/2021 becomes available, we are not able to determine whether HPL and HJF will be subject to carbon tax or if so, estimate the amount of potential carbon tax they will be subject to. Once the Indonesian government provides clear guidance on the applicability of carbon tax, we will promptly estimate its potential impact and adjust our business operations to cope with the relevant legal and regulatory requirements.

Although the detailed guidance on Indonesia's carbon tax regime has not been released, we are aware of a few publicly available news and media reports that predict certain details under the carbon tax regime. For example, one of the sources predicted the potential way of calculating the carbon tax. Specifically, the emissions thresholds (the thresholds below which the emissions will not be subject to carbon tax) may be set at 0.918 tons of CO2e per megawatt hour for a power plant with a capacity above 400 MW, 1.013 tons of CO2e per megawatt hour for a power plant with a capacity between 100 MW to 400 MW and 1.094 tons of CO2e per megawatt hour for a mine-mouth plant with the same capacity. However, there is no assurance as to the accuracy of such publicly available news.

As of the Latest Practicable Date, two power plants with capacity of 30 MW each have been put into operation to supply the power usage of phase I of the HPAL project, and one of the four power plants with capacity of 150 MW each has been put into operation to supply the power usage of phase I of the RKEF project. In addition, one power plant with capacity of 60 MW is expected to be put into operation in December 2022 to supply the power usage of phase II of the HPAL project. As such, the capacity of the two power plants for phase I of the HPAL project and the capacity of the one power plant (which is currently under construction) for phase II of the HPAL project are below the capacity thresholds as mentioned in the news. While the capacity of the power plants for Phase I of the RKEF project is within the capacity thresholds as mentioned in the news, each of these power plants' emissions level is expected to be far below the emissions thresholds as mentioned in the news, which is 1.013 tons of CO2e per megawatt hour. As such, if the carbon tax is going to be implemented pursuant to the thresholds mentioned in the news, none of the power plants of the Obi projects are expected to be subject to such carbon tax.

Having taking into account that: (i) none of the power plants of the Obi projects are expected to be subject to carbon tax according to the thresholds set forth in the news, and (ii) power generation is not our main business operation, our Indonesian legal advisor is of the view that the carbon tax regime is not expected to pose any material adverse impact on our overall business operations and financial performance. However, we will continue to monitor regulatory updates and further assess the impact of the carbon tax regime as the relevant implementation details become available. We will make announcements and regular reporting in our future interim and annual reports in relation to the regulatory updates on the carbon tax and the impact of such carbon tax on our business operations and financial performance.

TRANSFER PRICING GUIDELINES, LAWS AND REGULATIONS

Overview of Organization for Economic Co-operation and Development's (''OECD'') Guidelines

The OECD, an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our covered transactions including PRC, Singapore and Indonesia. This section primarily includes the summary for the OECD Guidelines and the relevant PRC laws and regulations, considering that the OECD Guidelines is the general guiding principle for the treatment of issues of transfer pricing worldwide.

The OECD Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises.

The arm's length standard is applied by comparing controlled transactions with transactions between independent enterprises based on "economically relevant characteristics". Comparability is achieved if: (i) no differences between the controlled and uncontrolled transactions exist; (ii) the differences that do exist do not materially affect the condition being examined; or (iii) reasonably accurate quantitative adjustments can be made to eliminate the effect of any differences. The methods presented in the OECD Guidelines can be categorized into three groups:

Comparable uncontrolled price/transaction methods

This method compares the price charged for property or services transferred in a controlled transaction to the price charged for property or services transferred in a comparable uncontrolled transaction in comparable circumstances. If there is any difference between the two prices, this may indicate that the conditions of the commercial and financial relations of the associated enterprises are not arm's length, and that the price in the uncontrolled transaction may need to be substituted for the price in the controlled transaction.

Other traditional transaction methods

Other traditional transaction methods include resale price and cost plus: (1) The resale price method begins with the price at which a product that has been purchased from an associated enterprise is resold to an independent enterprise. This resale price is then reduced by an appropriate gross margin on this price (the "**resale price margin**") representing the amount out of which the reseller would seek to cover its selling and other operating expenses and, in the light of the functions performed (taking into account assets used and risks assumed), make an appropriate profit. What is left after subtracting the gross margin can be regarded, after adjustment for other costs associated with the purchase of the product (e.g. customs duties), as an arm's length price for the original transfer of property between the associated enterprises. This method is probably most useful where it is applied to marketing operations; (2) The cost plus method begins with the costs incurred by the supplier of property (or services) in a controlled transaction for property transferred or services provided to an associated purchaser. An appropriate cost plus mark-up is then added to this cost, to make an appropriate profit in light of the functions performed and the market conditions. What is arrived at after adding the cost plus mark up to the above costs may be regarded as an arm's length price of the original controlled transaction.

Transaction profit methods

A transactional profit method examines the profits that arise from particular controlled transactions. The transactional profit methods for purposes of these Guidelines are the transactional profit split method and the transactional net margin method. Profit arising from a controlled transaction can be a relevant indicator of whether the transaction was affected by conditions that differ from those that would have been made by independent enterprises in otherwise comparable circumstances.

The OECD Guidelines state that the objective is to select the method "that is apt to provide the best estimation of an arm's length price." Notwithstanding this overall objective, the OECD Guidelines adopt the "most appropriate method to the circumstances of the case" principle for the selection of transfer pricing method.

It is also acknowledged that the OECD Guidelines establish the hierarchy between the traditional transaction methods and transactional profit methods when both can be applied in an "equally reliable manner" that the traditional transaction methods should be selected.

Transfer Pricing in China

According to the New EIT Law and its implement rules and the Law of the PRC on the Administration of Tax Collection (中華人民共和國稅收徵收管理法), related party transactions should comply with the arm's length principle (i.e. to consummate transactions at a fair price and as per business norms). The tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm's length principle). If the related party transactions fail to comply with the arm's length principle and result in the reduction of the enterprise's taxable income, the tax authority has the power to make a special adjustment within 10 years from the tax paying year that the non-compliant related party transaction occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

According to the Announcement of the SAT on Relevant Matters relating to Improvement of the Filing of Related Party Transactions and the Management of Contemporaneous Documentation (the "Circular 42") promulgated by the SAT on June 29, 2016 and taking effect on the same day, enterprises which have related party transactions shall prepare their contemporaneous documentation of related party transactions per tax year and submit it to the tax authority if required by the same. Contemporaneous documentation includes the master file, local file and special issue file as may be applicable depending on the circumstances of the PRC company involved in the related party transaction. Furthermore, the Circular 42 stipulates the conditions which constitute related parties and enumerates the categories of related party transactions.

Pursuant to the Announcement of the SAT on Issuing the Measures for the Investigation, Adjustment and Consultation Procedures of Special Tax Investigation (the "Circular 6") promulgated by the SAT on March 17, 2017 and becoming effective on May 1, 2017, where a tax authority finds, when conducting special tax adjustment monitoring and administration by affiliated tax declaration examination, contemporaneous documentation administration, profit level monitoring or other means, that any enterprise has a risk of special tax adjustments, it may serve a Notice on Tax-related Matters upon the enterprise, and remind the enterprise of the tax risk it faces. If an enterprise receives a risk alert for special tax adjustments or finds that it faces the risk of special tax adjustments, it may make adjustments and make up the taxes due by itself. Where an enterprise makes adjustments and makes up the taxes due by itself, it shall fill out a Form for Self-payment of Taxes under Special Tax Adjustments. Where an enterprise makes adjustments and makes up the taxes due by itself, the tax authority may still make adjustments under special tax investigation in accordance with the relevant provisions. For labor service transaction, if the price paid or received between an enterprise and its related party does not conform to the independent transaction principle and thus reduces the taxable income of the enterprise or its related party, the tax authority may implement the special tax adjustment. Furthermore, the related labor service transactions that comply with the independent transaction principle should be beneficial labor service transactions and it shall be priced in accordance with the business practice and fair transaction price of non-related parties under the same or similar circumstances. Pursuant to the Circular 6, beneficial labor service refers to the labor activity which can bring direct or indirect economic benefits to the recipient of the labor service while a non-related party is willing to purchase or perform it under the same or similar circumstances.

OVERVIEW

Our Group was founded by Mr. Cai, one of our executive Directors and the chairman of our Board, in January 2009. For details of the background and industry experience of Mr. Cai, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

Under the leadership of Mr. Cai, we have become a company with business across the entire nickel industry value chain, achieving a leading position in both the trading and the production of nickel products. Leveraging our in-depth industry knowledge accumulated over the years, we have built a comprehensive product and service portfolio covering multiple areas across the nickel industry value chain, from upstream sourcing of nickel resources, trading and production of nickel products, to equipment manufacturing and sale.

MILESTONES

The key milestones of the development of our Group are as follows:

Year	Event
2009	We were established as a limited liability company in the PRC under the name of "Ningbo Lygend International Trade Co., Ltd. (宁波力勤国际贸易有限公司)", which was subsequently changed to "Ningbo Lygend Mining Co., Ltd. (宁波力勤矿业有限公司)".
2016	Our trading volume of nickel ores for the year exceeded 8.3 million tons.
2017	We acquired a majority stake in Jiangsu Wisdom, the operating company of our manufacturing facilities in Jiangsu Province, PRC which produces ferronickel (i.e. our Jiangsu Facilities).
	Our trading volume of nickel ores for the year reached 12 million tons.
2018	We acquired the remaining equity interest in Jiangsu Wisdom, which became our wholly-owned subsidiary.
	We acquired a majority stake in Xi'an Pengyuan, to commence our manufacturing of nickel products production machinery and equipment.
	HPL was formed as our joint venture with our Indonesian Partner.
	We partnered with our Indonesian Partner in constructing a nickel hydrometallurgy plant on the Obi Island, Indonesia to produce nickel-cobalt compounds and developing the HPAL project.
2019	We partnered with our Indonesian Partner in launching the RKEF project, a nickel pyrometallurgy project on the Obi Island, Indonesia to produce ferronickel.
2020	We changed our name to "Lygend Resources & Technology Co., Ltd. (宁波力勤资源科技开发有限公司)".
	Lygend Shanghai became our wholly-owned subsidiary and is primarily responsible for facilitating our Obi Projects.

Year	Event
2021	We launched the first phase of operations of the HPAL project.
	We were converted into a joint stock limited company with our name changed to "Lygend Resources & Technology Co., Ltd. (宁波力勤资源科技股份有限公司)".
	We acquired all issued shares of Kang Xuan Pte. Ltd. ("**Kang Xuan**"), thereby increasing our aggregate shareholding in HPL to 54.9%. HPL became our subsidiary.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

(1) Establishment of our Company and Initial Shareholding Changes

On January 5, 2009, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB2,000,000. Our Company was then held as to (i) 90% by Mr. Cai; (ii) 5% by Mr. Song Zhen (宋臻), then a Supervisor and currently one of the deputy general managers of our Company; and (iii) 5% by Ms. Chen Xiangfeng (陳香鳳), Mr. Cai's mother.

Following a series of share transfers by the then existing Shareholders of our Company, Lygend Investment, a company controlled by Mr. Cai, acquired the entire equity interest in our Company which was subsequently converted to a single-person limited liability company (一人有限責任公司) in March 2012.

(2) Equity Transfer to Ningbo Lizhan

On July 31, 2021, Lygend Investment, the then sole shareholder of our Company, entered into an equity transfer agreement with Ningbo Lizhan, one of its wholly-owned subsidiaries. Pursuant to such equity transfer agreement, Lygend Investment agreed to transfer its 0.197% equity interest in our Company, representing registered capital of RMB1,000,000, to Ningbo Lizhan for a consideration of RMB1,320,000. The consideration, which was determined with reference to the unaudited net asset value of the Company as of July 31, 2021, was fully settled on September 10, 2021. Following the completion of the equity transfer, our Company was converted from a single-person limited liability company (一人有限責任公司) to a limited liability company. Such equity transfer was made in preparation for the subsequent conversion of our Company into a joint stock limited company and in light of the PRC law requirement that a joint stock limited company must be incorporated by at least two promoters.

(3) Conversion into a joint stock limited company

On August 17, 2021 and September 10, 2021, our Company passed resolutions in general meeting approving (i) the conversion of our Company from a limited liability company into a joint stock limited company; and (ii) the change of name of our Company from Lygend Resources & Technology Development Co., Ltd. (宁波力勤资源科技开发有限公司) to Lygend Resources &

Technology Co., Ltd. (宁波力勤资源科技股份有限公司), respectively. On September 16, 2021, our Company convened our founding meeting, being the first general meeting of our Company as a joint stock limited company, and passed resolutions approving the establishment of our Company as a joint stock limited company and the relevant documents. The audited net assets of RMB594,360,000 of our Company as at August 31, 2021 were converted into 508,000,000 Domestic Shares of RMB1.00 per Share, with the remaining RMB86,360,000 in net assets included as capital reserves of our Company.

Upon completion of the conversion, the registered capital of our Company became RMB508,000,000 divided into 508,000,000 Domestic Shares with a nominal value of RMB1.00 each, which were subscribed by the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on September 16, 2021 and we received a new business license.

(4) Other Key Shareholding Changes

September 2021 Capital Increase

Pursuant to resolutions in general meeting of our Company dated September 23, 2021, the registered capital of our Company was increased from RMB508,000,000 to RMB1,028,300,000. Mr. Cai, Mr. Song Zhen (宋臻), Mr. Dong Dong (董栋), Mr. Cai Jianwei (蔡建威), Mr. Cai Jiansong (蔡建松), Ms. Fei Feng (费风), Mr. Ge Kaicai (葛凯财), Ms. He Xiaodan (何晓丹) agreed to subscribe for the increased registered capital of RMB520,300,000 for an amount of RMB535,700,880, RMB18,262,530, RMB12,175,020, RMB12,175,020, RMB9,131,265, RMB9,131,265, RMB9,131,265 and RMB3,043,755, respectively. Aside from Mr. Cai Jiansong, who is the brother of Mr. Cai and the chairman of the board of directors of one of our subsidiaries, Jiangsu Wisdom, and Ms. He Xiaodan, who is a director of one of our subsidiaries, Lida Logistics, and a supervisor of another one of our subsidiaries, Ningbo Yiwei Mining Co., Ltd. (寧波毅威礦業有限公司), the remaining individuals were either Directors, Supervisors or members of the senior management of our Company. The aggregate amount paid was RMB608,751,000, of which RMB88,451,000 was included as capital reserves of our Company. The consideration was determined based on arm's length negotiations between our Company and the relevant individuals, with reference to the audited net asset value of the Company as of August 31, 2021 based on a PRC statutory audit report, and was fully settled by September 28, 2021.

As of the Latest Practicable Date, (i) Mr. Cai (directly and indirectly) held approximately 70.17% equity interest in our Company; and (ii) Mr. Song Zhen, Mr. Dong Dong, Mr. Cai Jianwei, Mr. Cai Jiansong, Ms. Fei Feng, Mr. Ge Kaicai and Ms. He Xiaodan individually held approximately 1.18%, 0.79%, 0.79%, 0.59%, 0.59%, 0.59% and 0.20% equity interest in our Company, respectively.

Mr. Cai's Equity Transfer

Pursuant to an equity transfer agreement dated November 26, 2021, Mr. Cai transferred part of his equity interest in our Company amounting to a registered capital of RMB30,849,000 to his spouse, Ms. Xie Wen (謝雯), and part of his equity interest in our Company amounting to a registered capital of RMB10,283,000 to his daughter, Ms. Cai Xiaoou (蔡曉鷗) (together, "**Mr. Cai's Equity Transfer**"). The equity transfers were made for nil consideration, as the transfers were made as a gift.

As of the Latest Practicable Date, Ms. Xie Wen and Ms. Cai Xiaoou individually held approximately 2.34% and 0.78% equity interest in our Company.

(5) Pre-IPO Investment

Pursuant to a capital increase agreement dated November 8, 2021 entered into by and amongst Feng Yi, our then Shareholders and our Company, the registered capital of our Company was increased by RMB263,553,750, which Feng Yi agreed to subscribe for at a total amount of RMB590,000,000, which was settled fully by cash consideration paid by Feng Yi to our Company by December 23, 2021. As of the Latest Practicable Date, the net proceeds from the Pre-IPO Investment had been fully utilized for general working capital purposes.

The cost per Share paid by Feng Yi was RMB2.24, representing an approximate 86.07% discount to the Offer Price (assuming the Offer Price is fixed at HK$17.78, being the mid-point of the Offer Price range). The consideration was a commercial agreement reached by our Company and Feng Yi based on arm's length negotiations. The Company had taken into account, amongst others, (i) the appraised valuation of the entire equity interest in our Company being RMB2,520 million as at June 30, 2021 (which was based on, among others, the status of the business operations and financial performance of the Group at the time); (ii) the contributions of our Indonesian Partner to the Obi projects, in particular, the substantial financial risks undertook by it in securing financing for the Obi projects; (iii) the strategic benefits of having Feng Yi as a Shareholder, as detailed in the subsection headed "Strategic benefits of the Pre-IPO Investment" below; (iv) the consideration for acquiring Kang Xuan from Feng Yi and our resulting ability to exercise control in HPL, as detailed in the subsection headed "Strategic Acquisitions — Formation and Increase in Shareholding of HPL" in this section; and (v) the business prospects of HPL. In light of the aforementioned considerations, we believe that despite the significant discount to the Offer Price, the Pre-IPO Investment is in the commercial interests of our Group.

Shareholding interest in our Company

Feng Yi held 20.00% equity interest in our Company as of the Latest Practicable Date, and shall hold approximately 17.00% equity interest in our Company upon Listing (assuming the Over-allotment Option is not exercised). For further details, please refer to the sub-section headed "Public Float" of this section and the section headed "Substantial Shareholders" in this prospectus.

Information about the Pre-IPO Investor

Feng Yi is a limited company incorporated in Singapore on June 14, 2021 and is principally an investment holding company. It is a wholly-owned subsidiary of Oakswood Group Ltd., an investment holding company which is solely held by Ms. Lim Shu Hua, Cheryl ("**Ms. Lim**"). The ultimate beneficial owners of our Indonesian Partner, with which we have been jointly developing the Obi projects, are family members of Ms. Lim.

Strategic benefits of the Pre-IPO Investment

At the time of the Pre-IPO Investment, our Directors were of the view that we could benefit from the additional funds provided by Feng Yi. In addition, our Directors were of the view that the Pre-IPO Investment demonstrates the confidence of our Indonesian Partner, which is affiliated with Feng Yi, in the overall prospects of our Group and enhances our Indonesian Partner's economic alignment with our Shareholders. The business development of our Group can also benefit from the knowledge, experience and local reputation of our Indonesian Partner within the Indonesian nickel ore mining business sector.

At around the same time as the Pre-IPO Investment, Feng Yi separately sold 18.0% shareholding in HPL to our Company, which enabled us to exercise control in HPL. For further details, please see the subsection headed "Strategic Acquisitions — Formation and Increase in Shareholding of HPL" in this section below.

Rights of the Pre-IPO Investor

No special rights were granted to Feng Yi in connection with its investment in our Company.

Lock-up Period

Pursuant to the applicable PRC law, within the 12 months following the Listing Date, Feng Yi cannot dispose of any of the Shares held by it.

Joint Sponsors' Confirmation

On the basis that the consideration was settled more than 28 clear days before the date of submission of our listing application to the Stock Exchange and no special rights were granted to the Pre-IPO Investor, the Joint Sponsors confirm that the investment by the Pre-IPO Investor is in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on October 14, 2010, Guidance Letter HKEX-GL29-12 issued by the Stock Exchange on January 2012 and updated in March 2017 and Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and in March 2017.

EMPLOYEE SHAREHOLDING PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our development, Ningbo Litai, Ningbo Yangcheng, Ningbo Xinpan and Ningbo Yufeng were each established in the PRC as our employee incentive platforms ("**Employee Incentive Platforms**").

(1) Ningbo Litai

Ningbo Litai was established as a limited liability partnership under the laws of the PRC on November 29, 2021. Ms. Fei Feng, one of our executive Directors, is the general partner and the executive partner responsible for the management of Ningbo Litai. As of the Latest Practicable Date, Ningbo Litai had seven limited partners, including Mr. Yu Weijun (one of our executive Directors and deputy general managers) and Ms. Hu Zhinong (one of our Supervisors) and five other employees of our Group. As of the Latest Practicable Date, Ningbo Litai held approximately 0.27% equity interest in our Company. Ningbo Litai subscribed for such equity interest at a consideration of RMB10,902,200, which was determined with reference to the appraised value per Share of the Company as of September 30, 2021. The voting rights attaching to the Shares held by Ningbo Litai are exercised by the executive partner of Ningbo Litai in accordance with the partnership agreement entered into among the general and limited partners of Ningbo Litai.

(2) Ningbo Yangcheng

Ningbo Yangcheng was established as a limited liability partnership under the laws of the PRC on November 29, 2021. Ms. Fei Feng, one of our executive Directors, is the general partner and the executive partner responsible for the management of Ningbo Yangcheng. As of the Latest Practicable Date, Ningbo Yangcheng had 35 limited partners, including Mr. Jiang Xinfang (one of our executive Directors and our general manager), Mr. Liu Feng (one of our deputy general managers) and 33 other employees of our Group. As of the Latest Practicable Date, Ningbo Yangcheng held approximately 0.99% equity interest in our Company. Ningbo Yangcheng subscribed for such equity interest at a consideration of RMB39,592,200, which was determined with reference to the appraised value per Share of the Company as of September 30, 2021. The voting rights attaching to the Shares held by Ningbo Yangcheng are exercised by the executive partner of Ningbo Yangcheng in accordance with the partnership agreement entered into among the general and limited partners of Ningbo Yangcheng.

(3) Ningbo Xinpan

Ningbo Xinpan was established as a limited liability partnership under the laws of the PRC on November 29, 2021. Ms. Fei Feng, one of our executive Directors, is the general partner and executive partner responsible for the management of Ningbo Xinpan. As of the Latest Practicable Date, Ningbo Xinpan had 45 limited partners, all of whom were employees of our Group. As of the Latest Practicable Date, Ningbo Xinpan held approximately 0.14% equity interest in our Company. Ningbo Xinpan subscribed for such equity interest at a consideration of RMB5,692,700, which was determined with reference to the appraised value per Share of the Company as of September 30, 2021. The voting rights attaching to the Shares held by Ningbo Xinpan are exercised by the executive partner of Ningbo Xinpan in accordance with the partnership agreement entered into among the general and limited partners of Ningbo Yangcheng.

(4) Ningbo Yufeng

Ningbo Yufeng was established as a limited liability partnership under the laws of the PRC on November 29, 2021. Ms. Fei Feng, one of our executive Directors, is the general partner and executive partner responsible for the management of Ningbo Yufeng. As of the Latest Practicable Date, Ningbo Yufeng had 45 limited partners, including Mr. Wang Ling (our financial controller) and 44 other employees of our Group. As of the Latest Practicable Date, Ningbo Yufeng held approximately 0.55% equity interest in our Company. Ningbo Yufeng subscribed for such equity interest at a consideration of RMB22,076,200, which was determined with reference to the appraised value per Share of the Company as of September 30, 2021. The voting rights attaching to the Shares held by Ningbo Yufeng are exercised by the executive partner of Ningbo Yufeng in accordance with the partnership agreement entered into among the general and limited partners of Ningbo Yufeng.

For further details on the Employee Incentive Platforms, please refer to the section headed "Statutory and General Information — D. Share Incentive Scheme" in Appendix VII to this prospectus.

STRATEGIC ACQUISITIONS

Acquisition of Jiangsu Wisdom

With the deep industry experience we have accumulated in the trading of nickel products, we tapped into the production of nickel products through our acquisition of Jiangsu Wisdom, the operating company of our Jiangsu Facilities. As of the Latest Practicable Date, our Jiangsu Facilities host three production lines that produce ferronickel using the RKEF process, with an aggregate designed production capacity of 18,000 metal tons of ferronickel per annum. The following table sets forth further details of such acquisitions.

Date of equity transfer agreement	Completion and/or consideration settlement date	Interests acquired	Description of business activities of target	Transferor	Amount of consideration
September 18, 2017	Completion occurred on October 11, 2017.	58% of the equity interest in Jiangsu Wisdom	Production of ferronickel	Lygend Investment, one of our Controlling Shareholders	N/A — the equity interest was transferred as part of a capital increase by Lygend Investment in our Company, following which the registered capital of our Company increased by RMB58,000,000

Date of equity transfer agreement	Completion and/or consideration settlement date	Interests acquired	Description of business activities of target	Transferor	Amount of consideration
March 6, 2018	Completion occurred on March 13, 2018. The last installment of the consideration was paid on April 12, 2019.	42% of the equity interest in Jiangsu Wisdom		Mr. JIN Wei (金威), an Independent Third Party	RMB82,250,000 settled fully by cash consideration

The amount of capital increase in September 2017 in return for equity interest in Jiangsu Wisdom and the consideration of the above acquisition in March 2018 was determined based on arm's length negotiations between our Company and the relevant party. In particular, the increase in our Company's registered capital was determined considering the amount of Jiangsu Wisdom's paid-up registered capital attributable to the 58% equity interest in Jiangsu Wisdom (i.e. RMB58,000,000). The consideration for the acquisition of the remaining 42% equity interest was determined with reference to among others, the book value of net assets of Jiangsu Wisdom as at February 28, 2018, the status of business operations and financial performance of Jiangsu Wisdom. The above acquisitions had been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained.

Acquisition of Xi'an Pengyuan

To support our production of nickel products and the operation of our Obi projects, we acquired a majority stake in Xi'an Pengyuan, a manufacturer of machinery and equipment for the production of nickel products. The majority stake was partially acquired by our capital injection in Xi'an Pengyuan for registered capital of RMB5,000,000 and partially acquired by equity transfers from certain then existing shareholders of Xi'an Pengyuan for nil consideration. The following table sets forth further details of such acquisition.

Date of equity transfer agreement and shareholders resolution	Completion and consideration settlement date	Interests acquired	Description of business activities of target	Transferors	Amount of consideration
June 5, 2018	Completion occurred on June 29, 2018. The consideration was settled on August 7, 2018.	The equity interest acquired by way of capital injection and equity transfer represented 50% and 20% of the equity interest in Xi'an Pengyuan (post-transaction),	Manufacturing of nickel products production machinery and equipment	For the equity transfers, (i) Mr. LIU Xuan Liang (劉煊亮), director of Xi'an Pengyuan,	RMB5,000,000 for the capital injection which was settled fully by cash consideration. Nil consideration for each of the equity transfers.

Date of equity transfer agreement and shareholders resolution	Completion and consideration settlement date	Interests acquired	Description of business activities of target	Transferors	Amount of consideration
		respectively, amounting to an aggregate of 70% of the equity interest in Xi'an Pengyuan (post-transaction)		(ii) Mr. CHENG Gang (程剛), supervisor of Xi'an Pengyuan, and (iii) Mr. FENG Jinglong (馮景龍), who is an Independent Third Party.	

The amount of the above capital injection was determined based on arm's length negotiations between our Company and the then existing shareholders of Xi'an Pengyuan with reference to, among others, the registered capital of Xi'an Pengyuan before our acquisition (i.e. RMB5,000,000), the status of business operations and financial performance of Xi'an Pengyuan. No consideration was required for the equity transfers given that the relevant equity interest acquired by our Company in Xi'an Pengyuan had not yet been paid up by the then existing shareholders of Xi'an Pengyuan at the time of the equity transfer. The above acquisition had been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained.

Formation and Increase in Shareholding of HPL

We initially cooperated with our Indonesian Partner in 2010 with respect to our nickel ore trading business, whereby we sourced nickel ore resources from mines located in Indonesia owned by our Indonesian Partner. Building on the successful collaboration with our Indonesian Partner and in view of the business opportunities presented by the rapid growth in the NEV industry, as well as our expertise in the pyrometallurgy process for nickel products accumulated from the operation of our Jiangsu Facilities, in 2018 we decided to further develop our business cooperation with our Indonesian Partner and jointly invest in nickel product production projects on the Obi Island, Indonesia.

In July 2018, HPL was established by our Company and our Indonesian Partner as a joint venture company, with the aim of building and running a high pressure acid leaching nickel project on the Obi Island, Indonesia. The HPAL project was our Company's first overseas nickel product production project, and hence our Indonesian Partner's reputation, connections and experience within the Indonesian nickel ore mining business sector were particularly important at the initial stage of establishment of this project. Accordingly, at the time of its establishment, HPL was held as to 36.9% by our Company and as to 63.1% by our Indonesian Partner and HPL's board of five directors comprised 2 directors appointed by our Company and 3 directors appointed by our Indonesian Partner.

On one hand, we took the lead in terms of the operations of the HPAL project (phases I and II of which are operated by HPL). We have been primarily responsible for project planning and design, the construction of the production lines and other facilities, the purchase of relevant equipment, and once production commenced, the operation of the facilities, production activities, R&D and product sales. We have therefore developed an in depth understanding of HPL's production lines. On the other hand, our Indonesian Partner has been primarily responsible for securing external financing for HPL, supplying nickel ore resources and obtaining relevant local licenses, permits and approvals. For further details, please refer to the section headed "Business — Collaboration with our Indonesian Partner" in this prospectus.

Given the continued success of our collaboration with our Indonesian Partner, as evident from the smooth development and operations of the Obi projects, we and our Indonesian Partner agreed to further develop our business relationship by way of mutual acquisition arrangements, whereby we would acquire a controlling stake in HPL and our Indonesian Partner (through Feng Yi) would acquire equity interest in our Company. Therefore on November 8, 2021, we made the strategic decision to increase our shareholding in HPL by 18.0% from 36.9% to 54.9% through our acquisition of Kang Xuan. We also appointed two additional directors to HPL's board of directors in November 2021. The following table sets forth details of such acquisition.

Date of sale and purchase agreement	Completion and consideration settlement date	Interests acquired	Description of business activities of target	Transferor	Amount of consideration
November 8, 2021	Completion occurred on November 29, 2021. The last installment of the consideration was paid on December 24, 2021.	100% of the issued shares in Kang Xuan	Holding company and was the legal and beneficial owner of an 18.0% shareholding interest in HPL immediately prior to the acquisition	Feng Yi, an entity affiliated with our Indonesian Partner. For further details, please refer to the subsection headed "— Establishment and Major Shareholding Changes of our Company — (5) Pre-IPO Investment" in this section above.	RMB590,000,000 settled fully by cash consideration paid by our Company to Feng Yi.

The consideration of the above acquisition was determined after arm's length negotiations among the parties with reference to, among others, the appraised valuation of the entire equity interest in Kang Xuan being RMB590,000,000 as at September 30, 2021.

The above acquisition had been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained. Further, pursuant to the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the

NDRC and Administrative Measures for Overseas Investment Management (《境外投資管理辦法》) promulgated by the MOFCOM (the "**ODI Rules**"), a domestic institution shall undergo relevant registration procedures foreign investment in accordance with the provisions of the ODI Rules. As advised by our PRC Legal Advisor, our Company has completed the overseas direct investment registration with the local MOFCOM and NDRC in December 2021 in relation to the offshore investment in Kang Xuan and pursuant to the ODI Rules.

Our acquisition of Kang Xuan to achieve a majority stake in HPL has enabled our Group to consolidate HPL into our Group and exercise a greater control over HPL. This strategic decision was in line with our Company's business plans at the time of setting up the HPAL project, given the synergistic effect of HPL's expanding production lines for nickel-cobalt compounds with our Group's business in the nickel industry value chain. As our Group has been leading the project planning, operations and production activities of HPL and thereby possessed the relevant technical and business expertise, it was also natural and mutually beneficial for us to acquire a majority stake in HPL.

It was an overall commercial decision reached between us and our Indonesian Partner that whilst our Indonesian Partner agreed to our acquisition of a controlling stake in HPL, we agreed to the subscription of 20% equity interest in our Company at around the same time by Feng Yi, the seller in the context of our above acquisition and an affiliated entity of our Indonesian Partner. For further details, please refer to the subsection headed "Establishment and Major Shareholding Changes of our Company — (5) Pre-IPO Investment" in this section above.

Since the percentage ratios applicable to the above acquisition under Rule 14.07 of the Listing Rules are more than 25%, pre-acquisition financial information on HPL from the commencement of the Track Record Period to the date of acquisition is accordingly disclosed in this prospectus under Rule 4.05A of the Listing Rules and accordingly set out in Appendix IB.

DISPOSAL OF XIANGXIANG ENTERPRISE

Until December 2019, Xiangxiang Enterprise operated a manufacturing facility with two ferronickel production lines located in the Suqian Economic and Technological Development Zone (the "**Xiangxiang Facilities**"). As such economic development zone had over the years become increasingly focused on retaining enterprises that fall within certain specific industries, such as food and beverages, smart appliances and digital information, the continued operations of the Xiangxiang Facilities was no longer in line with such industry positioning. Accordingly, after consulting the relevant governmental authorities, we made a strategic decision to discontinue the operations of the Xiangxiang Facilities in December 2019 and to centralize our ferronickel productions in China at our Jiangsu Facilities.

Given that Xiangxiang Enterprise no longer had business operations after the closure of the Xiangxiang Facilities, pursuant to an equity transfer agreement dated November 26, 2020, we transferred the entire equity interest in Xiangxiang Enterprise to Lygend Investment (one of our

Controlling Shareholders) in December 2020 to streamline our Group structure. The consideration of approximately RMB164.5 million was determined after arm's length negotiations with reference to the appraised valuation of the entire equity interest in Xiangxiang Enterprise as at October 31, 2020, and was fully settled by December 18, 2020. Such disposal had been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained.

From the commencement of the Track Record Period until its disposal in December 2020, Xiangxiang Enterprise had not encountered any financial difficulties and, to the best of our knowledge, was not involved in any material non-compliance, claims or litigations, which could have a material adverse effect on our financial condition or results of operations. For further information on Xiangxiang Enterprise, please see "Business — Production of Nickel Products — Production of Ferronickel".

OUR MAJOR SUBSIDIARIES AND MAJOR ASSOCIATE

Details of the major subsidiaries of our Company which, among other things, made a material contribution to our results of operations during the Track Record Period, and major associate are set out below.

Company name	Place of establishment	Date of establishment	Registered/issued capital as of the Latest Practicable Date[1]	Principal business activities	Equity interest attributable to our Group as of the Latest Practicable Date
Our major subsidiaries					
Jiangsu Wisdom	PRC	March 21, 2011	RMB120,000,000	Production of ferronickel	100%
Ningbo Yiwei Mining Co., Ltd.	PRC	October 15, 2015	RMB2,000,000	Import of machinery and equipment	100%
Hong Kong Bwhale	Hong Kong	March 29, 2016	USD1,000,000	Vessel subleasing	100%
Xi'an Pengyuan	PRC	February 20, 2017	RMB50,000,000	Manufacture and sale of machinery and equipment	70%
Ningbo Huiran	PRC	June 7, 2017	RMB1,000,000	Trading of laterite nickel ore and ferronickel	100%
Lygend Shanghai	PRC	June 11, 2018	RMB20,000,000	Project design and R&D	100%
HPL	Indonesia	July 27, 2018	IDR5,030,000,000,000	Production of nickel-cobalt compounds	54.9%
Lygend Singapore	Singapore	August 16, 2018	USD2,000,000	Trading of laterite nickel ore and ferronickel	100%

Company name	Place of establishment	Date of establishment	Registered/issued capital as of the Latest Practicable Date[(1)]	Principal business activities	Equity interest attributable to our Group as of the Latest Practicable Date
Ningbo Lygend New Energy Co., Ltd.	PRC	September 30, 2020	RMB200,000,000	New energy technological development	100%
Lida Logistics	PRC	March 17, 2021	RMB100,000,000	Logistics services	100%
Kang Xuan	Singapore	June 14, 2021	USD66,062,412	Investment holding	100%
Our major associate					
HJF	Indonesia	December 12, 2019	IDR 3,570,000,000,000	Production of ferronickel	36.9%

Notes:

(1) This column sets out registered capital of the entities established in the PRC and the issued capital of the remaining entities, as of the Latest Practicable Date.

(2) All of the entities stated in this table are private companies.

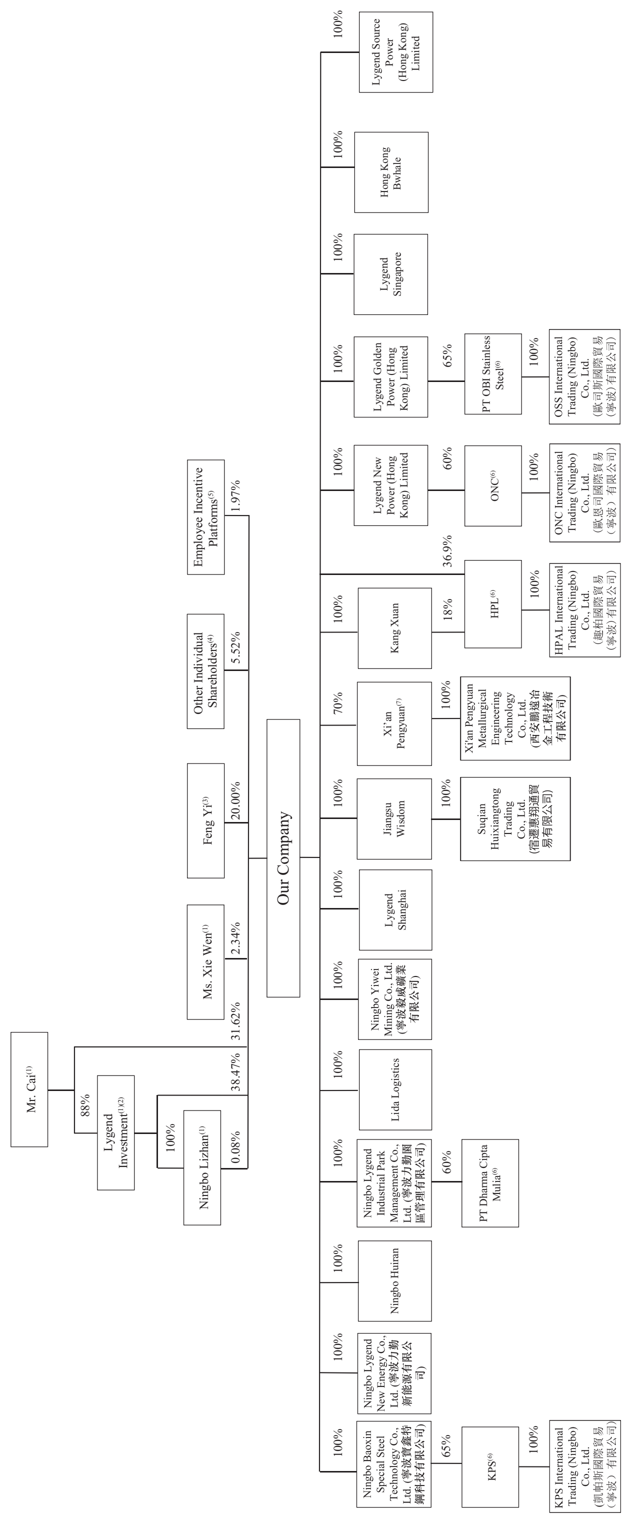
PUBLIC FLOAT

The 1,317,768,750 Unlisted Shares held by all the Shareholders immediately prior to the Listing, comprising 263,553,750 Unlisted Foreign Shares held by the Pre-IPO Investor and 1,054,215,000 Domestic Shares held by all remaining Shareholders, represent approximately 85.00% of our total share capital upon Listing (assuming the Over-allotment Option is not exercised), or approximately 83.13% of our total share capital upon exercise of the Over-allotment Option in full. As the 1,317,768,750 Unlisted Shares will not be converted into H Shares and listed following the completion of the Global Offering, they will not be counted towards the public float for the purpose of the Listing Rules.

Based on the above, it is expected that immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the total number of listed H Shares of our Company held by the public will represent 15.00% of the total share capital of our Company.

CORPORATE STRUCTURE

The structure chart below sets out our simplified shareholding and corporate structure as of the Latest Practicable Date:



Notes:

(1) As of the Latest Practicable Date, Mr. Cai, one of our executive Directors and chairman of the Board, directly held 416,732,000 Domestic Shares as beneficial owner. Further, as of the Latest Practicable Date, Lygend Investment, which was held as to 88% by Mr. Cai, directly held 507,000,000 Domestic Shares as beneficial owner, and also indirectly held 1,000,000 Domestic Shares through its wholly-owned subsidiary, Ningbo Lizhan. As of the Latest Practicable Date, Ms. Xie Wen, who is the spouse of Mr. Cai, directly held 30,849,000 Domestic Shares as beneficial owner. For further details, see section headed "Relationship with our Controlling Shareholders" in this prospectus.

(2) The remaining equity interest in Lygend Investment is held by Mr. Song Zhen, Mr. Dong Dong, Mr. Cai Jianwei, Mr. Cai Jiansong, Ms. Fei Feng, Mr. Ge Kaicai and Ms. He Xiaodan (collectively, the "**Other Shareholders**"), who each individually do not hold more than 3% equity interest in Lygend Investment as of the Latest Practicable Date. Aside from Mr. Cai Jiansong, who is the brother of Mr. Cai and the chairman of the board of directors of one of our subsidiaries, and Ms. He Xiaodan, who is a director of one of our subsidiaries and a supervisor of another one of our subsidiaries, these individuals are either Directors, Supervisors or members of the senior management of our Company.

The Other Shareholders are not considered as part of the group of controlling shareholders of our Company, on the basis that (i) the shareholding of the Other Shareholders in Lygend Investment, as stated above, is immaterial; (ii) it is not the case where the Other Shareholders have agreed to restrict their ability to exercise direct control over our Company by holding their interests through a common investment holding company; (iii) each of the Other Shareholders do not hold more than 2% equity interest in our Company as of the Latest Practicable Date and in any event, is not in a position to exercise control over our Company; (iv) each of the Other Shareholders subscribed for the equity interest in Lygend Investment and our Company using his/her own funds, and exercised his/her voting rights in Lygend Investment and our Company independently without seeking concurrence of each other; (v) there is not, and had not been, any formal or informal arrangements amongst Mr. Cai and the Other Shareholders, or any consensus building process adopted by them in order to arrive at voting or business decisions in respect of Lygend Investment or our Company; and (vi) each of the Other Shareholders is not a close associate of Mr. Cai.

(3) For details of Feng Yi, please refer to the sub-section headed "Establishment and Major Shareholding Changes of our Company — (5) Pre-IPO Investment" in this section above.

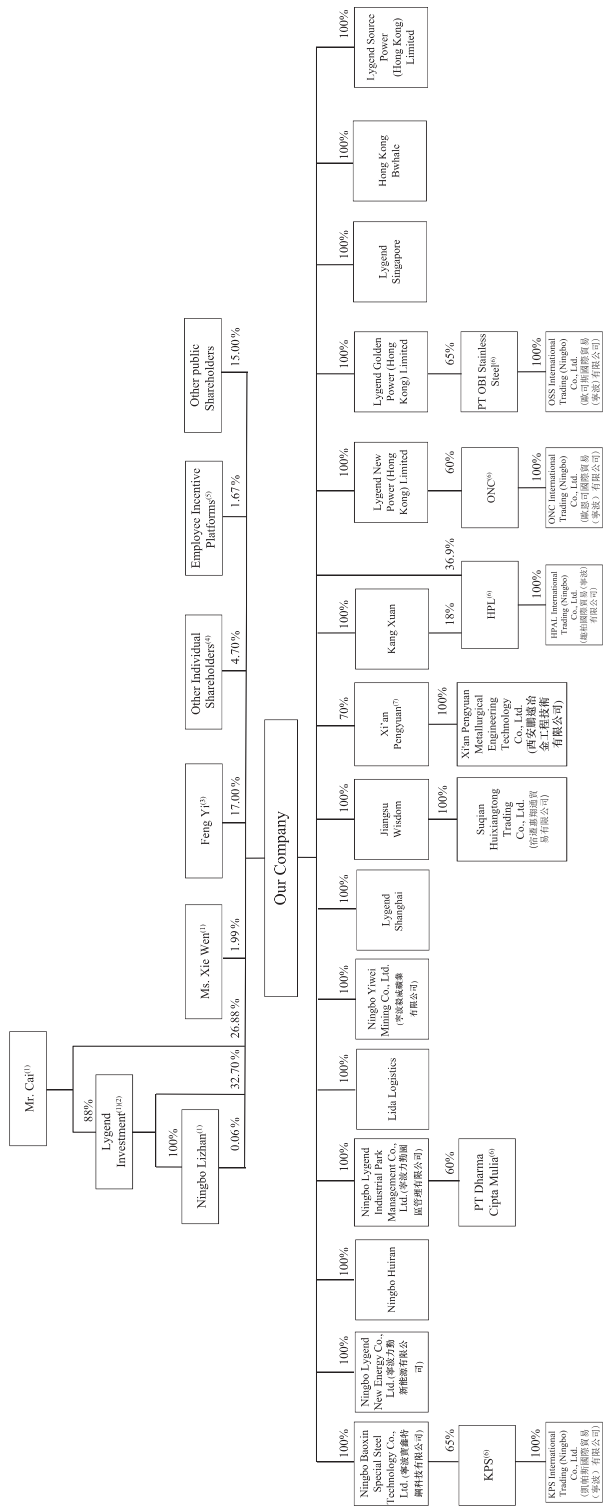
(4) This includes Mr. Song Zhen, Mr. Dong Dong, Mr. Cai Jianwei, Mr. Cai Jiansong, Ms. Fei Feng, Mr. Ge Kaicai, Ms. He Xiaodan and Ms. Cai Xiaoou, each respectively holding approximately 1.18%, 0.79%, 0.79%, 0.59%, 0.59%, 0.59%, 0.20% and 0.78% equity interest in our Company as of the Latest Practicable Date. For further details, please refer to the sub-section headed "Establishment and Major Shareholding Changes of our Company — (4) Other Key Shareholding Changes" in this section above.

(5) Ningbo Litai, Ningbo Yangcheng, Ningbo Xinpan and Ningbo Yufeng are our Employee Incentive Platforms. The eligible participants of the Pre-IPO Share Incentive Scheme include our Directors, Supervisors, senior management and employees. For further details, please refer to the subsection headed "Employee Shareholding Platforms" in this section above.

(6) PT Trimegah Bangun Persada, a limited liability company established in Indonesia which is not an Independent Third Party, holds the remaining 45.1% shareholding interest in HPL, the remaining 40.0% interest in PT Dharma Cipta Mulia, and the remaining 35.0% interest in each of KPS and PT Obi Stainless Steel. It also holds 10.0% interest in ONC, with the remaining 30.0% interest in ONC held by Li Yuen Pte. Ltd., which is indirectly solely held by Ms. Lim. Further, it is indirectly interested in the remaining 63.1% shareholding interest in HJF, an associate of our Company.

(7) Ningbo Yike Enterprise Management Co., Ltd. (寧波宜科企業管理有限公司) ("**Ningbo Yike**"), Ningbo Yuanhua Enterprise Management Co., Ltd (寧波媛華企業管理有限公司) ("**Ningbo Yuanhua**") and Ningbo Yueming Enterprise Management Co., Ltd (寧波悦銘企業管理有限公司) ("**Ningbo Yueming**") hold the remaining 12.0%, 9.0% and 9.0% of Xi'an Pengyuan, respectively. Ningbo Yike and Ningbo Yueming are controlled by a director of Xi'an Pengyuan, Mr. Liu Xuan Liang (劉煊亮), and a supervisor of Xi'an Pengyuan, Mr. Cheng Gang (程剛), respectively, whereas Ningbo Yuanhua is an Independent Third Party controlled by Mr. Feng Jinglong (馮景龍).

The chart below sets out our simplified shareholding and corporate structure immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) to (3) See page 209 for notes (1) to (3).

(4) This includes Mr. Song Zhen, Mr. Dong Dong, Mr. Cai Jianwei, Mr. Cai Jiansong, Ms. Fei Feng, Mr. Ge Kaicai, Ms. He Xiaodan and Ms. Cai Xiaoou each respectively holding approximately 1.0%, 0.67%, 0.67%, 0.5%, 0.5%, 0.5%, 0.2% and 0.66% equity interest in our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(5) This includes Ningbo Litai, Ningbo Yangcheng, Ningbo Xinpan and Ningbo Yufeng, each respectively holding 0.23%, 0.85%, 0.12% and 0.47% equity interest in our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised). For further details, please refer to the subsection headed "Employee Shareholding Platforms" in this section above.

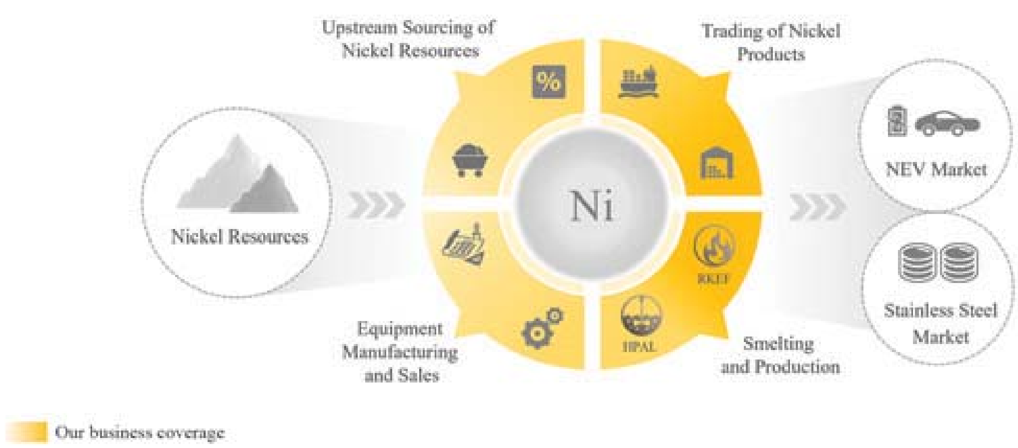
(6) to (7) See page 209 for notes (6) to (7).

OVERVIEW

We are a company with business across the entire nickel industry value chain. For nickel product trading, we ranked first globally in terms of nickel product trading volume in 2021, and first in China in terms of nickel ore trading volume in 2021, according to the CIC Report. For nickel product production, the HPAL project (the "**HPAL project**") on the Obi Island, Indonesia, which we have jointly developed with our Indonesian Partner, is one of the most technically advanced nickel-cobalt compound hydrometallurgy projects worldwide, and has the lowest cash cost among all nickel-cobalt compound production projects worldwide, according to the CIC Report.

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

The following diagram illustrates our main businesses:



Nickel Resources Sourcing and Trading

Since venturing into the laterite nickel ore trading business in 2009, we have established stable business relationship with upstream nickel mining companies. During the Track Record Period, we primarily sourced laterite nickel ore from countries and regions with the most abundant laterite nickel resources in the world, including the Philippines, Indonesia, New Caledonia and Turkey. Among these countries and regions, the Philippines is currently the world's largest exporter of laterite nickel ore. We have established long-term and stable business relationship with leading Filipino nickel mining companies including Nickel Asia Corporation and CTP Construction and Mining Corp., enabling us to secure a stable and long-term supply of laterite nickel ore. According to the CIC Report, we ranked the first globally in terms of laterite nickel ore export volume from the Philippines in each of 2019, 2020 and 2021, with a market share of 28.2% in 2021. Attributable to our stable, long-term relationships with the Filipino nickel mining companies and our large purchase volume, we have generally been able to procure laterite nickel ore from them at a discount of the prevailing market prices. During the Track Record Period, we were also engaged in the trading of ferronickel and primarily sourced ferronickel for our trading business from Indonesia.

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

Production

To expand the breadth and depth of our products and service offerings, we have become the first nickel product trading company in China to expand our product and service portfolio to areas including nickel product production.

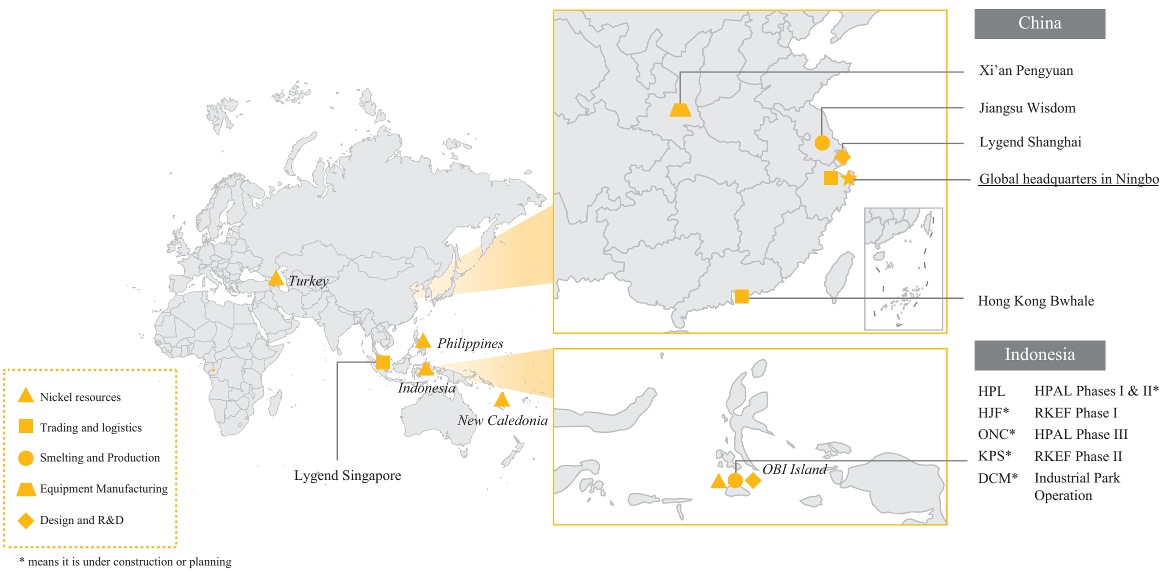
Since expanding our business to cover nickel product production in 2017, we have mastered the complete pyrometallurgy and hydrometallurgy processes for nickel products. Starting from Jiangsu Province, China, we have gradually built up our production capacity for nickel products worldwide. As of the Latest Practicable Date, 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 18,000 metal tons of ferronickel per annum, ranking us the No. 9 ferronickel manufacturer in China, with a market share of 3.4%. 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 120,000 metal tons of nickel-cobalt compound per annum (including 14,250 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 280,000 metal tons of ferronickel. As of the Latest Practicable Date, two production lines under phase I of the HPAL project with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compound (including 4,500 metal tons of cobalt) per annum, have been successfully put into operation. Our nickel-cobalt compounds and ferronickel products are widely used in the rapidly growing NEV and stainless steel markets.

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

Equipment Manufacturing and Sale

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

The map below illustrates the geographic distribution of our businesses:



During the Track Record Period, our financial results demonstrated our robust business operation capabilities. While our financial performance was temporarily affected by the Indonesian government's export ban in 2020, our revenue and net profit quickly recovered in 2021, primarily due to (i) increases in the average selling prices and sales volume of nickel ore and ferronickel for our trading business, and (ii) revenue and net profit contribution from HPL to our trading business and production business since the commencement of production of phase I of the HPAL project in May 2021. Our revenue and net profit increased significantly in the six months ended June 30, 2022 compared to the same period in 2021, primarily because we began to generate revenue from the sales of our self-produced nickel-cobalt compounds since November 30, 2021 as a result of our consolidation of HPL. As a result of the foregoing, in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue was RMB9,347.4 million, RMB7,755.2 million, RMB12,449.3 million, RMB4,088.3 million and RMB9,978.3 million, respectively, and our net profit was RMB566.7 million, RMB518.3 million, RMB1,260.0 million, RMB89.0 million and RMB2,289.6 million, respectively. See "Financial Information — Results of Operations" for more details.

OUR COMPETITIVE STRENGTHS

We Have Formed a Complete Industry Ecosystem Centered Around Nickel Resources

We are a company with business across the entire nickel industry value chain. Through our years of extensive engagement in the nickel industry value chain, we have accumulated industry knowledge and the ability to make strategic planning for our business on a global scale, enabling us to connect key areas across the nickel industry value chain, from upstream sourcing of nickel resources, trading and production of nickel products, to equipment manufacturing and sale.

Upstream nickel resource sourcing and trading

For industry participants in the nickel industry, it is crucial to secure sufficient and stable long-term supply of nickel resources. We have established stable upstream supply channels in both Indonesia and Philippines, the world's major exporters of nickel ore and ferronickel, and have gained deep industry insights, which form solid foundation for our sustainable development and business expansion. In the Philippines, the 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 nickel ore resources. According to the CIC Report, we exported the largest volumes of nickel ore from the Philippines globally in each of 2019, 2020 and 2021, with a market share of 28.2% in 2021.

In addition to securing a stable upstream supply of nickel ore resources, we are also one of the few trading companies in the industry with a dedicated in-house nickel ore inspection department. One of the core advantages of our nickel product trading business is our ability to analyze the grades, characteristics and associate metals of nickel ore from different countries and regions, which enables us to procure nickel ore for our customers that are most suitable for their business, thereby enhancing their production efficiency. The provision of these value-added services has also deepened our understanding of industry trends and customer demands, enabling us to form our differentiated knowledge base.

Production, manufacturing and sale of equipment

We have established our own production facilities in both China and Indonesia, serving as a linchpin between our upstream and downstream resources. Our professional capabilities in the manufacturing and sale of nickel product production equipment provide additional technical support to further improving our production processes and techniques.

Since our inception, we have placed a strong emphasis on the optimization of existing production processes and techniques, as well as the exploration of advanced technologies. We acquired Jiangsu Wisdom in 2017-2018 and Xi'an Pengyuan in 2018. Through operating these facilities, we accumulated practical experience in nickel product production as well as production equipment manufacturing, which further enabled us to achieve a number of R&D breakthroughs in subsequent nickel product production projects.

The production of nickel-cobalt compounds requires a lot of industry knowledge and experience, robust process optimization capabilities, techniques R&D capabilities, and the corresponding talent pool. As a result, only a few companies in the industry are capable of producing nickel-cobalt compounds. Phase I of the HPAL project has commenced operation in 2021. With well-established supporting facilities and stable nickel ore supply channels, the HPAL project is currently producing MHP, and will be capable of producing nickel-cobalt compounds including nickel sulfate and cobalt sulfate in the future. We have improved and upgraded the production processes, techniques and production equipment for nickel hydrometallurgy using the third-generation HPAL process, enabling the HPAL project to achieve a number of "industry first" in terms of construction time, cash cost, average investment cost per metal ton of nickel and ramp-up time while significantly reducing its energy consumption and production costs.

Through the construction of nickel production projects, we have formed deep collaboration with various leading institutions in the industry. For example, we cooperated extensively with various reputable engineering design institutions in China, including China ENFI Engineering Corporation ("**ENFI**," formerly China Nonferrous Engineering and Research Institute), during the design and production process of the Obi projects' production lines, gaining valuable experiences for both parties and laying a solid foundation for future cooperation.

Downstream expansion across the nickel industry value chain

We have formed long-term strategic cooperation with many of our customers, including leading domestic ternary battery material manufacturers and large-scale steel companies. This enables us to benefit from the strong growth in the downstream sectors and further assists us in expanding our business downstream across the industry value chain through strategic collaboration.

Our nickel-cobalt compound products are widely used as core raw materials for NEV ternary battery. With the two production lines under phase I having reached full production capacity, the HPAL project has gained us first-mover advantages among Chinese companies developing nickel hydrometallurgy projects in Indonesia. Meanwhile, the rapid growth in the NEV industry, the end market for the HPAL project, has led to a strong demand in and a scarcity of nickel-cobalt compounds produced by the HPAL project. As such, we have entered into long-term offtake agreements with industry-leading ternary battery material manufacturers including GEM China.

Our nickel ore and ferronickel products are mainly used in end markets including the stainless steel industry. As the largest nickel ore trading company in China and leveraging our ability in securing abundant nickel resources from Southeast Asia, as well as the stable supply chain and stringent quality control system we have established, we have formed close collaboration with large-scale steel companies, including Tsingshan Holdings, Zhenshi Group Eastern Special Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd. and POSCO Group, to supply nickel ore and ferronickel products.

We plan to further expand our business across the industry value chain to the fields of NEV batteries and stainless steel production. Building upon our long-term supply of nickel, we have formed strategic collaboration with Contemporary Amperex Technology Co., Limited with respect to CBL, which will be focused on a variety of projects across the NEV industry value chain, and MCC BERIS (a subsidiary of China Metallurgical Group Corporation), which will be providing feasibility study and engineering design related services to us for our stainless steel manufacturing project.

We Are Well-positioned to Significantly Benefit from the Rapid Growth of Demand in Various Downstream Sectors

According to the CIC Report, the global annual consumption of nickel is expected to grow at a CAGR of 10.6% from 2021 to 2026. As the world's largest consumer of nickel, China's annual nickel consumption is expected to grow at a CAGR of 11.2% from 2021 to 2026, accounting for 51.3% of the global consumption of nickel in 2026. Our nickel products are mainly used in the NEV industry and the stainless steel industry, which have experienced rapid growth due to the combined effects of multiple favorable drivers. We expect to continue to benefit from the exponential growth in demand in these end markets.

NEV market

The NEV market, especially the high-content ternary market, is expected to experience rapid growth in the next few years:

- Many countries around the world have set out goals for vehicle electrification. China has set goals for its vehicle electrification rate to reach 20% in 2025, and many European countries have set long-term targets to electrify all vehicles in the next 10 to 20 years. The penetration rate of new NEV sales was only 15.2% in 2021, and is expected to reach 39.8% in 2026. Favorable government policies, the development of battery technologies and smart vehicle technologies, and the increase in consumer awareness and acceptance of NEVs are all favorable drivers for the NEV industry. From 2021 to 2026, the market size of China's NEV industry as measured by sales volume is expected to grow at a CAGR of 25.1%.

- The rapid growth of the NEV industry has led to the fast development of the ternary battery market. Compared with other types of new energy battery, ternary battery has higher energy density and enables longer actual driving distance, resulting in its wide application in recent years. Among all ternary batteries, high-nickel ternary battery has higher nickel content, and thus demonstrates the following two advantages: (i) its higher energy density effectively increases the actual driving distance of NEVs; and (ii) it effectively addresses the pain points including the scarcity and high price of other precious metal used in ternary battery, making it more cost effective compared to other types of ternary battery, and is expected to become the mainstream choice in the NEV industry. According to the CIC Report, the penetration of high-nickel ternary battery in China is expected to reach 54.0% in 2026. The increasing adoption of high-nickel ternary battery in turn is expected to further increase the demand for its raw materials, nickel sulfate and cobalt sulfate. From 2021 to 2026, the global demand for nickel sulfate from the NEV industry is expected to grow at a CAGR of 30.0%, reaching 1,403.3 thousand metal tons in 2026. As the world's major producer of ternary battery, China's demand for nickel sulfate and cobalt sulfate is expected to grow continuously.

We have accurately captured the growing market opportunities in the NEV industry by constructing the HPAL project on the Obi Island of Indonesia, which is designed to produce nickel-cobalt compounds including MHP (which can be used to produce nickel sulfate and cobalt sulfate), nickel sulfate and cobalt sulfate. After all production lines are put into operation, the HPAL project will have an aggregate designed production capacity of 120,000 metal tons of nickel-cobalt compounds (including 14,250 metal tons of cobalt) per annum, enabling us to become an important supplier of raw materials for the NEV industry.

Stainless steel market

With the expanding applications of stainless steel, the demand for stainless steel and ferronickel (the raw materials for the production of stainless steel) is expected to continue to grow:

- Traditionally, the stainless steel industry is the main consumer of nickel. China is the world's largest producer and consumer of stainless steel. With the development of China's economy and the steel industry, the stainless steel industry achieved rapid development. Stainless steel has a wide range of downstream applications, including architecture, machinery, the manufacturing of daily necessities, home appliances, intelligent manufacturing and railways transportation system. With the continuous economic development in China and the increase of people's standard of living, stainless steel also finds various new applications beyond its traditional realm. The construction of China's 5G infrastructure and the storage and transportation of clean energy including liquid hydrogen and natural gas both require material innovation, which is expected to serve as additional growth drivers of China's stainless steel industry.

- As a result, the size of China's stainless steel market in terms of production volume is expected to increase from 30.6 million tons in 2021 to 35.3 million tons in 2026, representing a CAGR of 2.9% during the same period.

We have captured the market opportunities brought by the continuous growth of the stainless steel industry, and are continuously strengthening our market position in stainless steel production. Our Jiangsu Facilities have a designed production capacity of 18,000 metal tons of ferronickel per annum. We are also constructing the RKEF project on the Obi Island, Indonesia, and have entered into a design service agreement with MCC BERIS (a subsidiary of China Metallurgical Group Corporation) in relation to a stainless steel manufacturing project with an aggregate designed production capacity of three million tons of stainless steel per annum. Pursuant to the design service agreement, MCC BERIS will provide feasibility study and engineering design related services to us for our stainless steel manufacturing project.

Through Breakthroughs in Key Processes and Techniques, We Have Achieved First-mover Advantages and Developed the Lowest Cash Cost Nickel-cobalt Compound Production Project Worldwide

Our technological innovation and industry experience not only enable us to have a product portfolio with different production paths, but also allow us to achieve first-mover advantages in operational efficiency and profitability. According to the CIC Report, our HPAL project has the lowest cash cost among all nickel-cobalt production projects worldwide.

Hydrometallurgy

We led the industry in learning and mastering one of the most advanced nickel hydrometallurgy processes and techniques in the industry. We have also accumulated extensive experience in the design, construction, management and operation of nickel hydrometallurgy projects. Compared with other previous nickel hydrometallurgy projects which failed to commence production or experienced excessively long ramp-up time, each of the two production lines under phase I of the HPAL project had successfully reached full production capacity within two months after commencement of operation in 2021, breaking multiple records in the industry, including the shortest construction time for a greenfield project, the lowest cash cost, the lowest investment cost per metal tons of nickel, and the shortest ramp-up time.

The HPAL project employs the third-generation HPAL process, which is the mainstream nickel hydrometallurgy technique and the most cutting-edge process used to process low- to medium-grade laterite nickel ore. The HPAL process is technically demanding and involves a complicated production process that needs to be carried out under a high-temperature and high-pressure environment using concentrated sulfuric acid. This process imposes high technical and operational requirements on the producer and has low fault tolerance. If the producer's technical or operational capabilities are not up to standards, various problems will occur, including excessive energy consumption, failure to achieve full production capacity and damages to equipment. With industry-leading technological capabilities and technical personnel with extensive experience in the HPAL process, we believe we are able to execute every step across the production process in a precise manner and ensure the smooth operation of the production lines. The HPAL project has implemented various enhancements and upgrades to the production process, techniques and production equipment of the third-generation HPAL process, including the optimization and adjustment of the beneficiation process, utilization of residual acid and recycling of steam produced during the production process. These enhancements and upgrades have further improved the HPAL project's production capacity while reducing its energy consumption and cost of production.

Pyrometallurgy

We have mastered the mature nickel pyrometallurgy techniques and processes, and accumulated corresponding experiences in the design, construction, management and operation of nickel pyrometallurgy projects. As of the Latest Practicable Date, we own/have invested in nickel pyrometallurgy projects both in China and overseas.

Since 2017, the ferronickel production lines of our Jiangsu Facilities have continuously innovated on top of the conventional RKEF process to reinforce our project operation and management experience and reduce production cost and energy consumption. Through technical upgrades including the improvement of recovery rate and comprehensive use of thermal energy, our Jiangsu Facilities have achieved high production volume, and achieved breakthroughs in various production indicators, including a higher-than-industry-average capacity utilization rate in both 2020 and 2021.

We have applied the valuable experience we have accumulated from our Jiangsu Facilities in relation to technical upgrades and project operation and management to our RKEF Project. In addition, we have made further technological innovations and upgrades to our Jiangsu Facilities' RKEF process and production equipment by taking into consideration the characteristics of laterite nickel ore and other raw materials in Indonesia, further improving the utilization of thermal energy and reducing the repair and maintenance expenses for machine and equipment, which in turn reduces the energy consumption and production costs of the entire production process. Our RKEF project is also capable of producing nickel matte. Nickel matte can be used to produce nickel sulfate, which allows us to have a broader range of downstream customers. Once the RKEF project's production lines commence operation, we plan to flexibly adjust the allocation of production capacities between ferronickel and nickel matte produced by the RKEF project, in response to the evolving customer demand and profitability of these products, among other factors.

Continuous technique improvements and R&D

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

- As of June 30, 2022, our R&D and technical team consisted of 276 employees. Many of our core R&D and technical personnel have worked in well-known enterprises in our industry and have rich industry experience. Our R&D and technical personnel's key objectives include improving production efficiency, upgrading and improving processes and techniques, and reducing energy consumption. Our R&D and technical team is primarily based in Shanghai and Xi'an, and travels to the Obi Island from time to time to conduct R&D activities to further support the technical improvement and stable operation of our HPAL and RKEF projects. As of the Latest Practicable Date, we had registered 44 patents in China (including 39 utility patents and five invention patents), the majority of which are related to nickel products production equipment, and had four invention patents under application, one of which is on the processing of laterite nickel ore using the HPAL process.

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

We Maintain a Long-Term, Stable Supply of Core Upstream Resources

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

Indonesia. In 2021, Indonesia's nickel ore reserve is approximately 21.0 million metal tons, accounting for approximately 20.0% of the global total reserve; Indonesia is the world's largest nickel resource country. We have formed stable and in-depth cooperation with our local partner in Indonesia by jointly investing in our HPAL and RKEF projects on the Obi Island. The two production lines under phase I of HPAL project have reached full production, with raw materials required for its production mainly from our Indonesian Partner's mines. In addition, being the first successful model in Indonesia that integrated advanced nickel smelting process with local resources, our HPAL project has created an exceptional demonstration effect, laying a solid foundation for our further business expansion in Indonesia.

The Philippines. The Philippine's nickel ore reserve is approximately 4.8 million metal tons, accounting for approximately 4.6% of the global total reserve; the Philippines is the world's second largest nickel resource country. We have established long-term relationship of over ten years with leading miners in the Philippines, including Nickel Asia Corporation and CTP Construction and Mining Corp. Attributable to our stable, long-term relationships with the Filipino nickel mining companies and our large purchase volume, we have generally been able to procure laterite nickel ore from them at a discount of the prevailing market prices.

We Have Formed Long-term Cooperation with a High-quality Customer Base

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

Stainless steel industry. As the largest trading company of nickel ore in China, we are resourceful in securing nickel resources from Southeast Asia, and have maintained stable supply chain and competent quality control system. As a result, we have established long-term and stable relationships in supplying nickel ore and ferronickel to large and industry-leading companies including Tsingshan Holdings (a private company and a leading manufacturer of stainless steel and other steel-containing products. It is one of the world's largest nickel producers and was ranked in the top 20 in the list of "Top 500 Private Enterprises in China in 2021." In 2021, it had a total revenue of approximately US$42.4 billion and a net profit of approximately US$1.1 billion), Zhenshi Group Eastern Special Steel Co., Ltd. (an important subsidiary of a private company which is mainly engaged in the production and sales of new materials and chemical products, with business covering areas including hotel, financial investment and technology development. It is one of the top 500 private enterprises in China. Its total revenue was approximately RMB45.8 billion in 2021), Baosteel Desheng Stainless Steel Co., Ltd. (an important subsidiary of an unlisted SOE and a leading manufacturer of stainless steel and other steel-containing products. It is the world's largest steel maker, with annual capacity of over 100 million tons. In 2021, its total revenue was approximately RMB972.3 billion and its total profit was approximately RMB60.2 billion) and POSCO Group (a public company listed on the New York Stock Exchange, the London Stock Exchange and the Korea Exchange headquartered in Korea and a leading manufacturer of stainless steel and other steel-containing products. It is the sixth largest steel producer in the world and an industry leader in developing advanced customer solutions. In 2021, its total revenue was approximately US$63.3 billion and its net profit was approximately US$6.1 billion. It was ranked in the top 200 in the Fortune global 500 list of companies in 2021).

NEV industry. As the phase I of our HPAL project successfully achieved full production and the construction of addition HPAL production lines, we have entered into long-term cooperation agreements with GEM China, one of China's leading ternary battery materials manufacturers that is listed on the Shenzhen Stock Exchange. In 2021, its total revenue was approximately RMB19.3 billion and its net profit amounted to approximately RMB722.2 million. In addition, well-known domestic and overseas companies including Huayou Cobalt (a public company listed on the Shanghai Stock Exchange specialized in the R&D and manufacturing of cobalt materials and lithium battery materials. It was ranked on the Fortune China 500 list of companies in 2022. In 2021, its total revenue was approximately RMB35.3 billion and its net profit was approximately RMB3.9 billion) and Jinchuan Group Co., Ltd. (a Chinese SOE and one of its subsidiary is listed on the Stock Exchange and a leading nickel producer in terms of production capacity in Asia. It produces a wide range of metals, including nickel, copper, cobalt, platinum, palladium, gold, silver and selenium. In 2021, its total revenue was approximately RMB262.2 billion and its total profit was approximately RMB7.0 billion) are also our major customers.

Experienced Management Team and Comprehensive Talent Incentive Mechanism

Our management team has extensive experience and insights in the nickel industry, which have enabled us to anticipate and weather market volatility, capture market opportunities and execute business strategies effectively. These capabilities have in turn assisted us in becoming a leader in the industry and strategic planning for our future operations. Mr. Cai Jianyong, our Chairman of the Board and founder, is a successful entrepreneur with more than ten years of experience in the international commodity trade, and is primarily responsible for the business development and strategic planning of our Company. He has led the steady and rapid growth of our Company and, under his leadership, we have focused on various segments of the nickel industry value chain and have gained first-mover advantages in many strategic areas. Our Company's smelting team as led by Mr. Jiang Xinfang, our general manager, who has more than ten years of experience in the metal-related production industry. In particular, Mr. Jiang has worked in several large multinational companies in the metal-related production industry and is currently mainly responsible for the design, construction and operation of the Obi projects. Under his leadership, the project team has overcome a number of key process and technical challenges.

Through years of in-depth development in the nickel industry, we have established a team of highly capable employees, and are continuously attracting talents through incentive measures to expand our Company's talent pool. We have nearly 20 industry-leading smelting experts who have excellent command of nickel ore research and are able to continuously optimize our production processes through cost reduction and efficiency improvement. Our sales team has extensive expertise in understanding customers' needs and designing optimal solutions. We adhere to principles of valuing talents, passing on experience and thoroughly studying technology and techniques, and we have designed various incentive programs to attract and retain talents, and have further formulated a training program for future talent to support our sustainable development.

OUR GROWTH STRATEGIES

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

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

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

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

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

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

HPAL project. The HPAL project has a total of six nickel-cobalt compounds production lines planned, with an aggregate designed production capacity of 120,000 metal tons of nickel-cobalt compounds (including 14,250 metal tons of cobalt) per annum. As of the Latest Practicable Date, two nickel-cobalt compounds production lines under phase I of the HPAL project, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds (including 4,500 metal tons of cobalt) per annum, have been put into operation and are currently producing MHP. Another nickel-cobalt compounds production line under phase II of the project, with a designed production capacity of 18,000 metal tons of nickel-cobalt compounds (including 2,250 metal tons of cobalt) per annum, is expected to commence production in December 2022. The remaining three nickel-cobalt compounds production lines under phase III of the project, with an aggregate designed production capacity of 65,000 metal tons of nickel-cobalt compounds (including 7,500 metal tons of cobalt) per annum, are expected to commence production in the fourth quarter of 2023.

At the same time, we are adding machinery and equipment, including acid production equipment, such that all six production lines of the HPAL project will become capable of producing nickel sulfate and cobalt sulfate in the future. These nickel sulfate and cobalt sulfate production lines under phase I, II and III production lines are expected to commence production in December 2022, fourth quarter of 2023 and first quarter of 2024, respectively. Once the HPAL project's production lines and their corresponding nickel sulfate and cobalt sulfate production facilities are put into operation, we plan to flexibly adjust the allocation of production capacities among nickel-cobalt compounds in response to the demand from our customers and the relative profit margins of these products.

RKEF project. The RKEF project has a total of 20 ferronickel production lines planned, with an aggregate designed production capacity of 280,000 metal tons of ferronickel per annum. Among them, eight ferronickel production lines under phase I of the RKEF project, with an aggregate designed production capacity of 95,000 metal tons of ferronickel per annum, have commenced/are expected to commence production in the fourth quarter of 2022. These production lines are owned by HJF, a company incorporated in Indonesia in which we hold a 36.9% equity interest. Another 12 ferronickel production lines under phase II of the RKEF project, with an aggregate designed production capacity of 185,000 metal tons of ferronickel per annum, are expected to commence production in the third quarter of 2024.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

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

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

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

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

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

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

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

Creating a More Open and Robust Nickel Resource Ecosystem

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

We plan to construct in Indonesia a number of integrated downstream production base including the Obi Island. On the Obi Island, we plan to introduce projects for the production of other metals, and utilize their reaction intermediaries, such as sulfuric acid, steam, and coal gas, to the production of nickel-cobalt compounds and ferronickel, thereby maximizing resource utilization to achieve synergistic effects. Moreover, we intend to proceed with the construction of our planned 3,000,000-tons stainless steel project, and build up a new type of industrial park centered around nickel resources to attract more partners to join. The stainless steel project is operated by OSS (a joint venture in which we and our Indonesian Partner hold 65.0% and 35.0% equity interest, respectively), and is currently in the preliminary design and planning stage. This project will also be based on the Obi Island and will be focused on the production of stainless steel using ferronickel produced by the RKEF project, creating synergy with the RKEF project and enabling us to further expand across the industry value chain. We further plan to actively drive the construction of infrastructure including ports and airports on the Obi Island to integrate electricity, logistics, technology and resources in the same park. We aspire to continue improving our operational efficiency throughout the entire industry value chain on the Obi Island, and minimize operation and production costs.

We also plan to expand our business into the field of new energy battery materials. As part of our initiative, we have formed CBL, a joint venture with CATL, in which we currently hold a 30% equity interest. CBL will focus on a variety of projects across the NEV industry value chain, from nickel mine exploration, production of nickel products and NEV battery materials, to the manufacturing and recycling of NEV batteries. CATL is a global-leading new energy company with technological innovation, focusing on the R&D, production and sales of power battery system and energy storage for EVs. CATL is committed to providing first-tier solutions and services for the global application of new energy. According to SNE Research, the number of installation of power batteries produced by CATL ranked the first globally for five consecutive years since 2017. CATL is a public company listed on the Shenzhen Stock Exchange and the identity of its top ten largest shareholders can be found in its annual reports regularly published pursuant to the relevant listing requirements. Ningbo Meishan Bonded Port District Ruiting Investment Co. ("**Ningbo Ruiting Investment**"), a minority shareholder of CBL, was the largest shareholder of CATL as of December 31, 2021. Ningbo Ruiting Investment's registered capital is RMB90.9 million and its executive director and general manager is also the founder and chairman of the board of CATL. According to its interim report for the first half of 2022, for the six months ended June 30, 2022, CATL's revenue was RMB113.0 billion and its net profit attributable to its shareholders was RMB8.2 billion.

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

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

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

INDONESIAN GOVERNMENT'S EXPORT BAN ON LATERITE NICKEL ORE

Indonesia aims to encourage investments in the construction of local production facilities to produce refined goods that help create more jobs and improve the country's trade position. Specifically, Indonesia banned exports of nickel ore in both 2014 (which was temporarily relaxed in 2017) and 2019 (with the ban announced in August 2019 and took effect on January 1, 2020) as it seeks to preserve Indonesia's nickel ore resource and develop a full nickel supply chain. According to Imran Muntaz & Co., our Indonesian legal advisor, based on Ministry of Energy and Mineral Resources Regulation No. 25 Year 2018 on Mineral and Coal Mining Business, as amended by Ministry of Energy and Mineral Resources Regulation No. 11 Year 2019 and Ministry of Energy and Mineral Resources Regulation No. 17 Year 2020, (i) the export ban is limited to nickel ore and does not apply to downstream products produced from nickel ore, such as ferronickel and nickel-cobalt compounds. As such, we may freely export the nickel products produced by the Obi projects; and (ii) the export ban also does not restrict us from procuring nickel ore from local suppliers for purposes of producing downstream products in Indonesia. As advised by our Indonesian legal advisor, the export ban has not been lifted, relaxed, or expanded as of the Latest Practicable Date.

As advised by our Indonesian legal advisor, under relevant Indonesian laws and regulations, foreign investors (including us) are permitted to independently engage in all other businesses across the nickel product production value chain in Indonesia (in other words, foreign investors are not subject to any foreign investment and/or ownership control restrictions in Indonesia), except for the operation of nickel mines (for which the Indonesian government has provided detailed guidance on the maximum equity interest foreign investors can hold, which is 49%-95%, based upon the types and years of operations of the nickel mines). The following tables set forth the maximum equity interest foreign investors can hold in entities engaged in the operation of nickel mines in Indonesia, based upon the types and years of operations of the nickel mines:

Entities engaged in open-pit mining activities which are not equipped with facilities for the processing and/or refining of nickel ore:

Years of operations of nickel mine	Maximum equity interest foreign investor can hold in the operating entity of the nickel mine
10^{th} year	95%
11^{th} year	90%
12^{th} year	85%
13^{th} year	80%
14^{th} year	70%
15^{th} year	49%

Entities (i) engaged in open-pit mining activities which are also equipped with facilities for the processing and/or refining of nickel ore, or (ii) engaged in underground mining activities which are not equipped with facilities for the processing and/or refining of nickel ore:

Years of operations of nickel mine	Maximum equity interest foreign investor can hold in the operating entity of the nickel mine
15^{th} year	95%
16^{th} year	90%
17^{th} year	85%
18^{th} year	80%
19^{th} year	70%
20^{th} year	49%

Entities engaged in underground mining activities which are also equipped with facilities for the processing and/or refining of nickel ore:

Years of operations of nickel mine	Maximum equity interest foreign investor can hold in the operating entity of the nickel mine
20th year	95%
21st year	90%
22nd year	85%
23rd year	80%
24th year	70%
25th year	49%

Given that foreign investors holding more than 49% equity interest in entities engaged in the operation of nickel mines in Indonesia are required by Indonesian laws to gradually divest their equity interest in such entities as outlined above, as advised by our Indonesian legal advisor, in practice, foreign investors typically hold no more than 49% of equity interest in entities engaged in the operation of nickel mines in Indonesia.

Our business operations, financial performance and results of operations in 2020 were adversely affected by the export ban. In 2019, in terms of volume, 34.8% of nickel ore for our trading business and 55.5% of nickel ore for our ferronickel production were procured from Indonesia. As a result of the export ban, we could no longer procure nickel ore from Indonesia, and had to increase our procurement of nickel ore from the Philippines, New Caledonia and other countries and regions. As it took us some time to secure a significantly higher volume of nickel ore from these other countries and regions, our business operations and financial performances for both trading and production businesses were negatively affected. In particular:

- ***Nickel product trading***: the sales volume of nickel ore for our trading business decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020, and revenue generated from our trading business decreased by 23.0% from RMB6,498.3 million in 2019 to RMB5,005.5 million in 2020.

- ***Ferronickel production***: the Indonesian export ban has also affected our ferronickel production business's revenue in 2021. Prior to 2020, we primarily procured nickel ore from Indonesia for our Jiangsu Facilities' ferronickel production. Because of the export ban, we have been procuring nickel ore for our Jiangsu Facilities' ferronickel production from the Philippines, New Caledonia and other countries and regions since 2020. We increased the portion of nickel ore procured from the Philippines (in 2021, 61.5% of nickel ore used in our ferronickel production was from the Philippines, compared to 34.5% in 2020). This shift was primarily driven by cost considerations, as the procurement price of nickel ore from the Philippines is significantly lower than that from New Caledonia, another major country from where we source nickel ore for our ferronickel production. For example, in 2021, the procurement price of nickel ore with nickel content between 1.6% and 1.9% from New Caledonia fluctuated between US$69.0 and US$115.0 per metric ton, while the procurement price of nickel ore with nickel content between 1.3% and 1.5% from the Philippines fluctuated between US$37.0 and US$62.8 per metric ton. Aside from difference in nickel content, the significant difference in procurement costs were primarily due to the following factors: (i) the Philippines is geographically located much closer to China compared to New Caledonia, and as such the shipping costs associated with transporting nickel ore from the Philippines are considerably lower than that for New Caledonia, (ii) as the world's largest exporter of nickel ore, the Philippines has a larger nickel ore production volume than that of New Caledonia, and (iii) as we have established long-term and stable relationship with nickel ore suppliers in the Philippines for our trading business, we are able to secure large volume of nickel ore from the Philippines at more competitive prices. Nickel ore from the Philippines is of relatively lower grade, and accordingly, the average nickel content of the nickel ore used in our ferronickel production decreased from 1.65% in 2020 to 1.54% in 2021. Partially as a result of the use of lower grade nickel ore in our ferronickel production, our ferronickel production output in terms of metal tons (i.e. the total volume of nickel contained in the ferronickel we produced) decreased by 19.8% from 17,983 metal tons in 2020 to 14,425 metal tons in 2021, leading to a 6.3% decrease in our ferronickel production revenue in 2021.

Both our trading and production businesses have recovered from the negative impact of the export ban since 2021:

- ***Nickel product trading***: the sales volume of nickel ore for our trading business increased by 9.2% from 10,677,613 metric tons in 2020 to 11,655,645 metric tons in 2021, as (i) we managed to procure a higher volume of nickel ore for our trading business from the Philippines in 2021 at a generally lower price than that from Indonesia prior to the export ban (in 2021, we purchased 11.5 million metric tons of nickel ore, or 98.4% of total nickel ore we procured for our trading business for the same period, from the Philippines, compared to 10.2 million, or 95.3% of total nickel ore we procured for our trading business for the same period, in 2020), and (ii) there was increased customer demand, due to the steady growth of the stainless steel industry. Our ferronickel trading business was not affected by the export ban and experienced an increase in sales volume from 2020 to 2021 as well. In addition, as phase I of the HPAL project commenced production in May 2021, we also generated revenue from the trading of nickel-cobalt compounds produced by the HPAL project between May and November 2021 (until HPL became one of our consolidated subsidiaries). As a result, revenue generated from our trading business increased by 75.2% from RMB5,005.5 million in 2020 to RMB8,771.1 million in 2021.

- ***Nickel product production***: despite the fact that our ferronickel production business was adversely affected by the export ban in 2021 as discussed above, revenue generated from our overall nickel production business increased by 49.1% from RMB1,642.0 million in 2020 to RMB2,448.5 million in 2021. The increase was primarily because we began to generate revenue from the sales of self-produced nickel-cobalt compounds produced by our Obi projects (which directly source nickel ore in Indonesia from our Indonesian Partner and therefore are not affected by the export ban) since November 30, 2021. Once the Obi projects achieve full scale operation, it is estimated that more than 95% of our nickel product production revenue will be generated from the Obi projects, and as such the impact of the export ban on our production business is expected to be minimal.

See "Financial Information — Effects of Indonesian Government's Export Ban on Our Financial Condition and Results of Operations" for more details.

COLLABORATION WITH OUR INDONESIAN PARTNER

We commenced business cooperation with our Indonesian Partner in 2010 for our nickel ore trading business. Our relationship remained close and amicable over the years and became further deepened when we decided in 2018 to jointly invest in nickel product production projects on the Obi Island, Indonesia. For more detail of the history of our collaboration, see "History, Development and Corporate Structure — Strategic Acquisitions — Formation and Increase in Shareholding of HPL."

Our Indonesian Partner is an Indonesian business conglomerate with a history of over 100 years. It is controlled by the Lim family, one of most renowned families in Indonesia that has also been recognized by the Forbes for many years. Moreover, family members of the Lim family actively participate in its daily operation and management. It currently has over 40,000 employees. It is mainly engaged in Indonesia's natural resources sector, with its business covering nickel mining, ferronickel smelters, bauxite mining, alumina refineries, palm oil plantations, timber and coal. For example, it owns over 60% equity interest in PT Cita Mineral Investindo Tbk, an Indonesia-listed company engaged the mining of bauxite, a type of mineral that has relatively high aluminum content, and alumina refinery businesses. Glencore, one of the world's largest globally diversified natural resource companies, also owns over 30% equity interest in PT Cita Mineral Investindo Tbk. It also collaborated with China Hongqiao Group for a smelter-grade alumina production project in Indonesia. China Hongqiao Group (1378.HK), a company listed on the Stock Exchange, is a large-scale aluminum manufacturer with an annual production capacity of more than six million tons of electrolytic aluminum; it is specialized in thermoelectric power generation, mining and the production of aluminum products. This project has an aggregated designed production capacity of two million metric tons of smelter-grade alumina and the two phases of the project commenced production in May 2016 and late 2021, respectively. Our Indonesian Partner further expanded its business to nickel product production following Indonesian government's first export ban on nickel ore in 2014. For example, it collaborated with Xinxing Qiyun Investment Holdings Pte Ltd in 2015 for a ferronickel production project in Indonesia. Xinxing Qiyun Investment Holdings Pte Ltd is a subsidiary of Xinxing Ductile Iron Pipe Co., Ltd., which is a public company listed on Shenzhen Stock Exchange and a leading manufacturer of ductile iron pipes, pipe casting and steel and iron products. Xinxing Ductile Iron Pipe Co., Ltd. has an annual production capacity of approximately three million tons of ductile iron pipes. The project has a designed production capacity of 190 thousand metric tons of ferronickel and the production lines commenced production in the second half of 2016. Our Indonesian Partner is also involved in the agriculture and shipping industries. We primarily collaborate with PT Trimegah Bangun Persada ("**TBP**"), a principal entity of our Indonesian Partner that is primarily engaged in mining and production of nickel products, for the operation of the Obi projects. In 2021, TBP recorded revenue of over IDR1,280 billion (equivalent to approximately HK$689 million, based on the Indonesian rupiah: HK dollars exchange rate on May 31, 2022). Our Indonesian Partner has mainly financed, and expects to continue to finance, its investment in the Obi projects using cash generated from its operation.

We have jointly formed six entities with our Indonesian Partner for our business operations on the Obi Island, including HPL, HJF, ONC, KPS, DCM and OSS. The table below sets forth details on the equity shareholding and investment amounts of these entities:

	Shareholders	HPL(1)	HJF	ONC	KPS	DCM(6)	OSS(6)
Shareholding	Our Group	54.9%	36.9%	60.0%	65.0%	60.0%	65.0%
	Indonesian Partner(2)	45.1%	63.1%	40.0%	35.0%	40.0%	35.0%
Business description		Operation of phases I and II of the HPAL project	Operation of phase I of the RKEF project	Operation of phase III of the HPAL project	Operation of phase II of the RKEF project	Operation of Industrial parks and other supporting facilities	Operation of a planned stainless steel project
Total shareholders' investment amounts(3)		US$350 million	US$251.4 million	US$420 million	US$399 million	US$252.5 thousand	US$297.5 million
Investment amount incurred(7)	Our Group	US$192.1 million	US$92.8 million	US$100 million	—	US$106.8 thousand	—
	Indonesian Partner	US$157.9 million	US$158.6 million	US$30.5 million	US$19.9 million	US$71.2 thousand	—
Investment amount expected to be incurred(7)	Our Group	—	—	US$152 million(4)	US$259.4 million(4)	US$44.7 thousand	US$193.4 million
	Indonesian Partner	—	—	US$137.5 million(5)	US$119.8 million(5)	US$29.8 thousand	US$104.1 million

Notes:

(1) In November 2021, we acquired an additional 18.0% equity interest in HPL through our acquisition of all of the issued shares in Kang Xuan Pte. Ltd. from Feng Yi, and have since November 30, 2021 consolidated HPL's financial results into our financial statements. Accordingly, numbers attributed to our Group for HPL in this table included the respective contribution by Feng Yi.

(2) Our Indonesian Partner holds 45.1%, 63.1%, 10.0%, 35.0%, 40.0% and 35.0% shareholding interest in HPL, HJF, ONC, KPS, DCM and OSS, respectively, through PT Trimegah Bangun Persada. The remaining 30.0% shareholding interest in ONC is held by Li Yuen Pte. Ltd., the ultimate beneficial owner of which is a family member of the ultimate beneficial owners of our Indonesian Partner.

(3) Refers to the authorized capital of each entity.

(4) We obtained the relevant approvals from the relevant PRC authorities in August 2022, and investment amounts expected to be incurred are expected to be paid between October 2022 and October 2023, subject to further changes. Under the shareholders agreement and the Indonesian law, there is no timeline requirement for us to complete the investment contribution.

(5) Expected to be paid between October 2022 and October 2023.

(6) As the projects to be operated by DCM and OSS are still under preliminary stage, the percentage of shareholding and total investment amount reflect our agreement with our Indonesian Partner as of the Latest Practicable Date and are subject to further changes. The timeline of future investment by us and our Indonesian Partner remains uncertain. Under the shareholders agreement and according to the Indonesian law, there is no timeline requirement for us to complete the investment contribution.

(7) As of the Latest Practicable Date.

The table below sets forth details on the boards of director and senior managements of these entities:

Entity	Board Composition	Quorum	Senior Management
HPL	Board consists of seven members, including one president director, one vice president director(1) and five directors, among which we may appoint four directors, including the vice president director and three other directors, and the Indonesian Partner may appoint the remaining board members. Such appointment is not subject to any board approval process but is subject to the approval of HPL's shareholders.	More than 50% of the members of the board of directors	Senior management team of HPL includes general manager, deputy general manager and chief financial officer, all of which are nominated by the board of directors (upon the passing of resolutions as approved by more than 50% of the members of the board of directors).

Entity	Board Composition	Quorum	Senior Management
HJF	Board consists of five members, including one president director, one vice president director and three other directors, among which we may appoint two directors, including the vice president director and one other director, and the Indonesian Partner may appoint the remaining board members. Such appointment is not subject to any board approval process but is subject to the approval of HJF's shareholders.	More than 50% of the members of board of directors	Senior management team of HJF includes general manager, deputy general manager and chief financial officer, among which we can appoint the general manager and our Indonesian Partner can appoint the other senior management members. Such appointment is not subject to any board approval process.
ONC	Board consists of five members, including one president director, one vice president director and three other directors, among which we may appoint three directors, including the president director and two other directors, and the Indonesian Partner may appoint the remaining board members. Such appointment is not subject to any board approval process but is subject to the approval of ONC's shareholders.	More than 75% of the members of board of directors	Senior management team of ONC includes general manager, deputy general manager and chief financial officer, all of which are nominated by the board of directors (upon the passing of resolutions as approved by more than 60% of the members of the board of directors).

Entity	Board Composition	Quorum	Senior Management
KPS	Board consists of five members, including one president director, one vice president director and three other directors, among which we may appoint three directors, including the president director and two other directors, and the Indonesian Partner may appoint the remaining board members. Such appointment is not subject to any board approval process but is subject to the approval of KPS' shareholders.	More than 75% of the members of board of directors	Senior management team of KPS includes general manager, deputy general manager and chief financial officer, all of which are nominated by the board of directors (upon the passing of resolutions as approved by more than 60% of the members of the board of directors).
DCM	Board consists of five members, including one president director, one vice president director and three other directors, among which we may appoint three directors, including the president director and two other directors, and the Indonesian Partner may appoint the remaining board members. Such appointment is not subject to any board approval process but is subject to the approval of DCM's shareholders.	More than 75% of the members of board of directors	Senior management team of DCM includes general manager, deputy general manager and chief financial officer, all of which are nominated by the board of directors (upon the passing of resolutions as approved by more than 60% of the members of the board of directors).

Entity	Board Composition	Quorum	Senior Management
OSS	Board consists of five members, including one president director, one vice president director and three other directors, among which we may appoint three directors, including the president director and two other directors, and the Indonesian Partner may appoint the remaining board members. Such appointment is not subject to any board approval process but is subject to the approval of OSS' shareholders.	More than 75% of the members of board of directors	Senior management team of OSS includes general manager, deputy general manager and chief financial officer, all of which are nominated by the board of directors (upon the passing of resolutions as approved by more than 60% of the members of the board of directors).

Note:

(1) Under Indonesian laws, a director has the roles and responsibilities that are ordinarily associated with a director of the board, such as attending board meetings and voting on matters presented to the board. As advised by our Indonesian legal advisor, Imran Muntaz & Co., Indonesian laws do not stipulate the respective roles and responsibilities of president directors, vice president directors and other directors, and leave it to the company to determine the scope of these directors' roles and responsibilities. As permitted under the relevant Indonesian laws and regulations, and according to the articles of associations of each of HPL, HJF, ONC, KPS, DCM and OSS, a president director has the power to represent the company, and may also summon and lead board meetings. A president director, in his or her absence, may also authorize another director to represent the company or summon or lead board meetings. Except for the foregoing, there is no difference in terms of voting rights and other roles and responsibilities between president directors and other directors. There is no difference in terms of voting rights and other roles and responsibilities between vice president directors and other directors.

For and only for HJF, as further stipulated in its articles of associations and as permitted by the relevant Indonesian laws and regulations, its president director (which is nominated by our Indonesian Partner) must be accompanied by an additional director to act on behalf of HJF. This arrangement is meant to ensure that we, as the minority shareholder of HJF, can have a representative present when the president director is acting on behalf of HJF.

In June 2022, we entered into a guaranteed supply framework agreement with our Indonesian Partner, pursuant to which our Indonesian Partner has agreed to supply to each of the four project companies of the Obi projects (i.e., HPL, HJF, ONC and KPS), such quantity and quality of nickel ore that meets the specifications required by their respective nickel production activities, either from such nickel mines our Indonesian Partner or its affiliates own or hold an equity interest in, or through alternative means as separately agreed by our Indonesian Partner and us, for at least 20 years starting from January 1, 2021. The 20-year guaranteed supply period starts from January 1, 2021 as phase I of the HPAL project commenced production in May 2021, and our Indonesian Partner has been supply nickel ore to phase I of the HPAL project since then. Our Indonesian Partner further undertakes that, except for supplying a portion of nickel ore (subject to an annual cap) to Xinxing Qiyun Investment Holdings Pte Ltd's ferronickel production project in Indonesia (the "**Xinxing**

project"), it has been, and will continue to, supplying nickel ore produced by its nickel mines exclusively to us. The price of the nickel ore supplied will be based on the guidance price issued by the Ministry of Energy and Mineral Resources of the Indonesian government. As advised by our Indonesian legal advisor, Imran Muntaz & Co., the guaranteed supply framework agreement is in full force, valid, binding and enforceable.

The Obi Island and its proximate areas have abundant nickel resources. Our Indonesian Partner currently owns seven nickel mines on the Obi Island and Wawonii Island (collectively, the "**Obi and Wawonii Mines**"), including (i) five mines on the Obi Islands, including mine operated by TBP (the "**TBP mine**"), mine operated by PT Gane Permai Sentosa (the "**GPS mine**"), mine operated by PT Gane Tambang Sentosa (the "**GTS mine**"), mine operated by PT Jikodolong Megah Pertiwi (the "**JMP mine**"), and mine operated by PT Obi Anugerah Mineral (the "**OAM mine**"), among which, the TBP mine and the GPS mine have started mining in 2011 and 2008, respectively, and the remaining three mines have conducted certain exploration activities and will continue to undergo exploration, but have not started mining as of the Latest Practicable Date, and (ii) two mines operated by PT Gema Kreasi Perdana (the "**GKP mines**") on the adjacent Wawonii Islands, one of which started mining in late August 2022.

Taking into consideration the guaranteed supply framework agreement and the mineral resource and reserves of the nickel mines owned by our Indonesian Partner, we believe that our Indonesian Partner will be able to supply nickel ore of adequate grade and quantity to us for at least ten years. We have not yet discussed with our Indonesian Partner as to the detailed terms of its supply of nickel ore to the Obi projects through alternative means, including the quantity, quality and pricing of such supply. However, once the Obi and Wawonii Mines could no longer supply nickel ore to the Obi projects, it is expected that our Indonesian Partner shall be able to secure sufficient quantity of nickel ore with the appropriate quality from third-party nickel ore suppliers in Indonesia and continue to ensure the uninterrupted supply of nickel ore to the Obi projects within the 20-year guaranteed supply period, for the following reasons: (i) in addition to the Obi and Wawonii Mines, our Indonesian Partner also intends to acquire additional nickel mines on the Obi Islands or adjacent areas to further increase its self-owned nickel ore resources and reserves, (ii) our Indonesian Partner has established long-term relationship with, and has been procuring nickel ore from, multiple large-scale nickel ore suppliers in Indonesia. These long-term, established relationship enables our Indonesian Partner to supplement its own nickel mines' nickel ore supply with those from third-party sources, further reinforcing our Indonesian Partner's ability to provide uninterrupted supply of nickel ore to the Obi projects, and (iii) Indonesia holds the world's largest nickel ore reserves. Indonesia's nickel ore production volume increased at a CAGR of 41.8% from 2016 to 2021, and the Indonesian nickel ore market is expected to continue to be of sufficient supply in the foreseeable future. As such, we do not foresee any significant difficulty for our Indonesian Partner to acquire additional nickel mines or procure sufficient nickel ore resources in Indonesia to support the production of the Obi projects. We also plan to make potential minority investments in nickel mines in Indonesia, which we believe could further enhance the predictability and stability of nickel ore supply for our Obi projects. See "Future Plans and Use of Proceeds" for more details. According to CIC, the cooperation arrangements between us and the Indonesian Partner (where one partner is responsible for the operation of production facilities and the other is responsible for supplying nickel ore) are common among Chinese companies with nickel production projects in Indonesia.

As advised by our Indonesian legal advisor, Imran Muntaz & Co., of the seven Obi and Wawonii Mines owned by our Indonesian Partner, three of them, namely the TBP mine, the GPS mine and one of the GKP mines, are currently under operation (collectively, the "**Operating Mines**"), while the remaining four mines, namely the GTS mine, the JMP mine, the OAM mine and the other GKP mine, have not commenced operation (collectively, the "**Non-Operating Mines**"). As advised by Imran Muntaz & Co.:

- each of the Operating Mines has obtained all material licenses and approvals required in order to engage in mining activities in Indonesia, including the business identification number (the "**NIB**"), the mining business license ("**IUP-OP**"), the forestry land permit (the "**IPPKH**") and the environmental licenses. As of the Latest Practicable Date, all of these licenses are valid and in full force and effect; and

- each of the Non-Operating Mines has obtained all material licenses and approvals required in order to be in compliance with the relevant Indonesian laws and regulations, including the NIB, IUP-OP and environmental licenses. As of the Latest Practicable Date, all of these licenses are valid and in full force and effect. In addition, the GKP mine which has not started mining has obtained the IPPKH. There is currently no law or regulation in Indonesia requiring mines that have not commenced operation to obtain IPPKHs.

Based on the above, as advised by our Indonesian legal advisor, Imran Muntaz & Co., our Indonesian Partner's mining activities and operations with respect to these seven mines and its supply of nickel ore to us during the Track Record Period and up to the Latest Practicable Date are in material compliance with the relevant Indonesian laws and regulations.

Prior to Indonesia's export ban that became effective on January 1, 2020, we regularly procured laterite nickel ore on the Obi Island from our Indonesian Partner for our nickel product trading business. We typically obtained inspection reports from third-party inspection agents regarding the quality, grade and other specifications (including nickel content) of each batch of laterite nickel ore we procured from our Indonesian Partner, which enabled us to became familiar with the quality, grade and other specifications of our Indonesian Partner's nickel ore reserve on the Obi Island. Before we began deep collaboration with our Indonesian Partner on the Obi projects, in June and July 2018, Mr. Cai, Mr. Jiang and other management team members of our Company, together with responsible officers from our Indonesian Partner, conducted a comprehensive site visit on the Obi Island to gather information that facilitated us in determining the sites for our HPAL project and its ancillary facilities. In particular, we visited the potential site for the HPAL project, and obtained first-hand information on the transportation, sources of water, location for tailing storage and local sources of other raw materials, including limestone. During such site visits, we also had detailed discussions with our Indonesian Partner on the supply of nickel ore for the HPAL project. Our Indonesian Partner agreed to send us various samples from some of its nickel mines, which were subsequently send to our engineering design partner for analysis to determine the most suitable source of nickel ore for the HPAL project. During our collaboration with our Indonesian Partner, we regularly review and analyze technical reports prepared by certified professionals (all of whom are members of the Australasian Institute of Mining & Metallurgy and Competent Person Indonesia, as defined under Kode Cadangan Mineral Indonesia) of our Indonesian Partner in accordance with the JORC Code, detailing the resource, reserves, grade and other characteristics of the Obi and Wawonii Mines.

HPL

HPL is the project company of phases I and II of the HPAL project. Phase I of the HPAL project commenced the production of nickel-cobalt compound products in May 2021 and phase II of HPAL project is expected to commence operation in the December 2022. See "— Production of Nickel Products — Production of Nickel-Cobalt Compounds" and "— Production of Nickel Products — Production Expansion Plan and Product Pipeline" for more information.

For HPL, pursuant to the relevant shareholders agreement, as amended, with our Indonesian Partner, we are primarily responsible for the technical aspects of the project execution, including conducting feasibility study, engineering design, budget management, procurement of equipment, supervision and management to ensure proper and timely construction, and testing and commissioning. We are also responsible for the overall operation of the production facilities after the production lines are put into operation. Our Indonesian Partner is primarily responsible for securing third-party facilities such as ports, power plants and roads, securing loan facilities upon our mutual consent, applying for required licenses, consents and other necessary documents and the related communication with the relevant governmental authorities, and manage labors and employment issues.

Pursuant to the shareholders agreement, the Indonesian Partner will give priority to supplying suitable nickel ore to HPL. It is further agreed that we and the Indonesian Partner have the first priority to purchase the nickel-cobalt compound products produced by HPL. The shareholders agreement does not provide either party with any unusual and onerous terms or compensatory arrangements. In particular, the shareholders agreement does not stipulate that we will acquire or have the right to acquire a controlling stake in HPL. The shareholders agreement is in effect without a limit in time until (i) we agree in writing to terminate such agreement, (ii) any party transfers all shares to any third party or (iii) the winding up of HPL. As advised by our Indonesian legal advisor, Imran Muntaz & Co., HPL has obtained all the licenses, permits and approvals required for its business operations as of the Latest Practicable Date. For more details, see "— Certificates, Licenses, Permits and Approvals".

We have also entered into two separate long-term nickel ore supply agreements with our Indonesian partner in April 2021. Material terms of the two agreements are listed as below:

- *Minimum commitment*: pursuant to the two nickel ore supply agreements, two different entities of our Indonesian Partner have agreed to supply to HPL a minimum of 3,000,000 metric tons per annum and 5,000,000 metric tons per annum, respectively, of nickel ore of specified grades.

- *Pricing*: both agreements set forth a formula for calculating the price of nickel ore to be sold by the Indonesian Partner to HPL. During the Track Record Period and up to the Latest Practicable Date, HPL purchased laterite nickel ore from our Indonesian Partner at prices calculated pursuant to such formula. The formula makes reference to the mineral price benchmark periodically published by the Indonesian government and specifies the relevant price adjustment factor (which is mainly tied to the nickel content and moisture content of the ore) that is used in the calculation. The exact calculation formula as set forth in both agreements is as follows:

  Nickel ore purchase price = Mineral Benchmark Price × Nickel Content × (1-Moisture Content) × 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 us and our Indonesian Partner.
  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 us and our Indonesian Partner.
  4. "Correction Factor" is a fixed percentage that shall be adjusted upward/downward proportionately based on the percentage increment/decrement in Nickel Content over/below the benchmark nickel content as set forth in the agreements.
  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.

The above formula is the same as the minimum nickel ore procurement price calculation formula contained in the relevant Indonesian regulations. As such, the procurement prices calculated from the above formula are the minimum nickel ore procurement prices permitted by the relevant Indonesian regulations.

- *Payment*: HPL is required to pay within 14 days after the end of each month in which our Indonesian Partner issues an invoice for the supply of nickel ore.

- *Risk of loss*: our Indonesian Partner will bear the risk of loss or damage until the nickel ore is delivered.

- *Duration and termination*: each agreement may be terminated by mutual written agreement and will constitute a definitive agreement under the Mutual Supply Framework Agreement, which shall be effective upon Listing until December 31, 2024. For further details, please see "Connected Transactions — Non-Exempt Continuing Connected Transactions — 1. Mutual Supply Framework Agreement".

Our Indonesian Partner has obtained all the relevant mining licenses, permits and approvals for the supply of nickel ore. As advised by our Indonesian legal advisor, Imran Muntaz & Co., the shareholders agreement and nickel ore supply agreements between us and our Indonesia Partner for HPL are in full force, valid, binding and enforceable. This is because these agreements satisfy all the relevant requirements set forth in the Indonesian Civil Code for them to be in full force, valid, binding and enforceable, including (i) there is consent or agreement between the parties to the agreements (as evidenced by signatures of the parties to the agreements), (ii) the parties to the agreements must have the capacity to enter into such agreements (as advised by our Indonesian legal advisor, the authorized representative of each party to the agreements has the required capacity to enter into such agreements), (iii) there must be a specific subject matter and the agreements must contain specific rights and obligations of each party (as advised by our Indonesian legal advisor, the subject matter and the respective rights and obligations of each party are clearly specified in the agreements), and (iv) the purpose of the agreements must be lawful and permitted by Indonesian laws (as advised by our Indonesian legal advisor, the establishment of a joint venture company and the sale and purchase of nickel ore are permitted by Indonesian laws).

HJF

HJF is the project company of phase I of the RKEF project, of which the production lines have commenced/are expected to gradually commence operation between October and December 2022. See "— Production of Nickel Products — Production of Ferronickel" and "— Production of Nickel Products — Production Expansion Plan and Product Pipeline" for more information.

For HJF, we have similarly entered into a shareholders agreement, as amended, with our Indonesian Partner. The allocation of primary responsibilities between us and our Indonesian Partner is substantially similar to that under HPL's shareholders agreement as discussed above. It is agreed that our Indonesian Partner will give priority to supplying suitable nickel ore to HJF. The price of nickel ore will be calculated based on a specified formula which makes reference to the mineral price benchmark periodically published by the Indonesian government and specifies the relevant price adjustment factor (which is mainly tied to the nickel content and moisture content of the ore) that is used in the calculation. In addition, if the price of nickel ore calculated based on the formula is significantly different from the prevailing market price, we will re-discuss the price with our Indonesian Partner. It is further agreed that we and the Indonesian Partner have the first priority to purchase the products produced by HJF. The shareholders agreement does not provide either party with any unusual and onerous terms or compensatory arrangements. The shareholders agreement is in effect without a limit in time until (i) we agree in writing to terminate such agreement, (ii) any party transfers all shares to any third party or (iii) the winding up of HJF. As advised by our Indonesian legal advisor, Imran Muntaz & Co., the shareholders agreement between us and our Indonesia Partner for HJF is in full force, valid, binding and enforceable. This is because this agreement satisfies all the relevant requirements set forth in the Indonesian Civil Code for it to be in full force, valid, binding and enforceable, including (i) there is consent or agreement between the parties to the agreement (as evidenced by signatures of the parties to the agreement), (ii) the parties to the agreement must have the capacity to enter into such agreement (as advised by our Indonesian legal advisor, the authorized representative of each party to the agreement have the required capacity to enter into such agreement), (iii) there must be a specific subject matter and the agreement must contain specific rights and obligations for each party (as advised by our Indonesian legal advisor, the subject matter and the respective rights and obligations of each party are clearly specified in the agreement), and (iv) the purpose of the agreement must be lawful and permitted by Indonesian laws (as advised by our Indonesian legal advisor, the establishment of a joint venture company is permitted by Indonesian laws). As advised by our Indonesian legal advisor, Imran Muntaz & Co., HJF has obtained all the licenses, permits and approvals required for its business operations as of the Latest Practicable Date. For more details, see "— Certificates, Licenses, Permits and Approvals".

As of the Latest Practicable Date, one of the production lines of HJF has commenced production, and we entered into two separate long-term nickel ore supply agreements with our Indonesian Partner in September 2022, with the content substantially similar to those entered between us and our Indonesian Partner in relation to HPL, except that each of two different entities of our Indonesian Partner has agreed to supply to HJF a minimum of 3,000,000 metric tons per annum of nickel ore of specified grades. For more details, see "—HPL."

HJF expects to begin the sales of ferronickel in 2023. We have reached an oral agreement with HJF regarding its sales but have not entered into any definite written agreement as of the Latest Practicable Date. Based on our preliminary discussion, we are expected to sell ferronickel produced by HJF to customers in China. We are still in the process of determining various aspects of our cooperation, including the pricing arrangement under which the ferronickel will be sold to our customers. In making the determination, we will take into account various factors including market practice and commercial considerations. We are aware of the potential transfer pricing risks and, therefore, have formally engaged an independent consultant to perform a benchmarking study in accordance with OECD transfer pricing guidance. We are evaluating a few pricing arrangements and considering their corresponding transfer pricing implications by reference to the benchmarking study. We expect to adopt one of them as our final pricing arrangement. We expect to make such a decision close to the signing of our agreement with HJF and we will consult with our transfer pricing advisor before signing to ensure the arrangement will comply with the relevant rules. For more information on our transfer pricing, see "— Transfer Pricing Arrangement."

ONC

ONC is the project company of phase III of the HPAL project, of which the production lines are expected to commence operation in December 2023. See "— Production of Nickel Products — Production of Nickel-Cobalt Compounds" and "— Production of Nickel Products — Production Expansion Plan and Product Pipeline" for more information.

For ONC, we have similarly entered into a shareholders agreement, as amended, with our Indonesian Partner. The allocation of primary responsibilities between us and our Indonesian Partner is substantially similar to that under HPL's shareholders agreement as discussed above, except that we, instead of our Indonesian Partner, will be responsible for seeking and securing available loan facilities for ONC. It is agreed that our Indonesian Partner will give priority to supplying suitable nickel ore to ONC. The price of nickel ore will be based on the mineral price benchmark periodically published by the Indonesian government. We and our Indonesian Partner have the first priority to purchase the products produced by ONC. The shareholders agreement does not provide either party with any unusual and onerous terms or compensatory arrangements. The shareholders agreement will be in effect without a limit in time until (i) we agree in writing to terminate such agreement, (ii) any party transfers all shares to any third party or (iii) the winding up of ONC. As advised by our Indonesian legal advisor, Imran Muntaz & Co., the shareholders agreement between us and our Indonesia Partner for ONC is in full force, valid, binding and enforceable. This is because this agreement satisfies all the relevant requirements set forth in the Indonesian Civil Code for it to be in full force, valid, binding and enforceable, including (i) there is consent or agreement between the parties to the agreement (as evidenced by signatures of the parties to the agreement), (ii) the parties to the agreement must have the capacity to enter into such agreement (as advised by our Indonesian legal advisor, the authorized representative of each party to the agreement have the required capacity to enter into such agreement), (iii) there must be a specific subject matter and the agreement must contain specific rights and obligations for each party (as advised by our Indonesian legal advisor, the subject matter and the respective rights and obligations of each party are clearly specified in the agreement), and (iv) the purpose of the agreement must be lawful and permitted by Indonesian laws (as advised by our Indonesian legal advisor, the establishment of a joint venture company is permitted by Indonesian laws). As advised by our Indonesian legal advisor, Imran Muntaz & Co., ONC has obtained all the licenses, permits and approvals required for its business operations as of the Latest Practicable Date. For more details, see "— Certificates, Licenses, Permits and Approvals".

As ONC has not commenced production, other than the guaranteed supply framework agreement with our Indonesian Partner as described above, we have not entered into any definite agreement on supply of nickel ore with our Indonesian Partner or sales of products agreement with any customer as of the Latest Practicable Date.

KPS

KPS is the project company of phase II of the RKEF project, of which the production lines are expected to commence operation in July 2024. See "— Production of Nickel Products — Production of Ferronickel" and "— Production of Nickel Products — Production Expansion Plan and Product Pipeline" for more information.

For KPS, we have similarly entered into a shareholders agreement, as amended, with our Indonesian Partner. The allocation of primary responsibilities between us and our Indonesian Partner is substantially similar to that under HPL's shareholders agreement as discussed above, except that we, instead of our Indonesian Partner, will be responsible for seeking and securing available loan facilities for KPS. It is agreed that our Indonesian Partner will give priority to supplying suitable nickel ore to KPS. The price of nickel ore will be based on the mineral price benchmark periodically published by the Indonesian government. We and our Indonesian Partner have the first priority to purchase the products produced by KPS. The shareholders agreement does not provide either party with any unusual and onerous terms or compensatory arrangements. The shareholders agreement will be in effect without a limit in time until (i) we agree in writing to terminate such agreement, (ii) any party transfers all shares to any third party or (iii) the winding up of KPS. As advised by our

Indonesian legal advisor, Imran Muntaz & Co., the shareholders agreement between us and our Indonesia Partner for KPS is in full force, valid, binding and enforceable. This is because this agreement satisfies all the relevant requirements set forth in the Indonesian Civil Code for it to be in full force, valid, binding and enforceable, including (i) there is consent or agreement between the parties to the agreement (as evidenced by signatures of the parties to the agreement), (ii) the parties to the agreement must have the capacity to enter into such agreement (as advised by our Indonesian legal advisor, the authorized representative of each party to the agreement have the required capacity to enter into such agreement), (iii) there must be a specific subject matter and the agreement must contain specific rights and obligations for each party (as advised by our Indonesian legal advisor, the subject matter and the respective rights and obligations of each party are clearly specified in the agreement), and (iv) the purpose of the agreement must be lawful and permitted by Indonesian laws (as advised by our Indonesian legal advisor, the establishment of a joint venture company is permitted by Indonesian laws). As advised by our Indonesian legal advisor, Imran Muntaz & Co., KPS has obtained all the licenses, permits and approvals required for its business operations as of the Latest Practicable Date. For more details, see "— Certificates, Licenses, Permits and Approvals".

As KPS has not commenced production, other than the guaranteed supply framework agreement with our Indonesian Partner as described above, we have not entered into any definite agreement on supply of nickel ore with our Indonesian Partner or sales of products agreement with any customer as of the Latest Practicable Date.

DCM

DCM is our joint venture with our Indonesian Partner which will be engaged in the operation of industrial parks and other supporting facilities on the Obi Island.

For DCM, we have similarly entered into a shareholders agreement, as amended, with our Indonesian Partner. The allocation of primary responsibilities between us and our Indonesian Partner is substantially similar to that under HPL's shareholders agreement as discussed above, except that we, instead of our Indonesian Partner, will be responsible for seeking and securing available loan facilities for DCM. The shareholders agreement does not provide either party with any unusual and onerous terms or compensatory arrangements. The shareholders agreement will be in effect without a limit in time until (i) we agree in writing to terminate such agreement, (ii) any party transfers all shares to any third party or (iii) the winding up of DCM. As advised by our Indonesian legal advisor, Imran Muntaz & Co., the shareholders agreement between us and our Indonesia Partner for DCM is in full force, valid, binding and enforceable. This is because this agreement satisfies all the relevant requirements set forth in the Indonesian Civil Code for it to be in full force, valid, binding and enforceable, including (i) there is consent or agreement between the parties to the agreement (as evidenced by signatures of the parties to the agreement), (ii) the parties to the agreement must have the capacity to enter into such agreement (as advised by our Indonesian legal advisor, the authorized representative of each party to the agreement have the required capacity to enter into such agreement), (iii) there must be a specific subject matter and the agreement must contain specific rights and obligations for each party (as advised by our Indonesian legal advisor, the subject matter and the respective rights and obligations of each party are clearly specified in the agreement), and (iv) the purpose of the agreement must be lawful and permitted by Indonesian laws (as advised by our Indonesian legal advisor, the establishment of a joint venture company is permitted by Indonesian laws). As advised by our Indonesian legal advisor, Imran Muntaz & Co., DCM has obtained all the licenses, permits and approvals required for its business operations as of the Latest Practicable Date. For more details, see "— Certificates, Licenses, Permits and Approvals".

OSS

OSS is the project company of our stainless steel project, which is in the preliminary design and planning stage as of the Latest Practicable Date. The timeline for our stainless steel project's commencement of construction and production remains uncertain.

For OSS, we have similarly entered into a shareholders agreement, as amended, with our Indonesian Partner. The allocation of primary responsibilities between us and our Indonesian Partner is substantially similar to that under HPL's shareholders agreement as discussed above, except that we, instead of our Indonesian Partner, will be responsible for seeking and securing available loan facilities for OSS. It is agreed that OSS is fully responsible for the procurement and sales of the stainless steel products, but we and our Indonesian Partner have the first priority to purchase the products produced by OSS. The shareholders agreement does not provide either party with any unusual and onerous terms or compensatory arrangements. The shareholders agreement will be in effect without a limit in time until (i) we agree in writing to terminate such agreement, (ii) any party transfers all shares to any third party or (iii) the winding up of OSS. As advised by our Indonesian legal advisor, Imran Muntaz & Co., the shareholders agreement between us and our Indonesia Partner for OSS is in full force, valid, binding and enforceable. This is because this agreement satisfies all the relevant requirements set forth in the Indonesian Civil Code for it to be in full force, valid, binding and enforceable, including (i) there is consent or agreement between the parties to the agreement (as evidenced by signatures of the parties to the agreement), (ii) the parties to the agreement must have the capacity to enter into such agreement (as advised by our Indonesian legal advisor, the authorized representative of each party to the agreement have the required capacity to enter into such agreement), (iii) there must be a specific subject matter and the agreement must contain specific rights and obligations for each party (as advised by our Indonesian legal advisor, the subject matter and the respective rights and obligations of each party are clearly specified in the agreement), and (iv) the purpose of the agreement must be lawful and permitted by Indonesian laws (as advised by our Indonesian legal advisor, the establishment of a joint venture company is permitted by Indonesian laws). As advised by our Indonesian legal advisor, Imran Muntaz & Co., OSS has obtained all the licenses, permits and approvals required for its business operations as of the Latest Practicable Date. For more details, see "— Certificates, Licenses, Permits and Approvals".

As OSS has not commenced production, we have not entered into any definite agreement on supply of nickel ore with our Indonesian Partner or sales of products agreement with any customer as of the Latest Practicable Date.

OUR BUSINESS MODEL

We are a company with business across the entire nickel industry value chain. Our business operations span across the trading and production of nickel products and equipment manufacturing and sale.

Trading of nickel products. Our journey in the nickel industry started from the trading of nickel products. We have been engaged in the trading of nickel products since our inception in 2009. During the Track Record Period, we generated a majority of our revenues from the trading of laterite nickel ore and ferronickel. Although we generated a majority of our revenue from the trading of nickel products for most of the Track Record Period, we have been actively expanding our nickel product production business in the past few years. Please see "— Production of Nickel Products" for more details.

- ***Nickel ore trading***. We are China's largest trading company of nickel ore. We primarily trade laterite nickel ore (with nickel content ranging from 0.6% to 1.8%) sourced from nickel mining companies in the Philippines and Turkey.

- ***Ferronickel trading***. We also have extensive experience in the trading of ferronickel. We primarily offer ferronickel with nickel content ranging from 8% to 14% sourced from Indonesian ferronickel manufacturers.

- ***Nickel-cobalt compound trading***. Between June 2021 and November 2021 and before our consolidation of HPL on November 30, 2021, we also purchased nickel-cobalt compound products from HPL, the project company of phases I and II of the HPAL project. See "— Production of nickel products — Nickel-cobalt compound production" for more details.

Production of nickel products. With the deep industry experience we have accumulated from the trading of nickel products over the years, we have also tapped into and are actively expanding our presence in the production of ferronickel and nickel-cobalt compounds. Our nickel product production business is expected to contribute a significant portion of our revenue going forward when the Obi projects are expected to achieve full scale operation.

- ***Ferronickel production***. Our Jiangsu Facilities have three production lines, which produce ferronickel using RKEF process, the mainstream process for nickel pyrometallurgy. The aggregate designed production capacity of our Jiangsu Facilities is 18,000 metal tons of ferronickel per annum. In addition, we and our Indonesian Partner are jointly developing the RKEF project on the Obi Island, North Maluku, Indonesia, a nickel pyrometallurgy project using the RKEF process. The RKEF project is in the process of constructing and planning 20 ferronickel production lines which have commenced/are expected to commence production between the fourth quarter of 2022 and July 2024, with an aggregate designed production capacity of 280,000 metal tons of ferronickel per annum.

- ***Nickel-cobalt compound production***. As of the Latest Practicable Date, the HPAL project on the Obi Island, which we have jointly developed with our Indonesian Partner, had two nickel-cobalt compound production lines that have commenced production, with an aggregate designed production capacity of 37,000 metal tons of nickel cobalt compounds (including 4,500 metal tons of cobalt) per annum. The remaining four nickel-cobalt compound production lines of the HPAL project, with an aggregate designed production capacity of 83,000 metal tons of nickel-cobalt compound per annum (including 9,750 metal tons of cobalt), are expected to commence production between December 2022 and December 2023. Phases I and II of the HPAL project is operated by HPL. Prior to November 29, 2021, we held 36.9% equity interest in HPL, and purchased nickel-cobalt compound products from HPL. We indirectly acquired an additional 18.0% equity interest in HPL on November 29, 2021 and has since November 30, 2021 treated HPL as one of our subsidiaries, consolidating its financial results into our consolidated financial statements. Phase III of the HPAL project is operated by ONC, in which we hold a 60.0% equity interest.

Equipment manufacturing and sale. We have further expanded our business operations to the manufacturing of equipment used in the production of nickel products. During the Track Record Period, we procure key equipment from third parties and export to HPL and HJF according to the design of the Obi projects. Xi'an Pengyuan also manufactured various machinery and equipment used in the production of nickel products, which were sold to HPL, HJF and third parties.

In 2019, 2020, 2021 and the six months ended June 30, 2022, revenue generated from our sale of machinery and equipment to HPL accounted for 4.1%, 11.7%, 2.5% and nil of our total revenue, respectively. Following the consolidation of HPL's financial results into our consolidated financial statement after November 30, 2021, revenue from sales to HPL has been eliminated as intra-group transactions. Since most of our equipment manufacturing and sale revenue is generated from HPL and HJF, we expect our equipment manufacturing and sale revenue to decrease as a result of the consolidation of HPL.

However, given that the procurement of major machinery and equipment in relation to phases I and II of the HPAL project has been substantially completed as of the Latest Practicable Date, sales of machinery and equipment to HPL is expected to further decrease. In addition, as the procurement of major machinery and equipment in relation to phase I of the RKEF project has also been substantially completed as of the Latest Practicable Date, sales of machinery and equipment to HJF is similarly expected to decrease going forward. As such, we do not expect the sales of machinery and equipment to HPL and HJF to account for a substantial part of our revenue going forward, regardless of the consolidation of HPL as described above. In addition, unlike the nickel product trading and production segments, the equipment manufacturing and sale segment is not our strategic focus, and we plan to enlarge our customer basis for this business segment when suitable opportunities arise.

Therefore, although we expect the revenue generated from this segment to decrease as a result of the consolidation of HPL as described above, given that (1) this segment is not our strategic focus, and (2) revenue generated from this segment accounted for a small percentage of our total revenue during the Track Record Period, and is expected to further decrease going forward, the consolidation of HPL is not expected to have any material adverse effect on our operations.

Others. We also provide other nickel-related products and services, including (i) sale of wastes and provision of related services, (ii) vessel subleasing, and (iii) sale of auxiliary materials (primarily including semi-coke and coke) to HJF.

The following table sets forth a breakdown of our total revenue by business segment, both in absolute amounts and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(Unaudited)*	*(%)*	*RMB'000*	*(%)*
Nickel Product Trading										
Laterite nickel ore	5,121,164	54.8	3,126,720	40.3	4,780,838	38.4	1,683,474	41.2	2,311,259	23.1
Ferronickel	1,377,120	14.7	1,878,785	24.2	2,739,369	22.0	1,047,751	25.6	1,898,965	19.0
Nickel-cobalt compounds(1)	—	—	—	—	1,250,856	10.0	136,551	3.3	—	—
Subtotal	6,498,284	69.5	5,005,505	64.5	8,771,063	70.4	2,867,776	70.1	4,210,224	42.1
Nickel Product Production										
Ferronickel	2,357,449	25.2	1,642,049	21.2	1,538,886	12.4	793,323	19.4	983,785	9.9
Nickel-cobalt compounds(1)	—	—	—	—	909,611	7.3	—	—	3,966,929	39.7
Subtotal	2,357,449	25.2	1,642,049	21.2	2,448,497	19.7	793,323	19.4	4,950,714	49.6
Equipment Manufacturing and Sale										
Revenue from HPL and HJF	383,553	4.1	912,436	11.8	885,760	7.1	301,552	7.3	621,509	6.2
Revenue from independent third parties	33,302	0.4	107,796	1.4	117,632	1.0	51,996	1.3	49,866	0.5
Subtotal	416,855	4.5	1,020,232	13.2	1,003,392	8.1	353,548	8.6	671,375	6.7
Others	74,846	0.8	87,388	1.1	226,366	1.8	73,639	1.9	145,970	1.6
Total	**9,347,434**	**100.0**	**7,755,174**	**100.0**	**12,449,318**	**100.0**	**4,088,286**	**100.0**	**9,978,283**	**100.0**

Note:

(1) Prior to November 29, 2021, we held 36.9% equity interest in HPL, the project company of phases I and II of the HPAL project, and purchased nickel-cobalt compound products from HPL. We acquired an additional 18.0% equity interest in HPL

on November 29, 2021 and has since November 30, 2021 treated HPL as one of our subsidiaries, consolidating its financial results into our consolidated financial statements. As such, our nickel product production business has started to generate revenue from the sale of nickel-cobalt compound products produced by the HPAL project since November 30, 2021.

TRADING OF NICKEL PRODUCTS

We have been engaged in the trading of nickel products since our inception in 2009. This has enabled us to accumulate deep industry knowledge and experience, secure stable supply of nickel ore and ferronickel (both of which are key raw materials for the production of a variety of nickel products) and establish an extensive customer base, mainly including smelting and refining companies and stainless steel manufacturers in China, as well as nickel product trading companies. We primarily offer laterite nickel ore of various grades from the Philippines and Turkey, and ferronickel of various grades from Indonesia.

In addition to securing a stable upstream supply of nickel ore resources, we are also one of the few trading companies in the industry with a dedicated in-house nickel ore inspection department. One of the core advantages of our nickel product trading business is our ability to analyze the grades, characteristics and associate metals of nickel ore from different countries and regions, which enables us to procure nickel ore for our customers that are most suitable for their business, thereby enhancing their production efficiency. The provision of these value-added services has also deepened our understanding of industry trends and customer demands, enabling us to form our differentiated knowledge base.

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we sold 17,633,427 metric tons, 10,677,613 metric tons, 11,655,645 metric tons, 4,619,619 metric tons and 4,803,604 metric tons of nickel ore, and 14,500 metal tons, 20,694 metal tons, 24,975 metal tons, 10,621 metal tons and 13,059 metal tons of ferronickel, respectively, for our nickel product trading business. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, revenue from our nickel product trading business was RMB6,498.3 million, RMB5,005.5 million, RMB8,771.1 million, RMB2,867.8 million and RMB4,210.2 million, respectively, accounting for 69.5%, 64.5%, 70.4%, 70.1% and 42.1%, respectively, of our total revenue during the same periods. The decrease in our trading volume of nickel ore in 2020 was primarily due to the Indonesian government's export ban on nickel ore starting January 1, 2020. See "— Indonesian Government's Export Ban on Laterite Nickel Ore" for more details.

Products

We primarily offer laterite nickel ore with nickel content ranging from 0.6% to 1.8%, and ferronickel with nickel content ranging from 8% to 14%. Our nickel ore and ferronickel products, which are raw materials of stainless steel, primarily target customers in the stainless steel industry.

We are China's largest nickel ore trading company. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we sold 17,633,427 metric tons, 10,677,613 metric tons, 11,655,645 metric tons, 4,619,619 metric tons and 4,803,604 metric tons of nickel ore, respectively.

Set forth below are pictures of the laterite nickel ore and ferronickel we offer, respectively:

Suppliers

We procure laterite nickel ore primarily from nickel mines located in the Philippines. For industry participants in the nickel industry, it is crucial to secure sufficient and stable long-term supply of nickel resources. We have established stable upstream supply channels in both Philippines (for nickel ore) and Indonesia (for ferronickel), the world's major exporters of nickel ore and ferronickel, and have gained profound industry insights, which form solid foundation for our sustainable development and business expansion. We have established long-term and stable business relationship with leading Filipino nickel mining companies including Nickel Asia Corporation (a public company listed on the Philippine Stock Exchange and is mainly engaged in the exploration and extraction of nickel resources. It is the largest producer of laterite nickel ore in the Philippines and one of the largest producers of laterite nickel ore in the world, with a total of four nickel mines. In 2021, its total revenue was approximately US$537.9 million and its net income was approximately US$208.8 million) and CTP Construction and Mining Corp. (a private company which is mainly engaged in the exploration and extraction of nickel resources. It is the sixth largest nickel ore supplier in the Philippines. In 2021, it exported more than 4.5 million tons of laterite nickel ore to China, accounting for approximately 10% of China's total importation of laterite nickel ore), enabling us to secure a stable and long-term supply of laterite nickel ore. The Philippines is the largest exporter of laterite nickel ore in the world, and Nickel Asia Corporation owns the largest reserves of laterite nickel ore with the most consistent quality in the Philippines. We exported the largest volumes of laterite nickel ore from the Philippines globally in each of 2019, 2020 and 2021, with a market share of 28.2% in 2021. Attributable to our stable, long-term relationships with the Filipino nickel mining companies and our large purchase volume, we have generally been able to procure laterite nickel ore from them at a discount of the prevailing market prices. To a lesser extent, we also procure laterite nickel ore for our trading business from a nickel mining company in Turkey. Prior to the Indonesian government's export ban on its nickel ore in 2020, we also exported laterite nickel ore from Indonesia.

The table below sets forth a breakdown of laterite nickel ore procured for our trading business by country of origin during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Volume ('000 metric tons)	*%*	*Volume ('000 metric tons)*	*%*	*Volume ('000 metric tons)*	*%*	*Volume ('000 metric tons)*	*%*	*Volume ('000 metric tons)*	*%*
Philippines	11,466.90	65.03	10,175.90	95.30	11,464.62	98.36	4,463.46	96.62	4,802.00	99.97
Indonesia	6,143.09	34.84	293.41[(1)]	2.75[(1)]	—	—	—	—	—	—
Turkey	—	—	208.30	1.95	156.16	1.34	156.16	3.38	—	—
Guatemala	23.44	0.13	—	—	34.86	0.30	—	—	1.60	0.03
Total	17,633.43	100.00	10,677.61	100.00	11,655.65	100.00	4,619.62	100.00	4,803.60	100.00

Note:

(1) Representing laterite nickel ore that was exported in 2019 prior to the Indonesian export ban.

The table below sets forth a breakdown of laterite nickel ore suppliers for our trading business by country of origin of the nickel ore they supplied during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
Philippines	21	17	23	17	20
Indonesia	24	3[(1)]	—	—	—
Turkey	—	2	2	2	—
Guatemala	1	—	1	—	1
Total[(2)]	45[(3)]	22	24[(3)]	18[(3)]	21

Notes:

(1) These suppliers exported nickel ore in 2019 prior to the Indonesian export ban and the relevant batches of nickel ore were sold and delivered in 2020.

(2) Represents the number of separate legal entities we entered into procurement agreements with (i.e. entities that are affiliated or within the same corporate groups are not aggregated).

(3) All nickel ore suppliers for our trading business during the Track Record Period procured nickel ore they supplied to us from a single country/region, except that (i) in 2019, one supplier procured nickel ore they supplied to us from both the Philippines and Indonesia, (ii) in the six months ended June 30, 2021, one supplier procured nickel ore they supplied to us from the Philippines and Turkey, and (iii) in 2021, the same supplier in (ii) procured nickel ore they supplied to us from the Philippines, Turkey and Guatemala. As such, the total numbers of suppliers for 2019 and 2021 in the above table have been adjusted accordingly in order to avoid double counting.

During the Track Record Period, for our trading business, other than the significant decrease in number of suppliers procuring nickel ore from Indonesia as a result of the Indonesian government's export ban, the number of suppliers procuring nickel ore from other countries and regions have remained relatively stable. We did not procure any nickel ore from Turkey in the six months ended June 30, 2022 for our trading business, as we only procure a very small percentage of nickel ore for our trading business from Turkey when there is specific customer demand, and there was no such customer demand in the six months ended June 30, 2022. Customer demand for nickel ore is generally lower in the first quarter of the year compared to the rest of the year. As such, we believe we have stable upstream nickel ore supply channels for our trading business.

We procure ferronickel from ferronickel manufacturers in Indonesia. Ferronickel and other nickel products produced from nickel ore is not subject to the Indonesian government's export ban on nickel ore and may be freely exported out of Indonesia.

Material Terms of Agreements with Suppliers

We typically enter into one-year supply framework agreements with our laterite nickel ore suppliers. The agreements specify the details of the laterite nickel ore we intend to procure for the relevant year, including weight, specifications (content of nickel and other elements/impurities) and payment and delivery method. These agreements may be renewed annually upon the parties' mutual agreement, and may be terminated by either party by giving the other party prior written notice. Our suppliers can terminate these agreements without prior written notice in certain limited circumstances, including when we have defrauded or intend to defraud the suppliers.

We separately enter into sales and purchase agreements every time we place an order with our laterite nickel ore suppliers, which specify the weight, pricing terms and specifications (including but not limited to the target percentage of nickel content and the content of non-nickel elements/impurities) of the relevant batch of nickel ore, insurance, and a price adjustment method when the content of nickel and other elements/impurities of the nickel ore deviates from contract specifications. The price adjustment method generally stipulates that, (i) if the nickel content of the relevant batch of nickel ore is below/above the target nickel content as specified in the purchase agreement, the purchase price per metric ton of the nickel ore will be adjusted downward/upward by a certain dollar amount accordingly, and (ii) if the nickel content of the relevant batch of nickel ore is below a minimum nickel content percentage as specified in the purchase agreement, we are entitled to reject that batch of nickel ore. Similar price adjustment will be made if the moisture content of the relevant batch of nickel ore deviates from contract specifications.

As an illustrative example, the purchase agreement may stipulate that, for a particular batch of laterite nickel ore, the target nickel content is 1.50% and the target moisture content is 33.0% to 35.0%. The price adjustment method may then stipulate:

(a) if the nickel content of the nickel ore is higher/lower than 1.50%, the purchase price of the nickel ore will be adjusted upward/downward by US$0.60 per metric ton for each 0.01% of nickel content above/below 1.50%. If the nickel content is lower than 1.40%, then we are entitled to reject that batch of nickel ore; and

(b) if the moisture content of the nickel ore is lower than 33.0%, then the purchase price of the nickel ore will be adjusted upward by US$0.50 per metric ton for each 1.0% of moisture content below 33.0%; if the moisture content of the nickel ore is higher than 35.0%, then the purchase price of the nickel ore will be adjusted downward by US$0.50 per metric ton for each 1.0% of moisture content above 35.0%. If the moisture content falls within the range of 33.0% to 35.0%, the purchase price of the nickel ore will not be adjusted.

All risk of loss, damage or destruction of the goods is passed to us when the goods are loaded onto the vessel at the port of departure. We are generally required to purchase marine insurance covering all potential risks during the transportation. We usually make partial payment after receiving the certificates of quality and weight from the supplier. The remaining balance will be settled after the nickel ore arrives at the port of designation and we receive certificates of quality and weight issued by a qualified third-party inspection agency. We usually settle the payment via wire transfer. Given that these agreements are short-term in nature and are entered into every time we place an order with our suppliers, these agreements do not contain any renewal or termination related provisions.

We typically do not enter into any long-term agreements with our ferronickel suppliers. We enter into sales and purchase agreements with our ferronickel suppliers every time we place an order with our ferronickel suppliers, the content of which is substantially the same as that in our sales and purchase agreements with laterite nickel ore suppliers. The sales and purchase agreements with our ferronickel suppliers also contain price adjustment provisions, which are substantially similar to those of our sales and purchase agreements with our nickel ore suppliers, except that other than nickel and moisture content, the price adjustment method for ferronickel also takes into consideration certain additional types of elements/impurities contained in the ferronickel, such as silicon, phosphorus, sulfur and carbon.

Customers and Pricing

Customers of our laterite nickel ore and ferronickel primarily consist of smelting and refining companies and stainless steel manufacturers in China, such as Tsingshan Holdings, Zhenshi Group Eastern Special Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd. and POSCO Group. Customers of our laterite nickel ore and ferronickel also include nickel product trading companies primarily located in China, who procure laterite nickel ore and ferronickel from us and sell to smelting and refining companies and stainless steel manufacturers. Please see "— Customers — Nickel Product Trading Companies" for more details.

We determine the prices of our laterite nickel ore and ferronickel based on factors such as the prevailing market prices of similar-grade nickel ore and ferronickel, market demand, prices of downstream products and our costs and expenses. The average selling prices of our nickel ore and ferronickel products have fluctuated during the Track Record Period. See "Financial Information— Principal Components of Consolidated Statements of Profit or Loss—Sales Volume and Average Selling Price of Our Products" for more details. We have a dedicated team in our sales and marketing department responsible for the purchasing of futures products to hedge against price fluctuation related risks. See "— Risk Management — Nickel Product Price Risk Management" for more details.

Material Terms of Agreements with Customers

We typically do not enter into any long-term agreements with customers of our laterite nickel ore or ferronickel. Customers of our laterite nickel ore and ferronickel enter into agreements with us every time they place an order with us, which specify the weight, specifications (including but not limited to the target percentage of nickel content and the content of non-nickel elements/impurities), pricing terms, payment and delivery method of the relevant batch of laterite nickel ore and ferronickel, and a price adjustment method when the content of nickel and other elements/impurities of the laterite nickel ore and ferronickel deviates from contract specifications. The price adjustment methods contained in the purchase agreements with our nickel ore and ferronickel customers are substantially the same as those contained in the purchase agreements with our nickel ore and ferronickel suppliers, as described in "— Material Terms of Agreements with Suppliers" above. If the content of nickel and other elements/impurities of the relevant batch of nickel ore/ferronickel is below/above the target content as specified in the purchase agreement, the purchase price per metric ton/metal ton of the nickel ore/ferronickel will be adjusted downward/upward by a certain dollar amount accordingly. The agreements generally stipulate that the risk of loss and damage will pass to our customers when the goods have been loaded onto the vessel at the port of departure. We typically require our ferronickel customers to settle a substantial majority of the payment via letter of credit or wire transfer within 30 days after delivery, with the remaining balance settled after an inspection report is issued by a third-party inspection agency prescribed in the agreement. These agreements generally do not contain any renewal or termination related provisions.

PRODUCTION OF NICKEL PRODUCTS

With years of deep industry experience we have accumulated in the trading of nickel products, we tapped into the production of nickel products through our acquisition of Jiangsu Wisdom, the operating company of our Jiangsu Facilities, in 2017-2018. Our Jiangsu Facilities host three production lines that produce ferronickel using the RKEF process, with an aggregate designed production capacity of 18,000 metal tons per annum. In addition, the RKEF project, which is jointly invested by us and our Indonesian Partner on the Obi Island, Indonesia, has 20 ferronickel production lines using the RKEF process currently under construction. These production lines have commenced/are expected to commence operation between the fourth quarter of 2022 and July 2024, with an aggregate designed production capacity of 280,000 metal tons of ferronickel per annum. Ferronickel is a key raw material in the production of stainless steel and, according to CIC Report, the size of China's stainless steel market in terms of production volume is expected to increase from 30.6 million tons in 2021 to 35.3 million tons in 2026, representing a CAGR of 2.9% during the same period.

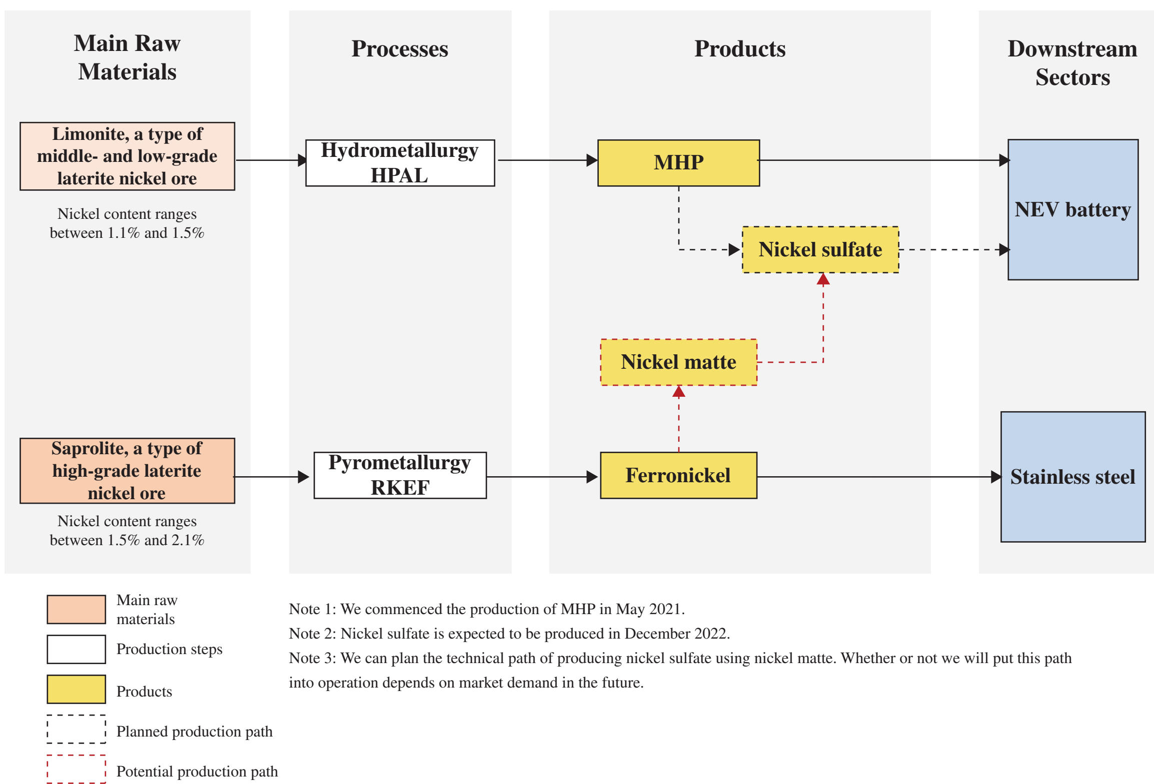
In addition to the production of ferronickel, we have also expanded our business to cover the production of nickel-cobalt compounds. As of the Latest Practicable Date, the HPAL project, which is jointly invested by us and our Indonesian Partner on the Obi Island, Indonesia, has two nickel-cobalt compound production lines using the HPAL process that have commenced operation, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds (which also include 4,500 metal tons of cobalt) per annum. The remaining four nickel-cobalt compound production lines using the HPAL process, with an aggregate designed production capacity of 83,000 metal tons per annum (which also include 9,750 metal tons of cobalt), are currently under construction and are expected to commence production between December 2022 and December 2023. We are also constructing matching nickel sulfate and cobalt sulfate production lines for the HPAL project, which will enable it to produce nickel sulfate and cobalt sulfate in the future. Nickel-cobalt compounds, such as nickel sulfate, are key raw materials in the production of high-nickel ternary battery. According to the CIC Report, from 2021 to 2026, the global demand for nickel sulfate from the NEV industry is expected to grow at a CAGR of 30.0%, reaching 1,403.3 thousand metal tons in 2026.

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we sold 25,353 metal tons, 17,969 metal tons, 14,606 metal tons, 8,259 metal tons and 7,603 metal tons of self-produced ferronickel, respectively. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue from the production of nickel products was RMB2,357.4 million, RMB1,642.0 million, RMB2,448.5 million, RMB793.3 million and RMB4,950.7 million, respectively, accounting for 25.2%, 21.2%, 19.7%, 19.4% and 49.6%, respectively, of our total revenue during the same periods.

Once all production lines under our RKEF and HPAL projects commence operation, our revenue from the production of nickel products is expected to constitute a significantly higher portion of our total revenue starting 2022. Based on our current estimation of (i) the market demand for nickel products and (ii) the production output of the Obi projects, once the Obi projects achieve full scale operation, revenue generated from our nickel product production business is expected to contribute more than 70% of our total revenue; within the nickel product production segment, more than 95% of our nickel product production revenue is expected to be generated from the Obi projects, with the remainder from our Jiangsu Facilities. As our nickel product production business has relatively higher margin (16.8%, 23.0%, 25.6%, 12.0% and 51.0% in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively) than that of our nickel product trading business (8.8%, 9.6%, 8.4%, 7.4% and 10.3% in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively), and the gross margin of nickel-cobalt compound production is even higher than that of ferronickel production, our overall profit margin and net profit is also expected to experience a significant increase. This increased emphasis on our nickel product production business will also lead to (i) changes in our cost structure, including but not limited to an increase in costs of raw materials and ancillary materials used in nickel product production, increased depreciation of production equipment, and increased labor costs as we recruit additional staff for our production and related activities, and (ii) changes in our asset-liability profile, including an increase in property, plant and equipment related to our production facilities, and increased borrowings in relation to the ongoing construction of our production projects.

In addition, this increased emphasis on our nickel product production business may expose us to a variety of risks and challenges, including but not limited to operational, regulatory and other risks related to doing business in Indonesia, our ability to maintain strong relationship with customers and suppliers for our production business, and growth in downstream demand for our nickel-cobalt compound products. See "Risk Factors — Risks Related to Our Business and Industry — Our nickel product production business is expected to contribute a significantly higher portion of our revenue going forward, particularly with the acquisition of HPL. This increased emphasis on our nickel product production business may have a material impact on our results of operations and expose us to additional risks and challenges" for more details.

The diagram below illustrates the nickel products we produce, as well as their upstream and downstream products:



Note 1: We commenced the production of MHP in May 2021.
Note 2: Nickel sulfate is expected to be produced in December 2022.
Note 3: We can plan the technical path of producing nickel sulfate using nickel matte. Whether or not we will put this path into operation depends on market demand in the future.

Production of Ferronickel

In addition to the ferronickel we procure from Indonesia for our trading business, we currently also produce ferronickel at our Jiangsu Facilities, which is operated by Jiangsu Wisdom.

During the Track Record Period and until December 2019, we also produced ferronickel at a manufacturing facility with two ferronickel production lines operated by Xiangxiang Enterprise. As the Suqian National Economic and Technological Development Zone, where Xiangxiang Enterprise was situated, had over the years become increasingly focused on retaining enterprises that fall within certain specific industries, such as food and beverages, smart appliances and digital information, the continued operations of the Xiangxiang Facilities, which focused on ferronickel production, was no longer in line with such industry positioning. Accordingly, after consulting the relevant governmental authorities, we made a strategic decision to discontinue the operations of the Xiangxiang Facilities in December 2019, and disposed of this entity in December 2020. See "History, Development and Corporate Structure — Disposal of Xiangxiang Enterprise" for more details. Xiangxiang Enterprise generated RMB1,608 million and RMB389.8 million, or 17.2% and 5.0% of our total revenue in 2019 and 2020, respectively. Xiangxiang Enterprise generated net profit of RMB52.1 million in 2019 and incurred net loss of RMB30.6 million in 2020.

Jiangsu Facilities

We ventured into nickel product production through our acquisition of Jiangsu Wisdom, the operating company of the Jiangsu Facilities, in 2017-2018. As of the Latest Practicable date, our Jiangsu Facilities host three production lines which produce ferronickel using the RKEF process, with an aggregate designed production capacity of 18,000 metal tons of ferronickel per annum.

Suppliers

The main raw material used to produce ferronickel at our Jiangsu Facilities is laterite nickel ore from the Philippines and New Caledonia. The agreements we enter into with our suppliers for the supply of laterite nickel ore to our Jiangsu Facilities are substantially the same as those with our ferronickel suppliers for our trading business. Please see "— Trading of Nickel Products — Suppliers" for more details.

The table below sets forth a breakdown of laterite nickel ore procured for our ferronickel production by country of origin during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Volume ('000 metric tons)	*%*	*Volume ('000 metric tons)*	*%*	*Volume ('000 metric tons)*	*%*	*Volume ('000 metric tons)*	*%*	*Volume ('000 metric tons)*	*%*
Indonesia	1,400.51	55.47	24.28[(1)]	1.83[(1)]	—	—	—	—	—	—
New Caledonia	644.91	25.54	818.68	61.68	346.28	28.37	101.56	18.17	287.61	38.78
Philippines	444.77	17.62	457.32	34.45	751.12	61.53	366.61	65.57	369.50	49.82
Guatemala	34.51	1.37	27.12	2.04	30.86	2.53	—	—	83.61	11.27
Turkey	—	—	—	—	90.90	7.45	90.90	16.26	—	—
Tanzania	—	—	—	—	1.51	0.12	—	—	1.02	0.14
Total	2,524.69	100.00	1,327.39	100.00	1,220.68	100.00	559.07	100.00	741.73	100.00

Note:

(1) Representing laterite nickel ore that was exported in 2019 prior to the Indonesian export ban.

The table below sets forth a breakdown of laterite nickel ore suppliers for our ferronickel production business by country of origin of the nickel ore they supplied during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Indonesia	12	1[1]	—	—	—
New Caledonia	4	3	3	2	2
Philippines	6	5	6	6	5
Guatemala	1	1	1	—	1
Turkey	—	—	1	1	—
Tanzania	—	—	1	—	1
Total[2]	22[3]	8[3]	11[3]	8[3]	9

Notes:

(1) These suppliers exported nickel ore in 2019 prior to the Indonesian export ban and the relevant batches of nickel ore were sold and delivered in 2020.

(2) Represents the number of separate legal entities we entered into procurement agreements with (i.e. entities that are affiliated or within the same corporate groups are not aggregated).

(3) All nickel ore suppliers for our ferronickel production business during the Track Record Period procured nickel ore they supplied to us from a single country/region, except that: (i) in 2019, one supplier procured nickel ore it supplied to us from both the Philippines and Indonesia, (ii) in 2020, one supplier procured nickel ore it supplied to us from the Philippines, Guatemala and New Caledonia, and (iii) in the six months ended June 30, 2021 (and thus in 2021), one supplier procured nickel ore it supplied to us from the Philippines and New Caledonia. As such, the total numbers of suppliers for 2019, 2020 and 2021 in the above table have been adjusted accordingly in order to avoid double counting.

During the Track Record Period, for our ferronickel production business, other than the significant decrease in number of suppliers procuring nickel ore from Indonesia as a result of the Indonesian government's export ban, the number of suppliers procuring nickel ore from other countries and regions have remained relatively stable. In the six months ended June 30, 2021 and 2022, we primarily procured nickel ore for our ferronickel production business from the Philippines and New Caledonia. As such, we believe we have stable upstream nickel ore supply channels for our ferronickel production business.

Production Capacity

The table below sets forth the designed production capacity, actual production output and utilization rate for our Jiangsu Facilities during the Track Record Period:

	Year ended December 31,									Six months ended June 30,					
	2019			2020			2021			2021			2022		
	Designed production capacity[1]	Actual output[1]	Utilization rate[2](%)	Designed production capacity[1]	Actual output[1]	Utilization rate(%)	Designed production capacity[1]	Actual output[1]	Utilization rate[3] (%)	Designed production capacity[1]	Actual Output[1]	Utilization Rate[4](%)	Designed production capacity[1]	Actual Output[1]	Utilization Rate[5](%)
Ferronickel	18,000 metal tons	14,554 metal tons	80.9%	18,000 metal tons	17,983 metal tons	99.9%	18,000 metal tons	14,425 metal tons	80.1%	8,926 metal tons	7,941 metal tons	89.0%	8,926 metal tons	7,465 metal tons	83.6%

Notes:

(1) As consistent with industry practice, designed production capacity and actual output of the Jiangsu Facilities' ferronickel production lines is measured by their designed production capacity and actual output of nickel metal.

(2) The relative low utilization rate of our Jiangsu Facilities in 2019 was primarily due to the periodic maintenance of production lines. Our Jiangsu Facilities typically conducts maintenance work on one of its production lines every year, whereas in 2019 it conducted maintenance work on two of its production lines.

(3) The relatively low utilization rate of our Jiangsu Facilities in 2021 was primarily due to the local government's electricity rationing efforts targeting energy intensive enterprises in Jiangsu Province, as a result of which our Jiangsu Facilities experienced a power shortage and had to temporarily shut down for 17 days in September 2021. As a result of the power shortage, our Jiangsu Facilities' monthly production volume in September 2021 decreased to 419 metal tons of ferronickel, reflecting an over 70% decrease from that of the same period in 2019 and 2020. Although our Jiangsu Facilities resumed operation in October 2021, it continued to be subject to electricity rationing measures from time to time in October 2021, which also adversely affected its ferronickel production.

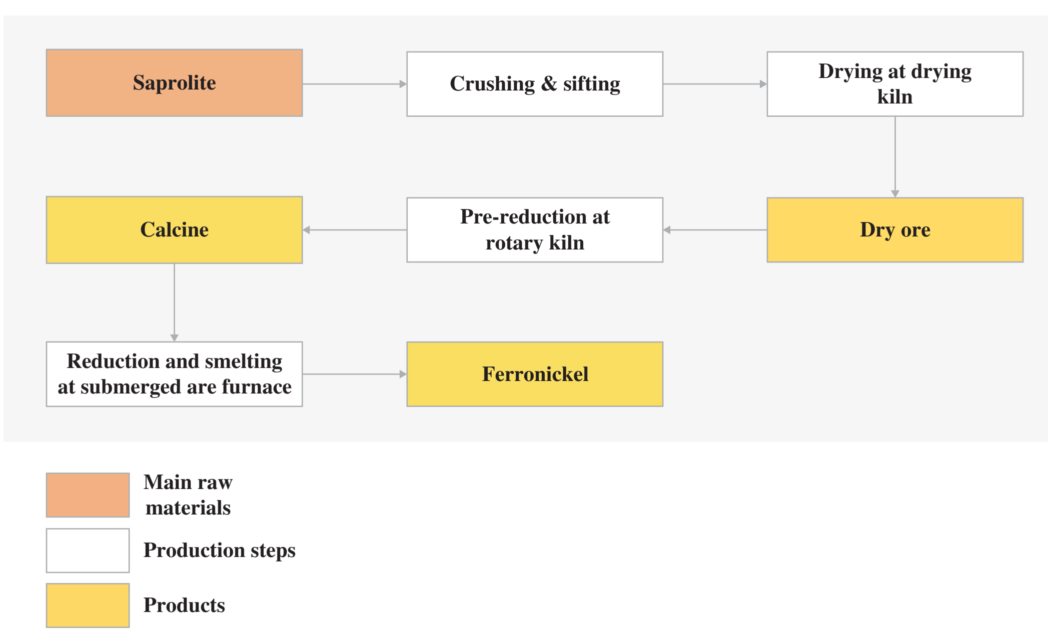
(4) The relatively low utilization rate of our Jiangsu Facilities in the six months ended June 30, 2021 was primarily due to periodic maintenance of production lines in May 2021.

(5) The relatively low utilization rate of our Jiangsu Facilities in the six months ended June 30, 2022 was primarily due to (i) the periodic maintenance of production lines and (ii) the temporary suspension of production starting between March 25, 2022 and April 8, 2022 as a result of COVID-19 resurgence. Our Jiangsu Facilities resumed production on April 9, 2022.

Production Process and Techniques

The ferronickel production lines of our Jiangsu Facilities have implemented various innovations on top of the conventional RKEF process to improve recovery rate and enable comprehensive use of thermal energy. For example, our rotary kiln uses the high-temperature waste gas produced by the coal gas producer as its heat source, and our submerged arc furnace adopts the vaporization flue as its flue. These innovations effectively increase combustion rate and the recycling of hot air and steam generated in the production process, reducing energy consumption and cost of production.

The following chart illustrates the production process of our Jiangsu Facilities:



Machinery and Equipment

Our Jiangsu Facilities are equipped with advanced production equipment, including crusher, drying kiln, rotary kiln and submerged arc furnace. These advanced production equipment, combined with our technical enhancements made to the RKEF process, increase the automation level of our production, lower energy consumption and ultimately reduce our cost of production. Our technology department, equipment department and production department work closely with each other to ensure the smooth operation of our production lines and minimize equipment downtime.

We conduct inspections and maintenance on our Jiangsu Facilities' production facilities on a regular basis to ensure their proper functioning. We typically carry out inspection and maintenance regularly, depending on the type and condition of machinery and equipment. We may also replace or upgrade certain machine and equipment of our production lines based on their actual operation conditions. Our contracts with our equipment suppliers have set forth the specific repair and maintenance services they will provide to us. During the Track Record Period and up to the Latest Practicable Date, our Jiangsu Facilities did not experience any material or prolonged suspension of operations due to failures of machinery, equipment or other facilities.

Customers, Pricing and Agreements

Our Jiangsu Facilities' pricing terms and agreements with customers are substantially the same as those of our ferronickel trading business. Please see "— Trading of Nickel Products — Customers and Pricing" and "— Trading of Nickel Products — Material Terms of Agreements with Customers" for more details.

The RKEF Project

The RKEF project, jointly invested by us and our Indonesia partner on the Obi Island of Indonesia, has two phases with a total of 20 production lines (including 8 ferronickel production lines for phase I and 12 ferronickel production lines for phase II) that will produce ferronickel using the RKEF process. These production lines have commenced/are expected to commence production between the fourth quarter of 2022 and July 2024 with an aggregate designed production capacity of 280,000 metal tons of ferronickel per annum. For more information, see "— Production Expansion Plan and Product Pipeline."

We hold a 36.9% equity interest in HJF, the project company of phase I of the RKEF project. We hold a 65.0% equity interest in KPS, the project company of phase II of the RKEF project, and consolidate its financial results into our consolidated financial statements. We are primarily responsible for the project planning and design, construction of the production lines and other facilities and purchase of relevant equipment of the RKEF project, and once it commences production, its production and operation, research and development and product sales. Our Indonesian Partner is primarily responsible for supplying nickel ore resources, and obtaining relevant licenses, permits and approvals.

The RKEF project will primarily source high-grade nickel ore with nickel content ranging from 1.5% to 2.1% locally from our Indonesian Partner as raw material. We may also consider procure laterite nickel ore from other mining companies in Indonesia. Indonesia has the largest reserves of laterite nickel ore in the world, which accounted for approximately 20.0% of the world's total reserves in 2021.

The production process deployed by the RKEF project is expected to be similar to that of our Jiangsu Facilities. However, the RKEF project makes further technological innovations and upgrades to our Jiangsu Facilities' RKEF process and production equipment by taking into consideration the characteristics of laterite nickel ore and other raw materials in Indonesia. For example, the RKEF project has (i) implemented multiple mechanisms throughout the production process to recycle thermal energy, (ii) upgraded the pole circle of the submerged arc furnace to better adapt to the characteristics of local laterite nickel ore, and (iii) optimized the production process of ferronickel. These improvements are expected to further improve the utilization of thermal energy and reduce the repair and maintenance expenses for machine and equipment, which in turn reduces the energy consumption and production costs of the entire production process.

Production of Nickel-Cobalt Compounds

We initially held an 36.9% equity interest in HPL, the project company of phases I and II of the HPAL project. Phase I of the HPAL project commenced the production of nickel-cobalt compounds products in May 2021, and we started to purchase nickel-cobalt compounds products from HPL in June 2021. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and have since November 30, 2021 treated HPL as one of our subsidiaries and consolidated its financial results into our consolidated financial statements. We hold a 60.0% equity interest in ONC, the project company of phase III of the HPAL project, and consolidate its financial results into our consolidated financial statements. The allocation of responsibilities for the HPAL project between us and our Indonesian Partner is similar to that for the RKEF project.

The HPAL project has three phases with a total of six production lines that produce nickel-cobalt compounds using the HPAL process. As of the Latest Practicable Date, the two nickel-cobalt compound production lines of phase I have commenced operation, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds per annum (which also include 4,500 metal tons of cobalt); the four nickel-cobalt compound production lines of phases II and III, with an aggregate designed production capacities of 83,000 metal tons of nickel-cobalt compound per annum (which also include 9,750 metal tons of cobalt) are under construction, and are expected to commence operation between December 2022 and December 2023. The production process and equipment of phases II and III's production lines have been upgraded compared to those of phase I. We are also constructing nickel sulfate and cobalt sulfate production lines for our HPAL project, which will enable it to produce nickel sulfate and cobalt sulfate. In addition, phase I of the HPAL project is equipped with two 30 MW power plants to meet its power supply needs and ensure the smooth operation of the production lines. The power plants were jointly developed by our Indonesian Partner and us, owned by HPL and were put into operation in November 2020. Phase I of the RKEF project is also equipped with four power plants with capacity of 150 MW each. This power plant is jointly developed by our Indonesian Partner and us, owned by HJF and was put into operation in September 2022. In addition, we are jointly developing one power plant with capacity of 60MW for phase II of the HPAL project, which is expected to commence power generation in December 2022. For more details, see "— Production Expansion Plan and Product Pipeline."

Suppliers

The HPAL project uses medium- and low-grade laterite nickel ore with nickel content ranging from 1.1% to 1.5%, which is procured from our Indonesian Partner, as raw materials. As such, the HPAL project enjoys stable supply of nickel ore, enabling it to produce nickel-cobalt compounds on a long-term basis.

Production Capacity

The two nick-cobalt compounds production lines under phase I of the HPAL project commenced operation in May and October 2021, respectively, and reached full capacity in July and December 2021, respectively. The nickel-cobalt compounds production lines under phases II and III of the HPAL project are expected to commence operation between December 2022 and December 2023.

Set forth below is a picture of the mixed hydroxide precipitate, or MHP, our HPAL project produces:

The table below sets forth the designed production capacity, actual output and utilization rate of the two productions line under phase I of the HPAL project for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2019			2020			2021			2021			2022		
	Designed production capacity	Actual output	Utilization rate	Designed production capacity	Actual output	Utilization rate	Designed production capacity (metal tons)(2)	Actual output (metal tons)(2)	Utilization rate(1)(2)	Designed production capacity (metal tons)(2)	Actual output(2)	Utilization rate(2)	Designed production capacity (metal tons)(3)	Actual output(3)	Utilization rate(3)
Nickel cobalt compounds(2)	—	—	—	—	—	—	15,509.59	13,338.35	86.0%	3,091.78	1,099.53	35.6%	18,347.95	20,586.22	112.2%

Notes:

(1) In December 2020, we commenced the construction of the nickel sulfate and cobalt sulfate production lines for phase I of the HPAL project. Once these production lines are put into operation in June 2022, the phase I of HPAL project will also be able to produce nickel sulfate and cobalt sulfate. See "—Production Expansion Plan and Product Pipeline" for more details.

(2) As consistent with industry practice, designed production capacity and actual output of phase I of the HPAL project's nickel-cobalt production lines is measured by their designed production capacity and actual output of nickel metal. Since the first and second production lines under Phase I of the HPAL project were put into operation in May and October 2021, respectively, the designed production capacity, actual output and utilization rate for 2021 only represent those for the months the production lines were in operation. In addition, as the first and second production lines did not reach full capacity until July and December 2021, respectively, their utilization rate in 2021, especially the six months ended June 30, 2021, was relatively low.

(3) As consistent with industry practice, designed production capacity and actual output of phase I of the HPAL project's nickel-cobalt production lines is measured by their designed production capacity and actual output of nickel metal. The designed production capacity is adjusted pro rata for the six months ended June 30, 2022, and actual output and utilization rate represent the data for the same period.

In calculating the designed production capacity, we referred to various indicators that measure the production activities of existing peer projects utilizing the HPAL process, including their recovery rate of nickel from nickel ore (the percentage of nickel available for production after the refining process) and the uptime of their production lines. After the production lines under phase I of the HPAL project commenced operation, due to (1) our technical expertise in running the production process, (2) certain improvements and optimization implemented for the machinery and equipment and production processes, and (3) the consistent quality of laterite nickel ore that HPL procured from our Indonesian Partner, the relevant production lines achieved the following operational results:

- ***Higher recovery rate of nickel***. Through referring to existing peer projects, we determined the recovery rate of nickel from laterite nickel ore to be approximately 83% in calculating the designed production capacity of production lines under phase I the HPAL project. In the first six months ended June 30, 2022, due to the above factors, for the production lines under phase I of the HPAL project, the actual recovery rate of nickel was over 91%. As such, given the same amount of laterite nickel ore with the same nickel content, the production lines under phase I of the HPAL project can produce more nickel-cobalt compounds in terms of metal ton than originally designed.

- ***Longer uptime***. Through referring to existing peer projects, we determined the working hours of the production lines under phase I of HPAL project to be 7,500 hours per year. Due to the above factor, we were able to reduce the time for major maintenance of the relevant production lines (which typically requires suspension of production activities) and the working hours of the production lines under phase I of HPAL project are expected to achieve approximately 8,000 hours in 2022 as estimated from the actual uptime during the six months ended June 30, 2022.

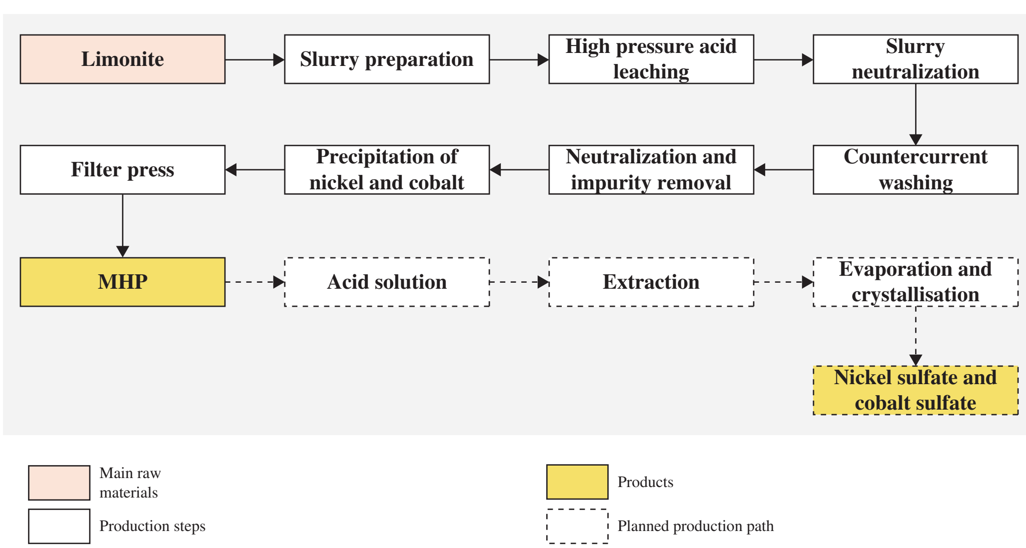
As a result of the above, the production lines under phase I of HPAL project were able to achieve utilization rate that exceeded 100% in the six months ended June 30, 2022.

Production Process and Techniques

The HPAL project uses the HPAL process to produce nickel-cobalt compounds. Compared with other nickel hydrometallurgy processes, the HPAL process can achieve a higher recovery rate of nickel and cobalt, and is becoming the mainstream technique for nickel hydrometallurgy. However, the HPAL process is technically demanding and involves a complicated production process that needs to be carried out under a high-temperature and high-pressure environment using concentrated sulfuric acid. This process imposes high technical and operational requirements on the producer and has low fault tolerance. If the producer's technical or operational capabilities are not up to standards, various problems will occur, including excessive energy consumption, failure to achieve full production capacity and damages to equipment. With industry-leading technological capabilities and technical personnel with extensive experience in the HPAL process, we are able to expertly execute every step across the production process and ensure the smooth operation of the production lines. As a result, each of the two production lines under phase I of the HPAL project had successfully reached full production capacity within two months after commencement of operation.

The HPAL project has implemented various enhancements and upgrades to the production process, techniques and production equipment for nickel hydrometallurgy projects using the third-generation HPAL process, including the optimization and adjustment of the beneficiation process, utilization of residual acid and recycling of steam produced during the production process. These enhancements and upgrades have further improved the HPAL project's production capacity while reducing its energy consumption and cost of production.

The following chart illustrates the production process of the HPAL project:



Machinery and Equipment

The machinery and equipment used in nickel hydrometallurgy projects using the HPAL process plays a vital role in ensuring the quality and consistency of the final products and the continuity and stability of operation. Our technology department and equipment department work closely with each other to ensure that the types and specifications of production machinery and equipment meet the technical requirements of the HPAL process. We primarily procure machinery and equipment used in the HPAL project from third-party suppliers, while producing critical components of certain production equipment in-house.

Critical machinery and equipment used in the HPAL project are set forth below:

- Cylinder mineral washer for making slurry and sifting larger particles.

- Grinding machine for crushing the raw ore into smaller pieces to meet the requirements of the HPAL process.

- Thickener for producing slurry with a concentration that meets the requirements of the HPAL process.

- Autoclaves for the selective leaching of nickel and cobalt under a high-temperature and high-pressure environment with the presence of concentrated acid.

- Stirring tank for the removal of iron, aluminum, silicon and other impurities in the production process and to precipitate nickel and cobalt.

We conduct inspections and maintenance of the HPAL project's production facilities on a regular basis to ensure their proper functioning. We carry out maintenance depending on the types and conditions of machinery and equipment. We also carry out systematic maintenance and repair of machinery and equipment across the entire production lines on an annual basis. Our contracts with our equipment suppliers have set forth the specific repair and maintenance services they will provide to us. During the Track Record Period and up to the Latest Practicable Date, the HPAL project did not experience any material or prolonged suspension of operations due to failures of our machinery, equipment or other facilities.

Customers and Pricing

Customers of the nickel-cobalt compounds produced by the HPAL project mainly include smelting and refining companies and ternary battery material manufacturers in the NEV industry in China, such as GEM China, CNGR Advanced Material Co., Ltd., and Huayou Cobalt. The pricing of nickel-cobalt compounds produced by the HPAL project takes into consideration the prices of similar product in the market, as well as the price fluctuations of the raw materials.

Material Terms of Agreements with Customers

For the nickel-cobalt compounds produced by the HPAL project, we have entered into long-term offtake agreements with two of our customers. 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 the HPAL project during the offtake period. Both agreements were entered into in August 2020. The offtake period commences on the commercial operation date (the date that the HPAL project has cumulatively produced 12,000 tons of MHP, which was June 22, 2021) and expire on the eighth anniversary of the commercial operation date. During the offtake period, our customers agreed to purchase the nickel-cobalt compound products that we deliver in each contract year, with such aggregate annual quantities within the corresponding range as specified in the agreements. The nickel-cobalt compounds shall be delivered to our customers with such quantity according to a delivery schedule agreed by us and our customer no later than three months before each batch of delivery. In practice, we typically set a delivery schedule with our customer on a monthly basis. The customer is required to open a letter of credit within 15 days of our issuance of *pro forma* invoice and, for each batch of product delivery, the customer shall pay in the form of letter of credit within five business days after we deliver certain required document pursuant to each batch.

The following table sets out the annual minimum and maximum amounts of nickel-cobalt compound products which the customers have committed to purchase from us in each contract year.

	MHP				**Nickel Sulfate**		**Cobalt Sulfate**	
	Customers minimum commitment (metal tons)/contract year[(1)]		**Customer's maximum commitment (tons)/ contract year**		**Customer' minimum commitment (metal tons)/contract year**	**Customer' maximum commitment (metal tons)/contract year**	**Customer' minimum commitment (metal tons)/contract year**	**Customer' maximum commitment (metal tons)/contract year**
	Nickel	**Cobalt**	**Nickel**	**Cobalt**				
Gem China	9,300	1,162	22,320	2,790	9,000	21,600	1,125	2,700
Customer X[(2)]	5,580	700	18,630	2,289	5.400	18,000	675	2,187

Notes:

(1) A contract year is typically the same as the calendar year, except that (1) the first contract year begins on the commercial operation date and ends on December 31 of the same calendar year of the commercial operation date and (2) the final contract year ends on the eighth anniversary of the commercial operation date and starts on January 1 of the same calendar year of the eighth anniversary of the commercial operation date.

(2) Customer X is a leading supplier of lithium-ion battery cathode materials in China. In 2021, its total revenue was RMB8,257.9 million and its net profits was RMB1,091.0 million. It is a public company listed on the Shenzhen Stock Exchange.

The agreements also set forth how the nickel-cobalt compounds will be priced. Specifically, when our customers place an order with us, we apply a formula specified in the offtake agreements (which reference the prices published by LME and Fastmarkets MB for nickel ore and cobalt, respectively, as well as nickel content and certain other factors) to calculate the contract price of the relevant batch of nickel-cobalt compounds. For each shipment, our customers are required to make full payment in the form of letter of credit within 15 days of our issuance of *pro forma* invoice.

Both agreements have substantially similar provisions related to compensatory scheme in case of our customers' failure to purchase and our failure to deliver our products. If the relevant customer fails to purchase our products pursuant to the agreed-upon delivery schedule, we will be entitled to financial compensation with such amount equal to the sum of (i) the difference between the contract price of the applicable products, with such quantity based on the latest delivery schedule, less any sale proceeds we will receive from the resale of these products in a commercially reasonable manner, and (ii) any other reasonable transportation costs or other loss or expenses directly incurred by us.

If we fail to deliver up to a customer' minimum commitment at the end of a contract year, we are obligated to reimburse the relevant customer the difference between (i) the costs and expenses incurred by the customer in procuring the deficient quantity of the nickel-cobalt compound product, which is the difference between the minimum commitment of that product less any quantity that we have delivered during the same contract year, and (ii) the contract price that would have been paid by the buyer had such deficient quantity been delivered to the buyer on an even and ratable basis on the last day of each month throughout the same contract year. Our liability is further capped by the amount listed in (ii).

Except for the compensatory arrangements above, the offtake agreements do not otherwise provide either party with any special terms or compensatory arrangements. The offtake agreements do not contain any unusual or onerous terms. The offtake agreements do not have any renewal related provision. Either party can terminate the agreements by giving the other party a prior written notice of termination if the other party commits any events of default as specified in the agreements, including failure to make payment and insolvency. We have been advised that both offtake agreements are in full force, valid, binding and enforceable.

Production Expansion Plan and Product Pipeline

As of the Latest Practicable Date, we are constructing the RKEF project and phases II and III of the HPAL project. In order to improve our resilience in dealing with fluctuations and uncertainties in the nickel industry, we are also actively exploring production plans for different nickel products to diversify our product portfolio and customer base:

- With the boom in the NEV industry, we believe that the demand for products used in the production of new energy batteries, such as nickel sulfate and cobalt sulfate, may increase significantly in the future, leading to a sharp increase in their prices. We are constructing nickel sulfate and cobalt sulfate production lines for each phase of the HPAL project, which will enable it to produce nickel sulfate and cobalt sulfate in the future. Once these nickel sulfate and cobalt sulfate production lines are put into operation, we plan to flexibly adjust the allocation of production capacities among various nickel-cobalt compounds produced by the HPAL project, including MHP, nickel sulfate and cobalt sulfate, in response to the evolving customer demand and profitability of these products, among other factors; and

- Our RKEF project is also capable of producing nickel matte. Nickel matte can be used to produce nickel sulfate, which allows us to have a broader range of downstream customers. Once the RKEF project's production lines commence operation, we plan to flexibly adjust the allocation of production capacities between ferronickel and nickel matte produced by the RKEF project, in response to the evolving customer demand and profitability of these products, among other factors.

The table below sets forth the estimated capital expenditure and other details of our projects under construction and planning:

Project company	Our equity interest (%)	Production line	Product	Designed production capacity per annum	Estimated capital expenditure to be incurred[7] (US$ in millions)	Actual/ expected construction commencement time	Expected operation commencement time
HPAL project:							
HPL	54.9%	Nickel sulfate and cobalt sulfate production lines for phase I of the HPAL project[1]	Nickel sulfate	37,000 metal tons[2]	106.3	December 2020	December 2022[9]
			Cobalt sulfate	4,500 metal tons[2]			
		Production line for phase II of HPAL project	MHP	18,000 metal tons of nickel (2,250 metal tons of cobalt)	51.8	September 2021	December 2022[9]
		OR					
		Nickel sulfate and cobalt sulfate production lines for phase II of the HPAL project[3]	Nickel sulfate	18,000 metal tons[4]		October 2021	June 2023[9]
			Cobalt sulfate	2,250 metal tons[4]			
ONC	60.0%	Three production lines for phase III of the HPAL project	MHP	65,000 metal tons of nickel (7,500 metal tons of cobalt)	1,056.7	June 2022[8]	December 2023[8]
		OR					
		Nickel sulfate and cobalt sulfate production lines for phase III of the HPAL project[5]	Nickel sulfate	65,000 metal tons[6]		October 2022	March 2024
			Cobalt sulfate	7,500 metal tons[6]			
RKEF project:							
HJF	36.9%	Eight production lines for phase I of the RKEF project	Ferronickel	95,000 metal tons	192.8	January 2021	October to December 2022[9]
KPS	65.0%	12 production lines for phase II of the RKEF project	Ferronickel	185,000 metal tons	1,135.3	January 2023	July 2024

Notes:

(1) These production lines are expected to gradually commence operation in December 2022. After these production lines commence operation, phase I of the HPAL can also produce nickel sulfate and cobalt sulfate.

(2) Assuming all production capacity for phase I of the HPAL project is used to produce nickel sulfate and cobalt sulfate. We plan to flexibly adjust the allocation of production capacities among MHP, nickel sulfate and cobalt sulfate based on factors including customer demand and profitability of these products.

(3) These production lines are expected to commence operation in June 2023. After these production lines commence operation, phase II of the HPAL project can also produce nickel sulfate and cobalt sulfate.

(4) Assuming all production capacity for phase II of the HPAL project is used to produce nickel sulfate and cobalt sulfate. We plan to flexibly adjust the allocation of production capacities among MHP, nickel sulfate and cobalt sulfate based on factors including customer demand and profitability of these products.

(5) These production lines are expected to commence operation in March 2024. After these production lines commence operation, phase III of the HPAL project can also produce nickel sulfate and cobalt sulfate.

(6) Assuming all production capacity for phase III of the HPAL project is used to produce nickel sulfate and cobalt sulfate. We plan to flexibly adjust the allocation of production capacities among MHP, nickel sulfate and cobalt sulfate based on factors including customer demand and profitability of these products.

(7) As of June 30, 2022.

(8) As a result of the COVID-19 outbreak, we spent an additional two months as the preparation time before the relevant personnel and equipment could enter the construction site. Accordingly, the construction commencement time of these production lines was delayed by two months, and the expected operation commencement time of these production lines is currently estimated to be delayed by three months.

(9) As a result of the COVID-19 outbreak and the delayed schedule in sending the required personnel and equipment to the construction sites, the operation commencement time for the nickel sulfate and cobalt sulfate production lines for phase I of the HPAL project, the production lines for phase II of the HPAL project and the production lines for phase I of the RKEF project has been delayed by six months, two months and six months, respectively. To prioritize the construction of the nickel sulfate and cobalt sulfate production lines for phase I of the HPAL project, the operation commencement time for the nickel sulfate and cobalt sulfate production lines for phase II of the HPAL project was delayed by three months.

The table below sets forth the investment payback period of the Obi projects based on our Directors' estimation as of the Latest Practicable Date:

Operating entity	Project phase	Estimated total capital expenditure	Estimated investment payback period[1]
		(US$ in millions)	
HPL	Phase I of HPAL Project	1,011.1	4-6 years[2]
	Phase II of HPAL Project	220.0	2-4 years
ONC	Phase III of HPAL Project	1,100.0	3-5 years
HJF	Phase I of RKEF Project	892.0	3-5 years
KPS	Phase II of RKEF Project	1,140.0	3-5 years

Notes:

1. The investment payback period is estimated based on the assumptions that (i) the long-term nickel price maintains at approximately US$18,000-19,000 per metal ton, which is lower than the latest LME nickel price (over US$20,000 per metal ton), as the impact of the Russian-Ukrainian conflict on the LME nickel prices is expected to gradually decrease; (ii) the production lines would achieve breakeven for the first year of production due to the strong demand of our nickel products, as demonstrated by HPL's strong financial performance in 2021; and (iii) each production line could achieve over 80.0% utilization rate of the designed production capacity.
2. Phase I of the HPAL Project is estimated to require a relatively longer investment payback period primarily because (1) its construction schedule was prolonged as a result of the COVID-19 outbreak, and (2) its construction involved infrastructure that would be used for both phase I and phase II of the HPAL Project.

Power Generation Facilities That We Jointly Invested

Adequate power generation facilities are critical in ensuring that the production activities of the Obi projects can be carried out smoothly. The table below sets forth the capital expenditure and other details for the power plants that have commenced operation, which have been jointly invested by us and our Indonesian Partner and are owned and operated by the respective joint venture companies of our Obi projects:

Power generation facilities	Total designed power generation capacities	Total capital expenditure[(1)]	Construction commencement time	Power generation commencement time
	MW	*(US$ in millions)*		
Power plants for phase I of the HPAL project	60	44.40	December 2018	November 2020
Power plants for phase I of the RKEF project	600	328.84	December 2020	September 2022

Note:

(1) The capital expenditure for these power plants were included in the total capital expenditure for the respective HPAL and RKEF projects.

Phase I of the HPAL is equipped with two power plans with designed power generation capacity of 30 MW each, and phase I of the RKEF project is equipped with four power plants with designed power generation capacity of 150 MW each. These power plants use coal as fuel source.

In addition, we are in the process of constructing another power plant for phase II of the HPAL project, which are being jointly invested by us and our Indonesian Partner and will be owned and operated by the relevant joint venture company of our Obi projects, which is HPL. The table below sets forth the estimated capital expenditure and other details for this power plant.

Power generation facilities	Total designed power generation capacities	Estimated total capital expenditure[(1)]	Actual construction commencement time	Expected power generation commencement time
	MW	*(US$ in millions)*		
Power plant for phase II of the HPAL project	60	30.86	May 2021	December 2022

Note:

(1) The capital expenditure for this power plant is already included in the total capital expenditure for the HPAL project. Please refer to the table on page 258 for the estimated capital expenditure to be incurred for the HPAL project.

Phase II of the HPAL project will be equipped with one power plant with designed power generation capacity of 60 MW and will use coal as fuel source. Based on the feasibility study report of this power plant, there is no power supply in the surrounding area and as such, phase II of the HPAL project needs to build its own power plant to ensure stable supply of electricity. Based on the same report, a 60 MW power plant is able to sufficiently meet the power consumption need of phase II of the HPAL project. The power plant will operate as a microgrid.

We may also consider constructing photovoltaic power generation facilities for the Obi projects in collaboration with our Indonesian Partner in the future, to supplement the power generation by their power plants.

EQUIPMENT MANUFACTURING AND SALE

Our subsidiary Xi'an Pengyuan manufactures equipment used in the production of nickel products, primarily including refining furnaces, electric arc furnaces, submerged arc furnaces, and certain equipment for energy conservation and environmental protection purposes, such as the flue gas purification system. Xi'an Pengyuan also produces critical components for certain production equipment used in the HPAL and RKEF projects, primarily including ferronickel furnaces, thickeners and thickening tanks. These equipment are sold to HPL, HJF and independent third parties.

According to the design of the Obi projects, we also procure key equipment from third parties and export to HPL and HJF, including the sale of high-pressure reactors, pre-heaters, flash tanks to HPL, and the sale of the three main hosts of the power plants, rotary kilns, drying kilns to HJF.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue from manufacturing and sale of equipment was RMB416.9 million, RMB1,020.2 million, RMB1,003.4

million, RMB353.5 million and RMB671.4 million, respectively, accounting for 4.5%, 13.2%, 8.1%, 8.6% and 6.7%, respectively, of our total revenue during the same periods.

OTHER BUSINESSES

In addition to the above businesses, we also provide other nickel related products and services, including (i) sale of wastes and provision of related services, (ii) vessel subleasing, and (iii) sale of auxiliary materials to HJF (primarily including semi-coke and coke). In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue from other businesses was RMB74.8 million, RMB87.4 million, RMB226.4 million, RMB73.6 million and RMB146.0 million, respectively, accounting for 0.8%, 1.1% 1.8%, 1.9% and 1.6%, respectively, of our total revenue during the same periods.

We entered into the vessel subleasing business in 2021 as a way to optimize the use of our assets. We typically lease vessels for a term of six to nine months from ship owners in China, Hong Kong, Singapore and Ireland for the shipping of laterite nickel ore, ferronickel and MHP. However, the leased vessels may be idle either for a period of time or for specific journeys. To optimize the uptime of the vessel, we sublease them to third parties in Hong Kong, Singapore, India and the Middle East to generate additional revenue. For example, we may choose to sublease the vessels that we use to ship nickel ore from the Philippines during the annual rain season in the Philippines, when mining and shipping of nickel ore from certain major nickel mine areas in the Philippines are significantly reduced.

RESEARCH AND DEVELOPMENT AND TECHNICAL IMPROVEMENT

As of June 30, 2022, we had 164 R&D and technical employees in China and 112 R&D and technical employees in Indonesia. Many of our R&D and technical employees graduated with bachelor's degree or above in engineering, mechanical design, and metallurgy and other scientific fields essential to the production of nickel products, and have extensive work experience in related fields. Our domestic R&D and technical personnel are primarily based in Shanghai and Xi'an, and travel to the Obi Island from time to time to conduct R&D activities to further support the technical improvement and smooth operation of the Obi projects. Our R&D and technical personnel in Indonesia are focused on R&D and technical activities of the Obi projects.

The objectives of our R&D and technical improvement activities mainly include: (i) the continuous upgrade and improvements on the HPAL and RKEF processes and related equipment used in our nickel product production, in an effort to lower production cost, improve operational efficiency, improve equipment reliability and reduce downtime and reduce environmental pollution and labor costs, and (ii) development and application of new technologies and products.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our research and development expenses were RMB3.1 million, RMB4.4 million, RMB7.9 million, RMB1.0 million and RMB4.7 million, respectively.

In-House R&D and Technical Improvement

The R&D activities we are currently conducting primarily include: the extraction and comprehensive utilization of other metal elements from laterite nickel ore, carbon emission reduction and energy saving, improving the level of automation and intelligence of the production process and the development of raw materials for ternary battery (including the recycling of manganese and the development of nickel-cobalt compound products). Our continuous R&D efforts have been awarded with multiple accreditations and recognition from various organizations and entities. For example, Xi'an Pengyuan has been certified as a High and New-Technology Enterprise in 2019. For more details, please see "— Awards and Recognition."

We have obtained intellectual property rights for various in-house developed technologies and know-how. As of the Latest Practicable Date, we had registered 44 patents in China (including 39 utility patents and five invention patents), the majority of which are related to nickel products production equipment, and had four invention patents under application (including one patent on the processing of laterite nickel ore using the HPAL process). For more details, please see "— Intellectual Property."

R&D Collaboration

As a supplement to our in-house R&D efforts, we routinely engage in R&D collaborations with third parties including research institutions and universities:

- In designing the production lines of our Obi projects, we collaborated with reputable engineering design institutions in China, including ENFI. Among which, ENFI mainly assisted us in carrying out feasibility studies and construction design. We jointly own with ENFI intellectual property rights generated during the design process of the Obi projects, for which we have secured the long-term right to use for free, and have restricted ENFI to transfer such intellectual property to third parties. We have formed collaboration with various renowned institutions in the industry for the construction of our nickel product production projects. For example, we have formed in-depth collaboration with various reputable engineering design institutions in China, including ENFI, during the design and production process of the Obi projects' production lines. The collaboration also generated a jointly-owned patent, for which both parties are entitled with the long-term right to use for free. In December 2021, the "Key Technologies for Clean Extraction and Efficient Utilization of Nickel, Cobalt and Scandium" project led by ENFI, in which we also participated, was approved by the Ministry of Science and Technology.

- We also from time to time collaborate with reputable educational and research institutions in China, including Beijing University of Technology and Beijing General Research Institute of Mining and Metallurgy, in connection with the R&D of certain non-core technologies and techniques. These collaborations cover various aspects including improvements of processes and techniques and optimization of production cost. With respect to equipment manufacturing, we have established a R&D center for ferroalloy engineering technology with Xi'an University of Architecture and Technology, which mainly focuses on ferroalloy production processes and techniques, digitalization and automation of the ferroalloy production processes, and technologies related to energy conservation and environmental protection during the ferroalloy production process.

SALES AND MARKETING

We have dedicated sales and marketing teams for each of our nickel product trading business and nickel product production business. As of June 30, 2022, we had a sales and marketing team of 62 personnel located in China and Indonesia. Our sales and marketing personnel are primarily responsible for maintaining communication with existing customers to understand their needs and feedbacks on our products, in order to estimate the sales volume of relevant products and arrange procurement and production plans accordingly. Our sales and marketing personnel also seeks to expand our customer base through showcasing the strengths of our products and services to potential customers.

Our main marketing activities include sponsorship of and participation in industry exhibitions and conferences, such as the China International Nickel-Cobalt Industrial Annual Conference. We believe our active participation in these exhibitions and conferences allows us to keep abreast of the latest industry policies and trends and exchange information and ideas with other companies in our industry.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our selling and distribution expenses were RMB55.9 million, RMB50.1 million, RMB124.1 million, RMB23.3 million and RMB43.2 million, respectively, accounting for 0.6%, 0.6%, 1.0%, 0.6% and 0.4%, respectively, of our revenue during the same periods.

CUSTOMERS

Overview

Our customers primarily consist of smelting and refining companies and stainless steel manufacturers in the stainless steel industry, as well as smelting and refining companies and ternary battery material manufacturers in the NEV industry. In addition, we sell a portion of our laterite nickel ore and ferronickel in our nickel product trading business and a portion of ferronickel and nickel-cobalt compounds in our nickel product production business to trading companies, which subsequently sell the products they purchase from us to smelting and refining companies and stainless steel manufacturers in the stainless steel industry, as well as ternary battery material manufacturers in the NEV industry. Please see "— Nickel Product Trading Companies" for more details. In addition, a small number of transactions between us and our customers involved trade financing from independent third-party financiers, in order for our customers to purchase our nickel products. We do not generate any revenue from the facilitation of such arrangements, and revenue contribution from these customers during the Track Record Period was insignificant. A substantial majority of our customers are from mainland China, with the remainder from South Korea, Taiwan, Singapore, Indonesia, Switzerland and other countries and regions such as Hong Kong.

The regulations governing the stainless steel industry, which is a traditional sector, are relatively well established and have not, and are not expected to have any significant impact on demand for our nickel products. See "Regulatory Overview — Overview of Laws and Regulations in the PRC — Industry Regulations — PRC Laws and Regulations on the Stainless Steel Industry" for more details. The regulations governing the NEV industry are rapidly evolving and new legislations or changes in the PRC regulatory requirements regarding the NEV industry may affect the demand of NEVs, the business of our customers in the NEV industry and in turn, demand for our nickel product compound products. For instance, The NEV industry has historically benefited from government subsidies, economic incentives and government policies that support the growth of NEVs. However, these subsidies for NEV purchases have been and will likely be continuously lowered and the total number of NEVs in China that will be entitled to subsidies may also be capped. In addition, governments may also reduce the grants, subsidies and other forms of economic and regulatory incentives NEV manufacturers are entitled to. Any of the foregoing could materially and adversely affect price competitiveness of NEVs, reduce the demand of NEVs and ultimately lead to the decreased demand of raw materials required for the manufacturing of NEVs, including the ternary battery and in turn, our nickel products. See "Risk Factors — Risk Related to Our Business and Industry — Factors that impact the NEV industry may materially and adversely affect our business, financial condition and results of operations" and "— New legislations or changes in the PRC regulatory requirements regarding the end markets of our products, particularly the NEV market, may affect our business operations and prospects." See "Regulatory Overview — Overview of Laws and Regulations in the PRC — Industry Regulations — PRC Laws and Regulations on the NEV Industry" for more details.

For more information on our customers and our pricing terms and agreements with them, see "— Trading of Nickel Products — Products — Customers and Pricing" and "— Material Terms of Agreement with Customers" with respect to our nickel product trading business, "— Production of Nickel Products — Production of Ferronickel — Jiangsu Facilities — Customers and Pricing" with respect to in-house produced ferronickel, and "— Production of Nickel Products — Production of Nickel-Cobalt Compounds — Customers and Pricing" and "— Customers and Pricing" with respect to the nickel-cobalt compounds we produce.

Revenue contributed by our largest customer in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB2,767.8 million, RMB1,288.3 million, RMB1,545.3 million and RMB1,177.0 million and accounted for 29.6%, 16.6%, 12.4% and 11.8% of our revenue for the respective periods; and revenue contributed by our five largest customers in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB5,179.8 million, RMB4,179.3 million, RMB4,984.0 million and RMB4,047.4 million and accounted for 55.4%, 53.9%, 40.0% and 40.6% of our revenue for the respective periods.

The table below sets forth details of our five largest customers during the Track Record Period:

For the Year Ended December 31, 2019

Rank	Customer	Location	Business Profile	Major Products Provided	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution (%)
1 . . .	Customer A	Zhejiang province, China	A private company and a leading manufacturer of stainless steel and other steel-containing products, and also engaged in the production of raw materials used in the NEV industry. It is one of the world's largest nickel producers and was ranked in the top 20 in the list of "Top 500 Private Enterprises in China in 2021." In 2021, it had a total revenue of approximately US$42.4 billion and a net profit of approximately US$1.1 billion.	Nickel ore and ferronickel	5 days[1]	10	Letter of credit, bank transfer	2,767.8	29.6
2 . . .	Customer B	Korea	A public company listed on the New York Stock Exchange, the London Stock Exchange and the Korea Exchange and a leading manufacturer of stainless steel and other steel-containing products. It is the 6th largest steel producer in the world and an industry leader in developing advanced customer solutions. In 2021, its total revenue was approximately US$63.3 billion and its net profit was approximately US$6.1 billion. It was ranked in the top 200 in the Fortune global 500 list of companies in 2021.	Ferronickel	Customer will make payments upon receipt of required document	7	Letter of credit, bank transfer	851.9	9.1
3 . . .	Customer C	Shanghai, China	An unlisted Chinese SOE and a leading manufacturer of stainless steel and other steel-containing products. It is the world's largest steel maker, with annual capacity of over 100 million tons. In 2021, its total revenue was approximately RMB972.3 billion and its total profit was approximately RMB60.2 billion. It also has a large cash balance and liquid financial assets.	Nickel ore and ferronickel	5 days[1]	5	Letter of credit, bank transfer	558.0	6.0
4 . . .	Customer D	Guangxi province, China	Mainly engagement in stainless steel production and port management of three ports in South China. It is an unlisted Chinese SOE and was one of the Top 500 Chinese Enterprises in 2021. In 2021, its total revenue was approximately RMB100.5 billion and its total assets was approximately RMB145.9 billion.	Nickel ore and ferronickel	5 days[1]	4	Letter of credit, bank transfer	518.9	5.6
5 . . .	Customer E	Zhejiang province, China	A public company listed on the Shenzhen Stock Exchange and a leading supply chain manager focusing on bulk commodity procurement and distribution, logistics, investment and financial services. It is a SOE and ranked top 100 in the Fortune China 500 list of companies in 2021. In 2021, its total revenue was approximately RMB178.3 billion and its net profits was approximately RMB819.1 million.	Nickel ore and ferronickel	90 days[1]	5	Letter of credit, bank transfer	483.2	5.1
Total								5,179.8	55.4

Note:

1. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to us upon the receipt of the required documents.

For the Year Ended December 31, 2020

Rank	Customer	Location	Business Profile	Major Products Provided	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution (%)
1 . . .	Customer A	Zhejiang province, China	A private company and leading manufacturer of stainless steel and other steel-containing products. It is one of the world's largest nickel producers and was ranked in the top 20 in the list of "Top 500 Private Enterprises in China in 2021." In 2021, it had a total revenue of approximately US$42.4 billion and a net profit of approximately US$1.1 billion.	Nickel ore and ferronickel	5 days[1]	10	Letter of credit, bank transfer	1,288.3	16.6
2 . . .	Indonesian Partner[2]	Indonesia	A private company which is mainly engaged in the production of nickel products.	Equipment	90 days (if applicable)	4	Bank transfer	912.4	11.8
3 . . .	Customer D	Guangxi province, China	Mainly engagement in stainless steel production and port management of three ports in South China. It is an unlisted Chinese SOE and was one of the Top 500 Chinese Enterprises in 2021. In 2021, its total revenue was approximately RMB100.5 billion and its total assets was approximately RMB145.9 billion.	Nickel ore and ferronickel	5 days[1]	4	Letter of credit, bank transfer	865.7	11.2
4 . . .	Customer C	Shanghai, China	An unlisted Chinese state-owned enterprise and a leading manufacturer of stainless steel and other steel-containing products. It is the world's largest steel maker, with annual capacity of over 100 million tons. In 2021, its total revenue was approximately RMB972.3 billion and its total profit was approximately RMB60.2 billion. It also has a large cash balance and liquid financial assets.	Nickel ore and ferronickel	5 days[1]	5	Letter of credit, bank transfer	591.8	7.6
5 . . .	Customer F	Zhejiang province, China	A private company which is mainly engaged in the production and sales of new materials and chemical products, with business covering areas including hotel, financial investment and technology development. It is one of the top 500 private enterprises in China. Its total revenue was approximately RMB45.8 billion in 2021.	Ferronickel	Customer will make payments upon receipt of required document	7	Bank transfer	521.1	6.7
Total								4,179.3	53.9

Notes:

1. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to us upon the receipt of the required documents.
2. Including the following entities of our Indonesian Partner: HPL and HJF. Revenues in 2020 that were attributable to HPL and HJF amounted to RMB908.3 million and RMB4.1 million, respectively.

For the Year Ended December 31, 2021

Rank	Customer	Location	Business Profile	Major Products Provided	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Transaction Amount *(RMB in millions)*	Revenue Contribution (%)
1 . . .	Customer D	Guangxi province, China	Mainly engaged in stainless steel production and port management of three ports in South China. It is an unlisted Chinese state-owned enterprise and was one of the Top 500 Chinese Enterprises in 2021. In 2021, its total revenue was approximately RMB100.5 billion and its total assets was approximately RMB145.9 billion.	Nickel ore and ferronickel	5 days[1]	4	Letter of credit, bank transfer	1,545.3	12.4
2 . . .	Customer C	Shanghai, China	An unlisted Chinese SOE and a leading manufacturer of stainless steel and other steel-containing products. It is the world's largest steel maker, with annual capacity of over 100 million tons. In 2021, its total revenue was approximately RMB972.3 billion and its total profit was approximately RMB60.2 billion. It also has a large cash balance and liquid financial assets.	Nickel ore and ferronickel	5 days[1]	5	Letter of credit, bank transfer	966.0	7.8
3 . . .	Customer A	Zhejiang province, China	A private company and leading manufacturer of stainless steel and other steel-containing products. It is one of the world's largest nickel producers and was ranked in the top 20 in the list of "Top 500 Private Enterprises in China in 2021." In 2021, it had a total revenue of approximately US$42.4 billion and a net profit of approximately US$1.1 billion.	Nickel ore and ferronickel	5 days[1]	10	Letter of credit, bank transfer	953.9	7.7
4 . . .	Indonesian Partner[2]	Indonesia	A private company which is mainly engaged in the production of nickel products.	Equipment	90 days (if applicable)	4	Bank transfer	885.8	7.1
5 . . .	Customer B	Korea	A public company listed on the New York Stock Exchange, the London Stock Exchange and the Korea Exchange and a leading manufacturer of stainless steel and other steel-containing products. It is the 6th largest steel producer in the world and an industry leader in developing advanced customer solutions. In 2021, its total revenue was approximately US$63.3 billion and its net profit was approximately US$6.1 billion. It was ranked in the top 200 in the Fortune global 500 list of companies in 2021.	Ferronickel	Customer will make payments upon receipt of required document	7	Letter of credit, bank transfer	633.0	5.0
Total								4,984.0	40.0

Notes:

1. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to us upon the receipt of the required documents.

2. Including the following entities of our Indonesian Partner: HJF and HPL. Revenues in 2021 that were attributable to HPL (excluding the amount of revenue after HPL became our majority-owned subsidiary in November 2021) and HJF amounted to RMB308.6 million and RMB577.2 million, respectively. Revenue from HPL in 2021 in the above table represents revenue contributed by HPL prior to our acquisition of an additional 18.0% equity interest in HPL in November 2021, following which HPL became our majority-owned subsidiary. Revenue contributed by HPL from the acquisition date to the end of 2021 (which was RMB45.9 million), is excluded from the above table, as the relevant transactions are considered intra-group transactions and the relevant revenue amounts are eliminated on a consolidated basis (in other words, HPL did not contribute any revenue after the acquisition in November 2021).

For the six months ended June 30, 2022

Rank	Customer	Location	Business Profile	Major Products Provided	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Total Transaction Amount (*RMB in millions*)	Revenue Contribution (%)
1	Customer C	Shanghai, China	An unlisted Chinese SOE and a leading manufacturer of stainless steel and other steel containing products. It is the world's largest steel maker, with annual capacity of over 100 million tons. In 2021, its total revenue was approximately RMB972.3 billion and its total profit was approximately RMB60.2 billion. It also has a large cash balance and liquid financial assets.	Nickel ore and ferronickel	5 days[1]	5	Letter of credit, bank transfer	1,177.0	11.8
2	Customer G	Fujian province, China	A public company that is listed on the Shanghai Stock Exchange and a supply chain manager focusing on bulk commodity procurement and distribution, logistics, and financial services. It was a Fortune global 500 company in 2021. In 2021, its total revenue was approximately RMB462.5 billion and its net profits amounted to approximately RMB2.2 billion.	Nickel ore, ferronickel and nickel-cobalt compounds	N/A[2] or 5 days[1]	6	Letter of credit, bank transfer	835.9	8.4
3	Customer H	Switzerland	It is a public company that is listed on the Johannesburg Stock Exchange and the London Stock Exchange, and one of the world's largest globally diversified natural resource company, which supply the commodities that are fundamental to the building blocks. In 2021, its total revenue was approximately US$21.3 billion and its net income amounted to US$5.0 billion.	Nickel-cobalt compounds	5 days[1]	1	Letter of credit	737.8	7.4
4	Indonesian Partner[3]	Indonesia	A private company which is mainly engaged in the production of nickel products.	Equipment	90 days (if applicable)	4	Bank transfer	664.1	6.7
5	Customer I	Guangdong province, China	A public company listed on the Shenzhen Stock Exchange and a globally leading company in the cemented carbide material industry and the new energy material industry. It was ranked in Top 500 Private manufacturing companies of China. In 2021, its total revenue was approximately RMB19.3 billion and its net profits amounted to approximately RMB722.2 million.	Nickel-cobalt compounds	5 days[1]	2	Letter of credit	632.6	6.3
Total								4,047.4	40.6

Notes:

1. For payments using letter of credit, refers such number of days within which the issuing bank makes payment to us upon the receipt of the required documents.
2. Prepayment is required before product delivery.
3. Including the following entity of our Indonesian Partner: HJF.

None of our Directors or their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest customers during the Track Record Period and as of the Latest Practicable Date, except for our Indonesian Partner, which was a top five customer in 2020, 2021 and the six months ended June 30, 2022. During the Track Record Period and as of the Latest Practicable Date, we did not have material disputes with our customers. To the best knowledge of our Directors, none of our customers during the Track Record Period had any past or present relationship (business, employment, family, trust, financing or otherwise) with our Group, our substantial shareholders, directors, supervisors, senior management or any of their respective associates, except for HPL and HJF as mentioned above.

Nickel Product Trading Companies

Consistent with industry practice, in addition to selling the laterite nickel ore and ferronickel in our nickel product trading business and the ferronickel and nickel-cobalt compounds in our nickel product production business to smelting and refining companies and stainless steel manufacturers, we at times also sell these to nickel product trading companies in China, Korea, Singapore, Switzerland and Taiwan. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our revenue generated from sales to nickel product trading companies was RMB2,235.9 million, RMB1,874.2 million, RMB3,016.1 million, RMB3,730.4 million, respectively, accounting for 23.9%, 24.2%, 24.2% and 37.4% of our revenue, respectively, during the same periods. These nickel product trading companies are independent third parties, and some of the downstream smelting and refining companies and stainless steel manufacturers ask these nickel product trading companies to procure from us because these trading companies typically have deep industry experience and knowledge regarding where the nickel ore and ferronickel meeting their customers' specific needs and preferences can be procured at competitive-prices. According to the CIC Report, it is common for companies engaged in nickel product trading business to procure from or sell to each other products including nickel ore and ferronickel of different nickel content, depending on the availability and pricing of these products. In addition, these nickel product trading companies are also able to provide various value-added services to the downstream end customers. The relatively larger proportion of sales to nickel product trading companies in the six months ended June 30, 2022 was primarily due to our sale of nickel-cobalt compounds to nickel product trading companies, as a result of the robust demand for our nickel-cobalt compounds from the end customers who engaged these trading companies. Since our transactions with these trading companies are based on the actual demand of the end customers (smelting and refining companies and stainless steel manufacturers), we are not subject to any channel stuffing risks.

The way we transact with these trading companies, including pricing terms, are substantially the same as when we directly transact with smelting and refining companies and stainless steel manufacturers. Our relationship with these nickel product trading companies is a buyer and seller relationship as opposed to a principal and agent relationship. We recognize our revenue for the transactions with these trading companies in the same manner as we recognize revenue for the transactions with our other customers, which is when control of goods or services is transferred.

Since these trading companies only trade with us when their customers have specific demand for our nickel ore and ferronickel, we do not apply any selection criteria before transacting with them, nor do we manage them as our distributors. We do not enter into long-term agreements with these trading companies, and instead enter into sales and purchase agreements with them every time they place an order with us, the content of which is substantially the same as those we enter into with smelting and refining companies and stainless steel manufacturers directly. In particular, the agreements specify the weight, specifications (content of nickel and other elements/impurities), pricing terms, payment and delivery method of the relevant batch of laterite nickel ore and ferronickel, and a price adjustment method when the content of nickel and other elements/impurities of the laterite nickel ore and ferronickel deviates from contract specifications. We do not set minimum or required sales target for these nickel product trading companies, nor do we mandate the selling prices at which the trading companies further sell to the end customers. For more details, please see "— Trading of Nickel Products — Material Terms of Agreements with Customers."

The table below sets forth the number and movement of our trading company customers in the periods indicated:

Number of nickel product trading companies	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
At the beginning of the period	28	32	38	38
Net increase/(decrease) in the number of trading companies	4	6	0	(2)
At the end of period	32	38	38	36

The number of nickel product trading companies we transacted with remained relatively stable during the Track Record Period. As the nickel product trading companies that transact with us are selected by our end customers based on their actual demand, the changes in number of these trading companies we transacted with during the Track Record Period was mainly due to changes in demand or preferences of the relevant end customers. Our end customers have their own criteria and requirements in selecting and managing the nickel product trading companies they work with, which is beyond our control.

SUPPLIERS

Our suppliers primarily include suppliers for laterite nickel ore, ferronickel, production equipment, logistics services, electricity, liquid alkali and sulfur. Our suppliers are primarily located in countries and regions including Indonesia, the Philippines, China, Singapore, Hong Kong and Japan. For more information on our suppliers, see "— Trading of Nickel Products — Products — Suppliers" for our nickel product trading business, and "— Production of Nickel Products — Production of Ferronickel — Jiangsu Facilities — Suppliers" and "— Production of Nickel Products — Production of Nickel-Cobalt Compounds — Suppliers" for nickel product production business.

During the Track Record Period, other than the significant decrease in number of suppliers procuring nickel ore from Indonesia as a result of the Indonesian government's export ban, the number of suppliers procuring nickel ore from other countries and regions for our trading and ferronickel production business have remained relatively stable. See "— Trading of Nickel Products — Suppliers" and "— Production of Nickel Products — Production of Ferronickel — Jiangsu Facilities — Suppliers" for more details. For our nickel-cobalt compounds production business on the Obi Island, Indonesia, we had stable supply of nickel ore from our Indonesian Partner during the Track Record Period. In June 2022, we entered into a guaranteed supply framework agreement with our Indonesian Partner, pursuant to which our Indonesian Partner has agreed to supply to each of the four project companies of the Obi projects (i.e., HPL, HJF, ONC and KPS), such quantity and quality of nickel ore that meets the specifications required by their respective nickel production activities, either from such nickel mines our Indonesian Partner or its affiliates own or hold an equity interest in, or through alternative means as separately agreed by our Indonesian Partner and us, for at least 20 years starting from January 1, 2021. See "— Collaboration with Our Indonesian Partner — HPL" for more details. As such, we believe we have stable upstream nickel ore supply channels for both our trading and production businesses.

We carefully select our suppliers and require them to meet our evaluation and assessment criteria. Before we engage a new supplier, we evaluate various aspects of a supplier. For a supplier of laterite nickel ore, we will check whether the supplier has obtained all required mining and exportation documents, the quality of the mines (such as their locations, reserves, and local infrastructure) and the supplier's relationship with the local government and community. We may also conduct site visits of the nickel mine if needed. For other suppliers, we select them mainly based on their production capacity, delivery capacity, quality control and R&D capability, among others. Once passing our evaluation, a supplier is placed on our list of "qualified suppliers" who are prioritized by us for subsequent orders. We evaluate our existing suppliers of raw materials at least once a year and grade their performance.

Our sales and marketing, quality control, procurement, equipment, production planning and warehousing departments periodically determine the amount and specification of raw materials to purchase based on our trading demand and production needs. Upon receiving the raw materials, we conduct sampling, verification and testing to make sure that they meet our specifications and standards. We also require all of our suppliers to ensure their products comply with the relevant environmental, health, safety and intellectual property laws and regulations.

Purchases from our largest supplier in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB986.8 million, RMB1,415.7 million, RMB3,850.8 million and RMB1,806.4 million and accounted for 12.0%, 21.4%, 35.0% and 21.1% of our total purchase for the respective periods, while our five largest suppliers in each of 2019, 2020, 2021 and the six months ended June 30, 2022 amounted to RMB2,922.2 million, RMB3,430.5 million, RMB6,137.0 million and RMB3,321.5 million and accounted for 35.4%, 51.8%, 55.8% and 38.8% of our total purchase for the respective periods. We believe we maintain good business relationships with our suppliers. For risks related to our business relationships with our suppliers, see "Risk Factors —

Risks Relating to Our Business and Industry — Our nickel production depends on a stable, timely and adequate supply of energy, power and raw materials such as water and chemicals at commercially reasonable prices" in this prospectus.

None of our Directors or their respective close associates or any Shareholder (whom to the knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of the Company's five largest suppliers during the Track Record Period, except for (1) our Indonesian Partner, a top five supplier in 2019, 2020 and 2021, and (2) Regent Sound Limited (勵勝有限公司), a top five supplier for 2019, which is owned by Mr. Cai Jiansong (the brother of Mr. Cai and the chairman of the board of directors of one of our subsidiaries, Jiangsu Wisdom) and Ms. He Xiaodan (an executive director and general manager of one of our subsidiaries, Ningbo Lida International Logistics Co., Ltd. (寧波勵達國際物流有限公司) and a supervisor of another one of our subsidiaries, Ningbo Yiwei Mining Co., Ltd. (寧波毅威礦業有限公司)). Regent Sound Limited commenced its laterite nickel ore trading business in 2014. During the Track Record Period, Regent Sound Limited supplied laterite nickel ore to us on arms' length basis. We used to purchase laterite nickel ore from Regent Sound Limited primarily because (i) its management team members have relevant experience in laterite nickel ore trading, and (ii) it has established relationship with, and is able to secure a stable supply of laterite nickel ore from, nickel mines in the Philippines. We entered into sales and purchase agreements every time we placed an order with Regent Sound Limited, which specify the weight, pricing terms and specifications (including but not limited to the target percentage of nickel content and the content of non-nickel elements/impurities) of the relevant batch of nickel ore, among others. The terms of the sales and purchase agreements and the prices at which we procured nickel ore from Regent Sound Limited are substantially similar to those with our other nickel ore suppliers. See "— Trading of Nickel Products — Products — Material Terms of Agreements with Customers" for more details. During the Track Record Period, Regent Sound Limited sold nickel ore primarily to us, and to a lesser extent, to an independent third-party customer. The average selling price at which Regent Sound Limited sold nickel ore to us (CFR price US$46.4 per metric ton, which price included freight charges for shipping the nickel ore to us) was comparable to that with its other customer (FOB price US$42.8 per metric ton, which price did not include freight charges, and the other customer was responsible for shipping the nickel ore on its own). Both CFR (cost and freight) and FOB (free on board) prices are commonly used in nickel ore trading, depending on the negotiations between buyers and sellers. As advised by CIC, Regent Sound Limited's historical selling prices to us and the other customer were consistent with the prevailing market prices. As we started to explore the possibility of a public listing, we strengthened our internal control in an effort to minimize connected transactions and related party transactions. From Regent Sound Limited's perspective, Mr. Cai Jiansong and Mr. He Xiaodan found it challenging to divide their time and attention between our Group's operations and that of Regent Sound Limited, and became more inclined to focus all their efforts on our Group's continuously expanding businesses. As such, Regent Sound Limited discontinued its nickel product trading business in November 2020 and is no longer our supplier since then. To our knowledge, Regent Sound has not been involved in any material non-compliance, claims and litigations (whether actual or threatened).

To the best knowledge of our Directors, none of suppliers during the Track Record Period had any past or present relationship (business, employment, family, trust, financing or otherwise) with our Group, our substantial shareholders, directors, supervisors, senior management or any of their respective associates, except for our Indonesian Partner, HPL and Regent Sound Limited as mentioned above.

The table below sets forth details of our five largest suppliers during the Track Record Period:

For the Year Ended December 31, 2019

Rank	Supplier	Location	Business Profile	Major Products and/or Services Supplied	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchases (%)
1 . . .	Supplier A	Singapore	A private company which is mainly engaged in the import and export trade of metal products and raw materials, such as nickel ore and ferronickel. It has high-quality metal resources and a stable customer base.	Nickel ore and ferronickel	5 days[1]	3	Letter of credit, bank transfer	986.8	12.0
2 . . .	Indonesian Partner[2]	Indonesia	A private company which is mainly engaged in the exploration and extraction of natural resources, as well as the production of certain nickel products.	Nickel ore and ferronickel	5 days[1]	4	Letter of credit, bank transfer	737.6	8.9
3 . . .	Supplier C	Hong Kong	A private company which is mainly engaged in the chartering business and shipping services. Its revenue was estimated to be approximately US$80 million in 2019.	Shipping services	N/A[3]	4	Bank transfer	425.3	5.2
4 . . .	Supplier D	Philippines	A public company listed on the Philippine Stock Exchange and is mainly engaged in the exploration and extraction of nickel resources. It is the Philippines' largest producer of laterite nickel ore and one of the largest producer of laterite nickel ore in the world, with a total of four nickel mines. In 2021, its total revenue was approximately US$537.9 million and its net income was approximately US$208.8 million.	Nickel ore	N/A[3]	4	Bank transfer	421.1	5.1
5 . . .	Regent Sound Limited	Hong Kong	A private company which is mainly engaged in the import and export of stainless steel raw materials, such as ferroalloy and ore. In the nine months ended September 30, 2021, its total revenue was approximately US$20 million.	Nickel ore	30 days	7	Letter of credit, bank transfer	351.4	4.2
Total								2,922.2	35.4

Notes:

1. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to the relevant supplier upon the receipt of the required documents.
2. Including the following entity of our Indonesian Partner: PT. Megah Surya Pertiwi ("MSP").
3. Prepayment is required before product delivery.

For the Year Ended December 31, 2020

Rank	Supplier	Location	Business Profile	Major Products and/or Services Supplied	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchases (%)
1 . . .	Indonesian Partner[1]	Indonesia	A private company which is mainly engaged in the exploration and extraction of natural resources, as well as the production of certain nickel products.	Nickel ore and ferronickel	5 days[2]	4	Letter of credit, bank transfer	1,415.7	21.4
2 . . .	Supplier D	Philippines	A public company listed on the Philippine Stock Exchange and is mainly engaged in the exploration and extraction of nickel resources. It is the Philippines' largest producer of laterite nickel ore and one of the largest producer of laterite nickel ore in the world, with a total of four nickel mines. In 2021, its total revenue was approximately US$537.9 million and its net income was approximately US$208.8 million.	Nickel ore	N/A[3]	4	Bank transfer	861.0	13.0
3 . . .	Supplier E	Beijing, China	An unlisted Chinese SOE that is mainly engaged in engineering, procurement and construction. It is a subsidiary of Metallurgical Corporation of China Ltd., which is a Fortune global 500 company. It is also one of the largest equipment manufacturers in China, and is involved in the construction of metallurgical, infrastructural facilities, other industrial projects, housing construction, municipal utility construction, installation of electrical and mechanical works, and other construction projects. In 2021, the total revenue and net income of its parent company, Metallurgical Corporation of China Ltd., were approximately RMB500.6 billion and approximately RMB11.6 billion, respectively.	Equipment	Milestone payment or payment upon completion of quality check	3	Bank transfer	439.7	6.6
4 . . .	Supplier F	Jiangsu province, China	An electricity supplier that is also engaged in other related services. It is the provincial branch of the State Grid, an unlisted Chinese state-owned electric utility company that is also a Fortune global 500 company in 2021. In 2021, the total revenue and profits of State Grid were approximately USD460.6 billion and approximately USD7.14 billion, respectively.	Electricity	15 days	7	Bank transfer	387.0	5.8
5 . . .	Supplier G	Philippines	A private company which is mainly engaged in the exploration and extraction of nickel resources. It is the sixth largest nickel ore supplier in the Philippines. In 2021, it exported more than 4.5 million tons of laterite nickel ore to China, accounting for approximately 10% of China's total importation of laterite nickel ore.	Nickel ore	N/A[3]	4	Bank transfer	327.1	5.0
Total								3,430.5	51.8

Notes:

1. Including the following entity of our Indonesian Partner: MSP.
2. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to the relevant supplier upon the receipt of the required documents.
3. Prepayment is required before product delivery.

For the Year Ended December 31, 2021

Rank	Supplier	Location	Business Profile	Major Products and/or Services Supplied	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Purchase Amount *(RMB in millions)*	Percentage to Total Purchases (%)
1 . . .	Indonesian Partner[1]	Indonesia	A private company which is mainly engaged in the exploration and extraction of natural resources, as well as the production of certain nickel products.	Nickel ore, ferronickel and nickel-cobalt compounds	5 days or 30 days[2]	4	Letter of credit, bank transfer	3,850.8	35.0
2 . . .	Supplier D	Philippines	A public company listed on the Philippine Stock Exchange and is mainly engaged in the exploration and extraction of nickel resources. It is the Philippines' largest producer of laterite nickel ore and one of the largest producer of laterite nickel ore in the world, with a total of four nickel mines. In 2021, its total revenue was approximately US$537.9 million and its net income was approximately US$208.8 million.	Nickel ore	N/A[3]	4	Bank transfer	1,178.1	10.7
3 . . .	Supplier G	Philippines	A private company which is mainly engaged in the exploration and extraction of nickel resources. It is the sixth largest nickel ore supplier in the Philippines. In 2021, it exported more than 4.5 million tons of laterite nickel ore to China, accounting for approximately 10% of China's total importation of laterite nickel ore.	Nickel ore	N/A[3]	4	Bank transfer	423.7	3.9
4 . . .	Supplier H	Fujian province, China	A public company listed on the Shanghai Stock Exchange and a supply chain manager focusing on bulk commodity procurement and distribution, logistics, and financial services. It was a Fortune global 500 company in 2021. In 2021, its total revenue was approximately RMB462.5 billion and its net profits amounted to approximately RMB2.2 billion.	Nickel ore and ferronickel	N/A[3]	5	Letter of credit, bank transfer	378.4	3.4
5 . . .	Supplier I	Heilongjiang province, China	An electricity supplier that is also engaged in the provision of related services such as the production and sales of power generation equipment. It is a Chinese state-owned electric utility company listed on the Stock Exchange. In 2021, its total revenue was approximately RMB21.2 billion and its total assets amounted to approximately RMB60.6 billion.	Equipment	N/A[3]	2	Bank transfer	306.0	2.8
Total								6,137.0	55.8

Notes:

1. Including the following entities of our Indonesian Partner: MSP, PT. Trimegah Bangun Persada ("TBP"), PT Lima Srikandi Jaya ("LSJ"), PT. Gane Permai Sentosa ("GPS"), PT. Antar Sarana Rekas ("ASR"), PT Gema Selaras Perkasa ("GSP") and HPL. Total purchase amount in 2021 that was attributable to HPL (excluding the amount of purchase after HPL became our majority-owned subsidiary in November 2021) amounted to RMB1,212.1 million. Purchases from HPL in 2021 in the above table represents purchases prior to our acquisition of an additional 18.0% equity interest in HPL in November 2021, following which HPL became our majority-owned subsidiary. Purchases from HPL from the acquisition date to the end of 2021 (which was RMB926.4 million), is excluded from the above table, as the relevant transactions are considered intra-group transactions and are eliminated on a consolidated basis (in other words, we did not make any purchases from HPL after the acquisition in November 2021 on a consolidated basis).
2. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to the relevant supplier upon the receipt of the required documents.
3. Prepayment is required before product delivery.

For the six months ended June 30, 2022

Rank	Supplier	Location	Business Profile	Major Products and/or Services Supplied	Credit Term	Length of relationship with the Group at the Latest Practicable Date (years)	Payment Method	Purchase Amount (*RMB in millions*)	Percentage to Total Purchases (%)
1 . . .	Indonesian Partner[1]	Indonesia	A private company mainly which is engaged in the exploration and extraction of natural resources, as well as the production of certain nickel products.	Nickel ore and ferronickel	5 days[2]	4	Letter of credit, bank transfer	1,806.4	21.1
2 . . .	Supplier J	Japan	It listed on the Tokyo Stock Exchange and is a global integrated business enterprise that operates businesses together with its offices and subsidiaries in approximately 90 countries and regions worldwide, including trading chemical business division products. In the fiscal year ended March 31, 2022, its total revenue was approximately US$150.2 billion and its profit was approximately US$8.7 billion.	Liquid alkali, sulfur	60 days[2]	1	Letter of credit	499.3	5.8
3 . . .	Supplier L	Gansu province, China	It is a state-owned conglomerate and one of its subsidiary is listed on the Stock Exchange, which is engaged in mining, mineral processing, smelting, chemical engineering and intensive processing. In 2021, its total revenue was approximately RMB262.2 billion and its total profit was approximately RMB7.0 billion. It was ranked in the Fortune global 500 list of companies in 2022.	Ferronickel	5 days[2]	4	Letter of credit	438.8	5.1
4 . . .	Supplier K	Philippines	A private company which is mainly engaged in the extraction of mineral commodities such as nickel laterite ore, cobalt, chromite, and other associated minerals.	Nickel ore	N/A[3]	5	Bank transfer	296.6	3.5
5 . . .	Supplier D	Philippines	A public company listed on the Philippine Stock Exchange and is mainly engaged in the exploration and extraction of nickel resources. It is the Philippines' largest producer of laterite nickel ore and one of the largest producer of laterite nickel ore in the world, with a total of four nickel mines. In 2021, its total revenue was approximately US$537.9 million and its net income was approximately US$208.8 million.	Nickel Ore	N/A[3]	4	Bank transfer	280.4	3.3
Total								3,321.5	38.8

Notes:

1. Including the following entities of our Indonesian Partner: ASR, GPS, GSP, LSJ, PT. Mitra Kemakmuran Line, PT. Pesona Khatulistiwa Nusantara, TBP, and MSP.
2. For payments using letter of credit, refers to such number of days within which the issuing bank makes payment to the relevant supplier upon the receipt of the required documents.
3. Prepayment is required before product delivery.

Our Directors confirm that we have not procured, and have no intention to procure, any upstream nickel resources, including laterite nickel ore and ferronickel, from any countries or regions subject to any general and comprehensive export, import, financial or investment embargo under any sanctions related laws or regulations (the "**Sanctions Laws**"), or any person or entity that is the target of, or the dealings with whom is otherwise restricted by, any Sanctions Laws. As such, our procurement of upstream nickel resources does not expose us to any sanctions risks.

CUSTOMERS WHO ARE ALSO OUR SUPPLIERS

In 2019, 2020 and 2021 and the six months ended June 30, 2022, to the best knowledge and belief of our Directors, two, three, four and four of our top five customers (including our Indonesian Partner in 2020, 2021 and the six months ended June 30, 2022, customer D in 2019, 2020 and 2021, customer G and customer H in the six months ended June 30, 2022, customer C in 2019, 2020, 2021 and the six months ended in June 30, 2022 and customer A in 2021) were also our suppliers, respectively. These entities purchase nickel ore and/or ferronickel from us, and supply nickel ore, ferronickel and/or nickel production equipment to us. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our sales to these customers accounted for approximately 11.5%, 30.6%, 34.9% and 34.2%, respectively, of our total revenues. During the same periods, our purchases from such customers accounted for approximately 0.6%, 21.7%, 35.4% and 22.8%, respectively, of our total purchases. These entities are both our customers and suppliers mainly because (1) in the case of our Indonesian Partner, with which we had extensive business collaboration, we procured nickel products from certain entities of our Indonesian Partner for our trading and production businesses, while selling machinery and equipment to HJF and HPL in relation to the construction of production lines and related facilities under the HPAL and RKEF projects. Accordingly, our transaction amounts with our Indonesian Partner constituted a significant portion of the total revenues and purchases we had with such customers who were also our suppliers during the Track Record Period. See "— Customers" and "— Suppliers" for the list of entities of our Indonesian Partners that we transacted with during the Track Record Period, (2) in line with industry practice, companies engaged in nickel product trading business, including us, may procure from or sell to each other products including nickel ore and ferronickel of different nickel content depending on the availability and favorable pricing of these products, (3) certain smelting and refining companies may procure laterite nickel ore from us for the production of ferronickel, which are subsequently sold to us, and (4) certain of our nickel product production equipment suppliers and other suppliers may also be engaged in nickel product production business, and sometimes procure nickel ore and/or ferronickel from us.

In 2019, 2020 and 2021 and the six months ended June 30, 2022, to the best knowledge and belief of our Directors, one, one, two and one of our top five suppliers (including our Indonesian Partner in 2019, 2020 and 2021 and the six months ended June 30, 2022 and supplier H in 2021) were also our customers, respectively. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our purchases from these suppliers accounted for approximately 8.9%, 21.4%, 38.6% and 21.1% of our total purchases, respectively. During the same periods, our sales to these suppliers accounted for approximately 3.7%, 11.8%, 11.5% and 6.7% of our total revenues, respectively. These entities are both our customers and suppliers mainly because of the same reasons (1), (2) and (4) described above. Other than these suppliers, to the best knowledge and belief of our Directors, during the Track Record Period, we do not have any other major supplier who is also our customer.

The terms of contracts that we entered with our overlapping customers and suppliers are substantially the same as those we enter into with other customers and suppliers, respectively, that of similar products and services. There are no material differences between the pricing and other terms of transactions between us and our overlapping customers and suppliers and those between us and other customers and suppliers, respectively. For more details on our typical contracts with customers, see "— Trading of Nickel Products — Products — Material Terms of Agreements with Customers". For more details on our typical contracts with suppliers, see "— Trading of Nickel Products — Products — Material Terms of Agreements with Suppliers."

QUALITY CONTROLS

Our commitment to product quality has earned us strong reputation among our customers. As of June 30, 2022, we had a quality control workforce of 149 personnel that oversee various aspects of our business, including procurement, production, logistics, delivery and warehousing of nickel products, to ensure product quality. We implement an internal quality control system to perform various inspections over the course of the entire nickel product trading and production process, to ensure full compliance with customer requirements and our own specifications and standards. As a result of our commitment to stringent quality control, during the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control system which had a material impact on us.

We have received various quality control related certifications from recognized organizations. For example, our Company, Ningbo Huiran and Jiangsu Wisdom are certified to ISO 9001-2015 quality management system, ISO 14001-2015 environmental management system and ISO 45001:2018 occupational health and safety management system, all of which are evidence that our quality control system is on par with international practices.

Nickel Product Procurement

For laterite nickel ore and ferronickel we procure from the Philippines, Indonesia and other countries and regions, we engage independent third-party inspection agencies to conduct inspections on their nickel content before the products are loaded on a ship where their suppliers are based and after the products are discharged from a ship when they arrive the relevant ports in China. These inspections ensure the nickel ore and ferronickel we procure can meet our customers' needs as well as the requirements of our nickel product production projects. For more details, see "— Trading of Nickel Products — Products — Material Terms of Agreements with Suppliers."

For other raw materials and auxiliary materials used in our nickel product production (which primarily include coals, semi-coke, sulfuric acid and lime and spare parts used for production lines and equipment upgrade and repair), we conduct random sampling tests upon delivery to ensure their quality. We test the raw materials in our internal laboratory and return raw materials that fail to pass our inspections. Our procurement logistics department, resources development department and supply chain management department are responsible for the purchase of other raw materials and auxiliary materials.

Nickel Product Production

As there is no national or industry standard governing the production of nickel products, we strictly follow our internal quality control requirements and specifications for the production of our nickel products. At designated checkpoint stages on our production lines, our quality control team conducts periodic tests and inspections of work-in-progress and finished products at different stages of our production process to ensure that they meet our internal specifications and our customers' requirements. For example, we detect the content of nickel and other elements contained in each batch of finished products to ensure that they meet our customers' specifications and requirements. Our technology department collects data of the parameters for key control points every day, and compares the data sets to identify any deviation in the parameters and correct the deviation in a timely manner. We also inspect production facilities to ensure product quality on a regular basis. We also have a dedicated testing department in charge of testing the nickel products we produce.

Logistics, Delivery and Warehousing

We are primarily responsible for the shipping involved in our nickel product trading and production businesses (which include procurement of nickel ore and ferronickel from suppliers and delivery of the ferronickel and nickel-cobalt compounds we produce to customers). Our suppliers of shipping services primarily consist of ship owners and disponent owners from China, Hong Kong and Japan. We require our shipping partners to have the relevant qualifications and certification. When selecting shipping partners, we also take into consideration factors including the age of the ship and experience of the captain and the crew (particularly whether they have any experience in shipping nickel products), to ensure that they can meet our logistics requirements.

We have also established internal policies guiding our warehousing management. We require all materials stored in our warehouses to be labeled, identified and placed in their designated areas. We check for any damaged packaging before the materials are placed in our warehouses and require the materials to be placed in an orderly manner to prevent cross-contamination. Our warehouse managers are required to regularly inspect and count the materials and record and report any obsolete materials.

ENERGY

Our nickel product production business consumes a substantial amount of electricity. As our production capacities increase and our business continues to grows, our consumption of electricity is expected to increase accordingly. Our Jiangsu Facilities primarily purchase electricity from local power suppliers. Electricity used in the Obi projects is/will be generated by their own power plants or purchased from local power suppliers. These power plants use coals to generate electricity. In addition, we may also consider constructing photovoltaic power generation facilities for the Obi projects in collaboration with our Indonesian Partner in the future, to supplement the power generation by their power plants. In addition, we use coal as fuel in our Jiangsu Facilities' production process. See "— Production of Nickel Products — Production Expansion Plan and

Product Pipeline" for more details. Electricity and coal costs constituted approximately 7.5%, 6.2%, 3.7% and 4.1% of our total cost of sales in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

In September 2021, as a result of the local government's electricity rationing efforts targeting energy intensive enterprises in Jiangsu province, our Jiangsu Facilities experienced a power shortage and had to temporarily shut down for 17 days. As a result of the power shortage, our Jiangsu Facilities' monthly production volume in September 2021 decreased to 419 metal tons of ferronickel, reflecting an over 70% decrease from that of the same periods in 2019 and 2020. Although our Jiangsu Facilities resumed operation in October 2021, it continued to be subject to electricity rationing measures from time to time in October 2021, which also adversely affected its ferronickel production.

To cope with power supply shortages in the future, we plan to increase the capacity of our existing backup power units to provide emergency power to our Jiangsu Facilities during power outages. To further increase our backup power capacity, we have also reached out to certain power storage solution providers to explore the possibility of purchasing additional power storage equipment with higher energy density. Moreover, we are continuously implementing measures to reduce our energy consumption. See "— Environmental, Occupational Health and Safety" for details of our energy consumption reduction measures and targets.

During the Track Record Period, other than the power supply shortage we experienced in 2021 as mentioned above, we did not experience any material power supply shortages that resulted in prolonged suspension of our production operations.

INVENTORY MANAGEMENT

Our inventory primarily consists of nickel ore and ferronickel that we have procured but not yet sold to our customers and ferronickel and nickel-cobalt compounds we have produced but not yet sold to customers. We use our system to assist us in planning and managing our inventory control. To ensure a stable supply of raw materials for our trading and production businesses, as well as our continuous operation, we purchase raw materials, including nickel ore and ferronickel, depending on the market condition and our operational needs. We also routinely adjust the level of our inventory based on rolling forecast provided by our customers and based on fluctuations of prices of nickel and nickel-related products. Our inventory system software is able to produce real-time information of inventories, and provides our management team with clear visibility on the inventory data. We conduct inventory review and aging analysis on a regular basis. We timely monitor our inventories, including inventory levels, inventory age, inventory composition and inventory turnover rate. We also carry out physical stock counts on a regular basis. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our inventory turnover days were 23.1 days, 27.6 days, 22.9 days and 28.8 days, respectively. For more information on our inventory management, please see "Financial Information".

TRANSFER PRICING ARRANGEMENT

Commercial Rationale

As a company with business operations across multiple countries and regions, we have established subsidiaries in different jurisdictions to perform different functions including production, procurement, sales, shipping agent services, and other supporting services.

Our Group's major intra-group transactions were sales and procurement of tangible goods (including nickel products and equipment) and supporting services transactions. During the Track Record Period, we conducted our operations primarily through our subsidiaries in the PRC, Singapore and Indonesia. During the Track Record Period, the following types of intra-group transactions are analyzed and evaluated in the transfer pricing arrangement:

(1) ***Purchase and sale of nickel products***: Ningbo Huiran, one of our subsidiaries focused on the trading of nickel products, purchased nickel-cobalt compounds from HPL and then sold these products to third-party customers in the PRC. These products are typically transported directly from HPL (i.e. Indonesia) to the ports (including ports located in the PRC and overseas) designated by the third-party customers and are charged with free on board price (where the cost of transporting these goods to the destination port and loading the goods onto the ship is included in the price). The amounts of intra-group transactions for purchase of nickel-cobalt compounds by Ningbo Huiran from HPL were nil, nil, RMB2,138.6 million and RMB3,872.9 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Separately, Lygend Singapore, one of our subsidiaries focused on the trading of nickel products, purchased nickel products from Ningbo Huiran and then sold these products to third-party customers in the PRC. The amounts of intra-group transactions for purchase of nickel products by Lygend Singapore from Ningbo Huiran were RMB92.3 million, RMB270.1 million, RMB518.1 million and RMB207.1 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Lygend Singapore also purchased nickel products from third-party suppliers outside the PRC and then sold these products to Ningbo Huiran and our Company, Lygend Resources & Technology Co., Ltd. ("**Lygend Resources**"). These products are typically transported directly from third-party suppliers (primarily in the Philippines) to the ports designated (primarily including ports located in the PRC) by the third-party customers and are charged with cost and freight price (where the seller is required to arrange for the transportation of goods to the port to provide the buyer with the documents necessary to obtain the goods from the shipper). The amounts of intra-group transactions for sale of nickel products from Lygend Singapore to Ningbo Huiran were RMB20.0 million, RMB384.5 million, RMB455.0 million and RMB210.6 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The amounts of intra-group transactions for sale of nickel products from Lygend Singapore to Lygend Resources were nil, nil, RMB129.2 million and nil in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

In terms of the issuance of sales invoice, for the sales of nickel ore and nickel products within the Group, the relevant seller typically issues the sales invoice representing part of the payment to the relevant purchaser. The formal sales invoice will be issued after the final price is determined based on the certificates of quality and weight by the relevant inspection agency after the goods arrive at the designated port.

(2) ***Purchase and sale of equipment***: Lygend Resources purchased certain equipment from third-party suppliers in the PRC and then sold the equipment to one of our subsidiaries, Ningbo Yiwei Mining Co., Ltd. (寧波毅威礦業有限公司) ("**Yiwei Mining**"), which in turn sold the equipment to HPL and HJF. The equipment is typically transported directly from the third-party suppliers to HPL and HJF. The amounts of intra-group transactions for sale of equipment from Lygend Resources to Yiwei Mining were RMB298.4 million, RMB896.8 million, RMB816.0 million and RMB907.0 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The amounts of intra-group transactions for sale of equipment from Yiwei Mining to HPL were RMB383.6 million, RMB908.3 million, RMB354.6 million and RMB439.2 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The amounts of intra-group transactions for sale of equipment from Yiwei Mining to HJF were nil, RMB4.1 million, RMB559.1 million and RMB594.8 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively;

(3) ***Manufacturing and sale of equipment***: Xi'an Pengyuan, one of our subsidiaries focused on the manufacturing of machinery and equipment for the production of nickel products, designed and manufactured certain equipment which was sold to HJF. The amounts of intra-group transactions for sale of equipment from Xi'an Pengyuan to HJF were nil, nil, RMB18.0 million and RMB22.6 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively; and

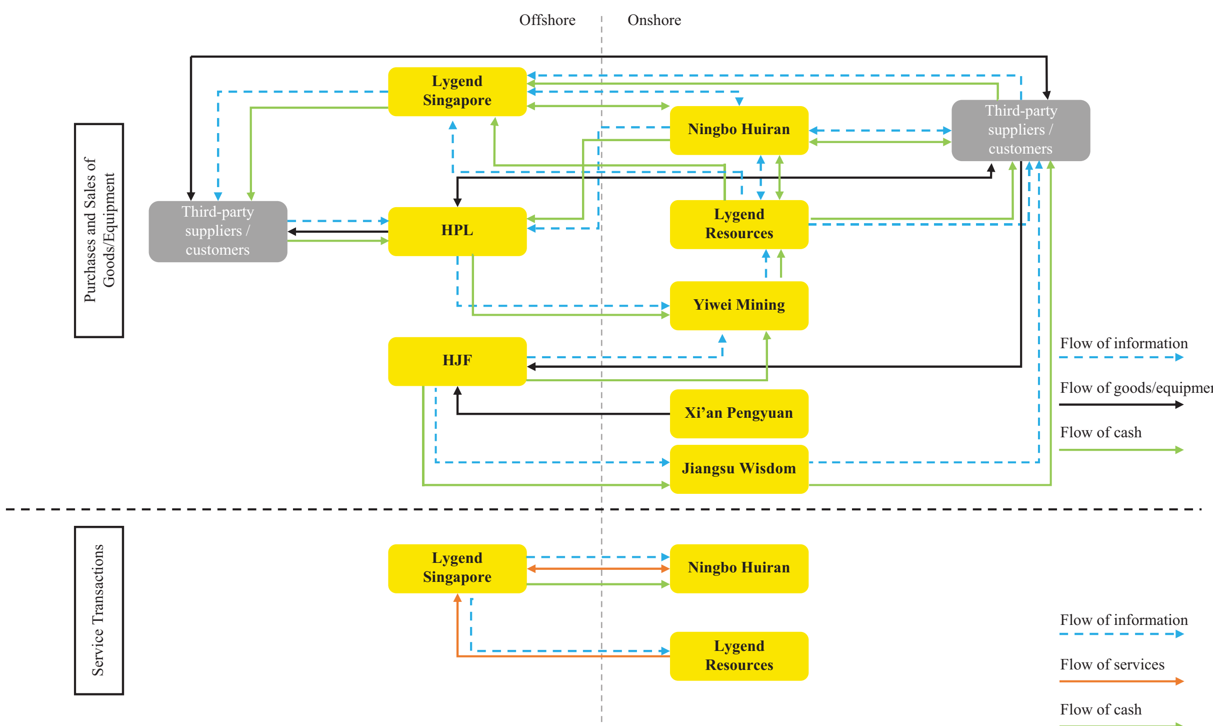
(4) ***Services***: Lygend Singapore provided shipping agent services to Ningbo Huiran. The amounts of intra-group transactions for shipping agent services provided by Lygend Singapore to Ningbo Huiran were nil, nil, RMB889.2 million and RMB524.9 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Lygend Resources and Ningbo Huiran also provided integrated supporting services, including sales support, procurement support and logistics support, to Lygend Singapore. Lygend Resources provided such services to Lygend Singapore in 2019, 2020 and 2021 and did not charge Lygend Singapore for such services during respective period. For the six months ended June 30, 2022, Lygend Resources did not provide such services to Lygend Singapore. Ningbo Huiran provided such services to and did not charge Lygend Singapore for such services in 2019, 2020 and 2021 and the six months ended June 30, 2022.

(5) ***Purchase and sale of auxiliary materials***: Jiangsu Wisdom, one of our subsidiaries that is the operating company of the Jiangsu Facilities, primarily purchased auxiliary materials (mainly including semi-coke and coke) from third-party suppliers and then sold these auxiliary materials to HJF in anticipation of the production activities that have commenced/are expected to commence in the fourth quarter of 2022. These auxiliary materials are typically procured based on the expected need of HJF and transported directly from third-party suppliers to HJF.

The amounts of intra-group transactions for such sale from Jiangsu Wisdom to HJF were nil, nil, nil and RMB46.7 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

The above transactions were regarded as our Group's intra-group transactions (the "**Covered Transactions**").

The following diagram sets forth our Group's typical transaction flow in respect of our major transfer pricing arrangement:



Transfer Pricing Assessment

The Organization for Economic Co-operation and Development (the "**OECD**"), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"), which is consistent with the transfer pricing regulations in the tax jurisdictions involved in our Covered Transactions, including PRC, Singapore and Indonesia. According to the OECD Transfer Pricing Guidelines, our Covered Transactions should be at arm's length basis to avoid distorted taxable income in different jurisdictions. In order to comply with the OECD Transfer Pricing Guidelines, we have engaged Ernst & Young (China) Advisory Limited, an independent transfer pricing consultant (the "**Transfer Pricing Consultant**"), to conduct benchmarking studies on the Covered Transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guideline, which primarily identified the arm's length pricing and/or profit range for the Covered Transactions.

Our Transfer Pricing Consultant selected and applied the most appropriate transfer pricing method in its benchmarking studies based on the nature and characteristics of the intra-group transactions. For all of the Covered Transactions, the transactional net margin method ("**TNMM**") was selected, which compares the profit margin of a taxpayer arising from intra-group transactions with the profit margin realized by independent third parties engaging in similar comparable transactions.

For the benchmarking study using TNMM method, a range of reasonable profit level was determined by reference to the range of reasonable profit level derived by comparable companies (the "**Comparable Profit Level Range**"). The Comparable Profit Level Range determined through the benchmarking study followed the OECD Transfer Pricing Guidelines and can be regarded as an arm's length profit level range.

Our Transfer Pricing Consultant conducted benchmarking studies to identify the arm's length pricing and/or profit range for the Covered Transactions. Based on the benchmarking studies prepared by our Transfer Pricing Consultant, we compared the profit level of our operating subsidiaries involved in the Covered Transactions against the Comparable Profit Level Range for the Track Record Period.

The below table sets forth the Comparable Profit Level Range and the profit level of our subsidiaries during the Track Record Period:

	Comparable Profit Level Range			Profit Level of Our Subsidiaries			
Tested Party	Lower-quartile	Median	Upper-quartile	2019	2020	2021	Six months ended June 30, 2022
Sales and purchase of nickel products							
Ningbo Huiran	0.30%	0.60%	5.69%	N/A(1)	N/A(1)	0.53%	1.62%
Lygend Singapore	0.30%	0.60%	5.69%	3.00%	5.10%	-0.24%	1.20%
Sales and purchase of equipment							
Lygend Resources	1.15(2)	1.20(2)	1.28(2)	9.74(2)	19.07(2)	6.72(2)	29.57(2)
Yiwei Mining	1.15(2)	1.20(2)	1.28(2)	2.68(2)	1.04(2)	1.63(2)	2.49(2)
Manufacturing and sales of equipment							
Xi'an Pengyuan	0.70%	4.18%	11.17%	N/A(1)	N/A(1)	4.84%	-0.11%
Services							
Ningbo Huiran	3.86%	5.88%	11.57%	N/A(1)	N/A(1)	-100.0%	-100.0%
Lygend Resources	3.86%	5.88%	11.57%	-100.0%	-100.0%	-100.0%	N/A(1)
Lygend Singapore	0.42%	0.59%	1.04%	N/A(1)	N/A(1)	0.05%	0.28%
Sales and purchase of auxiliary materials							
Jiangsu Wisdom	0.58%	1.32%	3.21%	N/A(1)	N/A(1)	N/A(1)	4.73%

Notes:

(1) There was no such intra-group transaction for the period indicated.

(2) Berry ratio is one of the profit level indicators under TNMM which is defined as the ratio of gross profit to operating expenses.

Tax Implication and Compliance

As mentioned above, according to the OECD Transfer Pricing Guidelines, if the profit level of an entity is not based on the arm's length price, it is necessary to consider whether any adjustment in the profit of the tested entity shall be made to achieve the profit level that is comparable with that under the arm's length principle. Based on the benchmark studies detailed above, the profit levels of Lygend Singapore, Yiwei Mining, Ningbo Huiran, Lygend Resources, Xi'an Pengyuan and Jiangsu Wisdom during the Track Record Period were either lower or higher (as applicable) than the relevant Comparable Profit Level Range; accordingly, from the perspectives of the OECD Transfer Pricing Guidelines and our Group, there is transfer pricing risk and we can be subject to potential tax exposure. Our Transfer Pricing Consultant estimated the tax exposure for each of Lygend Singapore, Yiwei Mining, Ningbo Huiran, Lygend Resources, Xi'an Pengyuan and Jiangsu Wisdom during the Track Record Period, the results of which are summarized as follows:

	Tax Exposure			
Entity	2019	2020	2021	Six months ended June 30, 2022
	(RMB in thousands)			
Lygend Singapore	—[(1)]	—[(1)]	2,501.9	266.2
Yiwei Mining	—[(1)]	72.8	—[(1)]	—[(1)]
Ningbo Huiran	—[(1)]	—[(1)]	—[(1)]	—[(1)]
Lygend Resources	—[(1)]	—[(1)]	—[(1)]	—[(1)]
Xi'an Pengyuan	N/A[(2)]	N/A[(2)]	—[(1)]	146.0
Jiangsu Wisdom	N/A[(2)]	N/A[(2)]	N/A[(2)]	—[(1)]

Notes:

(1) The tax exposure in the relevant years are negative in amount, representing potential corporate income tax refunds. In practice, however, the relevant tax authorities generally do not provide tax refunds, and the tax exposure is accordingly deemed as zero.

(2) There was no such intra-group transaction for the period indicated.

Although the benchmarking studies conducted in accordance with OECD Transfer Pricing Guidelines would be consistent with the transfer pricing regulations in the tax jurisdictions involved in the Covered Transactions, it does not have binding effect on any local taxation authorities in the event of transfer pricing controversy.

The OECD Transfer Pricing Guidelines provide that the arm's length standard should be used to establish transfer prices between associated enterprises. Reference is made to Article Nine of the OECD Model Tax Convention, which states that:

> *[When] conditions are made or imposed between ... two [associated] enterprises ... which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.*

The amount of the aforesaid potential tax exposure is lower than the amount stated in the Summary of Audit Differences as determined by our Auditor and Reporting Accountants. In view of the amount in aggregate of the aforesaid potential tax exposure of nil, RMB72.8 thousand, RMB2,501.9 thousand and RMB412.2 thousand in 2019, 2020 and 2021 and the six months ended June 30, 2022 respectively, which represented only nil, 0.001%, 0.02% and 0.004% of our revenue during the same period, and the fact that some of our group companies recorded a higher profit level than the respective Comparable Profit Level Range, our Directors did not make any provisions nor adjustments to the potential exposure of tax payable on the corresponding financial statements of the relevant companies during the Track Record Period. Other than the relevant Covered Transactions underlying the aforesaid potential tax exposure, our Transfer Pricing Consultant is of the view that the profit level of the other Covered Transactions fall within the Comparable Profit Level Range of the benchmarking studies during the Track Record Period, and therefore can be regarded as consistent with the arm's length principle. Based on the above and after discussing with our Transfer Pricing Consultant, our Directors confirmed that our transfer pricing arrangements during the Track Record Period are consistent with the arm's length principle and did not involve any tax evasion. It should be noted the benchmarking studies prepared in accordance with the OECD Transfer Pricing Guidelines is generally acceptable to relevant tax authorities; however, it is not binding on the tax authorities in case of any transfer pricing audits or investigations and may be subject to adjustment.

With a view to ensuring ongoing compliance of the applicable transfer pricing laws and regulations in jurisdictions where we operate, we plan to take various measures, including: (i) identification of updates on transfer pricing laws and regulations of the jurisdictions where our business operates, and assess related risks on our Group; (ii) regularly review of transfer pricing policies and risks and the effective implementation of policies against transfer pricing laws and regulations in relevant jurisdictions; and (iii) monitoring the implementation of internal control policy on tax-related matters, including ensuring the intra-group transactions are properly recorded, filed and maintained for inspection to avoid any discrepancy before any filing to the relevant tax authorities.

Transfer Pricing Risks for Other Entities under the Obi Projects

HJF

During the Track Record Period, HJF was involved in the Covered Transactions related to the purchase of equipment for its construction and the purchase of certain auxiliary materials and the corresponding transfer pricing risks are substantially similar to that of Yiwei Mining, Xi'an Pengyuan and Jiangsu Wisdom, as applicable, as discussed above.

As of the Latest Practicable Date, one of the production lines of HJF has commenced production, and we entered into two separate long-term nickel ore supply agreements with our Indonesian partner in September 2022, with the content substantially similar to those entered between us and our Indonesian Partner in relation to HPL, except that each of two different entities of our Indonesian Partner have agreed to supply to HJF a minimum of 3,000,000 metric tons per annum of nickel ore of specified grades. For more details, see "Business — Collaboration with Our Indonesian Partner — HPL." HJF expects to begin the sales of ferronickel in 2023. We have reached an oral agreement with HJF regarding its sales of ferronickel but have not entered into any definite written agreement as of the Latest Practicable Date. Based on our preliminary discussion, we expect to sell ferronickel produced by HJF to customers in China. We are still in the process of determining various aspects of our cooperation, including the pricing arrangement under which the ferronickel will be sold to our customers. In making the determination, we will take into account various factors including market practice and commercial considerations. We are aware of potential transfer pricing risks and, therefore, have formally engaged an independent consultant to perform a benchmarking study in accordance with OECD Transfer Pricing Guidance. We are evaluating a few pricing arrangements and considering their corresponding transfer pricing implications by reference to the benchmarking study. We expect to adopt one of them as our final pricing arrangement. We expect to make such a decision close to the signing of our agreement with HJF and we will consult with our transfer pricing advisor before signing to ensure the arrangement will comply with the relevant rules.

Joint Venture Companies under the Obi Projects Other Than HPL and HJF

In addition to HPL and HJF, we have also entered into the relevant shareholders' agreement for other joint venture companies under the Obi projects, including ONC, KPS, DCM and OSS. However, as of the Latest Practicable Date, these joint venture companies have not commenced operation. Once these joint venture companies commence operation and enter into definite agreements or undergo transactions with any entities that are located in a different jurisdiction, they may also be exposed to transfer pricing risks. We believe that the measures we have adopted to address the transfer pricing risks are adequate and effective to address the transfer pricing risks arisen therefrom. However, as there may be certain unforeseen risks in relation to the transactions entered into by these joint venture companies, we will closely monitor such transactions and revise our transfer pricing policies when necessary to more adequately and effectively address the relevant risks.

RISK MANAGEMENT

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. These internal control and risk management policies set forth procedures for the relevant reporting hierarchy of risks identified in our operations.

Nickel Product Price Risk Management

The prices of our nickel products are generally determined based on the prevailing market prices of similar-grade nickel products, market demand, prices of downstream products and our costs and expenses. During the Track Record Period, the global nickel price showed an upward trend with temporary fluctuations, such as the price decline in early 2020 due to the COVID-19 outbreak. See "Financial Information — Effects of the COVID-19 Pandemic on Our Results of Operations" for more details. Accordingly, our financial performance and results of operations have benefited from such upward trend. The fluctuations in nickel prices have had, and are expected to continue to have, a material effect on our financial performance and results of operations.

Prices of Raw Materials

The following tables set forth a sensitivity analysis on our cost of nickel ore during the Track Record Period, which illustrates the hypothetical effects on our profit before tax and gross margin with a 5%, 8% and 10% increase or decrease in our cost of nickel ore, representing the maximum fluctuations in our cost of nickel ore, assuming the selling prices of our nickel products and all other risk variables remained constant:

	Change in our profit before tax for change in cost of nickel ore		
	+/-5%	**+/-8%**	**+/-10%**
	RMB'000	*RMB'000*	*RMB'000*
2019	222,693	356,310	445,387
2020	140,424	224,679	280,848
2021	247,255	395,609	494,511
Six months ended June 30, 2022	87,709	140,335	175,418

	Our gross margin for increase in cost of nickel ore		
	+5%	**+8%**	**+10%**
	(%)	*(%)*	*(%)*
2019	8.5	7.1	6.1
2020	10.5	9.4	8.7
2021	10.2	9.0	8.2
Six months ended June 30, 2022	30.0	29.5	29.2

	Our gross margin for decrease in cost of nickel ore		
	-5%	**-8%**	**-10%**
	(%)	*(%)*	*(%)*
2019	13.3	14.7	15.7
2020	14.1	15.2	15.9
2021	14.2	15.4	16.1
Six months ended June 30, 2022	31.8	32.3	32.7

The following tables set forth a sensitivity analysis on our cost of ferronickel during the Track Record Period, which illustrates the hypothetical effects on our profit before tax and gross margin with a 5%, 8% and 10% increase or decrease in our cost of ferronickel, representing the maximum fluctuations in our cost of ferronickel, assuming the selling prices of our nickel products and all other risk variables remained constant:

	Change in our profit before tax for change in cost of ferronickel		
	+/-5%	**+/-8%**	**+/-10%**
	RMB'000	*RMB'000*	*RMB'000*
2019	68,348	109,356	136,695
2020	91,219	145,950	182,438
2021	132,280	212,607	265,759
Six months ended June 30, 2022	88,535	141,656	177,070

	Our gross margin for increase in cost of ferronickel		
	+5%	**+8%**	**+10%**
	(%)	*(%)*	*(%)*
2019	10.2	9.7	9.4
2020	11.1	10.4	9.9
2021	11.1	10.5	10.0
Six months ended June 30, 2022	30.0	29.5	29.1

	Our gross margin for decrease in cost of ferronickel		
	-5%	**-8%**	**-10%**
	(%)	*(%)*	*(%)*
2019	11.6	12.1	12.4
2020	13.5	14.2	14.6
2021	13.2	13.9	14.3
Six months ended June 30, 2022	31.8	32.3	32.7

Russia-Ukraine Conflict and LME Nickel Price Spike

The Russia-Ukraine tensions have accelerated in February 2022, following which countries and regions, including the U.S. and European countries, imposed various forms of economic sanctions on Russia, Russian entities and individuals, such as ban on the export of dual-use goods, Russian flights and all Russian oil and gas imports. In addition, in relation to the geo-political conflict, since early March 2022, there have been an unprecedented price spike in the LME nickel price, exceeding US$50,000/ton. The LME nickel price has gradually normalized and fluctuated within the price range of US$22,900 per ton - US$35,000 per ton in the second quarter of 2022. According to CIC, as ferronickel production capacities in Indonesia are expected to ramp up and greatly enhance the global nickel supply, it is expected that the LME nickel price will decrease to less than US$30,000 per ton in the second half of 2022 and fall to around US$20,000 per ton in 2026. See "Industry

Overview — Overview of the Global Nickel Industry — Price Analysis of Nickel and Cobalt" for more details. We believe that the impact of such geo-political conflicts and the resulting temporary LME nickel price spike on our business and results of operations is limited, due to the following reasons:

Procurement of upstream nickel resources. We primarily procure laterite nickel ore for our trading business from the Philippines and Turkey and that for our production business from the Philippines, New Caledonia, Turkey and Guatemala. While a major producer of nickel sulfate ore, Russia is not a major producer of laterite nickel ore, and we have not procured, nor do we intend to procure, any nickel ore or other upstream nickel resources from Russia or any person or entity that is the target of, or the dealings with whom is otherwise restricted by any Sanctions Laws. As such, the Russia-Ukraine conflict has not affected, and is not expected to affect, our procurement of upstream nickel resources.

Sales to customers. Our nickel products are primarily sold to customers in mainland China, and to a lesser extent, countries and regions including Taiwan, South Korea, Singapore, Indonesia and Switzerland. None of our nickel products have been, nor will be sold, to any person or entity in Russia, Ukraine or any person or entity that is subject to any Sanctions Laws. As such, the Russia-Ukraine conflict has not affected, and is not expected to affect, our sales to customers.

Impact of LME nickel price spike. The temporary price spike in the LME nickel price has not had, and is not expected to have a material adverse impact on our operations, due to the following reasons:

- ***Nickel ore procurement***. According to CIC, laterite nickel ore is a natural mineral resource and the content of nickel, water and other impurities contained in laterite nickel ore of different batches and origin could vary widely, directly affecting its selling price. As such, laterite nickel ore is not a standard commodity that can be traded on the spot market or exchanges and there is no direct correlation between the procurement price of laterite nickel ore with the LME nickel price.

The following table sets forth the average LME nickel price, our average procurement price of nickel ore and the changes of the price for the years/period indicated.

	Average LME Nickel Price (*US$ per metal ton*)	Change in Price Compared to Previous Year (*%*)	Our average Procurement Price of Nickel Ore (*US$ per metric ton*)	Change in Price Compared to Previous Year (*%*)
2019	13,936.0	—	32.1	—
2020	13,789.0	(1.1)	30.8	(4.2)
2021	18,488.0	34.1	37.9	23.1
Six months ended June 30, 2022	29,309.0	58.5	47.8	26.0

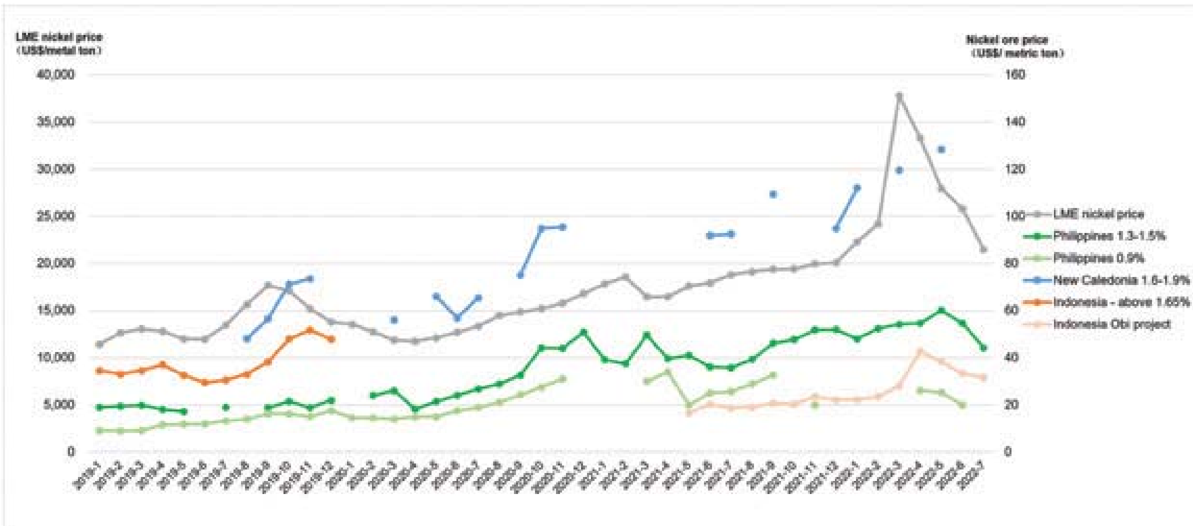
The following table sets forth the monthly average LME nickel price, our monthly average procurement price of nickel ore and the changes in the monthly average prices for the six months ended June 30, 2022.

	Average LME Nickel Price (*US$ per metal ton*)	Change in Price Compared to Previous Month (%)	Our average Procurement Price of Nickel Ore (*US$ per metric ton*)	Change in Price Compared to Previous Month (%)
January 2022	22,326.0	11.2	59.1	(2.7)
February 2022	24,178.0	8.3	50.6	(14.3)
March 2022	37,790.3	56.3	48.8	(3.7)
April 2022	33,298.4	(11.9)	58.2	19.3
May 2022	27,950.0	(16.1)	42.7	(26.6)
June 2022	25,837.5	(7.6)	45.6	6.7

As illustrated in the first table, during the Track Record Period, our average procurement price of nickel ore generally changed in the same direction as, although at a smaller magnitude than, the changes in average LME nickel price. As illustrated in the second table, in the six months ended June 30, 2022, especially prior to and subsequent to the Russia-Ukraine conflict in February 2022, the changes in our average procurement price of nickel ore did not fluctuate as significant as that of the LME nickel price, and the prices sometimes even moved in opposite directions. In particular, despite the significant increase in average LME nickel price from February to March 2022, our average procurement price of nickel ore remained relatively stable during the same period.

In addition, as we procured nickel ore of various nickel content from different countries and regions with different payment and settlement terms during the Track Record Period, the changes in average nickel ore procurement price may not accurately reflect the trend in the average procurement price of nickel ore of a specific nickel content from a specific country or region.

The graph below illustrates the monthly average price trend of LME nickel price and our procurement price of laterite nickel ore of various nickel content during the Track Record Period and up to July 2022.



Notes:

(1) We procure laterite nickel ore of different nickel content from various countries and regions for our trading and production businesses. The above graph selected the laterite nickel of such nickel content that we procured from such countries/regions of origin that constituted a substantive part of our total procurement of laterite nickel ore during the Track Record Period.

(2) The parts where the dots are not connected with a line mean we did not procure any laterite nickel ore of such nickel content from such country/region during the relevant period.

We procure laterite nickel ore of different nickel content from various countries and regions for our trading and production businesses. The graph above demonstrates that there is no direct correlation between our nickel ore procurement price and the LME nickel price. While our nickel ore procurement price demonstrated a general upward trend during the Track Record Period and up to July 2022, the fluctuations of such prices did not directly correspond to the exact degree and direction of the changes in the LME nickel price during the same period. While the LME nickel price may affect the nickel ore procurement price to a certain extent (for instance, a significant fluctuation in the LME price during a relatively short period of time may lead to fluctuations in our nickel ore procurement prices from certain countries/regions during the subsequent period), our nickel ore procurement prices are primarily determined by the nickel ore's grade and specifications (such as content of nickel, water and other impurities), latest demand-supply dynamic and policies and regulations adopted by the relevant nickel ore-producing countries/regions. In addition, as different batches of nickel ore we procure from different countries/regions have different grades, specifications and settlement methods, even during the same period, the procurement prices of nickel ore of different nickel content from different countries/regions may diverge from each other and from the LME nickel price.

For example, for laterite nickel ore with nickel content between 1.3% and 1.5% we procured from the Philippines, our average monthly procurement price remained relatively stable at approximately US$19.5 per metric ton throughout 2019 and increased steadily in 2020, reaching yearly high at approximately US$50.9 per metric ton in December 2020. In 2021, our monthly average price for such nickel ore started to fluctuate and fell back to approximately US$35.9 per metric ton in July 2021, before reaching US$51.9 per metric ton in December 2021. In 2022 and prior to the LME nickel price spike in March 2022, our monthly average price for such nickel ore increased from approximately US$48.1 per metric ton in January 2022 to approximately US$54.3 per metric ton in March 2022, and then increased further to approximately US$60.1 per metric ton in May 2022 before falling back to approximately US$44.3 per metric ton in July 2022.

In comparison, for laterite nickel ore with nickel content of 0.9% we procured from the Philippines, our monthly average procurement price increased steadily from approximately US$9.3 per metric ton in January 2019 to US$34.0 per metric ton in April 2021. Our monthly average procurement price for such nickel ore dropped significantly to US$20.0 per metric ton in May 2021 before resuming the trend of price increase. We did not procure laterite nickel ore with nickel content of 0.9% from the Philippines in 2022 prior to the LME nickel price spike in March 2022. Our monthly average procurement price for such nickel ore following the LME nickel price spike was approximately US$26.3 per metric ton and US$25.3 per metric ton in April and May 2022, respectively, lower than that in April 2021.

In general, our procurement price of laterite nickel ore since February 2022 has remained relatively stable: for instance, our monthly average purchase price of laterite nickel ore with 1.35% nickel content increased by 5.0% from US$47.50 per metric ton in February 2022 to US$49.88 per metric ton in March 2022. We are generally able to pass on such increase in procurement prices to our customers for the following reasons: (1) the strong and stable demand of the stainless steel industry and the rapid growth in the NEV industry have consistently generated strong downstream demand for nickel ore. This strong downstream demand has generally enabled nickel ore trading companies like us to have good bargaining power over pricing, (2) due to our leading position in our industry, we are in an even better position to negotiate more favorable prices for our nickel ore products, taking into account any increase in procurement prices of nickel ore, (3) our nickel ore customers generally have sufficient profit margin for their production business to absorb the increase in nickel ore prices. For example, the average gross margin of large-scale steel making corporations in China was approximately 15% in 2021, and (4) as we typically do not enter long term supply agreements with our downstream customers with fixed selling prices, but separate agreements for each batch of nickel ore with our downstream customers, we are able to determine the selling prices of each batch of nickel ore through negotiations with our customers every time they place an order with us, taking into consideration various factors, including any increase in our cost of raw materials (i.e. the procurement prices of nickel ore). For the HPAL project, our supply agreements with our Indonesian Partner have set forth a minimum supply commitment (8 million metric tons per annum) as well as a price calculation formula for HPL's procurement of laterite nickel ore from our Indonesian Partner, which, combined with the 20-year guaranteed supply framework agreement we have entered into with our Indonesian Partner, has enabled HPL to secure a stable supply (at least 8 million metric tons per annum for 20 years, starting from January 1, 2021) of laterite nickel ore. In addition, HPL is able to procure the nickel ore from our Indonesian Partner at competitive prices, because the procurement prices calculated from the price calculation formula included in these nickel supply agreements (which is the same as the minimum nickel ore procurement price calculation formula contained in the relevant Indonesian regulations), are the minimum nickel ore procurement prices permitted by the relevant Indonesian regulations. See "Business — Collaboration with Our Indonesian Partner — HPL" for more details.

- ***Nickel product sale***. The nickel industry generally uses nickel prices on LME as a benchmark for physical transactions. However, when there is extreme volatility in the LME nickel prices that is clearly dislocated from the actual demand and supply situation in the industry, the correlation between the LME nickel prices and the actual nickel product transaction prices tend to be more limited. As of June 30, 2022, the prices of certain grades of our nickel products had experienced a moderate increase, leading to increased profitability. For instance, the average selling price of laterite nickel ore with 1.4% nickel content has increased by 4.7% from US$81.5 per metric ton before the LME price spike to US$85.3 per metric ton.

- ***Investment in futures products***. Consistent with industry practice, we purchase futures products to hedge against the price fluctuations of nickel products, enabling us to generate income when the nickel price drops, while incurring losses when the nickel price increases. However, to minimize our risk exposure, we only purchase futures products to hedge against the price fluctuations of a small portion of ferronickel for our trading business in our inventory. As of December 31, 2019, 2020 and 2021, our futures products position on the LME amounted to nil, US$12.8 million and US$47.8 million, respectively. Following the unprecedented LME nickel price spike in March 2022, we have settled all of our futures contracts on the LME, incurring a total loss of approximately US$3.0 million. Given that the LME nickel prices have gradually normalized and are expected to decrease to less than US$30,000/ton in the second half of 2022, we do not expect to incur any significant losses in futures products on the LME if we are to open futures products position again going forward. In addition, we generally seek to sell our nickel products in the event nickel price increases to offset losses we incur during our hedging activities.

To summarize, despite the LME nickel price spike, our procurement prices of nickel ore have not experienced any significant fluctuation. In addition, the impact of fluctuations in nickel prices on our business operations and financial performance has been limited during the Track Record Period, because we are generally able to pass on any increase in nickel ore procurement prices to our customers, for the reasons outlined above. This is evidenced by our increasing gross profit margin from 10.9% in 2019 to 12.3% in 2020 and 12.2% in 2021. Our average selling prices of nickel products had experienced a moderate increase following the price spike, leading to increased profitability. Gross profit margin for our nickel ore trading business increased from 12.1% in the six months ended June 30, 2021 to 14.5% in the same period of 2022.

Measures Taken to Mitigate Negative Impact of Nickel Price Fluctuation

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

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

- Pursuant to our shareholders agreements with our Indonesian Partner, our Indonesian Partner has agreed to give priority to supplying nickel ore to the four joint ventures we have established together with our Indonesian Partner, including HPL, HJF, ONC and KPS. For the HPAL project, our supply agreements with our Indonesian Partner have set forth a minimum supply commitment (8 million metric tons per annum) as well as a price calculation formula for HPL's procurement of laterite nickel ore from our Indonesian Partner, which has enabled HPL to secure a stable supply of laterite nickel ore at competitive prices. See "— Collaboration with Our Indonesian Partner — HPL" for more details.

- We purchase futures products from licensed financial institutions to hedge against price fluctuations related risks for a portion of our ferronickel inventory. This enables us to generate income when the nickel price drops (which minimizes our risk exposure to decrease in nickel prices), while incurring losses when the nickel price increases (however, as discussed above, such losses are of relatively insignificant amounts, and will be offset by increases in our revenue from sales of nickel products in correspondence to nickel price increases). We have a dedicated team in our sales and marketing department responsible for the purchase of futures products in a prudent manner. See "— Investment Risk Management" for details.

Investment Risk Management

We make investments in companies and projects from time to time. For our financial investment, we primarily purchase futures products to hedge against price fluctuations related risks for our trading and production business and wealth management products as an auxiliary means to improve utilization of our cash-on-hand. We only purchase futures products and wealth management products offered by licensed financial institutions. We have in place internal control policies and clear reporting procedures to support our effective and resilient risk management. Specifically, we have adopted an investment management policy regarding the supervision and approval process for our investments in futures products and wealth management products. We evaluate and manage each investment based on its specific terms and risks, and make our investment decisions on a case-by-case basis.

Our dedicated investment team is primarily responsible for (i) identifying and assessing potential investment targets, including market research, investment timeline and scale of investments; (ii) preparing investment proposals and feasibility reports; (iii) executing investment transactions; (iv) preparing periodical analysis of the business operation and financial performance of our portfolio companies and investment portfolio; and (v) conducting post-investment evaluation, monitoring the performance of our portfolio companies and adjusting investment portfolio, including transferring and disposing of the investment. In addition, we may engage external professionals to conduct analysis and provide advisory services in relation to investment opportunities and decisions.

We employ different levels of approval and due diligence mechanisms corresponding to the specific circumstances involved in our investments. Our investment team consists of members from our executive management team (including relevant officers from business operation, finance, business administration, human resources, risk management and legal), market research analysts and trade execution personnel. Our investment process includes (i) conducting pre-investment assessment and evaluation by considering a number of factors, including investment scale, economic and market conditions, and expected returns and potential losses, (ii) making investment decisions in accordance with our investment policies, during which the feasibility analysis report, investment proposal and other relevant documents will be reviewed or approved by our management, Board of Directors or shareholders, depending on the significance of the investment projects, and (iii) post-investment management and evaluation.

We have in place clear reporting procedures to support effective and resilient risk management. Investment opportunities of different scales and significance would be reported and approved by appropriate responsible persons subject to our internal policies and the applicable laws and regulations, including the Listing Rules. Our Board is responsible for overseeing all of our investments. Any potential investment would require the Board's prior approval if (i) the aggregate amount of the prospective investment is expected to account for more than 10% of our total asset for the most recently completed fiscal year, or (ii) the aggregate amount of the prospective investment is more than RMB10 million and is expected to account for more than 10% of our net asset for the most recently completed fiscal year. Our investments in the relevant assets will also comply with Chapter 14 of the Listing Rules after the Listing. In addition, even if the above thresholds are not met, if any member of our investment team or the Board considers that a potential investment is likely to subject us to substantial risks, he or she may require the Board to review the investment proposal for approval.

Futures Products

For futures products, we have implemented additional risk management and internal control measures to ensure our nickel hedging activities can be effectively monitored. During the Track Record Period, we traded futures contracts to mitigate the inherent price risks from price fluctuations of a small portion of ferronickel for our trading business. We did not purchase futures products for speculation during the Track Record Period and speculative trading will continue to be prohibited in the future. The main objectives for conducting such hedging measures are to reduce production margin volatility and mitigate commodity price risk. While this hedging activity may limit our ability to participate in gains from favorable nickel price fluctuations, it also has the potential to reduce the risk of loss from adverse changes in the nickel price.

We have adopted detailed futures product management procedures to control our risk exposure to the trading of futures products and established our futures product investment team to monitor and execute our futures products trading. These futures product management procedures provide a detailed guidance for our trading of futures products, covering various aspects of futures trading including the application, review and approval process, the trading process, capital management and risk control. Our investment team further regularly conducts market research to guide our trading of futures products. This team is primarily responsible for (i) closely monitoring the performance of our futures products and executing trading strategies, (ii) preparing industry research framework and organizing data on a daily, weekly, and monthly basis, (iii) tracking the supply and demand situation of the industry, and (iv) acquiring additional market information by communicating with other industry participants and attending industry conferences to predict price movements and advise on trading strategies accordingly.

The head of our futures product investment team has over ten years of experiences in the nickel product market. He has been primarily involved in nickel product related businesses since 2012 and has accumulated deep understanding and first-hand experience in nickel product trading and the futures market. From 2012 to 2014, he was primarily involved in our nickel ore and ferronickel trading businesses, gaining valuable insights in the market dynamics of nickel products in general and the interaction between nickel products and the nickel futures market. He has led our futures products investment team since 2015. Our futures product investment team also includes (i) the personnel in charge of our ferronickel trading business responsible for conducting futures transactions, and (ii) full-time research analysts responsible for conducting research and issue pre-investment and post-investment reports and provide hedging advice accordingly. The research department under our futures product investment team regularly reports and updates the research results on nickel futures to the head of futures product investment team, assisting him in making decisions and judgment in futures products transactions. The research department under our futures product investment team is co-led by two of our research directors, both of whom had extensive experience in trading of nickel products and research of futures products. One of these research directors holds a bachelor's degree in economics from Anhui University of Finance and Economics. From 2009 to 2021, he has conducted extensive market analysis and research work on a variety of metal products, including stainless steel, nickel, cobalt, indium and lithium carbonate, and compiled market analysis reports and designed futures trading and arbitrage solutions for his then supervisors and clients. Since joining us in June 2021, he has primarily been focused on the research and analysis of metal futures. The other research director holds a bachelor's degree in information and computer science from Zhejiang University of Technology. From 2006 to 2014, she was mainly involved in commodity trading, procurement of nickel products, as well as financing activities and settlement of relevant products. Since 2015, she has primarily been focused on the study and research of industry value chain of nickel and stainless steel, and has written over ten research reports on the industry analysis and prediction of market trend of nickel products. Since joining us in

November 2021, she has primarily been focused on the research and analysis of metal futures. Our futures product investment team is required to comply with our futures product management procedures and is supervised by our Board when making investment decisions. As specified in our internal policy, any investment proposal in futures products that require a futures margin (i.e. the amount of money that must be deposited with the futures contract broker when a futures position is opened; the amount of futures margin is typically 10% of the futures position opened) of more than RMB10 million must be reported to our Board, which will then review and approve the feasibility analysis report, investment proposal and other relevant documents for the proposed transaction. For an investment proposal in futures products that requires a futures margin of less than RMB10 million, it needs to be approved by the head of our futures product investment team. In addition, even if the above threshold is not met, if any member of our investment team or the Board considers that a potential investment in the futures products is likely to subject us to substantial risks, he or she may require the Board to review the relevant proposal for approval.

To limit the risks from our futures position, we have also clearly stipulated the position limits for the trading of nickel futures, which in aggregate shall not exceed 3,000 metal tons in position in any time. In addition, we require that the total maximum value of the relevant futures contracts should not exceed 10% of our net assets as of the end of the last fiscal year. Separately, we also have two futures margin accounts with the relevant futures contract brokers, with RMB40 million and US$3 million in amount, respectively, which in practice function as an upper limit for the futures position we are allowed to take at any time. The upper limit for total loss and floating loss are set at 5% of our net assets as of the end of the last fiscal year. We have further adopted specific post-investment controls to monitor the value and trading risk of futures products. Our futures product investment team is required to monitor the values of the futures position, the floating gain/loss and other relevant data on a daily basis. If the loss in the total value of the futures position exceeds the limit set by us before the futures position is opened, our investment team is required to immediately report to the leader of our futures product investment team, who is allowed to close the position if necessary. In addition, our risk management department is also responsible for the risk management related to futures products including (i) monitoring the actual and floating gain/loss of the positions opened; (ii) reporting to the Board in case of any excess positions and/or abnormality in price; and (iii) regularly obtaining updates in relation to business development and the credit standing of the futures contracts brokers and reporting the same to the Board. Our investments in futures products will also comply with Chapter 14 of the Listing Rules after the Listing.

Wealth Management Products

Similar to futures products, we have also implemented additional risk management and internal control measures to ensure the effective monitoring of our purchase and management of wealth management products. We only purchase wealth management products offered by licensed financial institutions that are considered low-risk and offer higher rates of return as compared with time deposits. Our investment team is in charge of overseeing the purchase and management of wealth management products. The team is led by our financial controller, Mr. Wang Ling, who is responsible for investments in wealth management products, and also includes (i) members from our executive management team (including relevant officers from business operation, finance, business administration, human resources, risk management and legal departments) and (ii) market research analysts and trade execution personnel with deep industry knowledge and investment experience, for example, Mr. Wang has a bachelor of economics degree in accounting and master's degree in accounting, and has more than 17 years of experience in financial accounting and management. See "Directors, Supervisors and Senior Management — Senior Management" for more information regarding the experience and qualification of Mr. Wang.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Before proceeding with any investment proposal, our investment team assesses our cash flow levels, operational needs and capital expenditures. Our investment strategy related to the wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. We make our investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including the macroeconomic environment, general market conditions, our past experience with the financial institutions providing the wealth management products, the underlying assets of the wealth management products, the expected profit or potential loss of such investment, and other material terms of the wealth management products. Our investment team will propose, analyze and evaluate potential investment in wealth management products based on the above factors. The resultant report will be reviewed and approved by Mr. Wang. In addition, any potential investment in wealth management products would require the Board's prior approval if (i) the aggregate amount of the prospective investment is expected to account for more than 10% of our total asset for the most recently completed fiscal year, or (ii) the aggregate amount of the prospective investment is more than RMB10 million and is expected to account for more than 10% of our net asset for the most recently completed fiscal year. In order to optimize returns and mitigate risks of our investment, we closely monitor the performance of our wealth management products and have subsequent portfolio management and risk-warning mechanism in place. Our investments in wealth management products will also comply with Chapter 14 of the Listing Rules after the Listing.

Regulatory Compliance, Anti-bribery and Corruption Risk Management

In order to adequately and effectively manage our compliance and legal risk exposures, including for our business operation in overseas jurisdictions (such as Indonesia), 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. As we and our employees deal with a variety of third parties in our operations as well as cooperating with overseas partners, we have 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.

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 Track Record Period and up to the Latest Practicable Date, there was no material incidents or complaints in relation to corruption or bribery-related matters in the course of our operations.

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

COMPETITION

For our nickel product trading business, we compete with a number of Chinese and international companies, mainly companies trading laterite nickel ore and ferronickel. Market participants of global nickel product trading are mainly sizable trading companies and large multinational companies owning mines. In China, the nickel ore trading industry is relatively concentrated as few companies have stable access to nickel ore resources, of which the top five market participants accounted for approximately 56.2% of the gross nickel ore trading volume to China in 2021. We believe that we can compete effectively with our competitors in this market leveraging our long-term business relationship with upstream mines and stable supply of high-quality laterite nickel ore and ferronickel.

For our nickel product production business, we compete with various Chinese and international companies producing ferronickel and nickel-cobalt compounds. For the production of ferronickel, the market is intensively competitive with many established and well-reputable companies. We expect our market share to increase once the production lines under our RKEF project commence operation, allowing us to better compete with other more established players. For the production of nickel-cobalt compounds, we mainly compete with nickel-cobalt compound products manufacturers, especially companies that have similarly constructed production projects utilizing the HPAL process in Indonesia. There are different technical routes of nickel-cobalt compound product which require various types of feedstock sources, resulting in different cash cost which can affect the price-competitiveness of the resultant products. For more information, see "Industry Overview."

The key barriers to entering into the nickel industry include, among others: (i) stable access to nickel ore resources; (ii) large capital investment; (iii) high requirements for technicians; and (iv) long-term relationship with downstream customers.

In general, we believe the most important competitive factors in the nickel industry are price, quality of products, research and development capabilities, delivery schedule and customer services. We are confident that we are well positioned to compete against industry peers with our high-quality nickel products, strong technical innovation capabilities and entire industrial chain covering the trading and production of nickel products, equipment manufacturing and sale, and other relevant business segments.

PROPERTIES

We occupy certain properties in the PRC and Indonesia in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our production facilities, parking space, offices and dormitories.

The Property Valuation Report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, set out in Appendix III of this prospectus, sets out details of the properties held by HPL as of September 30, 2022. For details, see "Appendix III – Property Valuation Report".

Owned Land and Buildings

As at the Latest Practicable Date, we held land use rights for 64 parcels of land in the PRC with an aggregate site area of 265,571.47 sq.m. The table below shows the details of our owned land interests in the PRC as at the Latest Practicable Date:

Name of member of our Group	Function	Approximate Gross Site Area (sq.m.)
Our Company	Offices, dormitories and parking space	2,287.47
Jiangsu Wisdom	Production	168,530.00
Lida Logistics	Currently vacant	94,754.00
Total		265,571.47

As of the Latest Practicable Date, we owned properties in four locations in China and Indonesia, with an aggregate area of 246,647.29 square meters used as production and supporting facilities, offices and dormitories to support our business operations. The following table sets forth details of our owned properties as of the Latest Practicable Date:

Name of member of our Group	Function	Approximate Gross Floor Area (sq.m.)
Our Company	Office, dormitory and parking space	3,965.26
Xi'an Pengyuan	Office	2,032.73
Jiangsu Wisdom	Production	69,758.16
HPL	Production and supporting facilities	170,891.14
Total		246,647.29

Title Defects

As of the Latest Practicable Date, four properties owned by Jiangsu Wisdom (including its main office building, warehouse, central control room and exhibition room) with an aggregate gross floor area of 14,173.03 sq.m., have not obtained the relevant building ownership certificates. These properties in aggregate accounted for approximately 5.2% of the total gross floor area of the properties we occupy. Our Directors are of the view that these properties are not material to our business operations.

Main office building

Jiangsu Wisdom's main office building has an aggregate gross floor area of 4,830.33 sq.m., accounting for approximately 1.8% of the total gross floor area of the properties we occupy. Jiangsu Wisdom did not obtain the relevant building ownership certificate for this property because a small portion of the land area on which this building is built has exceeded the area permitted in the relevant government approval. According to the relevant laws and regulations, Jiangsu Wisdom may be unable to continue to use this office building as a result of this defect. In addition, Jiangsu

Wisdom may potentially be subject to a fine up to RMB307 thousand for exceeding the area permitted, and a fine up to RMB954 thousand for failure to obtain ownership certificate of our main office building. We may be further ordered by the relevant government authorities to return the portion of the land exceeding the area permitted in the relevant government approval.

As confirmed in the confirmation letter issued by the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province, and based on our verbal consultation with the same bureau, and as separately confirmed by Suqian High-tech Industrial Development District Construction and Planning Bureau and Urban Administration Bureau of Suyu District, Suqian, Jiangsu Province, before it obtains the building ownership certificates, (i) the relevant government authority does not plan to impose any penalty on Jiangsu Wisdom due to its office building's title defects, and (ii) Jiangsu Wisdom can continue to use the office building. Our PRC Legal Advisor is of the view that (i) the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province and Suqian High-tech Industrial Development District Construction and Planning Bureau and Urban Administration Bureau of Suyu District, Suqian, Jiangsu Province are the competent authorities to issue the confirmation letter in relation to the title defect related to our main office building, and (ii) the officer from the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province, with whom we verbally consulted, was competent and authorized to represent the same bureau.

Based on the foregoing, our PRC Legal Advisor is of the view that: (a) the risk that Jiangsu Wisdom's office building will be subject to any penalty by the government authorities for failure to obtain the building ownership certificate is low, and (b) such non-compliance is not expected to have any material adverse effect on our operations. During the Track Record Period and up to the Latest Practicable Date, Jiangsu Wisdom has not received any notice or penalty in relation to such non-compliance.

We have communicated and consulted with the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province on the plan to rectify the non-compliance concerning this property. Based on such communication and consultation, we plan to first purchase from the local government the land use right of the small portion of the land area on which this building is built that has exceeded the area permitted in the relevant government approval. We have accordingly started our preparatory work. Our PRC Legal Advisor has advised us that the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province is the competent authority to handle the title defect related matters concerning this property. If we are unable to continue using this building due to the non-compliance, we may need to rent another place in proximity to the current location as the main office building for Jiangsu Wisdom, which we expect to incur approximately RMB0.7 million of rental expenses per annum. In addition, if we are ordered to demolish this building as a result of such non-compliance, we estimate that we may further incur up to approximately RMB0.6 million for the demolishing of this building.

Other three properties

Jiangsu Wisdom's other three properties with title defects include a warehouse for certain solid hazardous wastes, a central control room and an exhibition room that showcases Jiangsu Wisdom's corporate culture and image. These properties have an aggregate gross floor area of approximately 9,342.7 sq.m., accounting for approximately 3.5% of the total gross floor area of the properties we occupy. Jiangsu Wisdom did not obtain the relevant building ownership certificates for these properties because it commenced construction of these properties without obtaining the construction planning permit, which in turn is because the land occupied by these properties is in close proximity to the canal area, on which no new project of industrial and mining enterprises that are not conducive to the ecological and environmental protection can be constructed, subject to certain exceptions. According to the relevant laws and regulations, Jiangsu Wisdom may be unable to continue to use these properties. In addition, Jiangsu Wisdom may be required by the competent authority to take corrective measures to eliminate the impact and be subject to a fine up to RMB1.3 million in total for failure to obtain ownership certificates of other three properties. If Jiangsu Wisdom fails to take the appropriate measures to eliminate the impact, it may be ordered to demolish the properties by the relevant authorities.

As confirmed in the confirmation letter issued by the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province, and based on our verbal consultation with the bureau, and as separately confirmed by Suqian High-tech Industrial Development District Construction and Planning Bureau and Urban Administration Bureau of Suyu District, Suqian, Jiangsu Province, before it obtains the building ownership certificates, (i) the relevant government authority does not plan to impose any penalty on Jiangsu Wisdom due to these properties' title defects, and (ii) Jiangsu Wisdom can continue to use the properties before it obtains the building ownership certificates. Our PRC Legal Advisor is of the view that the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province and Suqian High-tech Industrial Development District Construction and Planning Bureau and Urban Administration Bureau of Suyu District, Suqian, Jiangsu Province are the competent authorities to issue the confirmation letter in relation to the title defect related to these three properties.

Based on the foregoing, our PRC Legal Advisor is of the view that: (a) the risk that these properties will be subject to any penalty by the government authorities for failure to obtain the building ownership certificates is low, and (b) such non-compliance is not expected to have any material adverse effect on our operations. During the Track Record Period and up to the Latest Practicable Date, Jiangsu Wisdom has not received any notice or penalty in relation to such non-compliance.

We have suspended the use of the warehouse as of the Latest Practicable Date and do not expect to put this property back into use before obtaining the relevant building ownership certificate. As the revenue and profit generated from the business that involves the use of this warehouse are relatively small, we do not consider such suspension of use to have any material adverse effect on our operations. The gross floor area of the other two properties is relatively small and we have readily available space in our other properties that can serve as substitutes to serve the same functions currently served by these two properties. In the event that Jiangsu Wisdom is no longer able to use these properties, we do not believe that it will have any material adverse effect on our operations.

We are actively communicating and consulting with the relevant government authorities on the plan to rectify the non-compliance concerning these properties. We are in the process of obtaining the construction planning permits, following which we plan to apply for the building ownership certificates for these properties. In September 2022, the People's Government of Suyu District, Suqian, Jiangsu Province hosted a meeting to discuss the title issues related to these properties, during which they have agreed to, through the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province, facilitate our applications for the construction planning permits of the warehouse, the central control room and the exhibition room, which has to be completed before we obtain the ownership certificates of the relevant buildings. Following the meeting, we submitted applications for the construction planning permits of the warehouse, the central control room and the exhibition room to the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province in the same month. Our PRC Legal Advisor has advised us that the High-tech Industrial Development District Bureau of Natural Resources and Planning Bureau of Suqian, Jiangsu Province is the competent authority to handle the title defect related matters concerning the warehouse, the central control room and the exhibition room. If we fail to obtain the relevant construction planning permits or building ownership certificates and are subsequently ordered to demolish these properties, we estimate that we may incur up to approximately RMB1.4 million for the demolishing and/or relocation of these properties in relation to the relevant non-compliances.

As of the Latest Practicable Date, other than the abovementioned non-compliances, we had obtained all relevant properties title certificates and other relevant land use rights certificates for our material manufacturing facilities in China and Indonesia.

Leased Land and Properties

As at the Latest Practicable Date, we leased two parcels of land in Indonesia with an aggregate site area of 9,445,300 sq.m, mainly for the construction of our production and supporting facilities. The table below shows the details of our leased land interests in Indonesia as at the Latest Practicable Date:

Name of member of our Group	Function	Approximate Gross Site Area (sq.m.)
HPL	Production and supporting facilities	5,625,300
ONC	Production and supporting facilities	3,820,000
Total		9,445,300

As of the Latest Practicable Date, we had leased properties in the PRC and Indonesia, with an aggregate gross floor area of 24,486.16 square meters, which are used as offices, dormitories, warehouse and production facilities. Our PRC Legal Advisor confirmed that as of the Latest Practicable Date, the lease agreements we entered into are legal and valid; the lessors have obtained relevant ownership certificates for such properties or have the right to lease the properties to us.

The following table sets forth details of our leased properties as of the Latest Practicable Date.

Name of member of our Group	Function	Approximate Gross Floor Area (sq.m.)
Lygend Shanghai	Office and warehouse	5,046.03
Xi'an Pengyuan	Offices, dormitories and production facilities	16,296
HPL	Office	1,000
Others	Office	1,094.1
Total		23,436.13

As of the Latest Practicable Date, we have 12 leases concerning properties located in China that have not been registered with the relevant authorities as required, because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As a result, we may be exposed to potential monetary fines ranging from RMB1,000 to RMB10,000 for each non-registration. As such, our maximum potential penalty for non-registration of leases is RMB120,000. As of the Latest Practicable Date, we have not been fined by any such authorities for non-registration of leases. To minimize the potential adverse impact of such lease non-registration on our operations, we plan to continue to maintain regular communication with the relevant lessors and ask them to provide us with the required documents and assist us to complete the registration of the relevant lease agreements with the relevant housing administrative authorities. In addition, we have strengthened our internal control procedures to improve our assessment on selection of candidate properties for leasing arrangement from a compliance perspective. We will also consult with our external legal counsel with respect to our new leasing arrangements to ensure full compliance with applicable PRC laws and regulations.

INTELLECTUAL PROPERTY

We rely on a combination of patent, trademark, trade secret and other intellectual property laws, as well as confidentiality agreements with our employees, to protect our intellectual property.

As of the Latest Practicable Date, we had 44 registered patents, 25 trademarks, two copyrights and three domain names in China, as well as three trademarks in Hong Kong. As of the same date, we had four patent applications in China, including one related to HPAL techniques for processing laterite nickel ore. For details of our intellectual property portfolio, see "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group." In addition, our key employees have entered into confidentiality agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies they develop during their employment with us.

As of the Latest Practicable Date, our Directors confirmed that, so far as they were aware, there was no material violation or infringement of any intellectual property rights owned by us by any third parties, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. However, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Relating to Our Business and Industry — Our business depends on our ability to protect our intellectual property rights. Our intellectual property rights may be infringed upon by third parties, and we may also be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs."

INSURANCE

We maintain life insurance and travel accident insurance for certain of our employees. As of the Latest Practicable Date, we had not received any material insurance claims against us. Consistent with what we believe to be customary practice in our industry, we generally do not maintain any business interruption insurance. We believe that the existing insurance coverage of our business is adequate and is in line with the general industry practice. However, the insurance policies maintained by us may not be sufficient to cover claims in respect of personal injury or property or environmental damage arising from accidents on our properties or relating to our operations, or to cover business interruption risks. Such coverage is not mandatory according to the applicable laws and regulations. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be adequately insured against losses and liabilities arising from various operational risks and hazards that we are subject to" for further information.

EMPLOYEES

As of December 31, 2019, 2020, 2021 and June 30, 2022, we had 1,210, 1,355, 4,845 and 6,272 full-time employees worldwide, respectively. As of December 31, 2019 and 2020, substantially all of our employees were based in China and, as of June 30, 2022, a majority of our employees were based on the Obi Island, Indonesia. A breakdown of our employees by function as of June 30, 2022 is set forth below.

Function	Number of Employees	Percentage of Total (%)
Management	13	0.2
Research & Development and Technology	276	4.4
Sales and Marketing	62	1.0
Procurement and Supply Chain	819	13.1
Production	3,030	48.3
Construction	1,068	17.0
Quality Control	149	2.4
Others(1)	855	13.6
Total	**6,272**	**100.0%**

Note:

(1) Includes finance, general and administrative and other personnel.

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

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

We believe that we maintain a good working relationship with our employees, and during the Track Record Period, we did not experience significant problems in our relationship with our employees or disruption to our operations.

SEASONALITY

We have in the past experienced, and expect in the future to continue to experience, seasonal fluctuations in our revenue and sales from time to time. In anticipation of the annual rain season in the Philippines from late October to late March (during which mining and shipping of nickel ore from certain major nickel mining areas in the Philippines may be significantly reduced), our nickel ore customers typically increase their order volume from us starting mid-year, as a result of which our nickel ore trading business has typically experienced higher sales and recorded higher revenue in the third and fourth quarter of the year.

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY

We are subject to environmental protection laws and regulations promulgated by the governments in the jurisdictions in which we operate our business. See "Regulatory Overview." The main pollutants generated during our production process include fumes, solid waste, wastewater and dust. We have adopted a number of measures and practices to reduce the environmental impact of our operations. We dispose of the fumes, solid waste and wastewater produced in our operations in accordance with applicable laws and regulations. We have installed filtration and extraction equipment for wastewater and sewage treatment, recycling facilities to dispose fumes containing metal minerals. We also process certain hazardous waste through services of qualified third-party contractors. We have also installed the required storage and recovering warehousing for solid waste. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, work safety, social, or environmental regulations. Our Directors confirm that we will assess and manage risks related to environmental, occupational health and safety, social and corporate governance matters on an ongoing basis.

We have worked intensely in the following aspects to promote health, safety and environmental aspects of our operations: (i) to promote the reduction in emissions, solid wastes and consumption of water, paper, energy and other supplies; (ii) established a comprehensive set of internal policies regarding environmental protection in compliance with applicable laws and regulations, including those related to the disposal of waste gas, solid waste and waste water produced in our operations; (iii) installed filtration and extraction equipment for wastewater and sewage treatment, as well as recycling procedures to separate recyclable materials or wastes generated from our manufacturing process; (iv) engaged qualified third parties to process the solid waste, fumes and wastewater; (v) to follow the corporate policy on equal opportunities and to hiring, evaluate and promote based on merits; and (vi) to provide adequate training and supervision for new employees and training programs for employees' career advancement.

ESG Committee

Although we do not currently have an ESG committee under the Board of Directors at the Group level, different departments or responsible personnel manage the ESG-related matters at the operational level. For instance, the safety and environmental management departments of each production facility are responsible for preventing, controlling and eliminating hazards in the production process; the quality management department is responsible for ensuring that the quality of raw materials meets the standards of production as well as the stability of product quality; the human resources management department is responsible for ensuring that all aspects of the process comply with labor-related laws and regulations, and protecting the welfare and rights of employees. In addition, we understand our corporate responsibility in environmental and social aspects, and are aware that ESG-related matters such as climate change may have an impact on our business. Therefore, we plan to integrate and strengthen the existing resources and structures after this Listing to meet the requirements of relevant regulatory authorities, including the environmental, social and governance reporting requirements of the Hong Kong Stock Exchange.

We are committed to establishing an ESG committee within six months of the Listing. The committee is to be chaired by our Executive Directors, and the members of the committee will be mainly composed of various departments directors at the headquarter and other persons with ESG risk identification and management capabilities. As an internal organization between the Board of Directors and the various business units and subsidiaries, the ESG committee will be primarily responsible for the communication between the upper and lower levels to coordinate and manage the ESG issues. We plan to implement a top-down ESG framework and governance approach consisting of three working levels, from the Board of Directors and the ESG committee to each business unit and its subsidiaries, and we believe that this structure can achieve effective governance and implementation of ESG matters. We also plan to develop clear terms of reference for the ESG committee. In particular, the Board plays a regulatory and decision-making role on ESG matters, including discussion of ESG's key issues and future developments, review of ESG strategies and policies, ESG action plans and outcomes as well as the effectiveness of ESG management. The Board formulates, evaluates, prioritizes and manages important ESG-related matters (including risks to our business) and reviews progress made against ESG-related goals and targets. The ESG committee will strictly comply with the HKEX's Environmental, Social and Governance Reporting Guidelines and related guidelines, identify ESG-related (including climate change) risks and opportunities in accordance with our ESG-related policies, and regularly report to the Board on the ESG management status. In addition, the ESG committee will also be responsible for coordinating stakeholder communication and the materiality analysis of ESG issues, formulating ESG strategies and approach, formulating ESG action plans, coordinating daily ESG management and information disclosure, and setting ESG goals as well as regularly reviewing the progress. Besides, the committee will develop appropriate corrective measures when discrepancies are found against the ESG goals and target.

To further strengthen our ESG governance, we have engaged an independent ESG consultant to advise directors and management to ensure that we are aware of and comply with the latest ESG requirements of the regulatory authorities and to meet our ESG-related responsibilities.

The role of management

The management of each business unit and our subsidiaries implements ESG-related management systems and measures. They will also be responsible for managing ESG-related information and indicators (including energy consumption and pollutant emissions), implementing ESG targets and regularly reporting the progress and relevant outcomes to the ESG committee.

Management will also be responsible for regularly monitoring ESG indicators, industry trends and the ESG-related (including climate change) risks and opportunities facing our business operations, understanding the potential and actual impact of these risks and opportunities on us, and reporting to the Board as well as assisting the Board on assessment and management of the risks and opportunities.

ESG management system

We target to formulate the Group's ESG management system within six months after this Listing, and clearly define the division of duties of each department, so as to effectively manage ESG matters. The relevant policies will be formulated in accordance with the Listing Rules Appendix 27, the Environmental, Social and Governance Reporting Guide, include but not limited to:

- ESG governance structure and its responsibilities and rights;
- ESG strategy development;
- ESG risk management and monitoring, including climate-related risks and opportunities;
- Identification of key stakeholders and the communication channels;
- Emissions, use of resources and waste management;
- Employment, employee development and training, safety management, labor standards;
- Supply chain management, product responsibility, anti-corruption, community investment; and
- Corporate governance.

Environmental Protection and Climate-related Matters

Overview

Our operations are subject to the relevant environmental protection laws and regulations of the jurisdictions where we operate. Our production process emits certain waste materials such as fumes, solid waste, wastewater and dust. We strive to reduce the emission of hazardous wastes, including sulfur dioxide and nitrogen oxides. We have obtained the necessary waste emission permits and engaged third party service providers to collect, process and recycle our waste materials, such as solid waste. In addition, we have improved, and continue to optimize, the techniques and processes of our production process to enhance energy recycling and ensure these wastes can be discharged in a manner that complies with applicable laws and regulations.

Jiangsu Wisdom has been accredited the ISO 14001:2015 Environmental Management System, which demonstrates that our ability to manage our environmental responsibilities is on par with international practices. In addition, the construction of any new production facility or any improvement or expansion of any existing production project must comply with environmental impact evaluation regulations in the PRC and Indonesia. For each PRC production project which shall conduct an environmental impact evaluation, we submit environmental impact assessment documents for approval by the relevant environmental authority as required by relevant PRC laws and regulations.

For the HPAL project on the Obi Island, Indonesia, we strictly implement the standard requirements under the relevant local environmental laws and regulations for the discharge of slags, waste water and waste gas. We apply corresponding treatment to the slags and wastes we discharge after the review and approval by relevant governmental authorities. For the slags and waste water generated in our production process, we first mix them together and add certain chemical substances for neutralization and other treatments, to ensure that the amount of acidic substances and heavy metals in the mixture meet the relevant requirements. We then separate the solid portion from the liquid portion in the mixture. The liquid portion will be discharged into the sea, with its discharge location and method being reviewed and approved by the relevant Indonesian authorities. The solid portion will be stacked and compacted in a mound, with its specific location and stacking plan being reviewed and approved by the relevant Indonesian authorities. Our HPAL and RKEF projects have also obtained approvals required for the respective stages of construction from local government authorities in Indonesia for its production lines under construction. For the dust produced during our production process, we have installed relevant dust control systems, including sprinklers, ventilators, and collectors. We also require relevant employees to wear dust helmets and dust masks when entering those sites.

We closely monitor the energy consumption, greenhouse gas emissions and pollutant emissions in each of our manufacturing facilities. We have also set relevant targets for the next three years, contributing to China's carbon neutrality strategy. As we are expanding our production business through the construction of Obi projects, we are keenly aware of the need to reduce the energy consumption of our production processes. According to CIC, the HPAL process is widely considered a production process of raw materials of ternary battery with low energy consumption, and the RKEF process has the lowest energy consumption as a production process of ferronickel. In addition, we have implemented a number of technical improvements and process optimization to increase the recycling and reuse of water and steam energy generated from the production process, which can further reduce our cost of production and the amount of waste water we discharge.

Our production personnel are required to attend mandatory environment protection trainings, which include applicable laws and regulations and our internal policies and procedures on environmental protections, the kinds and nature of pollutants and wastes our smelting produces, contingency plans in various situations of leakages and pollution and regular drills to reduce pollution in the event of an industrial accident. We generally make an annual environment protection training plan for our employees at the beginning of each year and require our employees to attend at least one training every year.

Our production facilities may be subject to physical risks caused by climate change and our businesses are also subject to transition risks as a result of evolving legal and regulatory landscape. At the same time, however, these legal and regulatory changes present us with business opportunities.

Our environmental expenses amounted to approximately RMB15.5 million, RMB18.3 million, RMB37.1 million and RMB14.9 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not received any notifications or warnings and were not subject to any fines or penalties in relation to any breach of any applicable environmental laws or regulations that could have a material adverse effect on our production. During the Track Record Period and up to the Latest Practicable Date, we had obtained all permits, licenses and approvals relating to environmental protection and safety production.

Addressing Climate-related Risks

We have attached great importance to the impact brought by climate change on our financial operations and sustainable development. We have identified several climate change-related risks that may adversely affect our business operations by reviewing our internal policies, understanding current situations in business operations, and studying relevant government policies, to list out the potential impacts and responses correspondingly. As recommended by the Task Force on Climate-Related Financial Disclosures ("**TCFD**"), an international organization that proposes a set of recommendations of climate-related financial disclosures and seeks to make companies' climate-related disclosures more consistent and therefore more comparable, we have categorized the climate-related risks into (1) Physical risks and (2) Transition risks.

Physical risks

Our principal raw material procurement and some of our production bases are located in the coastal areas of Southeast Asia. The extreme weather events brought or intensified by climate change may affect our everyday operations in the short term, which may increase the safety risks for our employees and construction workers when working outdoors. As a result, the progress of our HPAL and RKEF projects may continue to be delayed or prolonged, causing scale-back production and additional costs in the future. During the Track Record Period, the extreme weather events brought by climate change did not cause any actual delays in our construction progress for both projects.

In the medium to long term, these extreme weather events may cause damage to the facilities at our production site, resulting in failure to deliver the product on time in accordance with the contract schedule. Our expenditure and revenues may be adversely affected due to the loss of working days, repair and maintenance of facilities, and compensation claimed by our customers under the circumstances. Rising sea levels due to climate change will increase the risk of flooding from storm surges and may also increase tsunami risk. Our production facilities in coastal areas will be more vulnerable to the risk of tsunami, causing material and adverse impacts on our operational, financial, and strategic aspects. During the Track Record Period and up to the Latest Practicable Date, our production facilities and construction site in Indonesia have not suffered from such impact.

Furthermore, the extreme weather events brought by climate change may potentially affect the supply and transportation of laterite nickel ore in the short term, affecting the inventory of raw materials and delaying the delivery of goods in our business operations. Climate change factors may lead to an extension and intensification of the rainy season in the Philippines while increasing the frequency of extreme weather such as typhoons and heavy rains. This will lead to delays in our shipping schedules or increase the probability of accidents during sailing, which will have a potential negative impact on our business operations and financial performance.

To identify this risk, we have been aware of the impact of local climate change and natural disasters. Apart from adopting our existing internal emergency response system in response to the relevant risks and mitigation, we have also conducted an assessment and institutional review to identify further the potential long-term impact of climate change on us and formulate appropriate response plans. We plan to conduct regular discussions with relevant departments and regulators to continuously assess the impact of future tight raw material supply and climate change on our Group and to review the effectiveness of the current internal system.

In terms of risk response, we plan to pay attention to the climate change situation in the places where we operate, and the emergency guidelines formulated by local government departments and the arrangements under the issued warnings. We further plan to regularly assess the severity and occurrence probability of risks such as damage caused by adverse weather environment and climate change with relevant departments based on past experience. To ensure that our business is resilient enough to withstand the risks involved, we have developed relevant mechanisms such as the Natural Disaster Emergency Response Plan for our operations in the PRC and Indonesia and assign responsibilities to each department. We have also formulated a series of guidelines according to the nature and severity of the emergencies incidents. For example, the "Emergency Control of Flood Prevention in Surrounding Communities" for flooding and tsunamis is established under the emergency mechanism of our HPAL project. Relevant working guidelines have included arrangements for external coordination and liaison, notification mechanism for emergency teams, and procedures for emergency safety evacuation. We have conducted regular drills based on the above guidelines to ensure that we can respond quickly and effectively when a significant accident occurs and protect the safety of our employees.

For the risks related to the plant facilities, we have considered the long-term impacts of climate change during the planning stage of our facilities. For example, the production plant in Indonesia has been equipped with a sound drainage system and rainwater collection facilities to mitigate the flooding risks due to heavy storms. We regularly monitor the supply of laterite nickel mines in the Philippines and evaluate their stock availability before and during rainy seasons. At the same time, we cooperate with our suppliers in advance to ensure that the raw material supply is sufficient.

Transition risks

We have identified the changes in policies and regulations as transition risks that may adversely affect our business, strategy, and financial risks in the short and medium term. Such short- and medium-term transition risks mainly arise from regulatory restrictions or mandatory carbon trading on greenhouse gas emissions, such as China's plan to achieve carbon neutrality by 2060 and Indonesia's plan to introduce carbon taxes and carbon trading gradually. In the long term, we believe that regulators in various countries will progressively reduce coal-fired power generation and increase the proportion of renewable energy such as photovoltaic power generation facilities. The relevant regulators will likely tighten restrictions on the high-emission industries, which will potentially impact our operating strategy and financial performance, as we may need to invest more resources to develop and apply low-carbon technologies to meet increasingly stringent carbon reduction requirements.

To identify these risks, we regularly hold internal operational risk identification meetings to review climate change risks and environmental risk issues to ensure that our operations comply with relevant laws and regulations on climate change and greenhouse gas emissions. We also regularly liaise closely with regulators on applicable policy and regulatory changes to assess the severity and probability of several transition risks of climate change.

To address these risks, we have carefully selected the technology and processes for our production business. We have adopted hydrometallurgy technology to reduce emissions from our production processes to comply with local regulatory emission limits. For pyrometallurgy, we selected RKEF process which can reduce the energy consumption of the entire production process. In response to the actual risk of power outages, our latest power generation equipment has a dual circuit system as a backup power supply. For the potential long-term impact, we will continuously invest in our R&D activities and upgrade our techniques and processes. We are also committed to increasing the proportion of renewable energy. We plan to cooperate with our Indonesian Partner for the construction of photovoltaic power generation facilities for our Obi projects. Through capital investment in technology, we hope to promote the development of energy-saving, emission-reducing and environmentally-friendly equipment in the future.

In view of the potential environmental impact of coal-fired power plants and the regulatory trend towards tighter restrictions on high-emission industries in China and Indonesia, we have adopted specific measures to address the risks in relation to these power plants. Coal-fired power plants could cause air pollution by emitting sulfur dioxide (SO_2), nitrogen oxides (NO_x), particulate matter (PM), carbon dioxide, and heavy metals into the atmosphere, leading to environmental problems such as smog, acid rain and global warming. Hazardous combustion waste disposal and wastewater discharges could also potentially cause land and water pollution when rain washes through the waste, leaches out and pollutes the surrounding soil and waterbodies. Meanwhile, thermal pollution could degrade water quality as a large amount of water is consumed as a coolant and returned to the environment at high temperatures.

For our HPAL project, boilers with low NO_x emission and electrostatic precipitators are in place to minimize our NO_x and PM emissions, where current emissions are lower than the level stipulated in the Decree of the Minister of Environment and Forestry of Republic of Indonesia – 2019 Regulation of the Minister of Environment & Forestry Number 15. In terms of reducing SO_2 emission, we have installed desulfurization equipment and facilities at our HPAL project and expect to commence operation in the short-term.

Our Jiangsu Facilities are not involved in the coal-fired power generation and only use coal as a heat source in the rotary kiln to produce high-temperature coal gas. However, we constantly closely monitor the regulatory trends towards tighter industrial environmental restrictions in China. We also monitor our air pollutants emission in a real-time manner and have optimized our emission reduction equipment and facilities. As a result of our efforts, we have attained the local ultra-low emission standard of the steel and iron industry.

In view of the tightening restrictions on high-emission industries in Indonesia, our Indonesian legal advisor will regularly advise us to ensure that we do not have any non-compliance in our operations in Indonesia. Furthermore, the local management team of our Indonesian Partner has extensive experience in the industry, which allows us to closely monitor the development of government policies and implement proper mitigation plans. The ESG committee we plan to establish also includes personnel from our legal department to ensure the committee will closely monitor the policy changes in Indonesia and China that may implicate our Group.

Environmental and Climate Change Opportunities

We also identified environmental and climate change opportunities during our operations due to factors including changes in laws and regulations and market trends. China has set the goal of carbon peaking by 2030 and strives to achieve carbon neutrality by 2060. Coupled with many favorable factors in the low-carbon energy-saving market in recent years, such as the NEV market, one of our downstream markets, there has been an increase in demand for nickel products such as MHP, nickel sulfate and cobalt sulfate. Due to our technical expertise in the HPAL process, which consumes less energy, emits less pollutant and produces nickel products of higher quality than traditional processes, we believe that we are in a competitive position to capture the opportunities presented by the nickel market and our financial performance can benefit from such opportunities in the short, medium and long term.

In terms of short and medium impact, we plan to construct in Indonesia a number of integrated downstream production base on the Obi Island to achieve our goal of maximizing resource utilization. We intend to introduce more business partners to join our Obi projects to promote the low-carbon and green operation of the industrial park and achieve the sustainable development of the local ecosystem. In terms of the long-term planning for energy consumption, we plan to increase the proportion of renewable energy in our energy mix. In the future, we plan to collaborate with our Indonesian Partner to construct photovoltaic power generation facilities for the Obi projects to supplement the power generation by their power plants, which we believe can effectively reduce the carbon emissions generated by our business operations. We have further established a joint venture company CBL to capture the opportunities in the NEV markets and throughout the corresponding industry value chain.

In order to continuously identify and assess environmental and climate change opportunities related to policies and markets, we regularly collect, understand, study and analyze the environmental development of the nickel market and downstream technologies, and assign personnel to communicate with government authorities and regulators to ensure that we are aware the changes in environmental laws and regulations related to the industry in a timely manner. We regularly assign personnel to participate in international, national seminars and conferences organized by industry organizations to keep abreast with the latest industry knowledge and trend.

Metrics and Targets

We have taken into account the quantitative information that reflect our management for environmental, social and climate-related risks, which includes greenhouse gas emissions, resource consumption and pollutant emission. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our production facilities, stationary combustion sources and vehicles. Scope 2 energy indirect emissions include the greenhouse gas emissions from usage of purchased electricity. During the Track Record Period, our greenhouse gas emissions, resource consumption and pollutant emission are substantially generated from our production facilities; greenhouse gas emissions, resource consumption and pollutant emission from our other facilities each constituted less than 0.1% of that of our Group. The following tables set forth the information of our gas emissions, resource consumption and pollutant emission for each of our production facilities for the periods indicated.

Jiangsu Facilities

Pollutant		**For the year ended December 31,**			**For the six months ended**
	unit	**2019**	**2020**	**2021**	**June 30, 2022**
Air emissions[1]					
Nitrogen oxides[2]	*ton*	83	207	227	85
Sulfur oxides[2]	*ton*	100	68	41	14
Particulate matter[2]	*ton*	52	26	8	2
Sewage	*m^3*	N/A[3]	N/A[3]	N/A[3]	N/A[3]
Hazardous waste[4]	*ton*	638	788	696	362
Non-hazardous waste[5]	*ton*	30	30	30	14

Notes:

(1) From July 2020, the Jiangsu facilities updated the systems and equipment for real-time monitoring of its air pollutants emission.

(2) Jiangsu facilities has implemented the usage of liquid caustic soda to reduce sulfur oxides and bag-filtering dust precipitator to reduce particulate matter in 2020. We plan to implement additional equipment to reduce nitrogen oxides emission in 2022.

(3) Jiangsu facilities did not generate such pollutant during the Track Record Period.

(4) The main hazardous waste was nickel slag during the Track Record Period.

(5) The non-hazardous wastes mainly included office waste and domestic waste of staff dormitories during the Track Record Period.

Resource consumption and greenhouse gas emissions		**For the year ended December 31,**			**For the six months ended June 30, 2022**
	unit	**2019**	**2020**	**2021**	
Energy and water consumption					
Direct energy					
Natural gas	*kWh in thousands*	N/A[1]	N/A[1]	N/A[1]	3[3]
Diesel fuel	*kWh in thousands*	8,370	9,583	9,617	4,836
Gasoline[2]	*kWh in thousands*	N/A[1]	152	308	209
Liquefied petroleum gas	*kWh in thousands*	63	75	76	21
Coal	*kWh in thousands*	1,031,926	1,027,463	960,960	491,156
Indirect energy					
Purchased electricity	*kWh in thousands*	528,014	645,166	569,218	297,592
Total energy consumption	*kWh in thousands*	1,568,373	1,682,439	1,540,179	793,817
Water consumption	*m^3 in thousands*	26	632	533	300
Greenhouse gas emissions					
Scope 1	*tons of CO_2e in thousands*	333	332	311	157
Scope 2	*tons of CO_2e in thousands*	322	394	347	187
Total emissions	*tons of CO_2e in thousands*	655	726	658	344

Notes:

(1) Jiangsu facilities did not have such energy consumption during the Track Record Period.

(2) Jiangsu facilities used vehicles for commuting employees starting from 2020.

(3) Jiangsu facilities used natural gas in denitrification and desulfurization towers starting from 2022.

Xi'an Pengyuan

Pollutant[1]		**For the year ended December 31,**			**For the six months ended June 30, 2022**
	unit	**2019**	**2020**	**2021**	
Non-hazardous waste[2]	ton	22	111	237	68

Notes:

(1) During the Track Record Period, the air emissions, including nitrogen oxides, sulfur oxides and particulate matter, from the manufacturing facilities of Xi'an Pengyuan were insignificant. During the Track Record Period, the manufacturing facilities of Xi'an Pengyuan did not discharge sewage or generate hazardous wastes.

(2) The non-hazardous waste mainly included metal during the Track Record Period.

Resource consumption and greenhouse gas emissions	**unit**	**For the year ended December 31,**			**For the six months ended June 30, 2022**
		2019	**2020**	**2021**	
Energy and water consumption					
Direct energy					
Natural gas	*kWh in thousands*	N/A(1)	N/A(1)	N/A(1)	N/A(1)
Diesel fuel	*kWh in thousands*	2	2	6	2
Gasoline	*kWh in thousands*	25	47	66	36
Liquefied petroleum gas	*kWh in thousands*	N/A(1)	N/A(1)	N/A(1)	N/A(1)
Indirect energy					
Purchased electricity	*kWh in thousands*	48	50	164	94
Total energy consumption	*kWh in thousands*	75	99	236	132
Water consumption	*m^3 in thousands*	1	1	1	0.4
Greenhouse gas emissions					
Scope 1	*tons of CO_2e*	8	14	21	11
Scope 2	*tons of CO_2e*	29	31	100	57
Total emissions	*tons of CO_2e*	37	45	121	68

Note:

(1) The manufacturing facilities of Xi'an Pengyuan did not have such energy consumption during the Track Record Period.

HPAL Project

Pollutant	**Unit**	**For the year ended December 31, 2021(1)**	**For the six months ended June 30, 2022**
Air emissions			
Nitrogen Oxides	*Ton*	168	161
Sulfur Oxides	*Ton*	5,104	3,288
Particulate Matter	*Ton*	39,595	25,514
Sewage	*m^3*	3,045	36,681(4)
Hazardous Waste(2)	*Ton*	1,608,060	1,967,576
Non-hazardous Waste(3)	*Ton*	4,719	3,099

Notes:

(1) Phase I of our HPAL Project in Indonesia commenced production in May 2021.

(2) The hazardous wastes mainly included slag, experimental waste liquid, power plant coal ash, waste oil, grease and medical waste during the Track Record Period, among which slag accounted for over 99% of the hazardous wastes in terms of weight in both 2021 and the six months ended June 30, 2022.

(3) The non-hazardous wastes mainly included general domestic waste, metal, waste wood planks and packaging bags during the Track Record Period.

(4) The sewage mainly included domestic wastewater during the Track Record Period. The wastewater from the production process was neutralized and treated before its discharge to ensure that the amount of acidic substances and heavy metals contained in the discharged wastewater can meet the relevant requirements of applicable laws and regulations.

Resource Consumption and Greenhouse Gas Emissions	Unit	For the year ended December 31, 2021[(1)]	For the six months ended June 30, 2022
Energy and Water Consumption			
Electricity (Generated by coal-fired power plant)	*kWh in thousands*	107,188	114,764
Diesel fuel	*kWh in thousands*	65,999	69,144
Total energy consumption	*kWh in thousands*	173,187	183,908
Water consumption	*m^3 in thousands*	8,109	7,942
Greenhouse Gas Emissions			
Scope 1	*tons of CO_2e in thousands*	36	33
Scope 2	*tons of CO_2e in thousands*	N/A[(2)]	N/A[(2)]
Total Emissions	*tons of CO_2e in thousands*	36	33

Notes:

(1) Phase I of our HPAL Project in Indonesia commenced production in May 2021.

(2) Our HPAL Project did not generate any Scope 2 greenhouse gas emissions during the Track Record Period.

Comparison of Certain ESG Metrics with Other Industry Players

		Our Group			Other industry players in 2021[(2)]		
ESG Metrics[(1)]	**Unit**	**2019**	**2020**	**2021**	**Lowest**	**Highest**	**Average**
Hazardous Waste Intensity[(3)]	*ton / million revenue in RMB*	0.07	0.10	129.22	0.00	162.91	39.79
Non-hazardous Waste Intensity	*ton / million revenue in RMB*	0.01	0.02	0.40	0.04	153.76	35.97
Energy Intensity	*kWh in thousands / million revenue in RMB*	167.79	216.96	137.65	5.33	1,711.93	292.04
Water Intensity	*m^3 in thousands / million revenue in RMB*	0.00	0.08	0.69	0.00	12.00	1.68
Greenhouse Gas Emission Intensity (Scope 1 & Scope 2)	*tons of CO_2e in thousands / million revenue in RMB*	0.07	0.09	0.06	0.00	0.68	0.14

Notes:

(1) To more accurately and fairly measure the performance of our ESG metrics with other industry players, we adopted the intensity of each ESG metrics, which measures the amount of emission for each million of revenue in RMB generated in the

relevant financial years. We believe this avoids the situation where a peer company's certain ESG metric may appear exceptionally large or small primarily as a result of the scale of its business operation.

(2) We selected ten companies as industry players for our comparative analysis. Our basis selection criteria for other industry players include: (i) it was a company listed on the Stock Exchange as of June 30, 2022, (ii) its main business covers metal smelting, processing, production (of non-ferrous metal) and/or trade, which is comparable to our business coverage, and (iii) the company's business is not purely mining or mines operations.

(3) Based on the relevant disclosure guidance, other than substances that are explicitly listed as hazardous waste and required to be managed as such by hazardous waste-related laws and regulations, companies can, based on their own circumstances, determine whether certain substance should be treated as hazardous or non-hazardous waste and manage the substance accordingly pursuant to their own waste management policies. Companies may have different classification systems of hazardous waste.

Based on the table above, in each of 2019, 2020 and 2021, our hazardous waste intensity, non-hazardous waste intensity, energy intensity, water intensity, and greenhouse gas emission intensity (including scope 1 and scope 2) was within the intensity range of the respective ESG metrics in 2021. Our hazardous waste intensity increased significantly from 2020 to 2021 primarily because our production lines under phase I of the HPAL project commenced operation in 2021 and started to generate hazardous waste accordingly. Our existing level of hazardous material emission is in compliance with the relevant environmental laws and regulations. We achieved a significant reduction in our energy intensity in 2021 primarily because the increase in our revenue (which increased by 60.5% from RMB7,755.2 million in 2020 to RMB12,449.3 million in 2021) substantially outpaced the increase in our energy consumption (which only increased by 1.8% from 1,682.5 million kWh in 2020 to 1,713.6 million kWh in 2021, which was mainly due to: (1) our trading business, although experienced a significant increase in revenue, consumes very little energy, and (2) our nickel-cobalt compound production utilizing the HPAL process, from which we started to generate revenue in 2021, consumes relatively low levels of energy). In addition, we have implemented, and plan to continue to implement various measures to reduce our hazardous waste intensity. For example, we have started to mix slags with other waste for centralized waste treatment. For more information, see "— Environmental Protection and Climate-related Matters — Overview." We also plan to build a storage facility specifically for storing the slags to reduce their environmental impact; we have submitted the design proposal of such storage facility to the relevant Indonesian authorities for approval. We are also developing techniques to further explore the extraction of valuable metals from slags generated from the HPAL process, such as iron and scandium, to generate more economic benefits. We believe that these measures can help us reduce hazardous waste intensity in the future.

We have been searching for new emission reduction technologies and purchasing emission reduction equipment, and have increased the proportion of clean energy used, including the construction of solar power generation equipment on Obi Island. We also have the energy metering management system, our internal system consisting of a set of rules, to monitor and manage the efficiency of energy use. Going forward, we strive to achieve net zero carbon emission by 2060 to contribute to China's carbon neutrality target. To achieve this aspiration, we are considering using different policies and measures, including optimizing production equipment, encouraging employees to travel green, replacing traditional vehicles with electric vehicles, and purchasing carbon credits for offsetting. Accordingly, we have set quantitative objectives for the reduction of energy consumption and greenhouse emissions. Using the year ended December 31, 2021 as the base year, our total energy consumption was approximately 1,714 million kWh and greenhouse gas emission was approximately 694 thousand tons of CO_2e. We aim to reduce approximately 45 million kWh and 18 thousand tons of greenhouse gas emissions per year for the next three years using various reduction and offsetting measures.

For air pollutant emissions (including nitrogen oxides, sulfur oxides and particulate matter), we aim to reduce emissions by approximately 6% in the next three years. In response to the tighter environmental restrictions and policies in the future, appropriate emission reduction equipment and facilities at our HPAL project have been installed and are expected to commence operation in the short-term, ensuring our compliance with the tightening laws and regulations. During the Track Record Period, we have been progressively optimizing our air pollutants reduction equipment at our production facilities and improving our production processes, including the desulfurization and dust removal measures for rotary kiln transformation. In particular, our Jiangsu Facilities have optimized our emission reduction facilities and attained the local ultra-low emission standard of the steel and iron industry. As a result, our air pollutant emissions have reached a relatively low level during the Track Record Period, compared to industry average, according to CIC, and the room for future improvement in emissions reduction is limited. However, we are still committed to finding other possible means to reduce air pollutant emissions, including prioritizing new energy vehicles when we consider purchasing vehicles for our business use in the future.

During the Track Record Period and up to the Latest Practicable Date, our hazardous wastes have been disposed of in a manner compliant with local laws and regulations. We are in the process of planning the construction of the HPAL project tailings pond, allowing us to handle the relevant hazardous waste in the future in an environmentally conscious manner. We plan to recycle the slag generated from production after the production lines under phase III of our HPAL project commence operations. In the short-term, we aim to reduce our hazardous wastes by approximately 0.6% in the next three years.

In terms of non-hazardous wastes, we plan to reduce approximately 70% of the wastes disposed in landfills in the next three years through various measures, including the separation of recyclable domestic wastes, selling metal wastes to other companies for further processing and the recycling of construction waste.

Regarding sewage discharge, we plan to treat wastewater and recycle the processed water for mineral cleansing, with a target reduction of sewage discharge of approximately 9% in the next three years. Regarding water consumption, the water used for cleaning the factory area during the Track Record Period has been treated at our production facilities by filtering the nickel residual from the sewage. The nickel residual collected is then reused in the production process, while the remaining residual will be used as construction materials. The treated water was also recycled for further use. In general, our production process has a relatively low level of water consumption, and the room for reduction is relatively limited. Nevertheless, we will continue to explore other ways to further reduce our water consumption, including using treated sewage for irrigation.

We may further adjust the targets according to our business operation from time to time, and if the effect of emission reduction is found to be unsatisfactory, we will review the relevant policies and measures and make improvements to achieve the above objectives.

Corporate Social Responsibility

We are committed to the fulfillment of our corporate responsibility to the countries where we operate. For instance, in 2020 and 2021, we donated an aggregate of approximately RMB28.2 million of funds to fight the COVID-19 outbreak in China as well as for sports, rural village development and education undertakings, and made multiple donations of masks and medical supplies to fight the COVID-19 outbreak in China. On Obi Island, Indonesia, we actively participate in the charitable activities, including our participation in the construction of local infrastructure such as road, bridges, schools, churches and markets, as well as our efforts in protecting local environments. We also participated in a school development program and donated medical resources, including free vaccination shots, and provided free healthcare to local residents in Indonesia. We actively sought collaboration with local residents through creating employee opportunities, including inviting them to open up food stores and become food suppliers to the Obi projects.

Occupational Health and Safety and Corporate Policy

We are subject to the relevant PRC laws and regulations regarding labor and production safety. For further details, see "Regulatory Overview — Overview of Laws and Regulations in the PRC — Industry Regulations — PRC Laws and Regulations on Labor Protection" and "— PRC Laws and Regulations on Production Safety" in this prospectus. We have established procedures to ensure the workplace safety for our employees. We have also implemented safety guidelines and operating procedures for our production processes and conduct regular and thorough worksite inspections to eliminate any potentially hazardous working environment.

We treat occupational health and safety as our important responsibilities. As of the Latest Practicable Date, our Company had obtained the permit for operation of Hazardous Chemicals and Jiangsu Wisdom had obtained the permit for operation of dangerous wastes, as required by the PRC laws and regulations. As of the Latest Practicable Date, our business operations in Indonesia are also in compliance with the local laws and regulations. We have also adopted and implemented a number of measures in relation to occupational health and safety. For critical machinery and equipment involved in our production, including the rotary kiln and electric arc furnace, we have compiled detailed manuals on their standard operation, maintenance and the procedures the operator needs to follow in the event of accidents and emergencies. We have implemented systems and procedures for the identification and prevention of accidents and hazardous conditions and procedures relating to emergencies, accidents and other hazardous conditions, including those of our machinery and equipment for production and other supporting facilities. We control and monitor the operations of our production facilities, including the pressure and the temperature and volume of hazardous and volatile materials during production and storage. We also provide safety-related training, including training in connection with safety of operation on the production line and meetings on the identification of safety risks and prevention of accidents related to our production activities, to our employees to increase their awareness of occupational health and work safety matters. We further provide annual medical examinations for employees that we consider are exposed to professional health risks. We conduct safety checks of our production machinery and equipment on a regular basis and design maintenance and repairing plan for our machinery and equipment on a regular basis, to help ensure proper operation of our machinery and equipment and to ensure our employees comply with our safety manual. We have further implemented specific safety checks requirements for certain special equipment, including furnaces and rotary kiln, to make sure their conditions meet the relevant legal and regulatory requirement. We record any abnormalities noted during the periodic safety checks in our safety records and the responsible departments and/or officers will take follow-up remedial actions accordingly. Government authorities occasionally conduct safety inspection checks to ensure our operations comply with workplace safety laws and regulations and notify us if our operations do not comply with workplace safety laws and regulations. Jiangsu Wisdom has been accredited the ISO 45001:2018 Occupational Health and Safety Management System.

Compliance with Labor Laws and Regulations

In order to ensure compliance with labor standards, we have established strict regulations and human resource management systems for labor-related laws and regulations in each of our manufacturing facilities to prevent the occurrence of forced labor and child labor. We require all employees to sign an employment contract to protect the rights and interests of both parties. When each employee is hired, the human resources management staff will verify through the interview process, provide formal documents such as identity cards, to prevent the occurrence of child labor. To further ensure that no child labor and forced labor are employed, we regularly communicate with our employees through regular employee forums. We conduct inspections to ensure there is no child labor or forced labor employed during our business operations. We have also in place a whistle-blowing mechanism such that any potential non-compliance incidents can be reported and investigated in a timely manner. If we become aware of any case of child labor or forced labor, we will immediately investigate the root cause and search for and analyze any loopholes in our human resources recruitment process. We will also make rectifications or implement additional procedures where necessary to avoid the recurrence of similar issues in the future. In addition, as the PRC is extremely strict about labor regulation, such as applying social insurance for employees by the enterprises, to ensure that employees are protected. Therefore, we believe that the risk of child labor and forced labor in our manufacturing facilities is low. During the Track Record Period, our production facilities in China and Indonesia have not received any notice or warning, nor have we incurred any actual impact on violations of any laws or regulations relating to the forced labor or child labor.

In addition, in order to ensure that the situation of child labor and forced labor does not exist among our suppliers, our Jiangsu Facilities and HPAL Project require suppliers to comply with the supplier code of conduct and commit to prohibiting to hire forced labor and child labor. We will similarly implement this code to the relevant suppliers when our other production lines under Obi projects commence operation. While we currently have not incorporated this requirement into our supplier review process, we have planned to carry out rectification work, including improving the relevant systems and supplier review documents, which are expected to be completed within six months of the Listing.

Accident rate

We have implemented measures and policies to prevent work injury incident, including regular equipment repair and maintenance and organizing emergency drills. During the Track Record Period, no work-related deaths happened. Our work-related accident rate[1] was 0.0747%, 0%, 0.0017% and 0% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our work-related accident rates during the Track Record Period were lower than industry average, which was 0.1078%.

We have established a safety and environmental protection department to monitor and resolve workplace safety and environmental protection issues and to work closely with our production staff and management on environmental protection and safety matters. This department is also responsible for compiling, updating and revising manuals, policies and procedures related to workplace safety and environmental protection, conducting evaluation on the completion status of safety production goals and indicators of various departments, supervising production and storage of hazardous and volatile materials. They perform spot checks or inspections of our production lines and production workshops as required by our internal policies.

We did not experience any material workplace accident during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalties associated with any violation of applicable laws or regulations with respect to occupational health and work safety in the PRC.

ESG Practices of Our Indonesian Partner

TBP, as a principal entity of our Indonesian Partner that is primarily engaged in the mining and production of nickel products for the operation of our Obi project, has also adopted robust policies to govern its ESG matters. Our Indonesian Partner strives to combat climate change through continuous biodiversity rehabilitation, carbon storage projects, air quality improvement, and marine resources protection by raising aquatic ecosystems awareness. It also strives to minimize the impact of mining activities by adopting environmental impact analysis.

Our Indonesian Partner also strives to protect human rights in the people, community and Indonesia. For "people", it adopted employee policies according to the internal Human Resources

1. Accident Rate = [Number of lost days due to work injuries / (Total number of employees * 365 days)] * 100%

Management Policy covering human rights, anti-discrimination, overtime hours, minimum wages, gender equality, health insurance, child and forced labor prohibition regulations. For "community", it organized Community Development and Empowerment program and conducted social mapping covering economic development, education, public health, socio-culture, and infrastructure. For "Indonesia", our Indonesian Partner strives to create social justice and reduce poverty.

TBP adopted policies related to employee human rights, discrimination, minimum wages, female workers, overtime hours, health insurance in the company regulations. TBP also supports policies issued by the government regarding the prohibition of underage workers, forced labor, and gender equality. The company regulations of TBP, which regulate the work relations, rights and obligations of TBP and its employees, working conditions and rules that apply in all of TBP's work areas, have been registered with the Indonesian Ministry of Manpower. The recruitment process of TBP has zero tolerance for child labor and force labor practice and is regulated in its standard operating procedure, which complies with applicable Indonesian laws and regulations to prevent child labor and forced labor. To further ensure its compliance with applicable labor standards, TBP has established various systems to manage human resources. A whistle-blowing system is built for receiving reports or complaints of violations of "Good Corporate Governance" principles, integrity, and ethics (including forced labor and child labor cases) in the Company. Further investigation is conducted on each submitted report by TBP's ethics committee. TBP also creates communication channels with employees through formal and informal forums to establish a positive working relationship. To our best knowledge after consulting our Indonesian Partner, during the Track Record Period and as of the Latest Practicable Date, our Indonesian Partner has been compliant with applicable ESG-related laws, rules and regulations in all material aspects.

In addition, TBP also compiled an ESG report for the year 2021 (the "**ESG Report 2021**") to make its ESG practices more transparent. According to the ESG report 2021, it has developed a sustainability roadmap by pivoting on the ESG by referring to the applicable national and global policies and 15 Sustainable Development Goals, which is a step-by-step guide to achieve its sustainability goals by 2025. This report covers the performance of TBP and its subsidiaries in the operational area from January 1 to December 31, 2021. The ESG Report 2021 is prepared in accordance with the Global Reporting Initiative Reporting Standards 2016.

Our Indonesian Partner has further established an ethics committee and sustainability committee to safeguard the implementation of good corporate governance principle, ensuring ethical business integrity, sustainable economic, environmental, and social development. In 2021, it achieved zero cases in violation of code of conduct and zero work-related fatality rate.

As confirmed by the directors of TBP, from the Track Record Period to the Latest Practicable Date, our Indonesian Partner did not have any litigations or violations of ESG-related laws and regulations, including labor and child labor law.

AWARDS AND RECOGNITION

As of the Latest Practicable Date, we have received numerous awards and recognitions in respect of our projects and research and development capabilities, including:

Project/Entity	Award Type	Awarding Institutions/Authority	Award Date
The Obi projects	Road Major Strategic Construction Project (一帶一路重大戰略建設項目)	Zhejiang Provincial Development and Reform Commission (浙江省發展和改革委員會)	2021
	Overseas Chinese-standard Demonstration Project (中國標準海外示範工程)	National Technology Standard Innovation Foundation (Non-ferrous Metals (國家技術標準創新基地（有色金屬)	June 2021
Our Company	Ningbo Top 100 Enterprise (Overall) for 2018, 2020 and 2022 (2018年、2020年和2022年寧波市綜合百強)	Ningbo Federation of Enterprises, Ningbo Entrepreneurs Association, and Ningbo Industrial Economy Federation (寧波市企業聯合會、寧波市企業家協會、寧波市工業經濟聯合會)	August 2018, August 2020 and August 2022, respectively
	Ningbo Top 100 Enterprise (Service Industry) for 2019 and 2020 (2019年和2020年寧波市服務業百強)	Ningbo Federation of Enterprises, Ningbo Entrepreneurs Association, and Ningbo Industrial Economy Federation(寧波市企業聯合會、寧波市企業家協會、寧波市工業經濟聯合會)	August 2019 and August 2020, respectively
Xi'an Pengyuan	High and New-Technology Enterprise	Ministry of Science and Technology of the People´s Republic of China	December 2019

CERTIFICATES, LICENSES, PERMITS AND APPROVALS

We confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant applicable laws and regulations in all material respects and had obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our material businesses in the jurisdictions in which we operate.

The table below sets forth our material licenses and permits and their corresponding expiry dates.

Name of Member of Our Group	Name/Category of Licenses/Approvals/ Permits/Certificates	Expiry Date
Our Company	Archival Filing and Registration Form of Foreign Trade Operator (對外貿易經營者備案登記)	N/A
	Registration Form of Entry-Exit Inspection and Quarantine Application for Inspection Enterprises (出入境檢驗檢疫報檢企業備案表)	N/A
	Registration certificate of customs of the People's Republic of China for the Declaration Enterprises (中華人民共和國海關報關單位註冊登記證書)	N/A
	Permit for Operation of Hazardous Chemicals (危險化學品經營許可證)	May 23, 2024
Xi'an Pengyuan	Archival Filing and Registration Form of Foreign Trade Operator (對外貿易經營者備案登記)	N/A
	Acknowledgement of Receipt for Registration of Pollutant Discharge from Stationary Pollution Source (固定污染源排污登記回執)	July 22, 2026
Jiangsu Wisdom	Registration certificate of customs of the People's Republic of China for the Declaration Enterprises (中華人民共和國海關報關單位註冊登記證書)	N/A
	Archival Filing and Registration Form of Foreign Trade Operator (對外貿易經營者備案登記)	N/A
	Pollution discharge permit (排污許可證)	December 29, 2022[(1)]
	Permit for Operation of Dangerous Wastes (危險廢物經營許可證)	January 4, 2023[(2)]
Ningbo Huiran	Archival Filing and Registration Form of Foreign Trade Operator (對外貿易經營者備案登記)	N/A
	Registration Form of Entry-Exit Inspection and Quarantine Application for Inspection Enterprises (出入境檢驗檢疫報檢企業備案表)	N/A

Name of Member of Our Group	Name/Category of Licenses/Approvals/ Permits/Certificates	Expiry Date
	Registration certificate of customs of the People's Republic of China for the Declaration Enterprises (中華人民共和國海關報關單位注冊登記證書)	N/A
HPL	Risk Based Business Identity Number	N/A
	Industrial Business License	N/A
	Location License	N/A
	Power Plant Operation License	March 10, 2025
	Environmental Impact Analysis	N/A
	Environmental Feasibility Decree	N/A
	Environmental Management Plan and Environmental Monitoring Plan	N/A
	Environmental License	N/A
	Disposal of Wastewater to the Sea License	October 26, 2025
	Tax Deduction Facility	June 24, 2033
	Building Licenses	N/A
HJF(3)	Business Identity Number	N/A
	Industrial Business License(1)	N/A
	Tax Deduction Facility	Valid for 12 tax years starting from the date when its production commences
	Building Licenses	N/A
	Environmental Impact Analysis	N/A

Name of Member of Our Group	Name/Category of Licenses/Approvals/ Permits/Certificates	Expiry Date
	Environmental Feasibility Decree	N/A
	Environmental Management Plan and Environmental Monitoring Plan	N/A
	Environmental License	N/A
DCM	Business Identity Number	N/A
	Industrial Estate Business License(4)	N/A
ONC	Risk Based Business Identity Number	N/A
	Tax Deduction Facility	Valid for 17 tax years starting from the date when its production commences
KPS	Business Identity Number	N/A
	Tax Deduction Facility	Valid for 17 tax years starting from the date when its production commences
	Approval for the Conformity of Spatial Utilization Activities	November 26, 2024
OSS	Risk Based Business Identity Number	N/A

Notes:

(1) As of the Latest Practicable Date, we have submitted the application for renewal to the relevant government authorities, who are in the process of reviewing our application. Our PRC Legal Advisor is of the opinion that there is no legal impediment to the renewal of Jiangsu Wisdom's polluting discharge permit after taking into account factors that may affect the renewal of the permit by Jiangsu Wisdom, including conditions of facilities and premises, sufficiency of professionals, and implementation of internal rules and policies for waste disposal and processing.

(2) We do not intend to renew Jiangsu Wisdom's permit for operation of dangerous wastes upon its expiration. This permit is related to the warehouse for certain hazardous wastes and we plan to suspend its use in the first half of 2022 as a result of its title defect. For more information, see "— Properties — Owned Land and Buildings — Title Defects — Other Three Properties."

(3) As advised by our Indonesian legal advisor, Imran Muntaz & Co., HJF has obtained all the necessary licenses, permits and approvals to carry out its business activities in Indonesia as of the Latest Practicable Date. HJF needs to further obtain Location License and Power Plant Operation License before commencing production and, as advised by our Indonesian legal advisor, there is no legal impediment for HJF to obtain these licenses, after taking into accounts factors including the conditions of its facilities and premises and sufficiency of its professionals.

(4) As of the Latest Practicable Date, this license is not effective. The license will become effective when the entity has fulfilled the relevant commitments as stated in the license. The license needs to be effective for the entity to start its operation.

As advised by our Indonesian legal advisor, Imran Muntaz & Co., taking into consideration their respective development stages, each of HPL, HJF, DCM, ONC, KPS and OSS have obtained all the necessary licenses, permits and approvals required for their business operations during the Track Record Period and up to the Latest Practicable Date.

LEGAL AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there was no material litigation, arbitration or administrative proceedings pending or threatened against our Company or any of our Directors which could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

HPL and HJF's AMDAL and Environmental Licenses

As of the Latest Practicable Date, HPL and HJF have not obtained their own AMDAL and environmental licenses, and instead have been relying on the AMDAL and environmental license of our Indonesian Partner. Based on Article 22 Paragraph 5 of the Government Regulation No. 22 Year 2021 concerning Implementation of Environmental Protection and Management ("**GR No.22/21**"), because the projects operated by HPL and HJF are located in the same area of that of our Indonesian Partner, HPL and HJF can use and integrate their activities into our Indonesian Partner's AMDAL and environmental licenses. This is also confirmed by the confirmation letters issued by the Environmental Services of the Ministry of North Maluku, which, according to our Indonesian legal advisor, is the competent authority for HPL and HJF's AMDAL and environmental licenses, on March 25, 2022, which confirmed that HPL and HJF's AMDAL and environmental licenses shall be integrated with that of our Indonesian partner. Based on the foregoing, our Indonesian legal advisor, Imran Muntaz & Co., is of the view that HPL and HJF can rely on our Indonesian Partner's AMDAL and environmental licenses, and are not required to obtain their own AMDAL and environmental licenses.

Jiangsu Wisdom's Fine Related to Production Safety

During the Track Record Period, Jiangsu Wisdom, our subsidiary that owns and operates our Jiangsu Facilities, was fined by Bureau of Emergency Management of Suyu District, Suqian, Jiangsu Province, the relevant competent regulatory authorities, for violating certain laws and regulations related to production safety, for an aggregate amount of RMB123 thousand. These non-compliances are primarily related to some aspects of our production processes, including the absence of safety warning labels, failure to obtain required qualifications for two of our staff, failure to conduct emergency plan drills, and abnormal display of part of the data for submerged arc furnaces. Jiangsu Wisdom has paid the fine and has rectified the relevant non-compliances. As of the Latest

Practicable Date, Jiangsu Wisdom has not been fined by the relevant regulatory authorities for the same non-compliance.

Jiangsu Wisdom's Title Defects

As of the Latest Practicable Date, four properties owned by Jiangsu Wisdom (including its main office building, warehouse, central control room and exhibition room) with an aggregate gross floor area of 14,173.03 sq.m., have not obtained the relevant building ownership certificates. These properties in aggregate accounted for approximately 5.2% of the total gross floor area of the properties we occupy. See "— Properties — Title Defects" for more details.

As of the Latest Practicable Date, we are still in the process of applying for the relevant building ownership certificates and implementing rectification measures, as the application process is a lengthy process that has been further delayed by the COVID-19 pandemic. With respect to the warehouse, central control room and exhibition the relevant government authorities hosted a meeting to discuss the title issues related to these properties in September 2022, during which they have agreed to facilitate our applications for the construction planning permits of these properties, which has to be completed before we obtain the ownership certificates of the relevant buildings. Following the meeting, we submitted applications for the construction planning permits of these three properties to the relevant government authorities in the same month. With respect to the office building, we plan to first obtain the land use right by purchasing from the local government the portion of the land area that exceeded the area permitted in the relevant government approval. We have communicated with the relevant government authorities regarding out plan and have accordingly started our preparatory work. See "— Properties — Title Defects" for more details.

Enhanced Internal Control Measures

In light of the complex regulatory environment in various jurisdictions where our business operates, we have implemented measures intending to ensure compliance with applicable laws and regulations. Our legal department is responsible for supervising the rectification measures for non-compliance and regularly updating our management regarding their status. To further enhance our corporate governance practices and the effectiveness of our risk management and internal control procedures, including the prevention of recurrence of non-compliances of similar nature and prompt adaptation to evolving laws and regulations, we have adopted the following steps and measures:

(1) With respect to our potential non-compliance in relation to not obtaining the environmental licenses for our HJF and HPL, we will continuously monitor the compliance status of our projects currently under construction and planning, especially focusing on the completeness of the licenses and approvals required for their operation. We intend to actively communicating with local administrative authorities in accordance with relevant local laws and regulations, and hiring local legal or public affairs consultants when necessary to assist in and ensure obtaining all permits and licenses necessary for the operations of the main assets; According to the internal control report

issued by our internal control consultant, our internal control measures are adequate and effective for our operations to prevent the recurrence of non-compliances related to failure to obtain environmental licenses overseas;

(2) With respect to non-compliances related to our production business in Jiangsu Wisdom, we require all our staff and workers to follow our relevant production safety procedures, including the regular inspection of production facilities to ensure product quality. We have also conducted a comprehensive internal inspection for any existing non-compliances with relevant laws and regulations concerning production activities and engaged external legal advisors and internal control consultant to assist us in such efforts. We also conduct training sessions to our employees to ensure they are familiar with our safe production procedures and policies. According to the internal control report issued by our internal control consultant, our internal control measures are adequate and effective for our operations to prevent the recurrence non-compliances related to our production activities in China.

(3) With respect to Jiangsu Wisdom's title defects during the Track Record Period, we established the relevant management measures for our future acquisition and/or construction of land and property. These measures set out the responsibilities of our departments in the process, requiring the relevant departments to conduct due diligence regarding the land, properties, the required licenses and permits, and the relevant government approval process. They are subsequently required to submit analysis and research report to our management for evaluation for all newly constructed and acquired projects. Our management will continue to comprehensively evaluate the projects based on important factors including the location and demand, cost-benefit analysis, strategic importance for our business operation, and property compliance status. We also provide training to our employees to ensure that extra caution must be taken in undertaking property purchase and construction in the future. In the event that any property-related compliances are identified, we carefully assess the time and effort needed for rectification, and may consult external legal advisors of the relevant jurisdictions for further advice if necessary. We plan to keep monitoring the latest national and local regulations and procedural requirements regarding properties and seek to actively consult with the competent authorities from time to time. According to the internal control report issued by our internal control consultant, our internal control measures are adequate and effective for our operations to prevent the recurrence non-compliances related to title defects; and

In addition, Our legal department is also responsible for closely tracking applicable legal and regulatory development and regularly monitoring the regulatory compliance status of our Group both in China and foreign jurisdictions where our business operates. When they identify relevant regulatory development that may affect our business operation, they will first assess the materiality of the potential impact on our business resulted from the regulator development. They will then formulate major policies, responsive measures and implementation plans to ensure our continuous compliance, including providing an estimation of any relevant costs and expenses that may incur in this process. At the same time, they will conduct a comprehensive review to identify any material existing non-compliances within our Group, and supervise the implementation of rectification measures for non-compliance. If necessary, they may further engage external professionals to help our Group to cope with the evolving regulatory requirements and ensure our compliance with the evolving laws and regulations in a timely and cost-effective manner.

After considering the (i) nature and reasons for our historical non-compliance incidents, (ii) the remedial actions we have adopted to address these non-compliances and (iii) that, according to the internal control report issued by our internal control consultant, our internal control measures are adequate and effective for our operations to prevent the recurrence of each of the non-compliances, our Directors are of the view that our enhanced internal control measures are adequate and effective to prevent the recurrence of similar non-compliances.

On the basis of the above and the due diligence conducted by the Joint Sponsors with respect to the historical non-compliance incidents and the remedial actions taken by the Company to address such non-compliances, nothing material has come to the attention of the Joint Sponsors that would contradict the Directors' views with regards to whether the enhanced internal control measures are adequate and effective to prevent the recurrence of similar non-compliances in the future.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022, and the accompanying notes included in the Accountants' Report set out in Appendix IA to this prospectus, and the consolidated financial statements of HPL as of and for each of the years ended December 31, 2019, 2020 and the eleven months ended November 30, 2021 and the notes thereto included Appendix IB to this prospectus. The Accountants' Report has been prepared in accordance with IFRS. Potential investors should read the Accountants' Report in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

We are a company with business across the entire nickel industry value chain. For nickel product trading, we ranked first globally in terms of nickel product trading volume in 2021, and first in China in terms of nickel ore trading volume in 2021, according to the CIC Report. For nickel product production, the HPAL project (the "**HPAL project**") on the Obi Island, Indonesia, which we have jointly developed with our Indonesian Partner, is one of the most technically advanced nickel-cobalt compound hydrometallurgy projects worldwide, and has the lowest cash cost among all nickel-cobalt compound production projects worldwide, according to the CIC Report.

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

We generate revenues primarily from the trading and production of nickel products, and to a lesser extent, equipment manufacturing and sale and other businesses:

Trading of nickel products. We have been engaged in the trading of nickel products since our inception in 2009, establishing solid, long-term business relationships with suppliers in the Philippines and Indonesia. In 2019, 2020 and 2021, and the six months ended June 30, 2021 and 2022, nickel product trading contributed 69.5%, 64.5%, 70.4%, 70.1% and 42.1% of our revenues, respectively.

Production of nickel products. We are also the first nickel trading company in China to expand our product and service offerings to cover nickel product production. We currently have a number of ferronickel and nickel-cobalt compound production lines in operation and under construction in Suqian, Jiangsu Province, China and Obi Island, Indonesia. In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, nickel product production contributed 25.2%, 21.2%, 19.7%, 19.4% and 49.6% of our revenues, respectively.

Equipment manufacturing and sale. We manufacture and sell a variety of equipment used in the production of nickel products, which contributed 4.5%, 13.2%, 8.1%, 8.6% and 6.7% of our revenues in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

Others. we also generate a small portion of revenue from other products and services, primarily including (i) sale of wastes and provision of related services, (ii) vessel sublease, and (iii) sale of auxiliary materials to HJF, primarily including semi-coke and coke.

During the Track Record Period, our financial results demonstrated our robust business operation capabilities. While our financial performance was temporarily affected by the Indonesian government's export ban in 2020, our revenue and net profit quickly recovered in 2021, primarily due to (i) increases in the average selling prices and sales volume of nickel ore and ferronickel for our trading business, and (ii) revenue and net profit contribution from HPL to our trading business and production business since the commencement of production of phase I of the HPAL project in May 2021. Our revenue and net profit increased significantly in the six months ended June 30, 2022 compared to the same period in 2021, primarily because we began to generate revenue from the sales of our self-produced nickel-cobalt compounds since November 30, 2021 as a result of our consolidation of HPL. As a result of the foregoing, in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue was RMB9,347.4 million, RMB7,755.2 million, RMB12,449.3 million, RMB4,088.3 million and RMB9,978.3 million, respectively, and our net profit was RMB566.7 million, RMB518.3 million, RMB1,260.0 million, RMB89.0 million and RMB2,289.6 million, respectively. See "— Results of Operations" for more details.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by general factors affecting the nickel industry, including global and China's macroeconomic conditions and changes in policies and regulations adopted by governments of countries and regions where we operate.

Besides the general factors affecting the nickel industry, our business, historical financial condition and results of operations have been affected by the following specific factors which we believe will continue to affect our financial condition and results of operations in the future:

- Fluctuation in nickel prices and the supply and demand dynamics of nickel products;

- Expansion of production capacity and diversification of product portfolio;

- Our ability to control costs and operating expenses; and

- Strategic investments and acquisitions.

Fluctuation in Nickel Prices and the Supply and Demand Dynamics of Nickel Products

Our operations and financial performance are directly affected by the fluctuations in nickel prices. The price of nickel has been rapidly rising in the past few years, with the annual average price of nickel increasing from US$9,595.2 per metal ton in 2016 to US$13,913.9 per metal ton in 2019, dropping slightly to US$13,790.4 per metal ton in 2020, and increasing to US$18,487.7 per metal ton in 2021. The selling prices of our nickel products fluctuated in line with the fluctuation in nickel price over the same period. Such fluctuations are in turn affected by the upstream and downstream supply and demand dynamics of nickel products. Accordingly, our operations and financial performance depend on our ability to secure a stable supply of laterite nickel ore and ferronickel at competitive prices. We procure laterite nickel ore primarily from the Philippines and ferronickel from Indonesia. The supply of nickel and ferronickel may fluctuate, depending on resource availability and regulatory developments in the relevant markets, among others. For example, Indonesia imposed export bans on laterite nickel ore starting on January 1, 2020, as a result of which we could no longer procure laterite nickel ore from Indonesia since 2020. Nickel resources in the Philippines are also produced by a few major nickel mining companies. As such, our ability to maintain good business relationships with these nickel mining companies is crucial in ensuring our access to a sufficient level of laterite nickel ore. Moreover, the discovery and successful exploration of new nickel mines by new or existing competitors may affect the global nickel supply and the global prices of nickel, which may in turn result in fluctuations in our revenue and profitability.

In addition, our operations and sales tend to fluctuate with demands for our nickel products in the end markets we serve, including the NEV market and the stainless steel market. A number of factors can affect the demand for our nickel products in these end markets, including technological developments that could result in product or technological substitutions and the introduction of new laws, regulations and policies that can affect these end markets (including those that may have an indirect effect, such as policies on environmental protection and carbon emission reduction). China's nickel consumption increased from 1.0 million metal tons in 2016 to 1.4 million metal tons in 2021, representation a CAGR of 7.6% during the same period, and is expected to further increase to 2.4 million metal tons in 2026, representing a CAGR of 11.2% from 2021 to 2026. In 2021, the stainless steel market and the NEV market accounted for 67.7% and 21.7% of China's total nickel consumption, respectively. As high nickel content ternary battery become more mainstream, the NEV market is expected to account for 44.8% of China's total nickel consumption in 2026. Our revenue and gross margin during a given period are also affected by demands for our products by our customers and the allocation of orders by our customers to us. As such, our ability to maintain good long-term relationships with our customers in the end markets is also a key factor in maintaining or increasing our profitability.

Expansion of Production Capacity and Diversification of Product Portfolio

Growth in our revenue and market share depends to a large extent on our ability to manage and expand our production capacity. As of the date of this prospectus, we operated two production facilities, including our Jiangsu Facilities in China and our HPAL project in Indonesia, for the production of ferronickel and nickel-cobalt compounds, respectively. See "Business — Production of Nickel Products — Production of Ferronickel — Jiangsu Facilities — Production Capacity" and " — Production of Nickel-Cobalt Compounds — Production Capacity," respectively, for more details. We are also constructing in Indonesia additional nickel-cobalt compounds production lines under our HPAL project, and ferronickel production lines under our RKEF project, among others. See "Business — Production Expansion Plan and Product Pipeline" for more details. We expect the products we are producing or plan to produce to be of high demand, and our expanding production capacities can accordingly help us expand market share and generate more profits. As such, although the construction of these production facilities is capital-intensive in nature and we may require a significant amount of funding through public or private equity offerings, debt financing or other sources to support our capital expenditure in relation to their construction, as well as their maintenance and repairing in the future, we expect that our production business can contribute significantly to our business growth. We intend to carefully and effectively manage our cash flow to ensure that we can meet the construction schedule of these projects.

Once our production facilities currently under construction are put into operation, we will be able to offer a more diversified product portfolio addressing different industries. In particular, the production lines of the HPAL project is capable of producing MHP, and will be capable of producing nickel sulfate and cobalt sulfate in the future, and we plan to flexibly adjust the allocation of production capacities among these nickel-cobalt compounds in response to the demand from our customers and the relative profit margins of these products. The production lines of the RKEF project will be capable of producing ferronickel and nickel matte in the future, and we plan to flexibly adjust the allocation of production capacities among these products in response to the demand from our customers and the relative profit margins of these products. With our diversified product portfolio addressing different markets, we believe that we can better manage our profit margin in the long term and have greater capabilities of catering to evolving market demand in the future.

Our Ability to Control Costs and Operating Expenses

Our competitiveness and long-term profitability are significantly dependent upon our ability to control our costs and operating expenses and maintain operational and production efficiency.

For our nickel product trading business, we primarily depend on a limited number of suppliers in the Philippines and Indonesia for the supply of a substantial portion of laterite nickel ore and ferronickel, the prices of which are determined principally by market forces and changes in governmental policies, as well as our bargaining power with our suppliers. Any significant increase in the prices of laterite nickel ore and ferronickel could have an adverse effect on our gross profit margins if we are unable to promptly pass such price increases to our customers. Our ability to effectively respond to these risks depend mainly on our ability to secure long-term and stable supply of laterite nickel ore and ferronickel at competitive prices, which in turn depends on our ability to maintain good business relationship with our suppliers. We have been making continuous efforts in maintaining good business relationships with our existing suppliers and seeking to further expand our upstream nickel resource channels, including looking for suppliers located in other countries and regions and making minority investment opportunities in nickel mines in Indonesia. We also have a dedicated team that monitors the market fluctuations of nickel prices in real time and purchases futures products to hedge against risks related to nickel price fluctuations.

In addition, for our nickel product production business, our price competitiveness and profitability are also dependent on our ability to control our production costs, including the cost of raw materials and energy, and maintain production efficiency. We have been continuously optimizing our production processes, including technological innovation, technical enhancements, equipment and machinery upgrade and process improvement to increase production efficiency and reduce energy consumption, in response to the risks in connection with rising production costs.

Strategic Investments and Acquisitions

We may from time to time pursue strategic investment and acquisition opportunities across the entire industry value chain with an aim to expand our business coverage to improve our resilience to the evolving market demand and strengthen our market positions in the nickel industry. For example, we acquired Xi'an Pengyuan, a nickel smelting machinery and equipment manufacturer, in 2018. In November 2021, we acquired an additional 18.0% equity interest in HPL, the project company for phases I and II of the HPAL project in which we originally held 36.9% equity interest, and HPL became our subsidiary subsequent to the acquisition. We also established CBL, our associate company, together with Contemporary Amperex Technology Co., Limited to expand our business into the field of new energy battery materials to extend further down the industry value chain. We are also actively looking into upstream opportunities to make investments or acquisitions in high-quality nickel mines.

We believe these investments and acquisitions can further expand our business coverage and contribute to our revenue and profit growth in the long term. However, investments and acquisitions may result in an increase in costs and expenses, including increase in financing, operation and transition costs, but without an immediate increase in revenue and/or profit. Acquisitions of entities with different margin compositions than our margins will also have an effect on our overall margins. In addition, the performance of acquired entities and business may be worse than expected, which may cause an adverse effect on our results of operation. We currently do not have any specific acquisition plans or targets and have not entered into any definitive agreements with any potential targets. We plan to prudently evaluate any potential investment opportunity to ensure that our investment could bring long-term value to our sustainable business growth.

EFFECTS OF INDONESIAN GOVERNMENT'S EXPORT BAN ON OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Indonesia government introduced an export ban on nickel ore starting from January 1, 2020, as a result of which we could no longer procure nickel ore from Indonesia. This export ban has temporarily affected our nickel product trading business and financial performance in 2020:

- ***Revenue and net profit***. Our revenue decreased by 17.0% from RMB9,347.4 million in 2019 to RMB7,755.2 million in 2020 and our net profit decreased by 8.5% from RMB566.7 million in 2019 to RMB518.3 million in 2020. In particular, revenue generated from our trading business decreased by 23.0% from RMB6,498.3 million in 2019 to RMB5,005.5 million in 2020;

- ***Sales volume***. The sales volume of nickel ore for our trading business decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020;

- ***Inventory***. Our inventory balance was relatively high as of December 31, 2019, as we increased our nickel ore inventory in late 2019 in anticipation of the export ban;

- ***Finance costs***. As a result of the export ban, the sales volume of our trading business decreased, and as a result we required a lower amount of import bill advance under letter of credit in connection with the import of nickel products for our trading business, leading to a decrease in interest on bank borrowings. As a result, our finance costs decreased by 36.6% from RMB66.6 million in 2019 to RMB42.2 million in 2020; and

- ***Nickel content***. Prior to 2020, we primarily procured laterite nickel ore from Indonesia for our nickel ore trading business. Due to the Indonesian government's ban on nickel ore export, since 2020, we have primarily been purchasing laterite nickel ore from the Philippines. As nickel ore from the Philippines is of relatively lower grade, the average grade of nickel ore procured for our nickel ore trading business decreased.

The Indonesian export ban has also affected our nickel production business. Prior to 2020, we primarily procured nickel ore from Indonesia for our Jiangsu Facilities' ferronickel production. Because of the export ban, we have been procuring nickel ore for our Jiangsu Facilities' ferronickel production from the Philippines, New Caledonia and other countries and regions since 2020. Nickel ore from the Philippines is of relatively lower grade. The decrease in production volume of our self-produced ferronickel in 2021 was partially attributable to us using a higher portion of nickel ore from the Philippines in our ferronickel production.

Both our trading and production businesses have recovered from the negative impact of the export ban since 2021. Revenue generated from our trading business increased by 75.2% from RMB5,005.5 million in 2020 to RMB8,771.1 million in 2021, primarily attributable to (i) increase in both the average selling price and sales volume of nickel ore for our trading business. We managed to procure a higher volume of nickel ore for our trading business from the Philippines in 2021 (in 2021, we purchased 11.5 million metric tons of nickel ore from the Philippines, compared to 10.2 million in 2020); (ii) increase in both the average selling price and sales volume of ferronickel for our trading business, the procurement of which was not affected by the export ban; and (iii) as phase I of the HPAL project commenced production in May 2021, we also generated revenue from the trading of nickel-cobalt compounds produced by the HPAL project between May and November 2021 (until HPL became one of our consolidated subsidiaries). Despite the fact that our ferronickel production business was adversely affected by the export ban in 2021 as discussed above, revenue generated from our overall nickel production business increased by 49.1% from RMB1,642.0 million in 2020 to RMB2,448.5 million in 2021. The increase was primarily because we began to generate revenue from the sales of self-produced nickel-cobalt compounds produced by our Obi projects (which directly source nickel ore in Indonesia from our Indonesian Partner and therefore are not affected by the export ban) since November 30, 2021. Once the Obi projects achieve full scale operation, it is estimated that more than 95% of our nickel product production revenue will be generated from the Obi projects, and as such the impact of the export ban on our production business is expected to be minimal.

See "Business — Indonesian Government's Export Ban on Laterite Nickel Ore" for more details.

EFFECTS OF THE COVID-19 PANDEMIC ON OUR RESULTS OF OPERATIONS

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. Many countries and regions where we or our customers or suppliers operate, including China, the Philippines and Indonesia, have been affected by the COVID-19 outbreak and, in response, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. More recently, there have been regional outbreaks of COVID-19 variants including Delta and Omicron. In particular, the Omicron variant is a recent emergence which is significantly more infectious than its predecessors. The resurgence in case number caused by the Omicron variant has led to a new round of restrictive measures in various degrees in countries and regions where we operate, and has created uncertainties for the outlook of relaxing the governments' restrictive measures and our business operations in affected countries and regions.

Due to the COVID-19 outbreak, our business operations have been adversely affected:

- ***Nickel product trading business***. Under the combined impact of Indonesia's nickel ore export ban and the COVID-19 pandemic, the volume of global nickel ore trading underwent a temporary decline in 2020, decreasing 28.0% from 2019. Our nickel ore trading business was temporarily affected accordingly. For example, we procured over 330,000 metric tons of laterite nickel ore in February 2020, compared to over 800,000 metric tons in February 2019. As a result of the COVID-19 outbreak and a variety of other factors, including but not limited to the Indonesian government's export ban on nickel ore starting January 1, 2020, the sales volume of laterite nickel ore for our trading business decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020. In addition, primarily as a result of the COVID-19 outbreak, there was a significant decrease in nickel price and customer demand in early 2020. As the market demand revived in the second quarter of 2020, we sold a higher volume of ferronickel for our trading business when the nickel price was relatively low, which led to a decrease in the average selling price of ferronickel for our trading business from RMB95.0 thousand per metal ton in 2019 to RMB90.8 thousand per metal ton in 2020.

- ***Nickel product production business***. Due to the COVID-19 pandemic, China's ferronickel production volume in each of February and March 2020 fell by more than 12% compared to the respective previous month. As a result, our nickel product production business was temporarily affected and our Jiangsu Facilities' monthly ferronickel production volume decreased from over 1,700 metal tons in December 2019 to approximately 1,200 and 1,000 metal tons in March and April 2020, respectively. As a result of the COVID-19 outbreak and a variety of other factors, including but not limited to the closedown of a manufacturing facility operated by Xiangxiang Enterprise, the sales volume of our self-produced ferronickel decreased by 29.1% from 25,353 metal tons in 2019 to 17,969 metal tons in 2020. The average selling price of our self-produced ferronickel decreased from RMB93.0 thousand per metal ton in 2019 to RMB91.4 thousand per metal ton in 2020, primarily due to a significant decrease in nickel price in early 2020 as a result of the COVID-19 outbreak. In addition, as a result of the COVID-19 resurgence, the ferronickel production of our Jiangsu Facilities was temporarily suspended between March 25, 2022 and April 8, 2022, which, combined with other factors, led to a 7.9% decrease in the sales volume of our self-produced ferronickel from 8,259 metal tons in the six months ended June 30, 2021 to 7,603 metal tons in the same period of 2022.

- ***Prolonged shipping duration and increased shipping costs***. Reduced transportation capacities and rising shipping cost prolonged the average shipping duration and increased our costs of operation, including those in connection with our transporting of laterite nickel ore and ferronickel from the Philippines and Indonesia, respectively. Shipping efficiency has also been adversely affected by various quarantine related rules and policies. For example, in 2020, relevant government authorities in the Philippines required arriving ships to spend at least 14 days at sea before the ships can enter the harbor to load and/or offload cargo in the port. Certain ports in China also imposed a 14-day quarantine on the crew of arriving ships from time to time. These policies further contributed to the decrease in the general availability of the ships used for the transportation of laterite nickel ore and ferronickel, thereby driving up shipping costs and other potential costs. Partially due to the foregoing reasons, our average shipping cost for laterite nickel ore increased from US$9.9 per ton in 2019 to US$17.2 in 2021, and our average shipping cost for ferronickel increased from US$18.7 per ton in 2019 to US$41.7 per ton in 2021. Our average shipping costs for laterite nickel ore and ferronickel were US$19.8 per ton and US$51.4 per ton, respectively, in the six months ended June 30, 2022. In addition, our average shipping costs for nickel-cobalt compounds increased from US$50.4 per ton in 2021 to US$54.7 per ton in the six months ended June 30, 2022. As a result of the increased shipping costs as well as other factors, our transportation costs increased significantly from RMB684.9 million in 2020 to RMB1,758.7 million in 2021, which in part led to a 60.7% increase in our cost of sales from RMB6,802.5 million in 2020 to RMB10,933.4 million in 2021. Also partly as a result of our increasing shipping costs, our transportation costs increased by 56.2% from RMB576.0 million in the six months ended June 30, 2021 to RMB899.8 million in the same period of 2022, which in part led to a 84.6% increase in our cost of sales from RMB3,735.4 million in the six months ended June 30, 2021 to RMB6,894.1 million in the same period of 2022.

Depending on how the COVID-19 outbreak evolves, the challenges presented to the shipping industry may persist or exacerbate. As of the Latest Practicable Date, most of the transportation and logistics network between China and Indonesia and the Philippines, respectively, had largely resumed normal operation.

- ***Delay in project constructions***. The COVID-19 outbreak has also resulted in delays in construction schedule for our HPAL and RKEF projects on the Obi Island. Due to the lockdown and restrictive measures adopted by the Indonesian government, we experienced an eight-month delay for the construction of our HPAL project and a four-month delay in the construction of phase I of the RKEF project, as our engineers and workers were restricted from traveling in and out of the construction sites and the transportation of relevant devices, machinery and equipment were affected or delayed. While our construction on the Obi Island largely resumed in October 2020, the evolving COVID-19 outbreak, including the discovery and spread of more infectious variants, may cause further delays to our construction, thereby incurring additional costs and expenditures for us.

As a result of the COVID-19 outbreak and a combination of other factors as discussed in more details in "— Results of Operations — Year Ended December 31, 2020 Compared to Year Ended December 31, 2019", including but not limited to the Indonesian government's export ban on nickel ore starting January 1, 2020, our financial performance in 2020 was adversely affected:

- ***Revenue***. Our revenue decreased by 17.0% from RMB9,347.4 million in 2019 to RMB7,755.2 million in 2020. In particular, revenue generated from our trading business decreased by 23.0% from RMB6,498.3 million in 2019 to RMB5,005.5 million in 2020, and revenue generated from our production business decreased by 30.3% from RMB2,357.4 million in 2019 to RMB1,642.0 million in 2020;

- ***Gross profit***. Our gross profit decreased by 6.4% from RMB1,018.1 million in 2019 to RMB952.7 million in 2020. In particular, gross profit for our trading business decreased by 16.5% from RMB575.0 million in 2019 to RMB480.1 million in 2020, and gross profit for our production business decreased by 4.5% from RMB395.7 million in 2019 to RMB378.1 million in 2020; and

- ***Profit for the year***. Our profit for the year decreased by 8.5% from RMB566.7 million in 2019 to RMB518.3 million in 2020.

Due to the recent resurgences of cases caused by the COVID-19 variants, including Omicron and its subvariants, certain cities in China again imposed various restrictive measures, including city-wide lockdowns, and these measures adversely affected various industries. However, the impact of such resurgences on our industry and our business operations and financial performance has been limited as of the Latest Practicable Date. For example, China's nickel ore import volume, ferronickel import volume and ferronickel production volume generally increased during the period between January and April 2022. In April 2022, the month when the COVID-19 situation was the most serious in China, China's ferronickel import volume decreased by only 2.6% from that in March 2022, while its nickel ore import volume and ferronickel production volume increased by 46.1% and 1.8%, respectively, from that in March 2022. Different from the nationwide adverse impact in 2020 and 2021, in 2022, the resurgences of cases and the corresponding restrictive measures imposed by governments have generally been confined to selected cities, such as Shanghai and Beijing, not in areas where our business operations are primarily based. As such, we have not experienced any material operating difficulties, labor shortages, supply chain disruptions or order cancellations due to the recent recurrence of COVID-19. In line with the continuous recovery in the industry and the global economy from the COVID-19 outbreak, our revenue generated from the Greater China Area increased by 115.6% to RMB7,808.9 million in the six months ended June 30, 2022 from RMB3,621.1 million in the same period of 2021, and our total revenue increased significantly from RMB4,088.3 million in the six months ended June 30, 2021 to RMB9,978.3 million in the same period of 2022. Accordingly, as of the Latest Practicable Date, our trading and production businesses in China have continued to recover despite the recent resurgences caused by COVID-19 variants such as Omicron.

To the best knowledge of our Directors, as of the Latest Practicable Date, there had not been any COVID-19-related breach or cancelation of our material contracts, material issues with collection of customer receivables, or disputes with major customers.

After considering (i) our robust financial performance and key operational indicators (such as trading volume and production output) during the Track Record Period, (ii) that the construction schedule of our Obi projects has not experienced significant delays as of the Latest Practicable Date, (iii) our long-term and stable relationships with both our major suppliers and customers, and (iv) the nature, scale and the increasingly diversified coverage of our business operations, both in terms of business segment and geographic reach, our Directors are of the view that the COVID-19 pandemic has not, and is not expected to have, any material adverse impact on our operations or financial performance.

Continuance or recurrence of the COVID-19 outbreak in China, the Philippines, Indonesia or other parts of the world may materially and adversely affect our business operations. For more details, please see "Risk Factors — Risks relating to Our Business and Industry — Our business operations and financial performance have been and may continue to be affected by the COVID-19 pandemic."

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with IFRS issued by IASB, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRS effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions, have been consistently applied by us in the preparation of the historical financial information throughout the Track Record Period and in the period covered by the interim comparative financial information. The historical financial information has been prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss which have been measured at fair value. Profit or loss and each component of other comprehensive income are attributed to the owners of our parent 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies is set forth in Note 2 to the Accountants' Report in Appendix IA to this prospectus. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect 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 we 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 recognized 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 us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized 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.

Sale of nickel products

Revenue from the sale of nickel products is recognized 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 we are responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which we have lost control of the goods. Revenue related to the provision of shipping-and-insurance activities is recognized overtime as the service is rendered.

(i) Variable consideration

We have certain provisionally priced sales where the contract terms for our nickel products sales allow for a price adjustment based on a final assay of the goods determined after discharge. We assess such provisional pricing to be a variable consideration and recognize revenue at a mostly likely amount. We 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. We apply judgement regarding the likelihood of significant reversals to ensure that revenue is only recognized to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognized as revenue.

Sale of equipment

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

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

Sale of others

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

Other income

Interest income is recognized 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.

Inventories

Inventories are stated at the lower of cost and net realizable 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 labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 capitalized 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, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	4.75% to 12.5%
Plant and machinery	6.3% to 33.3%
Electronic and office equipment	9.5% to 32%
Motor vehicles	9.5% to 19%
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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Impairment of Financial Assets

We recognize 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 we expect 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 recognized 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, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare 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.

We consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. 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 amortized 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 end of each of the Track Record Periods (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 we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or our 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 recognized 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary, as extracted from Appendix IA to this prospectus, of our consolidated results of operations in absolute amounts. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	**9,347,434**	**7,755,174**	**12,449,318**	**4,088,286**	**9,978,283**
Cost of sales	(8,329,333)	(6,802,515)	(10,933,390)	(3,735,398)	(6,894,081)
Gross profit	1,018,101	952,659	1,515,928	352,888	3,084,202
Other income and gains	70,946	122,406	424,900	56,108	108,924
Selling and distribution expenses	(55,869)	(50,128)	(124,124)	(23,346)	(43,170)
Administrative expenses	(132,547)	(174,178)	(301,134)	(110,342)	(480,192)
Impairment losses on financial assets, net	(812)	115	(4,172)	(1,581)	(2,685)
Other operating expenses	(13,812)	(40,232)	(91,944)	(57,639)	(111,330)
Finance costs	(66,559)	(42,176)	(79,325)	(25,466)	(108,517)
Share of profits and losses of associates	(34,352)	(68,063)	99,008	(52,975)	(54,713)
Profit before tax	**785,096**	**700,403**	**1,439,137**	**137,647**	**2,392,519**
Income tax expense	(218,370)	(182,065)	(179,174)	(48,691)	(102,896)
Profit for the year/period	**566,726**	**518,338**	**1,259,963**	**88,956**	**2,289,623**
Profit attributable to:					
Owners of the parent	565,584	520,156	1,099,508	86,053	1,350,119
Non-controlling interest	1,142	(1,818)	160,455	2,903	939,504
	566,726	**518,338**	**1,259,963**	**88,956**	**2,289,623**

Revenue

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue was RMB9,347.4 million, RMB7,755.2 million, RMB12,449.3 million, RMB4,088.3 million and RMB9,978.3 million, respectively.

During the first three years of Track Record Period, we generated a majority of our revenue from the trading of nickel products, including laterite nickel ore, ferronickel and nickel-cobalt compounds. In 2021, our nickel product trading revenue also included revenue generated from the sale of MHP we purchased from HPL (the project company of phases I and II of the HPAL project). We initially held an 36.9% equity interest in HPL and acquired an additional 18.0% equity interest in this company on November 29, 2021, and have since November 30, 2021 consolidated its financial results into our consolidated financial statements. See "— Financial Information of HPL" for more details.

We also generated revenue from (i) production of nickel products, including ferronickel and nickel-cobalt compounds, (ii) manufacturing and sales of machinery and equipment used in the production of nickel products, and (iii) others, which includes sales of wastes generated during the production of our nickel products and leasing revenue generated from the subletting of vessel used for the shipment of our nickel products and sale of auxiliary materials to HJF, primarily including semi-coke and coke. In the six months ended June 30, 2022, revenue generated from our nickel product production business exceeded that from our nickel product trading business, as we began to generate revenue from the sales of our self-produced nickel-cobalt compounds since November 30, 2021, as a result of our consolidation of HPL.

During the Track Record Period, a substantial majority of our equipment manufacturing and sale revenue was generated from sale of nickel product production machinery and equipment to HPL and HJF. In 2019, 2020 and 2021, revenue generated from our sale of machinery and equipment to HPL accounted for 4.1%, 11.7% and 2.5% of our total revenue, respectively. Following the consolidation of HPL's financial results into our consolidated financial statement after November 30, 2021, revenue from sales to HPL has been eliminated as intra-group transactions. Since most of our equipment manufacturing and sale revenue is generated from HPL and HJF, we expect our equipment manufacturing and sale revenue to decrease as a result of the consolidation of HPL.

However, given that the procurement of major machinery and equipment in relation to phases I and II of the HPAL project has been substantially completed as of the Latest Practicable Date, sales of machinery and equipment to HPL is expected to further decrease. In addition, as the procurement of major machinery and equipment in relation to phase I of the RKEF project has also been substantially completed as of the Latest Practicable Date, sales of machinery and equipment to HJF is similarly expected to decrease going forward. As such, we do not expect the sales of machinery and equipment to HPL and HJF to account for a substantial part of our revenue going forward, regardless of the consolidation of HPL as described above. In addition, unlike the nickel product trading and production segments, the equipment manufacturing and sale segment is not our strategic focus, and we plan to enlarge our customer basis for this business segment when suitable opportunities arise.

Therefore, although we expect the revenue generated from this segment to decrease as a result of the consolidation of HPL as described above, given that (1) this segment is not our strategic focus, and (2) revenue generated from this segment accounted for a small percentage of our total revenue during the Track Record Period, and is expected to further decrease going forward, the consolidation of HPL is not expected to have any material adverse effect on our operations.

Revenue by Business Segment

The following table sets forth a breakdown of our revenue by business segment, in absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000 (Unaudited)*	*(%)*	*RMB'000*	*(%)*
Nickel Product Trading										
Laterite nickel ore	5,121,164	54.8	3,126,720	40.3	4,780,838	38.4	1,683,474	41.2	2,311,259	23.1
Ferronickel	1,377,120	14.7	1,878,785	24.2	2,739,369	22.0	1,047,751	25.6	1,898,965	19.0
Nickel-cobalt compounds(1)	—	—	—	—	1,250,856	10.0	136,551	3.3	—	—
Subtotal	6,498,284	69.5	5,005,505	64.5	8,771,063	70.4	2,867,776	70.1	4,210,224	42.1
Nickel Product Production										
Ferronickel	2,357,449	25.2	1,642,049	21.2	1,538,886	12.4	793,323	19.4	983,785	9.9
Nickel-cobalt compounds(1)	—	—	—	—	909,611	7.3	—	—	3,966,929	39.7
Subtotal	2,357,449	25.2	1,602,049	21.2	2,448,497	19.7	793,323	19.4	4,950,714	49.6
Equipment Manufacturing and Sale										
Revenue from HPL and HJF	383,553	4.1	912,436	11.8	885,760	7.1	301,552	7.3	621,509	6.2
Revenue from independent third parties	33,302	0.4	107,796	1.4	117,632	1.0	51,996	1.3	49,866	0.5
Subtotal	416,855	4.5	1,020,232	13.2	1,003,392	8.1	353,548	8.6	671,375	6.7
Others	74,846	0.8	87,388	1.1	226,366	1.8	73,639	1.9	145,970	1.6
Total	**9,347,434**	**100.0**	**7,755,174**	**100.0**	**12,449,318**	**100.0**	**4,088,286**	**100.0**	**9,978,283**	**100.0**

Note:

(1) Prior to November 29, 2021, we held 36.9% equity interest in HPL, the project company of phases I and II of the HPAL project, and purchased nickel-cobalt compound products from HPL. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and has since November 30, 2021 treated HPL as one of our subsidiaries, consolidating its financial results into our consolidated financial statements. As such, our nickel product production business has started to generate revenue from the sale of nickel-cobalt compound products produced by the HPAL project since November 30, 2021.

Revenue by Geographic Region

We primarily generate revenue for our nickel product trading and production businesses from customers in mainland China, and to a lesser extent, from customers in Taiwan, Malaysia and South Korea. We primarily generate revenue for our equipment manufacturing and sale business from customers in Indonesia (including HPL and HJF, to which we sold machinery and equipment used in the production of nickel products).

The following table sets out a breakdown of our revenue by geographic region (primarily based on shipping destination), each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*(%)*
Greater China Area										
Mainland China	7,611,512	81.4	6,648,087	85.7	10,379,462	83.4	3,606,910	88.3	7,788,705	78.1
Hong Kong	—	—	—	—	58,853	0.5	14,188	0.3	20,174	0.2
Taiwan	601,767	6.4	—	—	402,333	3.2	—	—	—	—
	8,213,279	87.9	6,648,087	85.7	10,840,648	87.1	3,621,098	88.6	7,808,879	78.3
South Korea	746,971	8.0	188,030	2.4	633,096	5.1	145,245	3.6	1,010,280	10.1
Indonesia	387,184	4.1	919,057	11.9	887,027	7.1	301,552	7.4	664,138	6.7
Malaysia	—	—	—	—	—	—	—	—	460,284	4.6
Others[(1)]	—	—	—	—	88,547	0.7	20,391	0.4	34,702	0.3
Total	**9,347,434**	**100.0**	**7,755,174**	**100.0**	**12,449,318**	**100.0**	**4,088,286**	**100.0**	**9,978,283**	**100.0**

Note:

(1) Including United Arab Emirates, Singapore and British Virgin Islands.

During the Track Record Period, the Greater China area (including mainland China, Hong Kong and Taiwan) was our most important region in terms of revenue generation, contributing 87.9%, 85.7% and 87.1% of our total revenue in 2019, 2020 and 2021, respectively, without any significant fluctuation. In the six months ended June 30, 2022, 78.3% of our revenue was generated from the Greater China Area, compared to 88.6% in the same period of 2021. This is primarily because the growth of our revenue generated from Malaysia and South Korea outpaced that of the Greater China Area in the six months ended June 30, 2022.

During the Track Record Period, the amount of revenue we derived from South Korea decreased from 2019 to 2020 and increased in 2021, primarily due to the fluctuation in the amount of ferronickel purchased by POSCO Group, which was in line with fluctuations in its production needs. Revenue from POSCO Group accounted for a vast majority of our revenue from South Korea during the Track Record Period. The amount of revenue we derived from South Korea increased significantly from the six months ended June 30, 2021 to the same period of 2022, primarily due to the commencement of sale of our self-produced nickel-cobalt compound products.

The amount of revenue we derived from Indonesia increased from 2019 to 2020 and remained relatively stable from 2020 to 2021, mainly due to the increase in our equipment sales to HPL and HJF in 2020 and 2021, as the construction of the HPAL and RKEF projects continued. The amount of revenue we derived from Indonesia increased from the six months ended June 30, 2021 to the same period in 2022, mainly due to the increase in our equipment sales to HJF, as the construction of the RKEF project continued.

We started to generate revenue from Malaysia for the sale of nickel-cobalt compounds in the six months ended June 30, 2022.

We generated a small portion of revenue from other countries and regions, including United Arab Emirates, Singapore and British Virgin Islands, as we began to offer vessel subleasing in 2021.

Revenue by Downstream Application

The following table sets forth a breakdown of our revenue generated from nickel product trading and nickel product production businesses, which are our core businesses, by downstream application, in absolute amount and as a percentage of the total revenue generated from these two business segments, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*	*RMB'000*	*% of trading and production revenue*
							(Unaudited)			
Stainless steel industry[(1)]	8,855,733	100.0	6,647,554	100.0	9,059,093	80.7	3,524,548	96.3	5,194,009	56.7
NEV industry[(2)]	—	—	—	—	2,160,467	19.3	136,551	3.7	3,966,929	43.3
Total	**8,855,733**	**100.0**	**6,647,554**	**100.0**	**11,219,560**	**100.0**	**3,661,099**	**100.0**	**9,160,938**	**100.0**

Notes:

(1) Representing revenues from sales of laterite nickel ore and ferronickel in our trading business and sales of ferronickel in our production business.

(2) Representing revenues from sales of nickel-cobalt compounds in our trading and production business.

In 2019 and 2020, we primarily generated revenue from selling nickel products in our trading business and ferronickel in our production business to downstream customers in the stainless steel industry. We started to generate revenue from the sale of nickel-cobalt compounds to downstream customers in the NEV industry since the two production lines of phase I of the HPAL project commenced production in May 2021. Our revenue generated from the sale of nickel-cobalt compounds to downstream customers in the NEV industry has increased rapidly since our consolidation of HPL (the project company of phases I and II of the HPAL project) in November 2021.

Sales Volume and Average Selling Price of Our Products

The table below sets forth a breakdown of our sales volume and average selling price for our nickel product trading and nickel product production businesses, which are our core businesses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Volume (tons[(1)])	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*	*Volume (tons)*	*RMB'000/ ton*
Nickel Product Trading										
Laterite nickel ore	17,633,427	0.3	10,677,613	0.3	11,655,645	0.4	4,619,619	0.4	4,803,604	0.5
Ferronickel	14,500	95.0	20,694	90.8	24,975	109.7	10,621	98.6	13,059	145.4
Nickel-Cobalt Compounds	—	—	—	—	7,721[(3)]	116.3	956	111.4	—	—
Nickel Product Production										
Ferronickel	25,353[(2)]	93.0	17,969[(2)]	91.4	14,606	105.4	8,259	96.1	7,603	129.4
Nickel-Cobalt Compounds	—	—	—	—	5,185[(3)]	119.2	—	—	19,779	148.0

Notes:

(1) consistent with industry practice, "tons" refers to metric tons for laterite nickel ore, and metal tons for ferronickel and nickel-cobalt compounds.

(2) Also includes ferronickel produced by Xiangxiang Enterprise. The sales volume of Xiangxiang Enterprise in 2019 and 2020 was 9,985 metal tons and 208 metal tons, respectively. See "History, Development and Corporate Structure — Disposal of Xiangxiang Enterprise" for more details.

(3) Nickel-cobalt compounds produced by the HPAL project prior to November 29, 2021 was categorized under "Nickel Product Trading", because HPL was then not our consolidated subsidiary, and we purchased nickel-cobalt compound from HPL as part of our trading business. After we acquired an additional 18.0% equity interest in HPL on November 29, 2021 and treated it as one of our subsidiaries since November 30, 2021, nickel-cobalt compound produced by the HPAL projects is categorized under "Nickel Product Production", given that HPL's production activities have become part of our production business.

The sales volume of laterite nickel ore for our nickel product trading business decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020, primarily due to Indonesian government's export ban on nickel ore starting January 1, 2020, as a result of which we could no longer procure nickel ore from Indonesia, and it took some time for us to secure a significantly higher volume of nickel ore from other countries and regions including the Philippines. In 2019, 34.8% of the volume of nickel ore for our trading business was from Indonesia. In 2020, in terms of volume, 95.3% of nickel ore for our trading business was from the Philippines, compared to 65.0% in 2019. In addition, as some of our customers stocked up on nickel ore inventory from Indonesia in late 2019 in anticipation of the export ban, customer demand for our nickel ore products decreased in 2020. The COVID-19 situation also had a negative impact on global nickel ore trading in early 2020. Due to the combined impact of the export ban and the COVID-19 pandemic, the volume of global nickel ore trading decreased by 28.0% from 2019 to 2020. The sales volume of laterite nickel ore for our nickel product trading business increased by 9.2% from 10,677,613 metric tons in 2020 to 11,655,645 metric tons in 2021, primarily because (i) we managed to procure a higher volume of nickel ore from the Philippines in 2021 at a generally lower price than that from Indonesia prior to the export ban. In 2021, we purchased 11.5 million metric tons of laterite nickel ore from the Philippines, compared to 10.2 million in 2020; and (ii) there was increased customer demand, due to the steady growth of the stainless steel industry. See "Industry Overview — Overview of Major Downstream Industries of Global and China Nickel Consumption — Stainless Steel Industry" for more details. The average selling price of laterite nickel ore for our nickel product trading business remained relatively stable at RMB0.3 thousand per metric ton in 2019 and 2020. The average selling price of laterite nickel ore for our nickel product trading business increased from RMB0.3 thousand per metric ton in 2020 to RMB0.4 thousand per metric ton in 2021, primarily due to an increase in the price of nickel ore. The annual average nominal price of nickel ore with nickel content between 1.5% to 1.6% increased from RMB550 per metric ton in 2020 to RMB629 per metric ton in 2021, as a result of global loose monetary policy environment and strong demand from the stainless steel industry. The sales volume of laterite nickel ore for our nickel product trading business remained relatively stable at 4,619,619 metric tons and 4,803,604 metric tons in the six months ended June 30, 2021 and 2022, respectively. The average selling price of laterite nickel ore for our nickel product trading business increased from RMB0.4 thousand per metric ton in the six months ended June 30, 2021 to RMB0.5 thousand per metric ton in the same period in 2022, primarily due to an increase in the price of nickel ore. The annual average nominal price of nickel ore with nickel content between 1.5% to 1.6% increased from RMB558 per metric ton in the six months ended June 30, 2021 to RMB688 per metric ton in the same period of 2022.

The sales volume of ferronickel for our nickel product trading business increased by 42.7% from 14,500 metal tons in 2019 to 20,694 metal tons in 2020, and increased by 20.7% to 24,975 metal tons in 2021, as our ferronickel trading business continued to grow as a result of increasing demand from our ferronickel customers. Because of the Indonesian government's export ban, certain smelting and refining companies and stainless steel manufacturers, which used to purchase nickel ore to produce ferronickel on their own, were no longer able to do so and instead increased their purchase of ferronickel. The average selling price of ferronickel for our nickel product trading business decreased from RMB95.0 thousand per metal ton in 2019 to RMB90.8 thousand per metal ton in 2020, primarily because there was a significant decrease in nickel price and customer demand in early 2020 as a result of the COVID-19 outbreak, and as the market demand revived in the second quarter of 2020, we sold a higher volume of ferronickel when the nickel price was relatively low. The average selling price of ferronickel for our nickel product trading business increased from RMB90.8 thousand per metal ton in 2020 to RMB109.7 thousand per metal ton in 2021, primarily due to an increase in nickel price. The annual average nominal price of ferronickel with nickel content between 7% to 10% increased from RMB1,019 per nickel point in 2020 to RMB1,269 per nickel point in 2021, as a result of decreasing ferronickel production volume in China (given that certain smelting and refining companies and stainless steel manufacturers which used to produce ferronickel on their own using nickel ore from Indonesia could no longer do so since 2020) and strong downstream demand from the stainless steel industry. The sales volume of ferronickel for our nickel product trading business increased by 23.0% from 10,621 metal tons in the six months ended June 30, 2021 to 13,059 metal tons in the same period in 2022, primarily due to increased customer demand. The average selling price of ferronickel for our nickel product trading business increased from RMB98.6 thousand per metal ton in the six months ended June 30, 2021 to RMB145.4 thousand per metal ton in the same period in 2022, primarily due to the unprecedented price spike in the LME nickel price since early March 2022. The annual average nominal price of ferronickel with nickel content between 7% to 10% increased from RMB1,124 per nickel point in the six months ended June 30, 2021 to RMB1,527 per nickel point in the same period of 2022.

The sales volume of our self-produced ferronickel decreased by 29.1% from 25,353 metal tons in 2019 to 17,969 metal tons in 2020, primarily due to the closedown of a manufacturing facility with two ferronickel production lines in December 2019. The manufacturing facility was operated by Xiangxiang Enterprise, which was disposed of by us in 2020. The sales volume of our self-produced ferronickel decreased by 18.7% from 17,969 metal tons in 2020 to 14,606 metal tons in 2021, primarily due to decreased production volume of self-produced ferronickel, because (i) our Jiangsu Facilities had to temporarily shut down in September 2021 due to power shortages. This power shortage, which was a result of the local government's electricity rationing efforts targeting energy intensive enterprises in Jiangsu province, lasted 17 days, during which our Jiangsu Facilities had to temporary suspend its production activities. As a result of the power shortage, our Jiangsu Facilities' monthly production volume in September 2021 decreased to 419 metal tons of ferronickel, reflecting an over 70% decrease from that of the same periods in 2019 and 2020, respectively. In addition, although our Jiangsu Facilities resumed operation in October 2021, it continued to be subject to electricity rationing measures from time to time in October 2021, which also adversely affected its ferronickel production; and (ii) we proactively reduced the production of self-produced ferronickel due to reasons including (a) a higher percentage of nickel ore (which is used as raw material for our ferronickel production) we purchased for our ferronickel production in 2021 was from the Philippines, which generally had lower nickel content. In 2021, 61.5% of the volume of nickel ore procured for our ferronickel production was from the Philippines, compared to 34.5% in 2020; and (b) the costs of ancillary materials primarily including coal and reducing agent, increased by 44.6% from RMB164.8 million in 2020 to RMB238.3 million in 2021. The average selling price of our self-produced ferronickel decreased from RMB93.0 thousand per metal ton in 2019 to RMB91.4 thousand per metal ton in 2020, primarily due to a significant decrease in nickel price in early 2020 as a result of the COVID-19 outbreak. The average selling price of our self-produced ferronickel increased from RMB91.4 thousand per metal ton in 2020 to RMB105.4 thousand per metal ton in 2021, primarily due to an increase in nickel prices. The annual average nominal price of ferronickel with nickel content between 7% to 10% increased from RMB1,019 per nickel point in 2020 to RMB1,269 per nickel point in 2021, as a result of decreasing ferronickel production volume in China and strong downstream demand from the stainless steel industry. The sales volume of our self-produced ferronickel decreased by 7.9% from 8,259 metal tons in the six months ended June 30, 2021 to 7,603 metal tons in the same period in 2022, primarily due to decreased production volume of self-produced ferronickel, as a result of (i) the periodic maintenance of our Jiangsu Facilities' ferronickel production lines and (ii) the temporary suspension of production of our Jiangsu Facilities between March 25, 2022 and April 8, 2022 as a result of COVID-19 resurgence. Our Jiangsu Facilities resumed production on April 9, 2022. The average selling price of our self-produced ferronickel increased from RMB96.1 thousand per metal ton in the six months ended June 30, 2021 to RMB129.4 thousand per metal ton in the same period in 2022, primarily due to an increase in nickel prices. The annual average nominal price of ferronickel with nickel content between 7% to 10% increased from RMB1,124 per nickel point in the six months ended June 30, 2021 to RMB1,527 per nickel point in the same period of 2022.

During the Track Record Period, the average selling prices of our nickel products were in line with prevailing market prices. See "Industry Overview — Price Analysis of Nickel and Cobalt" for more details.

Cost of Sales

In 2019, 2020 and 2021, and the six months ended June 30, 2021 and 2022, our cost of sales was RMB8,329.3 million, RMB6,802.5 million, RMB10,933.4 million, RMB3,735.4 million and RMB6,894.1 million, respectively.

Cost of sales consists of (1) value of goods, which primarily represents the costs of nickel ore, ferronickel and nickel-cobalt compounds for our nickel product trading business and cost of equipment for our equipment manufacturing and sales business; (2) raw materials costs, which primarily represent costs of nickel ore (used as raw material in our nickel product production business), (3) ancillary materials costs, which primarily represent costs of ancillary materials for our nickel product production business, such as coal and reducing agent, (4) transportation costs, which primarily represent other shipping costs incurred in our operations, and (5) others, including utilities costs, staff costs and depreciation and amortization.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	Years ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(Unaudited)*	*(%)*	*RMB'000*	*(%)*
Value of goods										
Laterite nickel ore	3,422,478	41.1	2,035,131	29.9	2,536,955	23.2	985,071	26.3	1,270,506	18.4
Ferronickel	1,366,951	16.4	1,824,381	26.8	2,657,593	24.3	1,025,310	27.5	1,770,695	25.6
Nickel-cobalt compounds	—	—	—	—	1,217,138	11.1	134,112	3.6	—	—
Equipment	355,201	4.3	902,066	13.3	820,332	7.5	285,218	7.6	486,574	7.1
Subtotal	**5,144,630**	**61.8**	**4,761,578**	**70.0**	**7,232,018**	**66.1**	**2,429,711**	**65.0**	**3,527,775**	**51.1**
Raw materials	1,031,391	12.4	773,353	11.4	1,191,016	10.9	403,358	10.8	1,640,211	23.8
Ancillary materials	298,191	3.6	164,802	2.4	238,261	2.2	107,278	2.9	219,253	3.2
Transportation costs	1,108,640	13.3	684,878	10.1	1,758,743	16.1	575,984	15.4	899,782	13.1
Others	746,481	8.9	417,904	6.1	513,352	4.7	219,067	5.9	607,060	8.8
Total cost of sales	**8,329,333**	**100.0**	**6,802,515**	**100.0**	**10,933,390**	**100.0**	**3,735,398**	**100.0**	**6,894,081**	**100.0**

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(Unaudited)*	*(%)*	*RMB'000*	*(%)*
Nickel Product Trading										
Laterite nickel ore	528,430	10.3	448,244	14.3	660,472	13.8	203,690	12.1	334,515	14.5
Ferronickel	46,527	3.4	31,897	1.7	76,123	2.8	9,031	0.9	101,154	5.3
Nickel-Cobalt compounds	—	—	—	—	3,145	0.3	352	0.3	—	—
Subtotal	574,957	8.8	480,141	9.6	739,740	8.4	213,073	7.4	435,669	10.3
Nickel Product Production										
Ferronickel	395,718	16.8	378,078	23.0	249,885	16.2	95,358	12.0	121,876	12.4
Nickel-Cobalt compounds	—	—	—	—	376,758	41.4	—	—	2,402,188	60.6
Subtotal	395,718	16.8	378,078	23.0	626,643	25.6	95,358	12.0	2,524,064	51.0
Equipment Manufacturing and Sale	44,260	10.6	89,168	8.7	111,608	11.1	29,970	8.5	114,631	17.1
Others	3,166	4.2	5,272	6.0	37,937	16.8	14,487	19.7	9,838	6.7
Total gross profit	**1,018,101**	**10.9**	**952,659**	**12.3**	**1,515,928**	**12.2**	**352,888**	**8.6**	**3,084,202**	**30.9**

Our gross profit decreased by 6.4% from RMB1,018.1 million in 2019 to RMB952.7 million in 2020, primarily due to a 17.0% decrease in our revenue from RMB9,347.4 million in 2019 to RMB7,755.2 million in 2020. Our gross profit margin increased from 10.9% in 2019 to 12.3% in

2020, primarily due to higher profit margin for our trading and production businesses in 2020. Our gross profit increased by 59.1% from RMB952.7 million in 2020 to RMB1,515.9 million in 2021, primarily attributable to a 60.5% increase in our revenue from RMB7,755.2 million in 2020 to RMB12,449.3 million in 2021. Our gross profit margin remained relatively stable at 12.3% and 12.2% in 2020 and 2021, respectively. Our gross profit increased significantly from RMB352.9 million in the six months ended June 30, 2021 to RMB3,084.2 million in the same period of 2022, primarily as a result of a significant increase in our revenue from RMB4,088.3 million in the six months ended June 30, 2021 to RMB9,978.3 million in the same period of 2022, which was in turn primarily attributable to an increase in revenue generated from our nickel product production business. Our gross profit margin increased from 8.6% in the six months ended June 30, 2021 to 30.9% in the same period of 2022, which was primarily due to (i) we began to generate revenue from the sale of self-produced nickel-cobalt compounds, which had higher profit margins compared to self-produced ferronickel, since November 30, 2021 as a result of our consolidation of HPL, and (ii) we recorded higher gross profit and gross profit margins for our trading and production businesses during the six months ended June 30, 2022, primarily due to higher average selling price of our nickel products, which was as a result of an increase in nickel price due to market growth and an unprecedented price spike in the LME nickel price attributable to the geo-political conflict in early 2022.

Other Income and Gains

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, other income and gains were RMB70.9 million, RMB122.4 million, RMB424.9 million, RMB56.1 million and RMB108.9 million, respectively.

Other income and gains primarily consists of (1) government grants, primarily including (a) government grants received in connection with our payment of taxes, and (b) utility subsidies, (2) bank interest income, (3) investment income from financial assets at fair value through profit or loss, primarily related to wealth management products and futures products purchased by us, (4) gain on disposal of Xiangxiang Enterprise, a subsidiary of ours, (5) gain on step acquisition of subsidiaries, (6) net foreign exchange gains, and (7) changes in fair value of financial assets at fair value through profit or loss.

We purchase futures products from time to time to hedge our exposure against price fluctuations of nickel products. In 2019, we recorded RMB26.0 million net income from settled futures products as investment income, primarily as a result of decreases in the LME nickel prices. In the six months ended June 30, 2022, we recorded RMB0.06 million book profits of changes in fair value of financial assets at fair value through profit or loss for unsettled futures products under other income and gains. In 2020 and 2021, we recorded net loss from futures products, see "— Other Operating Expenses" for more details.

We recorded RMB44.3 million changes in fair value of financial assets at fair value through profit or loss related to exchange interest rate swap to hedge interest risks for the six months ended June 30, 2022.

The currency used in our business operations primarily include U.S. dollars and Renminbi. For our operations in Indonesia, we primarily use U.S. dollar as the transaction currency, except that we use Indonesian rupiah for the purchase of nickel ore and certain other raw materials and ancillary materials. While we strive to match the currency used in our transactions, to the extent our procurement and the subsequent sales involve different currencies, we are subject to risks arising from the use of different currencies, especially for the export of products and sales outside the country of procuring and manufacturing. Exchange rates between the Renminbi and the U.S. dollar, as well as between Indonesian rupiah and the U.S. dollar, may fluctuate and our financial performance can be affected. During the Track Record Period, while exchange rate between U.S. dollars and Renminbi fluctuated in 2019 and the first half of 2020, Renminbi has started to generally appreciate against U.S. dollars from June 2020 to May 2021, and the exchange rates between the U.S. dollar and the Renminbi slightly fluctuated between June 2021 and March 2022. Renminbi further started to generally depreciate against the U.S. dollar between April 2022 and June 2022. Accordingly, (i) we recorded net exchange losses of RMB12.6 million and RMB15.8 million in 2019 and the six months ended June 30, 2022, respectively, which were recognized as other operating expenses in our consolidated statements of profit or loss, and (ii) we generated net foreign exchange gains of RMB33.1 million and RMB40.6 million in 2020 and 2021, respectively, which were recognized as other income and gains in our consolidated statements of profit or loss.

In addition, we recorded RMB282.6 million gain on step acquisition of HPL on November 30, 2021, which was derived from the remeasurement gains of RMB333.4 million (representing the difference of the fair value and book value of the 36.9% equity interest we previously held in HPL immediately before obtaining control) and the reclassification of other comprehensive loss to profit or loss of RMB50.8 million (representing our share of HPL's cumulative exchange differences on translation on the acquisition date). For details, please see Note 35 to the Accountants' Report in Appendix IA to this prospectus.

The following table sets forth a breakdown of our other income and gains for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants	21,341	59,302	80,196	47,024	41,899
Bank interest income	17,458	14,277	14,786	6,981	12,583
Investment income from financial assets at fair value through profit or loss	29,140	1,378	141	—	—
Gain on step acquisition of subsidiaries	—	—	282,574	—	—
Gain on disposal of a subsidiary	—	11,085	—	—	—
Foreign exchange gains, net	—	33,050	40,627	—	—
Changes in fair value of financial assets at fair value through profit or loss	—	—	—	—	44,382
Others	3,007	3,314	6,576	2,103	10,060
Total	**70,946**	**122,406**	**424,900**	**56,108**	**108,924**

Selling and Distribution Expenses

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our selling and distribution expenses were RMB55.9 million, RMB50.1 million, RMB124.1 million, RMB23.3 million and RMB43.2 million, respectively, accounting for 0.6%, 0.6%, 1.0%, 0.6% and 0.4% of our total revenue for the same periods, respectively.

Our selling and distribution expenses consist of (1) staff costs, which mainly represent salaries and benefits for our sales and marketing personnel, (2) inspection fees in connection with the inspection of imported nickel ore and ferronickel conducted by third-party inspection agencies, (3) travel and entertainment expenses, and (4) others, which primarily include professional services fees, insurance fees, transportation fees and office expenses.

The following table sets forth a breakdown of our selling and distribution expenses, in absolute amounts and as a percentage of our total selling and distribution costs, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
							(Unaudited)			
Staff costs	28,046	50.2	31,656	63.2	97,466	78.5	12,217	52.3	32,737	75.8
Inspection fees	12,576	22.5	7,579	15.1	11,018	8.9	3,851	16.5	5,613	13.0
Travel and entertainment expenses	11,464	20.5	8,944	17.9	10,570	8.5	4,542	19.4	2,320	5.3
Others	3,783	6.8	1,949	3.8	5,070	4.1	2,736	11.8	2,500	5.9
Total	**55,869**	**100.0**	**50,128**	**100.0**	**124,124**	**100.0**	**23,346**	**100.0**	**43,170**	**100.0**

Administrative Expenses

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our administrative expenses were RMB132.5 million, RMB174.2 million, RMB301.1 million, RMB110.3 million and RMB480.2 million, respectively, accounting for 1.4%, 2.2%, 2.4%, 2.7% and 4.8% of our total revenue for the same periods, respectively. Our administrative expenses increased significantly from RMB110.3 million in the six months ended June 30, 2021 to RMB480.2 million in the same period of 2022, primarily due to increases in headcount and employee salaries for project management staff as a result of our acquisition of HPL.

Our administrative expenses consist of (1) staff costs, which represent salaries and benefits for our administrative personnel, (2) bank charges primarily in relation to wire transfer and the issuance of letter of credit in connection with our import of nickel ore and ferronickel, (3) tax fees, which represent stamp duties and surcharges, (4) professional fees, representing services fees we paid to legal counsel and other third party professionals, (5) office, travel and entertainment expenses, (6) depreciation and amortization related to our fixed assets and intangible assets, (7) research and development expenses, which were primarily incurred by Xi'an Pengyuan in relation to its research and development of nickel product production equipment, (8) repair and maintenance fees, (9) on-site expenses in connection with our operations in Indonesia, which primarily consist of expenses related to the construction of the HPAL and RKEF projects, such as HPL staff's accommodation costs, canteen costs and other on-site expenses, and (10) others, which primarily include material consumption fees, COVID prevention expenses and other miscellaneous expenses.

The following table sets forth a breakdown of our administrative expenses, in absolute amount and as a percentage of our total administrative expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
							(Unaudited)			
Staff costs	72,695	54.8	103,846	59.6	200,831	66.7	83,566	75.7	279,007	58.1
Bank charges	3,544	2.7	2,559	1.5	3,712	1.2	1,773	1.6	2,801	0.6
Tax fees	15,748	11.9	22,875	13.1	10,190	3.4	3,252	2.9	16,322	3.4
Office, travel and entertainment expenses	12,045	9.1	12,764	7.3	19,722	6.5	6,603	6.0	41,370	8.6
Depreciation and amortization	7,991	6.0	8,171	4.7	16,859	5.6	4,279	3.9	30,826	6.4
Research and development expenses	3,054	2.3	4,436	2.5	7,893	2.6	994	0.9	4,697	1.0
Repair and maintenance fee	3,756	2.8	5,059	2.9	13,944	4.6	3,835	3.5	3,161	0.7
Professional fees	2,846	2.1	2,487	1.4	7,286	2.4	2,054	1.9	11,331	2.4
Indonesian on-site expenses										
Living supplies	—	—	—	—	3,055	1.0	—	—	30,140	6.3
Catering, laundry and housekeeping	—	—	—	—	2,717	0.9	—	—	21,348	4.4
Clean water and electricity	—	—	—	—	988	0.3	—	—	10,153	2.1
Other on-site expenses	—	—	—	—	1,138	0.4	—	—	475	0.1
	—	**—**	**—**	**—**	**7,898**	**2.6**	**—**	**—**	**62,116**	**12.9**
Others[(1)]	10,868	8.3	11,981	7.0	12,799	4.4	3,986	3.6	28,561	5.8
Total	**132,547**	**100.0**	**174,178**	**100.0**	**301,134**	**100.0**	**110,342**	**100.0**	**480,192**	**100.0**

Note:

(1) Primarily including material consumption fees, COVID prevention expenses and other miscellaneous expenses.

The significant increase in Indonesian on-site expenses in the six months ended June 30, 2022 was due to our consolidation of HPL since November 2021.

Finance Costs

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our finance costs were RMB66.6 million, RMB42.2 million, RMB79.3 million, RMB25.5 million and RMB108.5 million, respectively.

Finance costs consist of (1) interest on bank borrowings, which represents interest incurred on import bill advances under letter of credit in connection with our import of nickel ore and ferronickel, (2) interest on other borrowings, and (3) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings	59,513	38,599	74,004	23,847	104,325
Interest on other borrowings	6,955	3,384	5,077	1,530	2,783
Interest on lease liabilities	91	193	244	89	1,409
	66,559	42,176	79,325	25,466	108,517

Other Operating Expenses

The following table sets forth a breakdown of our other operating expenses, in absolute amount and as a percentage of our total other operating expenses, for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* (Unaudited)	*(%)*	*RMB'000*	*(%)*
Donations	92	0.7	23,016	57.2	5,225	5.7	3,663	6.4	2,940	2.6
Loss on disposal of fixed assets	15	0.1	2,424	6.0	9,020	9.8	8,486	14.7	2,743	2.5
Investment loss from futures products	—	—	10,163	25.3	41,216	44.8	31,279	54.3	87,078	78.2
Foreign exchange losses	12,619	91.4	—	—	—	—	5,091	8.8	15,829	14.2
Changes in fair value of financial assets at fair value through profit or loss	—	—	—	—	6,771	7.4	4,196	7.3	—	—
Additional transportation costs	—	—	—	—	23,720	25.8	—	—	—	—
Others	1,086	7.8	4,629	11.5	5,992	6.5	4,924	8.5	2,740	2.5
Total	**13,812**	**100.0**	**40,232**	**100.0**	**91,944**	**100.0**	**57,639**	**100.0**	**111,330**	**100.0**

Other operating expenses primarily consist of loss in futures products and foreign exchange losses, which accounted for 91.4%, 25.3%, 44.8%, 63.1% and 92.4% of other operating expenses in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. Other operating expenses also include donations, loss on disposal of fixed assets and additional transportation costs incurred due to the COVID-19 outbreak.

Loss from futures products. In 2020, 2021 and six months ended June 30, 2022, we incurred RMB10.2 million, RMB41.2 million and RMB87.1 million net loss from settled futures products as investment losses, respectively, which was primarily as a result of increases in LME nickel prices. In 2021 and the six months ended June 30, 2022, we recorded RMB6.8 million and nil book loss of changes in fair value of financial assets at fair value through profit or loss under other operating expenses for unsettled futures products, respectively. See "Business — Risk Management — Russia-Ukraine Conflict and LME Nickel Price Spike."

Foreign exchange losses. We recorded net exchange losses of RMB12.6 million and RMB15.8 million in 2019 and the six months ended June 30, 2022, respectively, which was primarily due to the depreciation of RMB against U.S. dollars. We did not incur any net exchange losses in 2020 or 2021. See "— Other income and gains" for more information on our foreign exchange gains and losses.

In addition, we also recorded RMB23.0 million of donations in relation to COVID-19 prevention in 2020 and RMB23.7 million additional transportation costs due to the COVID-19 outbreak in 2021.

Income Tax Expenses

In 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, we incurred income tax expenses of RMB218.4 million, RMB182.1 million, RMB179.2 million, RMB48.7 million and RMB102.9 million, respectively.

Our effective tax rate was 27.8%, 26.0%, 12.5%, 35.4% and 4.3% in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. Our effective tax rate was 12.5% and 4.3% in 2021 and the six months ended June 30, 2022, respectively. The relatively low effective tax rates were primarily because HPL enjoyed certain corporate income tax exemptions in Indonesia and we have consolidated HPL's financial results into our consolidated financial statements since November 30, 2021. Our effective tax rate was 35.4% for the six months ended June 30, 2021. The relatively high effective tax rate was primarily due to decrease in profits, as we incurred higher losses attributable to our associate companies.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the PRC, Hong Kong, Indonesia and Singapore.

During the Track Record period and up to the Latest Practicable Date, we had not been involved in any material disputes or unresolved tax issues with the relevant tax authorities.

PRC

Under the New EIT Law effective from January 1, 2008, as amended on December 29, 2018, we and our PRC subsidiaries are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy. Pursuant to the Administrative Measures for Determination of High-Tech Enterprises (Guokefahuo [2016] No.32), our subsidiary Xi'an Pengyuan obtained the qualification as a high-tech enterprise and was entitled to a preferential income tax rate of 15% from 2019 to 2022.

Hong Kong

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

Overseas

Taxation for our overseas subsidiaries is charged at the appropriate current rate of taxation ruling in the relevant countries and regions. Pursuant to the income tax rules and regulations of the Indonesia, subsidiaries in different industries abroad are subject to different tax rates, with general flat rate of 22% applies as Corporate Income Tax. In addition, the HPAL and RKEF projects in Indonesia enjoy a ten-year CIT exemption. Our subsidiary incorporated in Singapore was subject to Singapore Corporate Income Tax at 17% during the Track Record Period.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Revenue

Revenue increased significantly from RMB4,088.3 million in the six months ended June 30, 2021 to RMB9,978.3 million in the same period of 2022. This increase was primarily attributable to an increase in revenue generated from our nickel product production business.

Nickel Product Trading

Revenue generated from our trading business increased by 46.8% from RMB2,867.8 million in the six months ended June 30, 2021 to RMB4,210.2 million in the same period of 2022, primarily due to increases in the average selling prices and sales volume of laterite nickel ore and ferronickel for our trading business as a result of increased customer demand. The increase was partially offset by a decrease in the sales of nickel-cobalt compounds as we began to record such revenue under nickel product production since November 30, 2021, as a result of our consolidation of HPL.

The average selling price of laterite nickel ore for our trading business increased by 25.0% from RMB0.4 thousand per metric ton in the six months ended June 30, 2021 to RMB0.5 thousand per metric ton in the same period of 2022, primarily due to an increase in the price of nickel ore. The annual average nominal price of nickel ore with nickel content between 1.5% to 1.6% increased from

RMB558 per metric ton in the six months ended June 30, 2021 to RMB688 per metric ton in the same period of 2022, primarily due to increased demand in downstream industries. The sales volume of laterite nickel ore for our nickel product trading business remained relatively stable at 4,619,619 metric tons and 4,803,604 metric tons in the six months ended June 30, 2021 and 2022, respectively.

The average selling price of ferronickel for our trading business increased by 47.4% from RMB98.6 thousand per ton in the six months ended June 30, 2021 to RMB145.4 thousand per ton in the same period of 2022, primarily due to the unprecedented price spike in the LME nickel price since early March 2022. The annual average nominal price of ferronickel with nickel content between 7% to 10% increased from RMB1,124 per nickel point in the six months ended June 30, 2021 to RMB1,527 per nickel point in the same period of 2022. The sales volume of ferronickel for our nickel product trading business increased by 23.0% from 10,621 metal tons in the six months ended June 30, 2021 to 13,059 metal tons in the same period in 2022, primarily due to increased customer demand.

Nickel Product Production

Revenue generated from our production business increased significantly from RMB793.3 million in the six months ended June 30, 2021 to RMB4,950.7 million in the same period of 2022, primarily because we began to generate revenue from the sales of our self-produced nickel-cobalt compounds since November 30, 2021, as a result of our consolidation of HPL. Our sales volume of self-produced nickel-cobalt compounds was nil and 19,779 metal tons in the six months ended June 30, 2021 and 2022, respectively. Revenue generated from our self-produced ferronickel increased by 24.0% from RMB793.3 million in the six months ended June 30, 2021 to RMB983.8 million in the same period of 2022, primarily due to the increase in the average selling prices of ferronickel from RMB96.1 thousand per metal ton in the six months ended June 30, 2021 to RMB129.4 thousand per metal ton in the same period of 2022.

Equipment Manufacturing and Sale

Revenue generated from our equipment manufacturing and sale business increased by 89.9% from RMB353.5 million in the six months ended June 30, 2021 to RMB671.4 million in the same period of 2022, primarily due to increased sales of machinery and equipment to HJF, as the construction of the RKEF project continued.

Others

Other revenue increased by 98.2% from RMB73.6 million in the six months ended June 30, 2021 to RMB146.0 million in the same period of 2022, primarily as a result of (i) sale of auxiliary materials to HJF, primarily including semi-coke and coke, and (ii) an increase in revenue from vessel subleasing and sale of wastes.

Cost of Sales

Cost of sales increased by 84.6% from RMB3,735.4 million in the six months ended June 30, 2021 to RMB6,894.1 million in the same period of 2022, which was in line with the increase in our revenue.

For our trading business, cost of laterite nickel ore increased by 29.0% from RMB985.1 million in the six months ended June 30, 2021 to RMB1,270.5 million in the same period of 2022, primarily due to the increase in the average selling prices of laterite nickel ore. Cost of ferronickel increased by 72.7% from RMB1,025.3 million to RMB1,770.7 million, primarily because the cost per unit sold of ferronickel increased from RMB96.5 thousand per ton to RMB135.6 thousand per ton.

For our production business, costs of raw materials increased significantly from RMB403.4 million in the six months ended June 30, 2021 to RMB1,640.2 million in the same period of 2022; costs of ancillary materials increased significantly from RMB107.3 million in the six months ended June 30, 2021 to RMB219.3 million in the same period of 2022. These increases were primarily as a result of our consolidation of HPL since November 30, 2021.

Transportation costs increased by 56.2% from RMB576.0 million in the six months ended June 30, 2021 to RMB899.8 million in the six months ended June 30, 2022, primarily due to the expansion of our vessel leasing business and increase in shipping costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased significantly from RMB352.9 million in the six months ended June 30, 2021 to RMB3,084.2 million in the same period of 2022. Our gross profit margin increased from 8.6% in the six months ended June 30, 2021 to 30.9% in the same period of 2022, which was primarily due to higher profit margin for our trading and production businesses in the six months ended June 30, 2022, primarily due to higher average selling price of our nickel products as a result of an increase in nickel price, which was due to market growth and an unprecedented price spike in the LME nickel price attributable to the geo-political conflict in early 2022.

Nickel Product Trading

Gross profit for our trading business increased significantly from RMB213.1 million in the six months ended June 30, 2021 to RMB435.7 million in the same period of 2022. Gross profit margin for our trading business increased from 7.4% to 10.3% during the same periods, primarily due to increases in the average selling prices of nickel ore and ferronickel.

Gross profit margin for our laterite nickel ore trading business increased from 12.1% in the six months ended June 30, 2021 to 14.5% in the same period of 2022, primarily due to an increase in the average selling price of nickel ore. The average selling price of nickel ore increased by 25.0% from

RMB0.4 thousand per metric ton in the six months ended June 30, 2021 to RMB0.5 thousand per metric ton in the same period of 2022, which was consistent with the increase in prevailing market prices of nickel ore. The annual average nominal price of nickel ore with nickel content between 1.5% to 1.6% increased from RMB558 per metric ton in the six months ended June 30, 2021 to RMB688 per metric ton in the same period of 2022. Meanwhile, we procured a majority of nickel ore for our trading business in the six months ended June 30, 2021 and 2022 from the Philippines. Attributable to our stable, long-term cooperation with suppliers of nickel ore from the Philippines, we managed to secure relatively stable nickel ore procurement prices from these suppliers. As a result, the cost per unit sold of laterite nickel ore in the six months ended June 30, 2021 and 2022 remained relatively stable within the range of RMB0.2 - 0.3 thousand per metric ton.

Gross profit margin for our ferronickel trading business increased from 0.9% in the six months ended June 30, 2021 to 5.3% in the same period of 2022, primarily because we sold ferronickel to one of our major customers at significantly higher selling prices in the six months ended June 30, 2022. As our ferronickel sold to one of our major customers are priced based on the LME price, which experienced an unprecedented price spike in March 2022, our average selling price of ferronickel sold to that customer was significantly higher than the increase in cost per unit sold of such ferronickel in the six months ended June 30, 2022. Excluding ferronickel sold to that customer, gross profit margin for our ferronickel trading business was 1.0% in the six months ended June 30, 2022.

Nickel Product Production

Gross profit for our production business increased significantly from RMB95.4 million in the six months ended June 30, 2021 to RMB2,524.1 million in the same period of 2022. Gross profit margin for our nickel product production business increased from 12.0% to 51.0% during the same periods, primarily because we began to generate revenue from the sales of our self-produced nickel-cobalt compounds, which had higher gross profit margins compared to self-produced ferronickel, since November 30, 2021, as a result of our consolidation of HPL. Gross profit margin for our self-produced ferronickel remained relatively stable at 12.0% and 12.4% in the six months ended June 30, 2021 and the same period of 2022, respectively.

Equipment Manufacturing and Sale

Gross profit for our equipment manufacturing and sale business increased significantly from RMB30.0 million in the six months ended June 30, 2021 to RMB114.6 million in the same period of 2022. Gross profit margin from our equipment manufacturing and sales business increased from 8.5% in the six months ended June 30, 2021 to 17.1% in the same period of 2022, primarily because certain equipment we sold to HJF in the six months ended June 30, 2022 had higher gross profit margin.

Others

Gross profit for other businesses decreased by 32.1% from RMB14.5 million in the six months ended June 30, 2021 to RMB9.8 million in the same period of 2022. Gross profit margin for other businesses decreased from 19.7% to 6.7% during the same periods, primarily because vessel sublease in the six months ended June 30, 2021 had relatively higher profit margin, while its profit margin was relatively low for the six months ended June 30, 2022.

Other Income and Gains

Other income and gains increased by 94.1% from RMB56.1 million in the six months ended June 30, 2021 to RMB108.9 million in the same period of 2022, primarily attributable to our gains of RMB44.3 million from the change in fair value of the hedging instrument recognized under HPL's interest rate swap agreement.

Selling and Distribution Expenses

Selling and distribution expenses increased by 84.9% from RMB23.3 million in the six months ended June 30, 2021 to RMB43.2 million in the same period of 2022, primarily attributable to a RMB20.5 million increase in staff costs, as (i) increased levels of compensation for our employees, and (ii) an increase in our sales and marketing personnel as a result of our acquisition of HPL.

Administrative Expenses

Administrative expenses increased significantly from RMB110.3 million in the six months ended June 30, 2021 to RMB480.2 million in the same period of 2022, primarily due to increase in headcount and employee salaries as a result of our acquisition of HPL.

Other Operating Expenses

Our other operating expenses increased by 93.2% from RMB57.6 million in the six months ended June 30, 2021 to RMB111.3 million in the same period of 2022, primarily due to increased loss in futures products. See "Risk Factors — Risks Relating to Our Business and Industry — Our results of operations and financial condition may be adversely affected by our purchase of derivative financial instruments. We may be exposed to fair value changes for financial assets at fair value through profit or loss" for more details.

Finance Costs

Finance costs increased significantly from RMB25.5 million in the six months ended June 30, 2021 to RMB108.5 million in the same period of 2022, primarily due to a RMB80.5 million increase in interest on bank borrowings, as our bank borrowings increased as a result of our acquisition of HPL.

Share of Profits and Losses of Associates

Share of losses of associates increased by 3.3% from RMB53.0 million in the six months ended June 30, 2021 to RMB54.7 million in the six months ended June 30, 2022, which was primarily due to increased losses incurred by HJF, as the RKEF project has not yet commenced production.

Employee Benefit Expense

Our employee benefit expense (excluding directors' and supervisors' remuneration) increased significantly from RMB122.8 million in the six months ended June 30, 2021 to RMB409.1 million in the six months ended June 30, 2022, primarily due to an increase in wages and salaries from RMB106.8 million to RMB375.9 million in the same period, as a result of (i) an increase in our number of personnel due to the acquisition of HPL in November 2021, including HPL's personnel and personnel in China to support the HPAL project, (ii) an increase in accrued performance bonus, and (iii) increased level of compensation for our employees.

Profit Before Tax

As a result of the foregoing, our profit before tax increased significantly from RMB137.6 million in the six months ended June 30, 2021 to RMB2,392.5 million in the same period of 2022.

Income Tax Expenses

Income tax expenses increased significantly from RMB48.7 million in the six months ended June 30, 2021 to RMB102.9 million in the six months ended June 30, 2022.

Profit for the Period

As a result of the foregoing, our profit for the period increased significantly from RMB89.0 million in the six months ended June 30, 2021 to RMB2,289.6 million in the same period of 2022. Our net profit margin was 22.9% in the six months ended June 30, 2022, compared to 2.2% in the same period in 2021.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Revenue increased by 60.5% from RMB7,755.2 million in 2020 to RMB12,449.3 million in 2021. The increase in revenue was primarily attributable to an increase in revenue generated from our nickel product trading business.

Nickel Product Trading

Revenue generated from our trading business increased by 75.2% from RMB5,005.5 million in 2020 to RMB8,771.1 million in 2021, primarily driven by (i) increases in both the average selling price and sales volume of nickel ore for our trading business, (ii) increases in both the average selling price and sales volume of ferronickel for our trading business, and (iii) commencement of sale of nickel-cobalt compounds purchased from HPL (the project company for phases I and II of the HPAL project), as phase I of the HPAL project commenced the production of nickel-cobalt compounds in May 2021.

The average selling price of laterite nickel ore for our trading business increased from RMB0.3 thousand per metric ton in 2020 to RMB0.4 thousand per metric ton in 2021, primarily due to an increase in the price of nickel ore. The annual average nominal price of nickel ore with nickel content between 1.5% to 1.6% increased from RMB550 per metric ton in 2020 to RMB629 per metric ton in 2021, as a result of global loose monetary policy environment and strong demand from the stainless steel industry. The sales volumes of laterite nickel ore for our trading business increased by 9.2% from 10,677,613 metric tons in 2020 to 11,655,645 metric tons in 2021, primarily because (i) we managed to procure a higher volume of nickel ore from the Philippines in 2021 at a generally lower price than that from Indonesia prior to the export ban. In 2021, we purchased 11.5 million metric tons of laterite nickel ore from the Philippines, compared to 10.2 million metric tons in 2020; and (ii) there was increased customer demand, due to the stable growth of the stainless steel industry. See "Industry Overview — Overview of Major Downstream Industries of Global and China Nickel Consumption — Stainless Steel Industry" for more details.

The average selling price of ferronickel for our trading business increased from RMB90.8 thousand per metal ton in 2020 to RMB109.7 thousand per metal ton in 2021, primarily due to an increase in nickel price. The annual average nominal price of ferronickel with nickel content between 7% to 10% increased from RMB1,019 per nickel point in 2020 to RMB1,269 per nickel point in 2021, as a result of decreasing ferronickel production volume in China (given that certain smelting and refining companies and stainless steel manufacturers which used to produce ferronickel on their own using nickel ore from Indonesia could no longer do so since 2020) and strong downstream demand from the stainless steel industry. The sales volume of ferronickel for our trading business increased by 20.7% from 20,694 metal tons in 2020 to 24,975 metal ton in 2021, as our ferronickel trading business continued to grow as a result of increasing demand from our ferronickel customers. Because of the Indonesian government's export ban, certain smelting and refining companies and stainless steel manufacturers, which used to purchase nickel ore to produce ferronickel on their own, were no longer able to do so and instead increased their purchase of ferronickel.

Nickel Product Production

Revenue generated from our production business increased by 49.1% from RMB1,642.0 million in 2020 to RMB2,448.5 million in 2021, primarily because we began to generate revenue from the sales of our self-produced nickel-cobalt compounds since November 30, 2021. The increase was partially offset by a decrease in our self-produced ferronickel, which was primarily due to (i) our Jiangsu Facilities had to temporarily shut down in September 2021 due to power shortages. This power shortage, which was a result of the local government's electricity rationing efforts targeting energy intensive enterprises in Jiangsu province, lasted 17 days, during which our Jiangsu Facilities had to temporary suspend its production activities. As a result of the power shortage, our Jiangsu Facilities' monthly production volume in September 2021 decreased to 419 metal tons of ferronickel, reflecting an over 70% decrease from that of the same periods in 2019 and 2020, respectively. Although our Jiangsu Facilities resumed operation in October 2021, it continued to be subject to electricity rationing measures from time to time in October 2021, which also adversely affected its ferronickel production; and (ii) we proactively reduced the production of self-produced ferronickel due to reasons including (a) a higher percentage of nickel ore (which is used as raw material for our ferronickel production) we purchased for our ferronickel production in 2021 was from the Philippines, which generally had lower nickel content. In 2021, 61.5% of the volume of nickel ore procured for our ferronickel production was from the Philippines, compared to 34.5% in 2020; and (b) the costs of ancillary materials primarily including coal and reducing agent, increased by 44.6% from RMB164.8 million in 2020 to RMB238.3 million in 2021.

Equipment Manufacturing and Sale

Revenue generated from our equipment manufacturing and sale business remained relatively stable at RMB1,020.2 million in 2020 and RMB1,003.4 million in 2021. The slight decrease was primarily due to decreased equipment sales to HPL (the project company for phases I and II of the HPAL project in which we held a 36.9% equity interest prior to November 29, 2021), as the majority of equipment required for phases I and II of the HPAL project had been sold in 2020. The slight decrease was partially offset by an increase in equipment sold to HJF in 2021, as Phase I of the RKEF project was under construction and required various types of machinery and equipment. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and have since November 30, 2021 consolidated its results into our consolidated financial statements.

Others

Other revenue increased significantly from RMB87.4 million in 2020 to RMB226.4 million in 2021, primarily because we began to generate revenue from vessel subleasing, where we sub-lease vessels we leased to transport our nickel products to third parties and charge a sublease fee.

Cost of Sales

Cost of sales increased by 60.7% from RMB6,802.5 million in 2020 to RMB10,933.4 million in 2021, which was largely in line with the increase in our revenue.

For our trading business, cost of laterite nickel ore increased by 24.7% from RMB2,035.1 million in 2020 to RMB2,537.0 million in 2021, primarily because (i) the volume of laterite nickel ore we sold increased by 9.2% from 10,677,613 metric tons in 2020 to 11,655,645 metric tons in 2021, as we managed to procure an increased volume of nickel ore from the Philippines in response to increased customer demand, and (ii) the cost per unit sold of laterite nickel ore increased from RMB0.19 thousand per metric ton in 2020 to RMB0.22 thousand per metric ton in 2021. Cost of ferronickel for our trading business increased by 45.7% from RMB1,824.4 million in 2020 to RMB2,657.6 million in 2021, as (i) the volume of ferronickel we sold increased by 20.7% from 20,694 metal tons in 2020 to 24,975 metal tons in 2021 in line with increased customer demand, and (ii) the cost per unit sold of ferronickel increased from RMB88.2 thousand per metal ton in 2020 to RMB106.4 thousand per metal ton in 2021. In 2021, we also incurred RMB1,217.1 million costs for the sales of nickel-cobalt compounds.

For our production business, cost of raw materials increased by 54.0% from RMB773.4 million in 2020 to RMB1,191.0 million in 2021, primarily as a result of (i) our consolidation of HPL, which produces MHP, since November 30, 2021, and (ii) an increase in cost per unit sold of ferronickel from RMB43.0 thousand per metal ton in 2020 to RMB51.6 thousand per metal ton in 2021. Cost of ancillary materials increased by 44.6% from RMB164.8 million in 2020 to RMB238.3 million in 2021, primarily due to (i) increased prices of coal and reducing agent, the ancillary materials for our ferronickel production, and (ii) cost of ancillary materials for MHP, as a result of our consolidation of HPL since November 30, 2021.

Transportation costs increased significantly from RMB684.9 million in 2020 to RMB1,758.7 million in 2021, which was primarily due to an increase in shipping fees as well as an increase in sales volume of our nickel products for both our trading and production businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 59.1% from RMB952.7 million in 2020 to RMB1,515.9 million in 2021. Gross profit margin remained relatively stable at 12.3% in 2020 and 12.2% in 2021.

Nickel Product Trading

Gross profit for our trading business increased by 54.1% from RMB480.1 million in 2020 to RMB739.7 million in 2021. Gross profit margin for our trading business decreased from 9.6% to 8.4% during the same periods, primarily because we sold an increased volume of ferronickel and nickel-cobalt compounds in our trading business in 2021, which had relatively lower gross margin. Excluding the trading of nickel-cobalt compounds, gross profit margins for our nickel product trading business remained relatively stable at 9.6% and 9.8% in 2020 and 2021, respectively.

Nickel Product Production

Gross profit for our production business increased by 65.7% from RMB378.1 million in 2020 to RMB626.6 million in 2021. Gross profit margin for our nickel product production business increased from 23.0% to 25.6% during the same periods, primarily because we began to generate revenue from sales of our self-produced nickel-cobalt compounds, which had relatively higher gross margin, since November 30, 2021, as a result of our consolidation of HPL. Gross profit margin for our self-produced ferronickel decreased from 23.0% in 2020 to 16.2% in 2021, primarily due to (i) increased prices of coal and reducing agent, ancillary materials for our ferronickel production, and (ii) an increase in per unit production cost as a result of a decrease in production volume.

Equipment Manufacturing and Sale

Gross profit for our equipment manufacturing and sale business increased by 25.2% from RMB89.2 million in 2020 to RMB111.6 million in 2021. Gross profit margin from our equipment manufacturing and sales business increased from 8.7% in 2020 to 11.1% in 2021, primarily because certain equipment we sold to HPL and HJF in 2021 had higher gross margin.

Others

Gross profit for other businesses increased significantly from RMB5.3 million in 2020 to RMB37.9 million in 2021. Gross profit margin for other business increased from 6.0% to 16.8% during the same periods, primarily because our sale of wastes and provision of related services, and vessel sublease business in 2021 had relatively higher margin.

Other Income and Gains

Other income and gains increased significantly from RMB122.4 million in 2020 to RMB424.9 million in 2021, primarily attributable to our gains of RMB282.6 million in step acquisition of subsidiaries and an increase of RMB20.9 million in government grants in 2021.

Selling and Distribution Expenses

Selling and distribution expenses increased significantly from RMB50.1 million in 2020 to RMB124.1 million in 2021, primarily attributable to a RMB65.8 million increase in staff costs, as (i) we hired more sales and marketing personnel due to our business expansion, (ii) increased levels of compensation for our employees, and (iii) we were eligible for certain social insurance and housing provident fund related relief in 2020 but not in 2021.

Administrative Expenses

Administrative expenses increased by 72.9% from RMB174.2 million in 2020 to RMB301.1 million in 2021, primarily due to a RMB97.0 million increase in our staff costs, which was mainly because (i) an increase in our headcount as our business continued to expand, and (ii) increased levels of compensation for our employees.

Other Operating Expenses

Our other operating expenses increased significantly from RMB40.2 million in 2020 to RMB91.9 million in 2021, primarily due to increased loss in futures products. See "Risk Factors — Risks Relating to Our Business and Industry — Our results of operations and financial condition may be adversely affected by our purchase of derivative financial instruments. We may be exposed to fair value changes for financial assets at fair value through profit or loss" for more details.

Finance Costs

Finance costs increased by 88.1% from RMB42.2 million in 2020 to RMB79.3 million in 2021, primarily due to a RMB35.4 million increase in interest on bank borrowings. The increase in interest on bank borrowings was primarily due to the growth of our nickel product trading business and our acquisition of HPL.

Share of Profits and Losses of Associates

We recorded share of profits of associates of RMB99.0 million in 2021, compared to share of losses of associates of RMB68.1 million in 2020. This change was primarily because HPL (which used to be our associate until it became our subsidiary on November 30, 2021) began to generate revenue by selling nickel-cobalt compound products in 2021. Share of profits of associates in 2021 was partially offset by losses incurred by HJF as the construction of the RKEF project continued.

Profit Before Tax

As a result of the foregoing, our profit before tax increased significantly from RMB700.4 million in 2020 to RMB1,439.1 million in 2021.

Income Tax Expenses

Income tax expenses decreased by 1.6% from RMB182.1 million in 2020 to RMB179.2 million 2021, primarily due to a decrease in our taxable income, primarily as a result of our acquisition of HPL (which enjoys preferential tax treatment in Indonesia).

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB518.3 million in 2020 to RMB1,260.0 million in 2021. Our net profit margin increased from 6.7% in 2020 to 10.1% in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Revenue decreased by 17.0% from RMB9,347.4 million in 2019 to RMB7,755.2 million in 2020. The decrease was primarily due to a decrease in revenue generated from our trading business and production business, partially offset by an increase in revenue generated from our equipment manufacturing and sale business and other businesses.

Nickel Product Trading

Revenue generated from our trading business decreased by 23.0% from RMB6,498.3 million in 2019 to RMB5,005.5 million in 2020, primarily due to a decrease in sales volume of nickel ore and a decrease in the average selling price of our ferronickel for our trading business.

The sales volume of laterite nickel ore for our trading business decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020. The decrease was primarily due to the Indonesian government's export ban on nickel ore starting January 1, 2020, as a result of which we could no longer procure nickel ore from Indonesia, and it took some time for us to secure a significantly higher volume of nickel ore from other countries and regions including the Philippines. In 2019, 34.8% of the volume of nickel ore for our trading business was from Indonesia. In addition, as some of our customers stocked up on nickel ore inventory from Indonesia in late 2019 in anticipation of the export ban, customer demand for our nickel ore products decreased in 2020. The COVID-19 situation also had a negative impact on global nickel ore trading in early 2020. Due to the combined impact of the export ban and the COVID-19 pandemic, the volume of global nickel ore trading decreased by 28.0% from 2019 to 2020. The average selling price of laterite nickel ore remained relatively stable in 2019 and 2020.

The sales volume of our ferronickel for our trading business increased from 14,500 metal tons in 2019 to 20,694 metal tons in 2020 as a result of increasing demand from our ferronickel customers. Because of the Indonesian government's export ban, certain smelting and refining companies and stainless steel manufacturers, which used to purchase nickel ore to produce ferronickel on their own, were no longer able to do so and instead increased their purchase of ferronickel. The average selling price of ferronickel for our trading business decreased from RMB95.0 thousand per metal ton in 2019 to RMB90.8 thousand per metal ton in 2020, primarily because there was a significant decrease in nickel price and customer demand in early 2020 as a result of the COVID-19 outbreak, and as the market demand revived in the second quarter of 2020, we sold a higher volume of ferronickel when the nickel price was relatively low.

Nickel Product Production

Revenue generated from our production business decreased by 30.3% from RMB2,357.4 million in 2019 to RMB1,642.0 million in 2020, primarily due to the closedown of a manufacturing facility with two ferronickel production lines in December 2019. The manufacturing facility was operated by Xiangxiang Enterprise, which was disposed of by us in 2020. Please see "Business — Production of Nickel Products — Production of Ferronickel" for more details. The average selling price of our self-produced ferronickel remained relatively stable at RMB93.0 thousand per metal ton in 2019 and RMB91.4 thousand per metal ton in 2020.

Equipment Manufacturing and Sale

Revenue generated from our equipment manufacturing and sale business increased significantly from RMB416.9 million in 2019 to RMB1,020.2 million in 2020, primarily due to increased sales of machinery and equipment used in the production of nickel products to HPL and HJF, as the construction of the HPAL and RKEF projects continued to progress. HPL is the project company of phases I and II of the HPAL project, in which we held a 36.9% equity interest before November 29, 2021. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and have since November 30, 2021 consolidated its results into our consolidated financial statements. HJF is the project company of phase I of the RKEF project, in which we hold a 36.9% equity interest.

Others

Revenue from other businesses increased by 16.8% from RMB74.8 million in 2019 to RMB87.4 million in 2020, primarily due to an increase in the sales of wastes generated during our production process.

Cost of Sales

Cost of sales decreased by 18.3% from RMB8,329.3 million in 2019 to RMB6,802.5 million in 2020, primarily due to decreased cost of sales for our trading business and production business, which was in line with the decrease in revenue of these businesses. The decrease was partially offset by increased cost of sales for our equipment manufacturing and sale business and other businesses, which was in line with the increase in revenue of these businesses.

For our trading business, cost of laterite nickel ore decreased by 40.5% from RMB3,422.5 million in 2019 to RMB2,035.1 million in 2020, primarily because the volume of nickel ore we sold decreased by 39.4% from 17,633,427 metric tons in 2019 to 10,677,613 metric tons in 2020, which was primarily due to Indonesian government's export ban and the COVID-19 outbreak. Cost of ferronickel increased by 33.5% from RMB1,367.0 million in 2019 to RMB1,824.4 million in 2020, as (i) the volume of ferronickel we sold increased by 42.7% from 14,500 metal tons in 2019 to 20,694 metal tons in 2020 in line with increased customer demand, and (ii) the cost per unit sold of ferronickel decreased from RMB94.3 thousand per metal ton in 2019 to RMB88.2 thousand per metal ton in 2020.

For our production business, the costs of raw materials, mainly including nickel ore, decreased by 25.0% from RMB1,031.4 million in 2019 to RMB773.4 million in 2020; cost of ancillary materials, primarily including coals and reducing agent used for the production of ferronickel, decreased by 44.7% from RMB298.2 million in 2019 to RMB164.8 million in 2020. These decreases were primarily due to the closedown of a manufacturing facility with two ferronickel production lines operated by Xiangxiang Enterprise in December 2019.

Transportation costs decreased by 38.2% from RMB1,108.6 million in 2019 to RMB684.9 million in 2020, which was primarily due to a decrease in sales volume of our nickel products for both our trading and production businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 6.4% from RMB1,018.1 million in 2019 to RMB952.7 million in 2020. Our gross profit margin increased from 10.9% in 2019 to 12.3% 2020, primarily due to higher profit margin for our trading and production businesses in 2020.

Nickel Product Trading

Gross profit for our trading business decreased by 16.5% from RMB575.0 million in 2019 to RMB480.1 million in 2020, which was in line with the decrease in our revenue generated from our trading business. Gross profit margin from our trading business increased from 8.8% in 2019 to 9.6% in 2020, primarily due to higher profit margin for our nickel ore trading in 2020. As the price of nickel ore gradually recovered in mid-2020, we gained higher profit in the second half of 2020 by selling nickel ore we procured in early 2020 at lower procurement prices.

Nickel Product Production

Gross profit for our production business decreased by 4.5% from RMB395.7 million for the year ended December 31, 2019 to RMB378.1 million for year ended December 31, 2020, primarily due to the closedown of a manufacturing facility with two ferronickel production lines operated by Xiangxiang Enterprise. Gross profit margin for our production business increased from 16.8% in 2019 to 23.0% in 2020, primarily due to the accelerated depreciation of fixed assets in connection with the closedown of the manufacturing facility operated by Xiangxiang Enterprise in 2019.

Equipment Manufacturing and Sale

Gross profit for our equipment manufacturing and sale business increased significantly from RMB44.3 million in 2019 to RMB89.2 million in 2020, which was in line with the increase in our revenue generated from our equipment manufacturing and sale business. Gross profit margin for our equipment manufacturing and sale business decreased from 10.6% in 2019 to 8.7% in 2020, which was primarily due to certain machinery and equipment we sold to HPL in 2019 had higher selling prices.

Others

Gross profit for other businesses increased by 66.5% from RMB3.2 million in 2019 to RMB5.3 million in 2020. Gross profit margin for other businesses increased from 4.2% in 2019 to 6.0% in 2020, primarily because our sale of wastes in 2019 had lower gross margin.

Other Income and Gains

Other income and gains increased by 72.5% from RMB70.9 million in 2019 to RMB122.4 million in 2020, primarily due to (i) a RMB38.0 million increase in government grants, and (ii) a RMB33.1 million increase in net exchange gains.

Selling and Distribution Expenses

Selling and distribution costs decreased by 10.3% from RMB55.9 million in 2019 to RMB50.1 million in 2020, primarily attributable to a RMB5.0 million decrease in inspection fees due to decreased sales volume of nickel ore for our trading business.

Administrative Expenses

Administrative expenses increased by 31.4% from RMB132.5 million in 2019 to RMB174.2 million in 2020, primarily due to an increase in staff costs and tax fees, as our business continued to grow.

Other Operating Expenses

Our other operating expenses increased significantly from RMB13.8 million in 2019 to RMB40.2 million in 2020, primarily attributable to increase in our donations related to epidemic preventions.

Finance Costs

Finance costs decreased by 36.6% from RMB66.6 million in 2019 to RMB42.2 million in 2020, primarily due to a decrease in interest on bank borrowings, as we no longer imported nickel ore from Indonesia in 2020 due to the Indonesian government's export ban and required a lower amount of import bill advance under letter of credit in connection with the import of nickel ore and ferronickel for our trading business.

Share of Profits and Losses of Associates

Our share of losses of associates increased by 98.1% from RMB34.4 million in 2019 to RMB68.1 million in 2020, primarily due to the losses incurred by HPL, mainly incurred for the construction of the HPAL project.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by 10.8% from RMB785.1 million in 2019 to RMB700.4 million in 2020.

Income Tax Expenses

Our income tax expense decreased by 16.6% from RMB218.4 million in 2019 to RMB182.1 million in 2020, primarily due to decreased profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 8.5% from RMB566.7 million in 2019 to RMB518.3 million in 2020. Our net profit margin increased from 6.1% in 2019 to 6.7% in 2020.

WORKING CAPITAL

We recorded net current liabilities of RMB163.3 million, RMB275.8 million, and net current assets of RMB1,147.4 million, RMB2,202.3 million and RMB1,776.0 million, as of December 31, 2019, December 31, 2020, December 31, 2021, June 30, 2022 and September 30, 2022 (the "**Indebtedness Date**"), respectively. The following table sets forth a breakdown of our current assets and liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Inventories	632,156	396,272	974,573	1,228,377	1,577,873
Trade and bills receivables	862,424	549,209	1,025,203	1,866,221	836,131
Prepayments, other receivables and other assets	554,258	439,589	528,601	624,886	1,088,380
Financial assets at fair value through profit or loss	187,050	152,398	—	76,157	15,100
Pledged deposits	301,423	202,157	598,398	649,253	605,094
Cash and cash equivalents	188,399	256,903	1,413,298	2,959,391	2,655,212
Due from related parties	350,178	204,556	103,478	154,945	264,383
Total current assets	**3,075,888**	**2,201,084**	**4,643,551**	**7,559,230**	**7,042,173**
Interest-bearing bank and other borrowings	1,493,866	1,024,498	1,155,912	2,581,957	2,665,311
Trade and bills payables	594,273	632,323	728,414	1,005,063	841,778
Lease liabilities	2,456	3,204	8,638	13,557	14,235
Other payables and accruals	203,967	193,625	836,247	1,002,074	1,099,953
Contract liabilities	240,936	318,435	296,921	152,152	352,257
Income tax payable	274,589	245,506	230,549	188,253	183,602
Due to related parties	429,150	59,324	232,728	413,906	109,012
Financial liabilities with the fair value changes through profit or loss	—	—	6,771	—	—
Total current liabilities	**3,239,237**	**2,476,915**	**3,496,180**	**5,356,962**	**5,266,148**
Net current (liabilities)/assets	**(163,349)**	**(275,831)**	**1,147,371**	**2,202,268**	**1,776,025**

Our net currents assets decreased from RMB2,202.3 million as of June 30, 2022 to RMB1,776.0 million as of September 30, 2022, primarily due to (i) a decrease of RMB1,030.1 million in trade and bills receivables, and (ii) a decrease of RMB304.2 million in cash and cash equivalents, partially offset by (i) an increase of RMB463.5 million in prepayments, other receivables and other assets, and (ii) an increase of RMB349.5 million in inventories.

Our net current assets increased from RMB1,147.4 million as of December 31, 2021 to RMB2,202.3 million as of June 30, 2022, primarily due to (i) an increase of RMB1,546.1 million in cash and cash equivalents; (ii) an increase of RMB841.0 million in trade and bills receivables; and (iii) an increase of RMB253.8 million in inventories, partially offset by an increase of RMB1,426.0 million in interest-bearing bank and other borrowings.

We had net current assets of RMB1,147.4 million as of December 31, 2021, compared to net current liabilities of RMB275.8 million as of December 31, 2020. The change in our financial position was primarily due to (i) an increase of RMB1,156.4 million in cash and cash equivalents; (ii) an increase of RMB578.3 million in inventories; and (iii) an increase of RMB476.0 million in trade and bills receivables, partially offset by an increase of RMB642.6 million in other payables and accruals in relation to HPL's purchase of fixed assets. The above changes were primarily attributable to our acquisition of HPL in November 2021.

Our net current liabilities increased by 68.9% from RMB163.3 million as of December 31, 2019 to RMB275.8 million as of December 31, 2020, primarily due to (i) a decrease of RMB145.6 million in due from related parties, primarily because Lygend Investment repaid a portion of loans extended by us, and (ii) a decrease of RMB313.2 million in trade and bills receivables, (iii) a decrease of RMB235.9 million in inventories, primarily because (a) we shut down a ferronickel manufacturing facility operated by Xiangxiang Enterprise in December 2019, and (b) we increased our nickel ore inventory in late 2019 in anticipation of the Indonesian government's export ban on nickel ore starting 2020, and (iv) a RMB99.3 million decrease in pledged deposits, partially offset by a decrease of RMB469.4 million in interest-bearing bank and other borrowings as we no longer imported nickel ore from Indonesia in 2020 and required a lower amount of import bill advance under letter of credit in connection with our import of nickel ore and ferronickel.

WORKING CAPITAL SUFFICIENCY

Taking into account cash and cash equivalents, our operating cash flows and the estimated net proceeds available to us from the Global Offering, our Directors believe, and the Joint Sponsors concur, that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue equity and/or debt securities or borrow from lending institutions. See "Risk Factors — Risks Relating to Our Business and Industry — Our businesses and operations require significant capital resources on an ongoing basis and we recorded net current liabilities and negative cash flows from operations during the Track Record Period."

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consists of buildings, plant and machinery, electronic and office equipment, motor vehicles, leasehold improvements and construction in progress.

The following table sets forth a breakdown of our property, plant and equipment, as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	123,373	94,196	2,234,773	2,284,168
Plant and machinery	163,915	201,558	2,522,863	2,549,107
Electronic and office equipment	8,300	6,955	12,380	14,313
Motor vehicles	9,688	6,599	117,460	203,493
Leasehold improvements	152	361	74	4,185
Construction in progress	4,489	228	887,509	2,275,533
Total	**309,917**	**309,897**	**5,775,059**	**7,330,799**

Our property, plant and equipment increased by 26.9% from RMB5,775.1 million as of December 31, 2021 to RMB7,330.8 million as of June 30, 2022, which was primarily due to the continued construction of the HPAL project.

Our property, plant and equipment increased significantly from RMB309.9 million as of December 31, 2020 to RMB5,775.1 million as of December 31, 2021, which was primarily due to our acquisition of HPL.

Our property, plant and equipment remained relatively stable at RMB309.9 million and RMB309.9 million as of December 31, 2019 and 2020, respectively.

Inventories

Our inventories consist of (i) raw materials, which include laterite nickel ore procured for the production of our ferronickel products and nickel-cobalt compounds, (ii) work in progress, which include work-in-progress ferronickel, nickel-cobalt compounds and equipment, and (iii) finished goods, which mainly include laterite nickel ore, ferronickel and nickel-cobalt compounds procured for our trading business and finished ferronickel products produced. To minimize the risk of inventory build-up, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	374,312	247,633	588,522	591,305
Work in progress	11,397	15,688	75,649	109,973
Finished goods	246,447	132,951	310,402	527,099
Total	**632,156**	**396,272**	**974,573**	**1,228,377**

Our inventory increased by 26.0% from RMB974.6 million as of December 31, 2021 to RMB1,228.4 million as of June 30, 2022, primarily due to (i) we increased our inventory of nickel ore and ferronickel in response to increased customer demand, and (ii) the continued production of nickel-cobalt compounds of the HPAL project.

Our inventory increased significantly from RMB396.3 million as of December 31, 2020 to RMB974.6 million as of December 31, 2021, primarily attributes to our acquisition of HPL.

Our inventory decreased by 37.3% from RMB632.2 million as of December 31, 2019 to RMB396.3 million as of December 31, 2020, primarily due to the Indonesian government's export ban on nickel ore starting January 1, 2020, as a result of which we increased our nickel ore inventory in 2019.

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Inventory turnover days(1)	23.1	27.6	22.9	28.8

Note:

(1) Inventory turnover days are equal to the average balance of inventory at the beginning and the end of the Track Record Period divided by cost of sales for such period and multiplied by 365 days for the years ended December 31, 2019, 2020 and 2021 and 180 days for the six months ended June 30, 2022.

Our inventory turnover days increased from 22.9 days in 2021 to 28.8 days in the six months ended June 30, 2022, primarily due to an increase in our inventory of finished goods, as a result of (i) we increased our inventory of nickel ore and ferronickel in response to increased customer demand, and (ii) the continued production of nickel-cobalt compounds of the HPAL project.

Our inventory turnover days decreased from 27.6 days in 2020 to 22.9 days in 2021, primarily because our nickel products were of popular demand and were able to be sold more quickly in 2021.

Our inventory turnover days increased from 23.1 days in 2019 to 27.6 days in 2020, primarily because our sales temporarily slowed down in the first half of 2020 due to the COVID-19 outbreak.

As of September 30, 2022, RMB1,157.2 million, or 94.2% of our inventory balance as of June 30, 2022, had been consumed.

Trade and Bills Receivables

Our trade and bills receivables represent outstanding trade and bills receivables from our customers for the purchase of our products. An increase in sales to our customers would result in an increase in our trade and bills receivables. Trade and bills receivables are unsecured and non-interest-bearing.

The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	863,753	500,872	1,015,990	1,867,017
Bills receivable measured at amortized cost	1,076	40,067	11,199	4,691
Impairment	(2,505)	(2,130)	(6,396)	(8,941)
Subtotal	**862,324**	**538,809**	**1,020,793**	**1,862,767**
Bills receivable measured at fair value	100	10,400	4,410	3,454
Total	**862,424**	**549,209**	**1,025,203**	**1,866,221**

Our trade and bills receivables increased by 82.0% from RMB1,025.2 million as of December 31, 2021 to RMB1,866.2 million as of June 30, 2022, which was in line with the increase in revenue generated from our sale of self-produced nickel-cobalt compounds under our nickel product production business.

Our trade and bills receivables increased significantly from RMB549.2 million as of December 31, 2020 to RMB1,025.2 million as of December 31, 2021, which was in line with the increase in revenue generated from our nickel product trading and nickel product production businesses.

Our trade and bills receivables decreased by 36.3% from RMB862.4 million as of December 31, 2019 to RMB549.2 million as of December 31, 2020, which was in line with the decrease in revenue generated from our nickel products trading business.

The following table sets forth our trade and bills receivables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade and bills receivables turnover days(1)	29.6	33.3	23.0	26.2

Note:

(1) Trade and bills receivables turnover days are equal to the average balance of trade and bills receivables at the beginning and the end of the Track Record Period divided by revenue for such period and multiplied by 365 days for the years ended December 31, 2019, 2020 and 2021 and 180 days for the six months ended June 30, 2022.

Our trade and bills receivables are typically settled in one to three months. Our trade and bills receivables turnover days were within the credit period at 29.6 days, 33.3 days, 23.0 days and 26.2 days in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our trade and bills receivables turnover days decreased from 33.3 days in 2020 to 23.0 days in 2021 and 26.2 days in the six months ended June 30, 2022, primarily attributable to faster settlement with customers.

We seek to maintain strict control over our outstanding trade and bills receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimize credit risk.

The following table sets forth the aging analysis of our trade receivables, presented based on the invoice date and net of loss allowance, as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	859,137	493,695	1,005,516	1,857,246
3 to 6 months	121	1,672	187	373
6 to 12 months	1,924	3,370	3,891	390
1 to 2 years	66	5	—	67
Total	**861,248**	**498,742**	**1,009,594**	**1,858,076**

As of September 30, 2022, RMB1,774.0 million, or 95.0% of our trade receivables outstanding as of June 30, 2022, has been settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets include prepayments, other receivables, other current assets and impairment allowance. Prepayments are primarily related to our procurement of nickel ore and leasing of vessel for the shipment of nickel products. Other receivables primarily include deposits we made in connection with our business operations, export tax rebates and capitalized listing expenses. Other current assets are primarily related to the undeducted input value added tax of HPL. Impairment allowance primarily related to the disposal of Xiangxiang Enterprise.

The following table sets forth our prepayments, other receivables, and other assets as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	437,440	346,408	275,772	271,299
Other receivables	118,295	92,314	145,885	255,368
Other current assets	—	1,547	107,529	98,950
Subtotal	**555,735**	**440,269**	**529,186**	**625,617**
Impairment allowance	(1,477)	(680)	(585)	(731)
Total	**554,258**	**439,589**	**528,601**	**624,886**

Our prepayments, other receivables and other assets increased by 18.2% from RMB528.6 million as of December 31, 2021 to RMB624.9 million as of June 30, 2022, primarily due to an increase in other receivables, as we made deposits in connection with our ferronickel business and an increase in export tax rebates, partially offset by decreases in (i) prepayments made in connection with our procurement activities and (ii) other current assets, primarily due to return of input value added tax to HPL by government authorities.

Our prepayments, other receivables and other assets increased by 20.2% from RMB439.6 million as of December 31, 2020 to RMB528.6 million as of December 31, 2021, primarily due to an increase in other receivables related to export tax return and an increase in other current assets related to undeducted input value added tax of HPL, partially offset by a decrease in prepayments made in connection with our procurement activities.

As of September 30, 2022, RMB339.0 million, or 54.3% of our prepayments, other receivables and other assets as of June 30, 2022 had been settled.

Cash and Cash Equivalents

During the Track Record Period, we had cash and cash equivalents of RMB188.4 million, RMB256.9 million, RMB1,413.3 million, and RMB2,959.4 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. For an analysis of our cash flow during the Track Record Period, see "— Liquidity and Capital Resources".

Trade and Bills Payables

Our trade and bills payables primarily represent outstanding trade and bills payables to our suppliers in relation to the procurement of nickel products and equipment and machinery. The following table sets forth our trade and bills payables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	589,273	533,223	725,434	1,002,407
Bills payable	5,000	99,100	2,980	2,656
Total	**594,273**	**632,323**	**728,414**	**1,005,063**

Our trade and bills payables increased by 38.0% from RMB728.4 million as of December 31, 2021 to RMB1,005.1 million as of June 30, 2022, primarily due to our increased procurement of nickel ore, which was line with our business growth.

Our trade and bills payables increased by 15.2% from RMB632.3 million as of December 31, 2020 to RMB728.4 million as of December 31, 2021, primarily due to the acquisition of HPL.

Our trade and bills payables increased by 6.4% from RMB594.3 million as of December 31, 2019 to RMB632.3 million as of December 31, 2020.

The following table sets forth our trade and bills payables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
Trade and bills payables turnover days[1]	22.8	32.9	22.7	22.6

Note:

(1) Trade and bills payables turnover days are equal to the average balance of trade and bills payables at the beginning and the end of the Track Record Period divided by cost of sales for such period and multiplied by 365 days for the years ended December 31, 2019, 2020 and 2021 and 180 days for the six months ended June 30, 2022.

Our trade and bills payables are normally settled within 90 days. Our trade and bills payables turnover days were within the credit period and increased from 22.8 days in 2019 to 32.9 days in

2020, decreased to 22.7 days in 2021 and 22.6 days in the six months ended June 30, 2022, primarily in line with the fluctuation in cost of sales for our trading and production businesses.

The following table sets forth the aging analysis of the trade payables as of the dates indicated, based on the invoice date.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	521,531	374,701	564,315	645,791
3 to 6 months	7,080	38,000	24,130	102,209
6 to 12 months	6,676	41,745	13,798	139,032
1 to 2 years	1,599	72,654	77,687	50,639
Over 2 years	52,387	6,123	45,504	64,736
Total	**589,273**	**533,223**	**725,434**	**1,002,407**

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables.

As of September 30, 2022, RMB609.2 million, or 60.8% of trade payables as of June 30, 2022 has been settled. Certain of our trade payables for the procurement of production equipment have relatively longer settlement cycle, depending on the acceptance procedures of the respective equipment.

Other Payables and Accruals

Other payables and accruals primarily include tax payable other than corporate income tax and accrued payroll and welfare for our staff.

The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Taxes payable other than corporate income tax	146,439	138,554	97,941	75,755
Accrued payroll	41,194	35,611	70,209	170,142
Other payables	8,626	9,340	637,687	728,986
Dividends payables to shareholders other than the ultimate holding company	1,227	—	—	—
Advance form customer	6,481	10,120	6,954	2,500
Provision	—	—	23,456	24,691
Total	**203,967**	**193,625**	**836,247**	**1,002,074**

Our other payables and accruals increased by 19.8% from RMB836.2 million as of December 31, 2021 to RMB1,002.1 million as of June 30, 2022, primarily due to an increase in accrued payroll as a result of increased headcount.

Our other payables and accruals increased significantly from RMB193.6 million as of December 31, 2020 to RMB836.2 million as of December 31, 2021, primarily due to increase in payables related to (i) procurement and installation of equipment for the HPAL project (primarily including mineral washing and selection, smelting, sulfuric acid production, drainage and power generation related equipment), and (ii) payables related to the construction of the HPAL project (primarily including payables related to the construction of the HPAL project's production facilities, ports and power plants), as a result of our acquisition of HPL.

Our other payables and accruals decreased by 5.1% from RMB204.0 million as of December 31, 2019 to RMB193.6 million as of December 31, 2020, primarily due to a decrease in accrued payroll as a result of our disposal of Xiangxiang Enterprise in 2020.

Contract Liabilities

Our contract liabilities include short-term advances received from customers. The table below sets forth our contract liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	240,936	318,435	296,921	152,152

Our contract liabilities decreased by 48.8% from RMB296.9 million as of December 31, 2021 to RMB152.2 million as of June 30, 2022, primarily due to a decrease in advances received from our equipment customers.

Our contract liabilities decreased by 6.8% from RMB318.4 million as of December 31, 2020 to RMB296.9 million as of December 31, 2021, primarily due to a decrease in advances received from our equipment customers. Our contract liabilities increased by 32.2% from RMB240.9 million as of December 31, 2019 to RMB318.4 million as of December 31, 2020, primarily due to increased advance received from our equipment customers.

As of September 30, 2022, RMB145.7 million, or 95.8% of our contract liabilities as of June 30, 2022 had been recognized as revenue.

Intangible Assets

Our intangible assets are comprised of (i) customer relationship, which represents our long-term offtake agreements with customers for our nickel-cobalt compound products, and (ii) software. A breakdown of our intangible assets as at the dates indicated is set out below:

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer relationship	—	—	523,303	513,720
Software	179	2,474	4,221	5,312
Total	**179**	**2,474**	**527,524**	**519,032**

Our intangible assets increased significantly from RMB0.2 million as of December 31, 2019 to RMB2.5 million as of December 31, 2020, primarily because we purchased more software to facilitate our business growth. Our intangible assets increased significantly from RMB2.5 million as of December 31, 2020 to RMB527.5 million as of December 31, 2021, primarily due to our acquisition of HPL. Our intangible assets remained relatively stable at RMB519.0 million as of June 30, 2022.

Goodwill

We did not record any goodwill in 2019 or 2020. We recorded goodwill of RMB218.0 million and RMB218.0 million as of December 31, 2021 and June 30, 2022, respectively, which was related to our acquisition of HPL in November 2021.

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 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 our senior management. The budgeted gross margins 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 units beyond the five-year period are as follows:

	As at December 31, 2021
	%
Budgeted gross margin	37-40
Terminal growth rate	—
Pre-tax discount rate	20.4

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 reflect 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.

As at December 31, 2021, the recoverable amount of the HPL cash-generating unit to which goodwill is allocated exceeded its carrying amount by RMB746,986,000.

If the pre-tax discount rate rose to 22.3%, or the gross margin decreased to the range between 34% to 37%, the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the cash-generating unit. With regard to the assessment of the value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to exceed the recoverable amount. Our management determined that no impairment of goodwill should be recognized for the HPL cash-generating as of December 31, 2021.

HKAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, our management did not identify any significant adverse changes in the operating results and macro environment as of June 30, 2022, and our management has concluded there was no impairment indicator of goodwill at June 30, 2022. Accordingly, our management did not perform impairment testing on goodwill as of June 30, 2022.

Interests in Associates

Our interests in associates represent our share of net assets in our associates companies, primarily including HPL (before it became our subsidiary on November 30, 2021) and HJF. Our interests in associates increased from RMB670.4 million as of December 31, 2019 to RMB1,015.7 million as of December 31, 2020, primarily due to capital injection in HPL and HJF. Our interests in associates decreased from RMB1,015.7 million as of December 31, 2020 to RMB581.9 million as of December 31, 2021, primarily because HPL became one of our subsidiary (and therefore is no longer one of our associate companies) through our acquisition of an additional 18.0% equity interest in HPL in November 2021. Our interests in associates decreased from RMB581.9 million as of December 31, 2021 to RMB556.6 million as of June 30, 2022, primarily because both HPL and CBL are still under construction and have not started to generate revenues.

The following table sets forth a breakdown of our share of net assets in our associates companies, as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
HJF	129,430	370,136	557,790	535,996
HPL[(1)]	540,924	615,561	—	—
CBL	—	30,003	24,088	20,567
Share of net assets	**670,354**	**1,015,700**	**581,878**	**556,563**

Note:

(1) Prior to November 29, 2021, we held 36.9% equity interest in HPL, the project company of phases I and II of the HPAL project, and purchased nickel-cobalt compound products from HPL. We acquired an additional 18.0% equity interest in HPL on November 29, 2021 and has since November 30, 2021 treated HPL as one of our subsidiaries, consolidating its financial results into our consolidated financial statements.

Prepayments for Property, Plant and Equipment

Our prepayment for property, plant and equipment decreased from RMB19.9 million as of December 31, 2019 to RMB2.6 million as of December 31, 2020, primarily because we made more prepayments in 2019 for the construction of environment protection facilities for our Jiangsu Faculties. Our prepayment for property, plant and equipment increased from RMB2.6 million as of December 31, 2020 to RMB351.6 million as of December 31, 2021, primarily due to increased prepayments for property, plant and equipment as a result of our acquisition of HPL in November 2021.

Our prepayment for property, plant and equipment increased from RMB351.6 million as of December 31, 2021 to RMB673.3 million as of June 30, 2022, primarily as a result of an increase in our fixed assets, as the construction of the HPAL project continued.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss are primarily comprised of wealth management products issued by commercial banks and financial institutions in China, futures products and interest rate swaps. Our financial assets at fair value through profit or loss decreased from RMB187.1 million as of December 31, 2019 to RMB152.4 million as of December 31, 2020, which was in line with a decrease in bank deposits used to purchase such wealth management products. Our financial assets at fair value through profit or loss decreased from RMB152.4 million as of December 31, 2020 to nil as of December 31, 2021, as we no longer held such wealth management products as of December 31, 2021. Our financial assets at fair value through profit or loss increased from nil as of December 31, 2021 to RMB120.5 million as of June 30, 2022, primarily in relation to our wealth management and interest rate swaps.

We have in place detailed investment policies and internal control procedures in respect of our investments in wealth management products and futures products, and have dedicated investment teams in charge of such investments, under the supervision of our Board.

Investment Risk Management

Specifically, we have adopted an investment management policy regarding the supervision and approval process for our investments in futures products and wealth management products, as further described below.

Futures Products

During the Track Record Period, we traded futures contracts to mitigate the inherent price risks from price fluctuations of a small portion of ferronickel for our trading business. We did not purchase futures products for speculation during the Track Record Period and speculative trading will continue to be prohibited in the future.

We have adopted detailed futures product management procedures to control our risk exposure to the trading of futures products and established our futures product investment team to monitor and execute our futures products trading. Our investment team regularly conducts market research to guide our trading of futures products. This team is primarily responsible for (i) closely monitoring the performance of our futures products and executing trading strategies, (ii) preparing industry research framework and organizing data on a daily, weekly, and monthly basis, (iii) tracking the supply and demand situation of the industry, and (iv) acquiring additional market information by communicating with other industry participants and attending industry conferences to predict price movements and advise on trading strategies accordingly. The team is supervised by our Board when making investment decisions. As specified in our internal policy, any investment proposal in futures products that require a futures margin (i.e. the amount of money that must be deposited with the futures contract broker when a futures position is opened; the amount of futures margin is typically 10% of the futures position opened) of more than RMB10 million must be reported to our Board, which will then review the feasibility analysis report, investment proposal and other relevant documents for the proposed transaction for approval. For an investment proposal in futures products that requires a futures margin of less than RMB10 million, it needs to be approved by the head of our futures product investment team. In addition, even if the above threshold is not met, if any member of our investment team or the Board considers that a potential investment in the futures products is likely to subject us to substantial risks, he or she may require the Board to review the relevant proposal for approval.

To limit the risks from our futures position, we have also clearly stipulated the position limits for the trading of nickel futures, which in aggregate shall not exceed 3,000 metal tons in position in any time. In addition, we require that the total maximum value of the relevant futures contracts should not exceed 10% of our net assets as of the end of the last fiscal year. Separately, we also have two futures margin accounts with the relevant futures contract brokers, with RMB40 million and

US$3 million in amount, respectively, which in practice function as an upper limit for the futures positions we are allowed to take at any time. The upper limit for total loss and floating loss are set at 5% of our net assets as of the end of the last fiscal year.

We have further adopted specific post-investment controls to monitor the value and trading risk of futures products. Our futures product investment team is required to monitor the values of the futures position, the floating gain/loss and other relevant data on a daily basis. If the loss in the total value of the futures position exceeds the limit set by us before the futures position is opened, our investment team is required to immediately report to the leader of our futures product investment team, who is allowed to close the position if necessary. In addition, our risk management department is also responsible for the risk management related to futures products including (i) monitoring the actual and floating gain/loss of the positions opened; (ii) reporting to the Board in case of any excess positions and/or abnormality in price; and (iii) regularly obtaining updates in relation to business development and the credit standing of the futures contracts brokers and reporting the same to the Board.

The head of our futures product investment team has over ten years of experiences in the nickel product market. He has been primarily involved in nickel product related businesses since 2012 and has accumulated deep understanding and first-hand experience in nickel product trading and the futures market. From 2012 to 2014, he was primarily involved in our nickel ore and ferronickel trading businesses, gaining valuable insights in the market dynamics of nickel products in general and the interaction between nickel products and the nickel futures market. He has led our futures product investment team since 2015.

The research department under our futures product investment team regularly reports and updates the research results on nickel futures to the head of futures product investment team, assisting him in making decisions and judgment in futures products transactions. The research department under our futures product investment team is co-led by two of our research directors, both of whom had extensive experience in trading of nickel products and research of futures products. One of these research directors holds a bachelor's degree in economics from Anhui University of Finance and Economics. From 2009 to 2021, he has conducted extensive market analysis and research work on a variety of metal products, including stainless steel, nickel, cobalt, indium and lithium carbonate, and compiled market analysis reports and designed futures trading and arbitrage solutions for his then supervisors and clients. Since joining us in June 2021, he has primarily been focused on the research and analysis of metal futures. The other research director holds a bachelor's degree in information and computer science from Zhejiang University of Technology. From 2006 to 2014, she was mainly involved in commodity trading, procurement of nickel products, as well as financing activities and settlement of relevant products. Since 2015, she has primarily been focused on the study and research of industry value chain of nickel and stainless steel, and has written over ten research reports on the industry analysis and prediction of market trend of nickel products. Since joining us in November 2021, she has primarily been focused on the research and analysis of metal futures.

Wealth Management Products

We only purchase wealth management products offered by licensed financial institutions that are considered low-risk and offer higher rates of return as compared with time deposits. Our investment team is in charge of overseeing the purchase and management of wealth management products. The team is led by our financial controller, Mr. Wang Ling, who is responsible for investments in wealth management products, and also includes (i) members from our executive management team (including relevant officers from business operation, finance, business administration, human resources, risk management and legal departments) and (ii) market research analysts and trade execution personnel with deep industry knowledge and investment experience. Mr. Wang has a bachelor of economics degree in accounting and master's degree in accounting, and has more than 17 years of experience in financial accounting and management. See "Directors, Supervisors and Senior Management — Senior Management" for more information regarding the experience and qualification of Mr. Wang.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Our investment strategy related to the wealth management products aims to minimize the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, and to generate investment returns for the benefits of our shareholders. Before proceeding with any investment proposal, our investment team assesses our cash flow levels, operational needs and capital expenditures. We make our investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including the macroeconomic environment, general market conditions, our past experience with the financial institutions providing the wealth management products, the underlying assets of the wealth management products, the expected profit or potential loss of such investment, and other material terms of the wealth management products. Our investment team will propose, analyze and evaluate potential investment in wealth management products based on the above factors. The resultant report will be reviewed and approved by Mr. Wang. In addition, any potential investment in wealth management products would require the Board's prior approval if (i) the aggregate amount of the prospective investment is expected to account for more than 10% of our total asset for the most recently completed fiscal year, or (ii) the aggregate amount of the prospective investment is more than RMB10 million and is expected to account for more than 10% of our net asset for the most recently completed fiscal year. In order to optimize returns and mitigate risks of our investment, we closely monitor the performance of our wealth management products and have subsequent portfolio management and risk-warning mechanism in place.

See "Business — Risk Management — Investment Risk Management" for more details on our overall investment policies, strategies and control procedures, as well as those related to investments in wealth management products and futures products specifically. Our investments in wealth management and futures products will also comply with Chapter 14 of the Listing Rules after the Listing.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we funded our operations primarily with cash and cash equivalents on hand, cash generated from operations and bank borrowings. Our cash and cash equivalents primarily consist of cash on hand and bank balances. Going forward, we intend to finance our operations by cash generated from operating activities, bank borrowings and proceeds from the Global Offering.

Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	1,061,385	790,873	1,254,691	283,252	2,948,485
Changes in working capital	(1,299,421)	310,913	(227,492)	(628,193)	(1,142,670)
Income tax paid	(123,488)	(212,479)	(215,878)	(109,345)	(159,293)
Net cash (used in)/from operating activities	(361,524)	889,307	811,321	(454,286)	1,646,522
Net cash used in investing activities	(971,492)	(364,796)	(643,300)	(379,460)	(1,845,021)
Net cash from /(used in) financing activities	1,287,416	(453,180)	997,235	966,620	1,679,830
Net (decrease)/increase in cash and cash equivalents	**(45,600)**	**71,331**	**1,165,256**	**132,874**	**1,481,331**
Cash and cash equivalents at beginning of year/period	233,687	188,399	256,903	256,903	1,413,298
Effect of foreign exchange rate changes, net	312	(2,827)	(8,861)	(1,199)	64,762
Cash and cash equivalents at the end of year/period	**188,399**	**256,903**	**1,413,298**	**388,578**	**2,959,391**

Net Cash From/(Used in) Operating Activities

In the six months ended June 30, 2022, net cash from operating activities was RMB1,646.5 million, which primarily consist of profit before tax of RMB2,392.5 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB159.3 million. Adjustment for certain non-cash and non-operating items primarily include: (i) depreciation of property, plant and equipment of RMB181.4 million, (ii) net foreign exchange differences of RMB123.3 million, and (iii) finance costs of RMB108.5 million, partially offset by changes in fair value of financial assets and liabilities at fair value through profit or loss of RMB44.4 million. The amount was further adjusted by changes in working capital, including (i) an increase in trade and bills payables of RMB276.6 million, and (ii) an increase in amount due to related parties of RMB248.3 million, partially offset by an increase in trade and bills receivables of RMB1,208.5 million.

In 2021, net cash from operating activities was RMB811.3 million, which primarily consist of profit before tax of RMB1,439.1 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB215.9 million. Adjustment for certain non-cash and non-operating items primarily include: (i) finance costs of RMB79.3 million, and (ii) depreciation of property, plant and equipment of RMB74.8 million, partially offset by gains on step acquisitions of subsidiaries of RMB282.6 million. The amount was further adjusted by changes in working capital, including (i) a decrease in prepayments, other receivables and other assets of RMB117.9 million, and (ii) a decrease in an amount due from related parties of RMB195.4 million, partially offset by an increase in trade and bills receivables of RMB676.3 million.

In 2020, net cash from operating activities was RMB889.3 million, which primarily consist of profit before tax of RMB700.4 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB212.5 million. Adjustment for certain non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB50.2 million, (ii) share of profits or losses of associates of RMB68.1 million and (iii) finance costs of RMB42.2 million. The amount was further adjusted by changes in working capital, include (i) increase in trade and bills payables of RMB177.7 million, (ii) decrease in inventories of RMB235.9 million, and (iii) increase in an amount due from related parties of RMB406.4 million, primarily related to our supply of machinery and equipment to HPL.

In 2019, net cash used in operating activities was RMB361.5 million, which primarily consist of profit before tax of RMB785.1 million, adjusted for certain non-cash and non-operating items and income tax paid of RMB123.5 million. Adjustment for certain non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB211.3 million, primarily related to our Jiangsu Facilities, and (ii) finance costs of RMB66.6 million. The amount was further adjusted by changes in working capital, include (i) increase in inventories of RMB210.0 million, (ii) increased in pledged deposit of RMB213.8 million related to the issuance of letter of credit, (iii) increase in trade and bill receivables of RMB808.3 million, and (iv) increase in prepayments, other receivables and other assets of RMB226.0 million.

Net Cash Used in Investing Activities

In the six months ended June 30, 2022, net cash used in investing activities was RMB1,845.0 million, which primarily consist of (i) purchase of items of property, plant and equipment of RMB1,679.3 million, (ii) purchases of financial assets at fair value through profit or loss of RMB116.8 million, and (iii) deposits for purchases of derivatives of RMB81.0 million.

In 2021, net cash used in investing activities was RMB643.3 million, which primarily consist of (i) purchase of items of property, plant and equipment of RMB310.0 million, (ii) interests in associates of RMB351.7 million, and (iii) deposits for purchases of derivatives of RMB96.5 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB184.0 million, related to our wealth management products and futures products. The above changes were primarily attributable to our acquisition of HPL.

In 2020, net cash used in investing activities was RMB364.8 million, which primarily consist of (i) purchases of financial assets at fair value through profit or loss of RMB135.5 million, related to our wealth management products and futures products, and (ii) purchases of a shareholding in associates of RMB612.6 million, related to our increase of registered capital of HJF and CBL, which was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB170.1 million, related to our wealth management products and futures products.

In 2019, net cash used in investing activities was RMB971.5 million, which primarily consist of (i) purchase of financial assets with the fair value changes through profit or loss of RMB187.0 million, related to our wealth management products and futures products, and (ii) purchases of a shareholding in HPL of RMB438.9 million, which was partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB6.7 million, related to our wealth management products and futures products.

Net Cash From/(Used in) Financing Activities

In the six months ended June 30, 2022, net cash generated from financing activities was RMB1,679.8 million, which primarily consisted of (i) proceeds from bank borrowings of RMB3,742.7 million, and (ii) proceeds from other borrowings of RMB448.4 million, partially offset by repayment of bank borrowings of RMB2,306.8 million.

In 2021, net cash generated from financing activities was RMB997.2 million, which primarily consisted of (i) proceeds from bank borrowings of RMB6,137.1 million, and (ii) proceeds from issue of shares of RMB1,277.0 million, representing capital injection from our existing shareholders and new shareholders, partially offset by repayment of bank borrowings of RMB6,184.6 million.

In 2020, net cash used in financing activities was RMB453.2 million, which was primarily consist of repayment of bank borrowings of RMB5,049.5 million and dividend paid of RMB189.4 million, partially offset by proceeds from bank borrowings of RMB4,623.0 million.

In 2019, net cash generated from financing activities was RMB1,287.4 million, which primarily consist of proceeds from bank borrowings of RMB6,913.5 million, partially offset by repayment of bank borrowings of RMB6,175.0 million.

CAPITAL EXPENDITURES

Our capital expenditures amounted to RMB498.5 million, RMB686.8 million, RMB661.6 million, RMB363.7 million and RMB1,680.0 million in 2019, 2020, 2021 and the six months ended

June 30, 2021 and 2022, respectively. Our capital expenditures were used for prepayment for property, plant and equipment, investments in associates, and investments in a joint venture. The following table sets forth our capital expenditures for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000* *(Unaudited)*	*(%)*	*RMB'000*	*(%)*
Prepayments for property, plant and equipment	59,636	12.0	74,226	10.8	309,951	46.8	12,031	3.3	1,679,303	100.0
Interests in associates	438,870	88.0	612,613	89.2	351,691	53.2	351,691	96.7	—	—
Interests in a joint venture	—	—	—	—	—	—	—	—	677	—
Total	**498,506**	**100.0**	**686,839**	**100.0**	**661,642**	**100.0**	**363,722**	**100.0**	**1,679,980**	**100.0**

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were related to (i) our acquisition of property, plant and equipment, and (ii) capital contributions payable to joint ventures and associates. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the total amount of our capital commitments contracted for but not provided in the consolidated financial statements was RMB909.4 million, RMB237.4 million, RMB2,374.8 million and RMB4,296.9 million, respectively.

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

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	67,590	534	2,374,080	4,296,905
Capital contributions payable to joint ventures and associates	841,789	236,876	681	—
Total	**909,379**	**237,410**	**2,374,761**	**4,296,905**

INDEBTEDNESS

As of September 30, 2022, being the latest practicable date for the purpose of the indebtedness statement below, we had RMB2,679.5 million in indebtedness, which was comprised of interest-bearing bank and other borrowings and lease liabilities. As of September 30, 2022, we had unutilized banking facilities of approximately RMB1,255.3 million.

The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of September 30,
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current					
Interest-bearing bank and other borrowings	1,493,866	1,024,498	1,155,912	2,581,957	2,665,311
Lease liabilities	2,456	3,204	8,638	13,557	14,235
Total	**1,496,322**	**1,027,702**	**1,164,550**	**2,595,514**	**2,679,546**
Non-current					
Interest-bearing bank and other borrowings	—	—	3,595,682	3,902,122	4,059,175
Lease liabilities	2,636	1,960	2,229	52,685	49,430
Total	**2,636**	**1,960**	**3,597,911**	**3,954,807**	**4,108,605**

Interest-bearing Bank and Other Borrowings

Our interest-bearing bank and other borrowings mainly consist of import bill advance under letter of credit. As of December 31, 2019, 2020, 2021 and as of June 30 and September 30, 2022, we recognized interest-bearing bank and other borrowings of RMB1,493.9 million, RMB1,024.5 million, RMB4,751.6 million, RMB6,484.1 million and RMB6,724.5 million, respectively.

The following tables set forth the breakdown of our interest-bearing bank and other borrowings as of the dates indicated.

	As at December 31, 2019		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings — secured	2.24-5.66	2020	1,466,526
Other borrowing	5.66	2020	27,340
Total			**1,493,866**

	As at December 31, 2020		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings — secured	1.30-4.35	2021	1,024,498

	As at December 31, 2021		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings — secured	1.7-4.40	2022	1,121,096
Other borrowing	5.61	2022	30,434
Current portion of long term bank borrowings — secured	LIBOR+3.75	2022	4,382
			1,155,912
Non-current			
Bank borrowings — secured	LIBOR+3.00-3.75	2027	3,595,682
			4,751,594

	As at June 30, 2022		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings — secured	1.36-4.95	2022	2,294,492
Other borrowing	3.6-4.3	2022	207,870
Current portion of long term bank borrowings – secured	LIBOR+3.75	2022	79,595
			2,581,957
Non-current			
Bank borrowings – secured	LIBOR+3.00-3.75	2023-2027	3,902,122
			6,484,079

	As at September 30, 2022		
	Effective interest rate (%)	Maturity	RMB'000
			(Unaudited)
Current			
Bank borrowings — secured	1.7-4.95	2023	2,309,278
Other borrowing	3.90	2023	166,986
Current portion of long term bank borrowings — secured	4.45 and LIBOR+3.75 and LIBOR+3.00	2023	189,047
			2,665,311
Non-current			
Bank borrowings — secured	4.3-4.45 and LIBOR+3.75 and LIBOR+3.00	2034	4,059,175
			6,724,486

	As of December 31,			As of June 30,	As of September 30,
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed into:					*(Unaudited)*
Bank loans repayable:					
Within one year or on demand	1,493,866	1,024,498	1,155,912	2,581,957	2,665,311
In the second year	—	—	144,757	516,490	645,497
In the third year	—	—	533,486	495,706	901,656
In the fourth year	—	—	752,741	777,267	1,020,426
In the fifth year	—	—	873,459	951,755	1,180,114
Beyond five years	—	—	1,291,239	1,160,904	311,482
Total	**1,493,866**	**1,024,498**	**4,751,594**	**6,484,079**	**6,724,486**

Certain of our borrowings are (i) secured by mortgages over our buildings and land, or (ii) guaranteed by our directors or other related parties. For details of our mortgages and guarantees, please see Note 27 to Appendix IA Accountants' Report of this prospectus. All guarantees provided by our directors and other related parties over our borrowings will be released upon completion of the Listing.

The agreements under our interest-bearing bank and other borrowings do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that we did not have any default in payment of interest-bearing bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Lease Labilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. As of December 31, 2019, 2020 and 2021, and as of June 30 and September 30, 2022, we recognized lease liabilities of RMB5.1 million, RMB5.2 million, RMB10.9 million, RMB66.2 million and RMB63.7 million, respectively.

Except for our indebtedness as disclosed above, we did not have any other capital issued and outstanding or to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, or other material contingent liabilities as of September 30, 2022, being the latest practicable date for our indebtedness statement.

Except for our indebtedness as disclosed above, since June 30, 2022 and up to the date of this prospectus, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise. Our Directors confirm that the Company does not have any external financing plans as of the Latest Practicable Date apart from the Global Offering.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have significant contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios as of the dates or for the periods indicated.

	Years ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Profitability:					
Gross profit margin(1)	10.9%	12.3%	12.2%	8.6%	30.9%
Net profit margin(2)	6.1%	6.7%	10.1%	2.2%	22.9%
Rates of return:					
Return on average assets(3)	16.3%	12.5%	15.6%	N/M(8)	N/M(8)
Return on average equity(4)	56.5%	40.8%	38.4%	N/M(8)	N/M(8)
Liquidity:					
Gearing ratio(5)	1.3	0.7	0.9	N/A	0.8
Current ratio(6)	0.9	0.9	1.3	N/A	1.4
Quick ratio(7)	0.8	0.7	1.0	N/A	1.2

Notes:

(1) Gross profit margin equals gross profit divided by total revenue during the year/period, multiplied by 100%.

(2) Net profit margin equals net profit divided by total revenue during the year/period, multiplied by 100%.

(3) Return on average assets ratio equals net profit divided by average assets during the year/period, multiplied by 100%.

(4) Return on average equity ratio equals net profit divided by average equity during the year/period, multiplied by 100%.

(5) Gearing ratio equals total interest-bearing bank borrowings divided by total equity.

(6) Current ratio equals total current assets divided by total current liabilities.

(7) Quick ratio equals total current assets less inventories divided by total current liabilities.

(8) These ratios are not meaningful as numbers for the period are not comparable to the numbers for the year.

Return on average assets ratio. The return on average assets ratio decreased from 16.3% in 2019 and 12.5% in 2020, primarily due to an increase in average asset in 2020, as we increased interests in associates. The return on average asset ratio increased from 12.5% in 2020 to 15.6% in 2021, primarily because our acquisition of HPL, which produces nickel-cobalt compound products, increased the profitability of our nickel product production business.

Return on average equity ratio. The return on average equity ratio decreased from 56.5% in 2019 to 40.8% in 2020, primarily due to an increase in net asset. The return on average equity ratio remained relatively stable at 40.8% and 38.4% in 2020 and 2021, respectively.

Gearing ratio. The gearing ratio decreased from 1.3 as of December 31, 2019 to 0.7 as of December 31, 2020, primarily due to a decrease in interest-bearing bank and other borrowings. The gearing ratio increased from 0.7 as of December 31, 2020 to 0.9 as of December 31, 2021, primarily due to increase in bank borrowings in order to support the ongoing construction of the HPAL project. The gearing ratio remained relatively stable at 0.9 as of December 31, 2021 and 0.8 as of June 30, 2022.

Current ratio. The current ratio remained relatively stable at 0.9 and 0.9 as of December 31, 2019 and 2020. The current ratio increased to 1.3 as of December 31, 2021, as a result of a significant increase in current assets due to our acquisition of HPL, as well as capital contribution from shareholders. The current ratio increased from 1.3 as of December 31, 2021 to 1.4 as of June 30, 2022, primarily due to an increase in cash and inventories.

Quick ratio. The quick ratio remained relatively stable at 0.8 and 0.7 as of December 31, 2019 and 2020, respectively. The quick ratio increased to 1.0 as of December 31, 2021, as a result of capital contribution from shareholders. The quick ratio increased from 1.0 as of December 31, 2021 to 1.2 as of June 30, 2022, as a result of increase in cash and cash equivalents.

PROPERTY VALUATION

The independent valuer, in valuing our industrial properties located in the Village of Kawasi, District of Obi, Sub District of South Halmahera, Province of North Maluku, Indonesia, has assigned no commercial value to the property due to the borrow-to-use land nature on which the buildings and structures erected on. For details, see “Appendix III — Property Valuation Report”.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, an amount due from a director, trade and bills receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets. See Note 37 to the Accountants’ Report in Appendix IA to this prospectus for an analysis of the credit quality and the maximum exposure to credit risk based on our credit policy.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management of us to finance the operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

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 we conduct business may affect our financial condition and results of operations. We seek to limit our exposure to foreign currency risk by minimizing its net foreign currency position.

The following table demonstrates the sensitivity as at the end of each year/period during the Track Record Period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of our loss before tax (due to translation of monetary assets and liabilities) and our equity.

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	*RMB'000*	*RMB'000*
December 31, 2019			
If the RMB weakens against the US$	5%	20,256	19,494
If the RMB strengthens against the US$	5%	(20,256)	(19,494)
December 31, 2020			
If the RMB weakens against the US$	5%	12,108	15,190
If the RMB strengthens against the US$	-5%	(12,108)	(15,190)
December 31, 2021			
If the RMB weakens against the US$	5%	16,346	17,446
If the RMB strengthens against the US$	-5%	(16,346)	(17,446)
If the RMB weakens against the IDR	5%	(1,743)	(643)
If the RMB strengthens against the IDR	-5%	1,743	643
June 30, 2022			
If the RMB weakens against the US$	5%	73,000	83,766
If the RMB strengthens against the US$	-5%	(73,000)	(83,766)
If the RMB weakens against the IDR	5%	138	117
If the RMB strengthens against the IDR	-5%	(138)	(117)

Results of the analysis as presented in the above table represent the sensitivity as at the end of each of the Track Record Periods to a reasonably possible change in foreign currency exchange rates with our loss before tax (due to translation of monetary assets and liabilities) and equity, translated into RMB at the exchange rate ruling at the end of each reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by us which expose us to foreign currency risk as of December 31, 2019, 2020 and 2021 and June 30, 2022. The analysis excludes differences that would result from the translation of the financial statements of entities whose functional currency is not RMB. The analysis is performed on the same basis for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022.

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into transaction with certain of our related parties. These transactions were conducted on normal commercial terms in the ordinary course of our business, with pricing policies consistent with those transaction conducted with independent third parties. These transactions mainly included the sales of machinery and equipment used in the production of nickel products to HPL and HJF and the purchase of nickel products from HPL and

Regent Sound Limited. It is the view of our Directors that each of the related party transactions set out in Note 38 to the Accountants' Report in Appendix IA to this prospectus were conducted in the ordinary course of business on an arm's length basis between the relevant parties and were entered into on normal commercial terms. Except for the balances with our Controlling Shareholders or their respective close associates representing interest payable and dividends payable by the Company, which have been subsequently repaid in 2022, the outstanding balances as of December 31, 2021 with related parties that are non-trade in nature will not be settled prior to the Listing. See Note 38 to the Accountants' Report in Appendix IA to this prospectus for more details on the outstanding balances with related parties. Given that as of the Latest Practicable Date, there were no outstanding loans due to or from our Controlling Shareholders or their respective close associates, we believe we are able to operate independently from the Controlling Shareholders and their respective close associates from a financial perspective.

During the Track Record Period, we entered into a number of related party transaction which were of non-trade nature. We extended (i) a loan of RMB50.5 million in 2019 and a loan of RMB1.7 million in 2020 to Mr. Cai Jianyong, our director and shareholder, (ii) a loan of RMB2.0 million in 2019 to Mr. Cai Jianwei, our director and shareholder, (iii) a loan of RMB27 thousand in 2019 and a loan of RMB600 thousand in 2020, to Mr. Ge Kaicai, our supervisor; and (iv) a loan of RMB132.9 million in 2019, and a loan of RMB149.6 million in 2020 to Lygend Investment, our ultimate controlling shareholder. We got a loan of RMB20 million from Lygend Investment in 2021. All of these loans have been fully paid by December 31, 2021. As of June 30, 2022, the balance due from related parties was RMB95.8 million (mainly comprised of the balance due from TBP of RMB95.5 million), which was of very insignificant amount, and will not be settled prior to the Listing, primarily because, in accordance with the project schedule, TBP is not required to inject capital contributions to OSS before the commencement of the construction of the stainless steel project in Indonesia. TBP is expected to start injecting capital contributions to OSS shortly after the commencement of the construction of the stainless steel project and will continue to make further capital injections based on the actual progress of the construction of this project. As of the same date, we recorded cash and cash equivalents of RMB2,959.4 million. As such, we believe that we have sufficient funds to support our business operations and keep our own internal control, accounting, funding, reporting and financial management system independent from our related parties.

We and our Indonesian Partner have guaranteed certain of the bank borrowings of HPL (which was our associate, and a related party, prior to November 30, 2021) in relation to the ongoing construction of Phases I and II of the HPAL project. HPL has become one of our subsidiaries since November 30, 2021 and is no longer our related party. We and our Indonesian Partner have guaranteed certain of the bank borrowings of HJF in relation to the ongoing construction of Phase I of the RKEF project. These guarantees provided by us and our Indonesian Partner are not expected to be released upon the completion of the Listing. See Note 38 to the Accountants' Report in Appendix IA to this prospectus for more details.

In addition, certain of our borrowings are guaranteed by our directors or other related parties. See "— Indebtedness — Interest-bearing Bank and Other Borrowings" and Note 27 to the

Accountants' Report in Appendix IA to this prospectus for more details. Except for the guarantees provided by our Indonesian Partner over HPL's bank borrowings as discussed above, all guarantees provided by our directors and other related parties over our borrowings will be released upon completion of the Listing.

DIVIDENDS

Pursuant to relevant PRC laws and regulations applicable to us, we are required to set aside a certain amount of our accumulated after tax profits each year, if any, to fund statutory reserves. Dividends may be paid only out of distributable profits, which are our retained earnings as determined in accordance with PRC GAAP or IFRS, whichever is lower, less the above mentioned statutory reserves and any discretionary surplus reserves.

As confirmed by our PRC Legal Advisor, according to the PRC law, 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.

As of the Latest Practicable Date, we have not adopted any formal dividend policy, nor have we set any dividend payout ratio after the Global Offering. The Board may consider, among other things, the following factors when proposing dividends and determining the amount of dividends:(i) our actual and projected financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plan; (iii) our present and future cash flow; (iv) other internal and external factors that may have an impact on our business operations or financial performance and position; and (v) other factors that our Board of Directors deem 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 may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year.

We declared dividends of RMB300.0 million, RMB190.0 million and RMB845.8 million in 2019, 2020 and 2021, respectively, all of which have been fully paid as of June 30, 2022. Subsequent to December 31, 2021 and as of the Latest Practicable Date, we have not declared any additional dividends.

DISTRIBUTABLE RESERVES

As of December 31, 2019, 2020 and 2021 and June 30, 2022, our reserves available for distribution to our equity holders, or our retained earnings, amounted to RMB636.2 million, RMB882.0 million, RMB1,820.6 million and RMB3,358.5 million, respectively.

LISTING EXPENSE INCURRED AND TO BE INCURRED

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Based on the mid-point of the indicative Offer Price range for the Global Offering and assuming the Over-allotment Option is not exercised, our listing expenses are estimated to be approximately RMB153.8 million (HK$170.1 million), accounting for approximately 4.1% of the gross proceeds from the Global Offering. This includes (i) underwriting-related expenses, including underwriting commission and other expenses, of approximately RMB93.5 million (HK$103.4 million), and (ii) non-underwriting-related expenses of approximately RMB60.3 million (HK$66.7 million), comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately RMB38.7 million (HK$42.7 million), and (b) other fees and expenses of approximately RMB21.7 million (HK$24.0 million).

During the Track Record Period, we incurred RMB33.9 million of listing expenses, of which RMB2.6 million was charged to our consolidated statements of profit or loss and RMB31.3 million will be deducted from equity. We expect to incur additional expenses of approximately RMB177.6 million after June 30, 2022, of which RMB8.8 million is expected to be charged to our consolidated statements of profit or loss and RMB168.8 million is directly attributable to the issue of the shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard.

The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operation.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the parent as if the Global Offering had taken place on June 30, 2022.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the attributable to owners of the parent had the Global Offering been completed as of June 30, 2022 or at any future date.

It is prepared based on our consolidated net assets as of June 30, 2022 as set out in our accountants' report, the text of which is set out in Appendix IA, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountants' Report.

Consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2022.

	Consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2022	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets to attributable to owners of the parent as at June 30, 2022	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as at June 30, 2022	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*
Based on an Offer Price of HK$15.60 per Share	3,939,211	3,141,561	7,080,772	4.57	5.05
Based on an Offer Price of HK$19.96 per Share	3,939,211	4,035,640	7,974,851	5.14	5.68

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2022 was equal to the consolidated net assets attributable to owners of the parent as at June 30, 2022 of RMB4,676,280,000 after deducting intangible assets of RMB519,032,000 and goodwill of RMB218,037,000 as at June 30, 2022, as shown in the Accountants' Report set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are calculated based on estimated offer prices of HK$15.60 per Share or HK$19.96 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB2,602,000 which have been charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on 1,550,316,350 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9045 to HK$1.00.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to June 30, 2022.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2022 (the date of the latest financial statements of the Company), and there is no event since June 30, 2022 which would materially affect the information shown in the Accountants' Report in Appendix IA to this prospectus.

FINANCIAL INFORMATION OF HPL

We initially held a 36.9% equity interest in HPL, the operating company of Phases I and II of the HPAL project. We acquired an additional 18.0% of equity interest in HPL on November 29, 2021, and have since November 30, 2021 consolidated HPL's financials into our consolidated financial statements. See "History, Development and Corporate Structure — Strategic Acquisitions" and "Business — Production of Nickel Products — Nickel-cobalt compound production" for more details.

Set out below is certain financial information of HPL.

Description of Major Components of the Results of Operations of HPL

The following table sets out a summary of the consolidated statements of comprehensive income/(loss) of HPL and its subsidiaries with line items in absolute amounts and as percentages of its revenue for the periods indicated.

	Year ended December 31,		Eleven Months ended November 30,	
	2019	**2020**	**2020**	**2021**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue	—	—	—	187,816
Cost of sales	—	—	—	(78,529)
Gross profit	**—**	**—**	**—**	**109,287**
Other income and gains	184	2,918	4,347	246
Selling and distribution expenses	—	—	—	(55)
Administrative expenses	(7,580)	(18,129)	(16,131)	(33,922)
Other operating expenses	(723)	—	—	(2,687)
Finance costs	—	—	—	(10,076)
Profit/(loss) before taxation	**(8,119)**	**(15,211)**	**(11,784)**	**62,793**
Income tax credit	39	34	34	219
Profit/(loss) for the year/period	**(8,080)**	**(15,177)**	**(11,750)**	**63,012**

Revenue

Phase I of the HPAL project commenced the production and sale of nickel-cobalt compounds in May 2021 and June 2021, respectively. As such, HPL did not generate any revenue prior to June 2021.

Cost of Sales

HPL's cost of sales consists of (i) raw material and main material costs, which represent raw materials and other materials used in the production of nickel-cobalt compounds, (ii) depreciation of fixed assets, (iii) staff costs, which represent salaries and benefits for staff engaged in the production of nickel-cobalt compounds, (iv) miscellaneous expenses, and (v) fuel and power costs. The following table sets out a breakdown of the major components of HPL's cost of sales in absolute amounts and as percentages of total cost of goods sold for the periods indicated:

	Year ended December 31,				Eleven Months ended November 30,			
	2019		2020		2020		2021	
	US$'000	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*
Raw material and main material costs	—	—	—	—	—	—	51,076	65.0
Depreciation of fixed assets	—	—	—	—	—	—	13,381	17.0
Staff costs	—	—	—	—	—	—	7,091	9.0
Miscellaneous expenses	—	—	—	—	—	—	3,493	4.4
Fuel and power costs	—	—	—	—	—	—	3,488	4.4
Total	**—**	**—**	**—**	**—**	**—**	**—**	**78,529**	**100.0**

Gross Profit

The following table sets out the gross profit and margin of HPL for the periods indicated:

	Year ended December 31,		Eleven Months ended November 30,	
	2019	2020	2020	2021
Gross profit (US$' 000)	—	—	—	109,287
Gross margin (%)	—	—	—	58.2%

Other Income and Gains

Other income and gains of HPL consist of (i) bank interest income on bank deposits, and (ii) net foreign exchange gains, primarily attribute to the fluctuations of U.S. dollars, Indonesian rupiahs, RMB, Euros, and Great Britain Pound. The following table sets out a breakdown of the major components of HPL's other income and gains in absolute amounts and as percentages of total other income and gains for the periods indicated:

	Year ended December 31,				Eleven Months ended November 30,			
	2019		2020		2020		2021	
	US$'000	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*
Bank interest income	184	100.0	579	19.8	550	12.7	246	100.0
Net foreign exchange gains	—	—	2,339	80.2	3,797	87.3	—	—
Total	**184**	**100.0**	**2,918**	**100.0**	**4,347**	**100.0**	**246**	**100.0**

Selling and Distribution Expenses

Selling and distribution expenses of HPL consist of (i) handling fees related to the transportation and processing of the goods, (ii) professional fees in connection with the inspection of nickel-cobalt compounds, (iii) staff costs, which represent salaries and benefits for HPL's sales and marketing personnel, and (iv) others, including freight charges and fees related to the export of nickel-cobalt compounds products. The following table sets out a breakdown of the major components of HPL's selling and distribution expenses in absolute amounts and as percentages of total selling and distribution expenses for the periods indicated:

	Year ended December 31,				Eleven Months ended November 30,			
	2019		2020		2020		2021	
	US$'000	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*
Handling fees	—	—	—	—	—	—	27	49.1
Professional fees	—	—	—	—	—	—	14	25.5
Staff Costs	—	—	—	—	—	—	9	16.4
Others	—	—	—	—	—	—	5	9.1
Total	—	—	—	—	—	—	**55**	**100.0**

Administrative Expenses

Administrative expenses of HPL consist of (i) staff costs, which represent salaries and benefits for HPL's administrative personnel, (ii) living and accommodation expenses for HPL's staff, (iii) depreciation of fixed assets, (iv) travel and entertainment expenses, (v) rental expenses, and (vi) others, primarily include utility bills, professional fees and insurance fees. The following table sets out a breakdown of the major components of the administrative expenses of HPL in absolute amounts and as percentages of total administrative expenses for the periods indicated:

	Year ended December 31,				Eleven Months ended November 30,			
	2019		2020		2020		2021	
	US$'000	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*	*US$'000*	*(%)*
Staff costs	1,261	16.6	4,149	22.9	3,775	23.4	10,485	30.9
Living and accommodation expenses	3,250	42.9	6,077	33.5	5,492	34.0	10,954	32.3
Depreciation of fixed assets	222	2.9	462	2.5	408	2.5	3,130	9.2
Travel and entertainment expenses	1,850	24.4	3,852	21.2	3,545	22.0	6,063	17.9
Rental expenses-short term lease	497	6.6	808	4.5	719	4.5	514	1.5
Others	500	6.6	2,781	15.3	2,192	13.6	2,776	8.2
Total	**7,580**	**100.0**	**18,129**	**100.0**	**16,131**	**100.0**	**33,922**	**100.0**

Other Operating Expenses

Other operating expenses of HPL primarily attribute to exchange losses in relation to the fluctuation of U.S. dollars, Indonesian rupiahs, RMB, Euros and Great Britain Pound.

Finance Costs

Finance costs of HPL consist of interest on bank borrowings and interest on lease liabilities.

	Year ended December 31,		Eleven Months ended November 30,	
	2019	2020	2020	2021
	US$'000	*US$'000*	*US$'000*	*US$'000*
Interest on bank borrowings	3,206	17,688	15,082	22,595
Interest on lease liabilities	—	—	—	60
Subtotal	3,206	17,688	15,082	22,655
Less: interest capitalized	(3,206)	(17,688)	(15,082)	(12,579)
Total	—	—	—	**10,076**

Period-to-Period Comparison of the Results of Operations of HPL

Period from January 1, 2021 to the Acquisition Date Compared to the Same Period in 2020

Revenue

Revenues from contracts with customers of HPL was US$187.8 million for the period from January 1, 2021 to the Acquisition Date, as it began to sell nickel-cobalt compounds products in June

2021, after phase I of the HPAL project commenced operation in May 2021. HPL did not record any revenues from contracts with customers for the eleven months ended November 30, 2020.

Cost of Sales

Cost of sales of HPL was US$78.5 million for the period from January 1, 2021 to the Acquisition Date, as HPL started to generate revenue from contracts with customers in June 2021. HPL did not record any cost of sales for the eleven months ended November 30, 2020.

Gross Profit and Gross Margin

Gross profit of HPL was US$109.3 million for the period from January 1, 2021 to the Acquisition Date. Gross profit margin was 58.2% for the same period. HPL did not record any gross profit for the eleven months ended November 30, 2020 as it did not generate any revenue from contracts with customers or cost of goods sold during such period.

Other Income and Gains

Other income and gains of HPL decreased by 94.3% from US$4.3 million for the eleven months ended November 30, 2020 to US$246 thousand for the period from January 1, 2021 to the Acquisition Date, primarily because HPL recorded a US$3.8 million net foreign exchange gains for the eleven months ended November 30, 2020, whereas it did not record any net foreign exchange gains for the period from January 1, 2021 to the Acquisition Date.

Selling and Distribution Expenses

Selling and distribution expenses of HPL was US$55 thousand for the period from January 1, 2021 to the Acquisition Date, as HPL started to sell its nickel-cobalt compounds in June 2021. HPL did not incur any selling and distribution expenses in the eleven months ended November 30, 2020.

Administrative Expenses

Administrative expenses of HPL increased significantly from US$16.1 million for the eleven months ended November 30, 2020 to US$33.9 million for the same period in 2021, primarily due to (i) an increase of US$6.7 million in staff costs as HPL recruited more personnel for the construction of the HPAL project, and (ii) an increase of US$5.5 million in living and accommodation expenses, which was primarily due to HPL's increased headcount.

Other Operating Expenses

HPL incurred other operating expenses of US$2.7 million from January 1, 2021 to the Acquisition Date, primarily due to exchange losses. HPL did not incur any other operating expenses for the same period in 2020.

Finance Costs

HPL incurred finance costs of US$10.1 million from January 1, 2021 to the Acquisition Date, as a result of increased bank borrowings to support the continued construction and operation of the HPAL project, which was partially offset by the capitalization of a portion of HPL's interest on bank borrowings. HPL did not incur any finance costs for the same period in 2020, as all of its interest on bank borrowings was capitalized.

Profit for the Period

As a result of the foregoing, HPL recorded a profit of US$63.0 million for the period from January 1, 2021 to the Acquisition Date, compared to a loss of US$11.8 million for the same period in 2020.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

HPL did not generate any revenue from contracts with customers in either 2019 or 2020.

Cost of Sales

HPL did not incur any cost of sales in either 2019 or 2020.

Other Income and Gains

Other income and gains of HPL increased significantly from US$184 thousand in 2019 to US$2.9 million in 2020, primarily because an increase in net foreign exchange gains.

Selling and Distribution Expenses

HPL did not generate any selling and distribution expenses in either 2019 or 2020.

Administrative Expenses

Administrative expenses of HPL increased significantly from US$7.6 million in 2019 to US$18.1 million in 2020, primarily due to (i) an increase of US$2.9 million in staff costs, as HPL recruited more personnel for the construction of the HPAL project, (ii) an increase of US$2.8 million in living and accommodation expenses, which was primarily due to HPL's increased headcount, and (iii) an increase of US$2.3 million in other expenses, due to HPL's increased headcount to support the HPAL project.

Other Operating Expenses

HPL incurred other operating expenses of US$0.7 million in 2019, primarily due to exchange loss. HPL did not incur any other operating expenses in 2020.

Finance Costs

HPL did not incur any finance costs in either 2019 or 2020, as all of HPL's interest on bank borrowings in 2019 and 2020 was capitalized.

Loss for the Year

As a result of the foregoing, HPL incurred a loss of US$15.2 million in 2020, compared to a loss of US$8.1 million in 2019.

Current Assets and Current Liabilities

The following table sets out the current assets and liabilities of HPL as of the dates indicated:

	As of December 31,		As of November 30,
	2019	2020	2021
	US$'000	*US$'000*	*US$'000*
CURRENT ASSETS			
Inventories	—	—	68,424
Trade receivables	—	—	65,358
Prepayments, other receivables and other assets	13,587	20,738	23,077
Due from related parties	27	574	934
Pledged deposits	4,733	—	18,880
Cash and cash equivalents	50,691	8,948	62,179
Total current assets	**69,038**	**30,260**	**238,852**
CURRENT LIABILITIES			
Interest-bearing bank borrowings	170,693	331,763	27,152
Trade payables	—	—	23,065
Lease liabilities	—	—	445
Other payables and accruals	28,336	82,460	80,095
Due to related parties	2,648	32,633	23,720
Total current liabilities	**201,677**	**446,856**	**154,477**
NET CURRENT ASSETS/(LIABILITIES)	**(132,639)**	**(416,596)**	**84,375**

Cash Flows

The following table sets out the cash flows of HPL for the periods indicated:

	Year ended December 31,		Period ended November 30,
	2019	2020	2021
	US$'000	*US$'000*	*US$'000*
Net cash used in/(from) operating activities	(20,452)	(21,703)	4,702
Net cash used in investing activities	(268,810)	(250,253)	(250,075)
Net cash flows from financing activities	338,572	230,213	298,604
Net increase/(decrease) in cash and cash equivalents	**49,310**	**(41,743)**	**53,231**
Cash and cash equivalents at beginning of year/period	1,381	50,691	8,948
Cash and cash equivalents at end of year/period	**50,691**	**8,948**	**62,179**

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets forth certain information of each of our Directors:

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. CAI Jianyong (蔡建勇)[1]	51	Founder, Executive Director and Chairman of the Board	January 2009 (when our Company was founded)	January 5, 2011	Responsible for the overall management of our Group and in particular, on our resourcing, trading and investment business and the public relations department of our Company.
Mr. JIANG Xinfang (江新芳)	48	Executive Director and General Manager	January 2018	September 16, 2021	Responsible for the laterite nickel ore project and the daily operation and management of our Group.
Ms. FEI Feng (費鳳)	45	Executive Director, Deputy General Manager and Secretary of the Board	July 2009	September 16, 2021	Responsible for the coordination and management of our Company's day-to-day operation.
Mr. CAI Jianwei (蔡建威)[1]	50	Executive Director and Deputy General Manager	February 2009	September 16, 2021	Responsible for managing the trade affairs of our Company.
Mr. YU Weijun (余衛軍)	53	Executive Director and Deputy General Manager	August 2011	September 16, 2021	Responsible for managing financial affairs and providing professional support to our Company's day-to-day operation.
Mr. Lawrence LUA Gek Pong	65	Non-executive Director	December 7, 2021	December 7, 2021	Responsible for providing guidance and advice on corporate and business strategies.
Dr. HE Wanpeng (何萬篷)	48	Independent non-executive Director	December 7, 2021	December 7, 2021	Responsible for providing independent advice to the Board.
Ms. ZHANG Zhengping (張爭萍)	42	Independent non-executive Director	December 7, 2021	December 7, 2021	Responsible for providing independent advice to the Board.
Dr. WANG James Jixian (王緝憲)	68	Independent non-executive Director	December 7, 2021	December 7, 2021	Responsible for providing independent advice to the Board.

Note:

(1) Mr. Cai, one of our executive Directors and the chairman of the Board, is the brother of Mr. Cai Jianwei, one of the executive Directors and deputy general managers of our Company.

Executive Directors

Mr. CAI Jianyong (蔡建勇), aged 51, is our founder, chairman of the Board, and an executive Director of our Company. Mr. Cai is primarily responsible for the overall management of the Group and in particular, on our resourcing, trading and investment business and the public relations department of our Company. Mr. Cai was first appointed as our Director on January 5, 2011 and was redesignated as our executive Director on December 16, 2021.

Mr. Cai also holds the following positions in other members of our Group:

Other members of the Group (relationship with the Group)	Positions held with other members of the Group	Date of appointment
Lygend Shanghai (a wholly-owned subsidiary)	Chairman of the board	June 2018
Ningbo Lygend New Energy Co., Ltd. (寧波力勤新能源有限公司) (a wholly-owned subsidiary)	Executive director and general manager	September 2020
Ningbo Huiran (a wholly-owned subsidiary)	Executive director and general manager	June 2017
Jiangsu Wisdom (a wholly-owned subsidiary)	Director	April 2015
Ningbo Baoxin Special Steel Technology Co., Ltd. (寧波寶鑫特鋼科技有限公司) (a wholly-owned subsidiary)	Executive director and general manager	October 2021
Ningbo Lygend Industrial Park Management Co., Ltd. (寧波力勤園區管理有限公司) (a wholly-owned subsidiary)	Executive director and general manager	June 2021
Lygend Golden Power (Hong Kong) Limited (力勤鑫動力（香港）有限公司) (a wholly-owned subsidiary)	Director	July 2021
Lygend New Power (Hong Kong) Limited (力勤新動力（香港）有限公司) (a wholly-owned subsidiary)	Director	July 2021
Lygend Source Power (Hong Kong) Limited (力勤源動力（香港）有限公司) (a wholly-owned subsidiary)	Director	December 2021
Hong Kong Bwhale (a wholly-owned subsidiary)	Director	March 2016
Lygend Singapore (a wholly-owned subsidiary)	Director	August 2018
HPL (a non-wholly-owned subsidiary)	President commissioner	November 2021

Other members of the Group (relationship with the Group)	Positions held with other members of the Group	Date of appointment
PT Dharma Cipta Mulia (a non-wholly-owned subsidiary)	President commissioner	August 2021
ONC (a non-wholly-owned subsidiary)	President commissioner	August 2021
PT Obi Stainless Steel (a non-wholly-owned subsidiary)	President commissioner	November 2021
KPS (a non-wholly-owned subsidiary)	President commissioner	November 2021

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

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

Mr. JIANG Xinfang (江新芳), aged 48, is an executive Director and the general manager of our Company. Mr. Jiang is primarily responsible for the laterite nickel ore project and the daily operation and management of our Group. He joined our Company as the chief project manager in January 2018 and was in charge of the overall implementation of the Company's projects in Indonesia. He was appointed as the president of our Company in September 2020, and has become our general manager since September 2021. Mr. Jiang was appointed as our Director on September 16, 2021 and was redesignated as our executive Director on December 16, 2021.

Mr. Jiang also holds the following positions in other members of our Group:

Other members of the Group (relationship with the Group)	Positions held with other members of the Group	Date of appointment
Lygend Shanghai (a wholly-owned subsidiary)	Director	June 2018
HPL (a non-wholly-owned subsidiary)	Commissioner	November 2021
PT Dharma Cipta Mulia (a non-wholly-owned subsidiary)	Commissioner	August 2021
ONC (a non-wholly-owned subsidiary)	Commissioner	August 2021

Other members of the Group (relationship with the Group)	Positions held with other members of the Group	Date of appointment
PT Obi Stainless Steel (a non-wholly-owned subsidiary)	Commissioner	November 2021
KPS (a non-wholly-owned subsidiary)	Commissioner	November 2021

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

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

Ms. FEI Feng (費鳳), aged 45, is an executive Director, a deputy general manager and the secretary to the Board of our Company. She is primarily responsible for the coordination and management of our Company's day-to-day operation. Ms. Fei has been serving as a deputy general manager of our Company since she joined our Company in July 2009, and has been in charge of coordination and management of our Company's internal affairs across various departments such as finance, risk management, human resources and administrative affairs. She was appointed as the secretary to our Board in November 2021. Ms. Fei was appointed as our Director on September 16, 2021 and was redesignated as our executive Director on December 16, 2021.

Ms. Fei has been serving as a supervisor of Ningbo Huiran, Ningbo Lygend New Energy Co., Ltd. (寧波力勤新能源有限公司) and Lida Logistics, all of which are wholly-owned subsidiaries of our Company, since June 2017, September 2020 and March 2021, respectively. She has also been serving as a director of Kang Xuan Pte. Ltd. (a wholly-owned subsidiary of our Company) since November 2021.

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

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

Mr. CAI Jianwei (蔡建威), aged 50, is an executive Director and a deputy general manager of our Company. He joined our Company as a business officer in February 2009. He served as a sales manager from April 2009 to October 2011 and later as a sales director from October 2011 to September 2021. During this period, he was involved in the Company's trading activities, business development, personnel management, market penetration and other activities. In September 2021, he was appointed as a deputy general manager of our Company and has been primarily responsible for managing the trade affairs of our Company, which include the international trading and domestic sales of nickel ore and ferronickel products. Mr. Cai Jianwei was appointed as our Director on September 16, 2021 and was redesignated as our executive Director on December 16, 2021.

He is the brother of Mr. Cai, our founder, one of our executive Directors, the chairman of the Board and one of our Controlling Shareholders.

Mr. YU Weijun (余衛軍), aged 53, is an executive Director and a deputy general manager of our Company. Mr. Yu is primarily responsible for managing the financial affairs of our Company and providing professional support to our day-to-day operation. He joined our Company in August 2011 and was responsible for financial, external and investigative affairs of our Company. Since 2015, Mr. Yu has been responsible for our projects in Suqian, Jiangsu Province, China as well as the financial planning and coordination of our projects on the Obi Island in Indonesia. Since April 2018 and June 2021, Mr. Yu has been a supervisor of Jiangsu Wisdom and Ningbo Lygend Industrial Park Management Co., Ltd. (寧波力勤園區管理有限公司) respectively, both of which are wholly-owned subsidiaries of our Company. Mr. Yu has been serving as a deputy general manager of our Company since August 2020. Mr. Yu was appointed as our Director on September 16, 2021 and was redesignated as our executive Director on December 16, 2021.

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

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

Non-Executive Director

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

Mr. Lua has extensive banking, management and advisory experience across major banks in the Asia region. Based in Singapore, he is currently a managing director and senior advisor to DBS Private Bank. He joined DBS Private Bank in 2011 as regional head of South and Southeast Asia and stepped down as group head of DBS Private Bank in January 2020. Prior to joining DBS, Mr. Lua held various senior banking positions, including serving as a managing director (investment) in Merrill Lynch International Bank Limited and a managing director and senior advisor of Bank Julius Baer & Co., Ltd.

Mr. Lua has served as an independent non-executive director of Bumitama Agri Ltd (a company listed on the Singapore Stock Exchange (stock code: P8Z)) since January 2020. He also served as an independent non-executive director of SingHaiyi Group Ltd, a company previously listed on the Singapore Stock Exchange which was privatized in January 2022, from August 2020 to January 2022. He has been a member of the advisory board for wealth management at the Singapore Management University since May 2018.

Mr. Lua obtained a bachelor of social science with honors in economics from the National University of Singapore in 1982. He was conferred a fellow membership of Institute of Banking and Finance Singapore ("**IBF**") in 2014 and was a chairman of the IBF Private Banking Industry Workgroup from February 2017 to March 2019.

Independent Non-Executive Directors

Dr. HE Wanpeng (何萬篷), aged 48, was appointed as our Director on December 7, 2021 and was redesignated as an independent non-executive Director on December 16, 2021. Dr. He is responsible for providing independent advice to the Board.

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

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

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

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

Ms. ZHANG Zhengping (張爭萍), aged 42, was appointed as our Director on December 7, 2021 and was redesignated as an independent non-executive Director on December 16, 2021. Ms. Zhang is responsible for providing independent advice to the Board.

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

Ms. Zhang completed undergraduate studies in accounting from Zhejiang College of Finance & Economics (currently known as Zhejiang University of Finance & Economics) in June 2002. She further obtained an executive master of professional accountancy degree from Chinese University of Hong Kong in November 2019. She has been a registered accountant with the Chinese Institute of

Certified Public Accountants since December 2007 and has been a registered tax agent with the Ministry of Personnel and State Administration of Taxation since September 2004.

Dr. WANG James Jixian (王緝憲), aged 68, was appointed as our Director on December 7, 2021 and was redesignated as an independent non-executive Director on December 16, 2021. Dr. Wang is responsible for providing independent advice to the Board.

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

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

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

SUPERVISORS

Our Supervisory Committee comprises three Supervisors, including one employee representative Supervisor who is elected by our employees. The table below sets forth certain information of each of our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities
Mr. GE Kaicai (葛凱財)	39	Chief Supervisor and shareholder representative Supervisor	January 2009	September 16, 2021	Supervising the business unit relating to investment and development.
Mr. DONG Dong (董棟)	40	Shareholder representative Supervisor	April 2009	September 16, 2021	Overseeing the trade affairs department.
Ms. HU Zhinong (胡志濃)	42	Employee representative Supervisor	September 2010	September 16, 2021	Overseeing the documentation department.

Mr. GE Kaicai (葛凱財, formerly 葛凱才), aged 39, has been the chief Supervisor and a shareholder representative Supervisor of our Company since September 16, 2021. Mr. Ge is primarily responsible for the supervision of business unit relating to investment and development.

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

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

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

Mr. DONG Dong (董棟), aged 40, has been a shareholder representative Supervisor of our Company since September 16, 2021. He has also been a supervisor of Lygend Shanghai since June 2018. Mr. Dong is primarily responsible for overseeing the trade affairs department of our Company.

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

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

Ms. HU Zhinong (胡志濃), aged 42, has been an employee representative Supervisor of our Company since September 16, 2021 and the documentation supervisor of our Company since September 2010. Ms. Hu is primarily responsible for overseeing the documentation department.

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

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

GENERAL

Save as disclosed above, each of our Directors and Supervisors has confirmed that:

(i) he or she does not and has not held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date;

(ii) there is no other information in respect of such Director or Supervisor that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and

(iii) there is no other material matter relating to our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Save as disclosed in the section headed "Statutory and General Information", none of the Directors or Supervisors holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the SFO.

None of our Directors has any interests in a business apart from our Group's business which competes, or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

In addition to our executive Directors, the senior management team of our Group and their details of experience are as follows:

Name	Age	Position	Date of joining our Group	Date of appointment	Roles and responsibilities
Mr. LIU Feng (劉峰)	45	Deputy General Manager	April 2018	April 2018	Responsible for developing and building the alternative fuel industry business of our Group.
Mr. SONG Zhen (宋臻)	44	Deputy General Manager	January 2009	September 16, 2021	Responsible for the public relations aspects of our Company.
Mr. WANG Ling (王淩)	44	Financial Controller	April 2018	September 16, 2021	Responsible for the financial accounting and management, tax management, capital allocation and approval, and building and maintenance of the enterprise resource planning system of our Company.

Mr. LIU Feng (劉峰), aged 45, has been a deputy general manager of our Company since he joined our Company in April 2018. He is primarily responsible for the developing and building the alternative fuel industry business of our Group, mainly via his concurrent role as president of Ningbo Puqin (寧波普勤時代有限公司), an associate company of our Company. From March 2004 to September 2006, he was a supervising administrator and Six Sigma Master Black Belt of Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600019), mainly responsible for building a lean operational architecture and production capacity improvement system. Since September 2006, he held various roles as supervising administrator, senior manager, deputy general manager of the alloy development and trade department and deputy general manager of the international trade department, before serving as a general manager of the metals department from December 2012 to August 2017 at Baosteel Resources Holdings (Shanghai) Co., Ltd. (寶鋼資源控股（上海）有限公司), a wholly-owned subsidiary of China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司). His roles focused on the construction of management and operation systems as well as the supply chain of ferroalloy and metal businesses.

Mr. Liu obtained a bachelor of engineering degree in metal pressure processing from Chongqing University in June 1998. He obtained an MBA (International) degree from Fudan University and the University of Hong Kong in September 2005 and December 2005, respectively. He obtained the professional qualification certificate under the Shanghai Office of the Leading Group for the Reform of Professional Titles in July 2002.

Mr. SONG Zhen (宋臻), aged 44, is a deputy general manager of our Company and is primarily responsible for the public relations aspects of our Company. He joined our Company in January 2009 and served as a manager of our Indonesian business unit until 2015, mainly responsible for the market development and business management in Indonesia. He then served as the chairman of the board of Jiangsu Wisdom, a wholly-owned subsidiary of our Company, from August 2015 to October 2020, focusing on the management of ferronickel production. He has also served as the director of Lygend Shanghai since April 2018 and was appointed as a deputy general manager of our Company in September 2021. Mr. Song was also a founding supervisor of our Company from December 2008 to September 2021.

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

Mr. WANG Ling (王凌), aged 44, has been the person in charge of the Company's financial affairs since joining our Company in April 2018 and was appointed as a financial controller of our Company on September 16, 2021. He has been responsible for the financial accounting and management, tax management, capital allocation and approval, and building and maintenance of the enterprise resource planning system of our Company.

Mr. Wang has over 17 years of experience in financial accounting and management. He served as a consultant at Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Nanjing branch) and as a senior consultant at PricewaterhouseCoopers (Shenzhen) Co., Ltd. (Shanghai branch). From

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

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

Each of our senior management members has confirmed that he does not and has not held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. FEI Feng (費鳳) was appointed as a joint company secretary on January 28, 2022. For the biography of Ms. Fei, see "— Board of Directors — Executive Directors" in this section.

Ms. TANG Wing Shan Winza (鄧潁珊) was appointed as a joint company secretary with effect from the Listing Date. She has more than 10 years of experience in company secretarial services. Since February 2020, Ms. Tang has been an assistant vice president of the governance services of Computershare Hong Kong Investor Services Limited, a professional corporate secretarial service provider in Hong Kong.

Ms. Tang has also served as a joint company secretary of China Nature Energy Technology Holdings Limited (中國納泉能源科技控股有限公司) (a company listed on the Hong Kong Stock Exchange; stock code: 1597) since October 2020, the company secretary of Many Idea Cloud Holdings Limited (多想雲控股有限公司) (a company listed on the Hong Kong Stock Exchange; stock code: 6696) since January 2022, and a joint company secretary of OneConnect Financial Technology Co., Ltd. (壹账通金融科技有限公司) (a company listed on the Hong Kong Stock Exchange; stock code: 6638) since July 2022, and was a company secretary of Republic Healthcare Limited (a company listed on GEM of the Hong Kong Stock Exchange; stock code: 8357) from August 17, 2020 to December 1, 2021.

Ms. Tang obtained a bachelor of laws degree from City University of Hong Kong in 1998 and a master's degree in corporate governance from London South Bank University in 2005. She has been admitted as an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) in 2011 and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in 2007.

BOARD COMMITTEES

We have established the following committees under our Board of Directors: Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the code provisions, as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of Ms. Zhang Zhengping, Dr. He Wanpeng and Dr. Wang James Jixian. The chairperson of the Audit Committee is Ms. Zhang Zhengping.

The primary duties of the Audit Committee are to consider issues in relation to the external auditors and their appointments, oversee the financial reporting system, risk management and internal control system of our Group, review the financial information of our Group and review policies and practices in relation to corporate governance.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the code provisions, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of Dr. He Wanpeng, Ms. Zhang Zhengping and Mr. Yu Weijun. The chairperson of the Remuneration Committee is Dr. He Wanpeng.

The primary duties of the Remuneration Committee are to review the remuneration policies and make recommendations to the Board on the remuneration package of Directors and senior management our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the code provisions, as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of Mr. Cai Jianyong, Dr. He Wanpeng and Ms. Zhang Zhengping. The chairperson of the Nomination Committee is Mr. Cai Jianyong.

The primary duties of the Nomination Committee are to assess and make recommendations on the candidates, procedures and criteria for the appointment of directors and senior management of our Company, review the structure, size and composition of the Board and assess the independence of the independent non-executive Directors.

REMUNERATION

Our Directors, Supervisors and senior management members receive compensation in the form of salaries, bonuses, allowances and benefits in kind, and pension scheme contributions from our

Company subject to applicable laws, rules and regulations. For details of the service contracts that we have entered into with our Directors and Supervisors, see the section headed "Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 2. Particulars of Service Contracts" in Appendix VII to this prospectus.

Further information on the remuneration of our Directors, Supervisors and/or the five highest paid individuals during the Track Record Period is set out in the Accountants' Report in Appendix IA to this prospectus, and in the section headed "Statutory and General information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 3. Directors' and Supervisors' Remuneration" in Appendix VII to this prospectus.

SHARE INCENTIVE SCHEME

We have adopted the Pre-IPO Share Incentive Scheme on October 20, 2021. For details, please refer to the section headed "Statutory and General Information — D. Share Incentive Scheme" in Appendix VII to this prospectus.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon the Listing in compliance with Rule 3A.19 and 19A.05 of the Listing Rules. We have entered into a compliance advisor's agreement with the Compliance Advisor, the material terms of which are as follows:

(i) the Compliance Advisor shall act as our compliance advisor for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(ii) the Compliance Advisor will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;

(iii) the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules in Hong Kong applicable to our Company; and

(iv) the Compliance Advisor will act as one of the key channels of communication of our Company with the Stock Exchange.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with all applicable code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the Listing.

Board Diversity Policy

We have adopted a diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve diversity to strengthen the performance of the Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board and determining the optimum composition of the Board, including but not limited to skills, experience, cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service.

Our Directors have 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. They obtained degrees in various areas such as accounting, economics, engineering and geography. The ages of our Directors range from 41 to 67 years old.

We have taken steps to promote gender diversity of our Board and currently two of our Directors, Ms. Fei Feng and Ms. Zhang Zhengping, are female. 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. 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.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

OVERVIEW

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Cai, one of the executive Directors, the chairman of the Board and the founder of our Company, will hold approximately 59.65% interest in our Company, consisting of (i) approximately 26.88% direct interest; (ii) approximately 32.70% indirect interest through Lygend Investment, a company controlled by Mr. Cai; and (iii) approximately 0.06% indirect interest through Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment. Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Xie Wen (謝雯), the spouse of Mr. Cai, will also hold approximately 1.99% interest in our Company.

Accordingly, Mr. Cai and Lygend Investment will be our Controlling Shareholders immediately after the Listing, together with Ms. Xie Wen and Ningbo Lizhan who will be presumed to be part of the group of controlling shareholders of our Company.

For further details of our Controlling Shareholders and their shareholdings in our Company, please refer to the section headed "Substantial Shareholders" in this prospectus.

CONFIRMATION OF NO COMPETING INTEREST

Lygend Investment is a limited liability company incorporated in the PRC on April 19, 2010, and is primarily an investment holding company. Investments of Lygend Investment (other than its investment in our Company) are made in properties, the transportation equipment manufacturing industry, the medical industry, the coal resource development and trading industry and the limestone development and trading industry. Accordingly, there is no overlap with the industry that our Company operates in, namely, the nickel industry. Xiangxiang Enterprise, a subsidiary of Lygend Investment, has not had any business operations since its manufacturing facility shut down in December 2019.

Ningbo Lizhan is a limited liability company incorporated in the PRC on July 30, 2021 and is a special purpose vehicle that did not have any substantial business activities as of the Latest Practicable Date.

Each of our Controlling Shareholders have confirmed that as of the Latest Practicable Date he/she/it does not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, our Directors are of the view that we can conduct our business independently from each of our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We have our own independent and integrated organizational corporate structure, including the Manufacturing Department, Trading Department, Logistics Department, Equipment Department, Finance Department, Human Resources Department, Audit Department, Risk Management and Legal Department and other supporting departments, each with specific areas of responsibility to facilitate the effective operation of our business.

We hold or enjoy the benefits of all relevant licenses necessary to carry out our business in all material respects. We have sufficient capital, operating premises, facilities, intellectual properties and technology systems needed for our business in all material respects. Save as disclosed in the subsection headed "Business — Suppliers" in this prospectus, we also have access to third parties independently from and not connected with our Controlling Shareholders for business partners and for sources of suppliers and customers.

Based on the above, our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders and their respective close associates after the Listing.

Financial Independence

We have set up the Finance Department to be responsible for the accounting, management accounting, taxation, sales financial management and treasury management in the ordinary and usual course of business of our Company. Our Group has its own risk management and internal control system as well as an independent accounting and financial management system, and we make financial decisions according to our own business needs.

As of September 30, 2022 (the "**Indebtedness Date**"), certain of our credit facilities (the "**Guaranteed Facilities**") are secured by guarantees and/or other forms of security provided by Mr. Cai and his close associates (the "**Connected Guarantees**"), all of which will be released before or upon Listing. Further details are set out below:

Lender	Balance as of the Indebtedness Date	Nature of financial assistance
China Guangfa Bank, Ningbo Branch [(1)]	RMB183.5 million	Guarantees provided by Lygend Investment, Mr. Cai and his spouse, Ms. Xie Wen
Industrial Bank, Ningbo Branch [(1)]	RMB806.3 million	Guarantees provided by Lygend Investment, Mr. Cai and his spouse, Ms. Xie Wen, and security provided by Lygend Investment and Ningbo Hongfangzi Maternity Hospital Co., Ltd. (寧波紅房子婦產醫院有限公司) [(2)]
Shanghai Pudong Development Bank, Ningbo Branch [(1)]	RMB374.4 million	Guarantee provided by Mr. Cai and his spouse, Ms. Xie Wen

Notes:

(1) The relevant branches of China Guangfa Bank, Industrial Bank, and Shanghai Pudong Development Bank have undertaken to release the respective Connected Guarantees presently provided by our Controlling Shareholders or their respective close associates to them by the Listing Date (the "**Release of Connected Guarantees**"). Such release shall be conditional upon the Listing and upon the provision of replacement guarantees by certain members of our Group.

(2) As of the Latest Practicable Date, Xiangxiang Enterprise and Ningbo Hongfangzi Maternity Hospital Co., Ltd. (寧波紅房子婦產醫院有限公司) were ultimately controlled by Mr. Cai through Lygend Investment.

As of the Indebtedness Date, we obtained letters of intent ("**Letters of Intent**") from an independent commercial bank, namely China CITIC Bank, Ningbo Jiangdong Branch, to provide certain of our subsidiaries with credit facilities in an aggregate amount of RMB13,100 million, on normal commercial terms without any security or guarantee from any of our Controlling Shareholders or their close associates. As of the Indebtedness Date, no credit facility has been granted pursuant to the Letters of Intent as we have not yet sought to utilize such credit facilities. Our Directors are therefore of the view that we are capable of obtaining financing from external sources independently without reliance on our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, there were no outstanding loans due to or from our Controlling Shareholders or their respective close associates, and save as disclosed above, there were no other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that our Group is able to maintain financially independent from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

The Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors, among whom, two Directors also hold positions in Lygend Investment and Ningbo Lizhan (see details below). Our operational and management decisions are made by our executive Directors and senior management in a collective manner. For details of the biography of the Directors and senior management and their roles in our Company, please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus.

The following table sets forth the major positions held by the Directors and our senior management in our Controlling Shareholders as of the Latest Practicable Date:

Name	Major position(s) held in our Company	Major position(s) held in our Controlling Shareholders
Mr. Cai	Executive Director and chairman of the Board of our Company	Director and general manager of Lygend Investment and Ningbo Lizhan
Ms. Fei Feng	Executive Director, a deputy general manager and the secretary to the Board of our Company	Supervisor of Lygend Investment and Ningbo Lizhan

Save as disclosed above, as of the Latest Practicable Date, none of the other Directors or senior management held any major position in Lygend Investment and Ningbo Lizhan.

We believe that our Directors and senior management can independently perform their duties in our Company, and we can operate independently from the Controlling Shareholders, due to the following reasons:

(i) each of our Directors is well aware of and understands his/her fiduciary duties which, among other things, require them to act in the best interests of our Company and the Shareholders as a whole. Mr. Cai is the founder of our Company, Lygend Investment and Ningbo Lizhan, so it is necessary for him to remain as a director of such companies. In addition, as a supervisor of each of Lygend Investment and Ningbo Lizhan, Ms. Fei Feng merely plays non-executive roles and has not been and will not be involved in their day-to-day management. In performing their duties as Directors of our Company, Mr. Cai and Ms. Fei Feng have been allocating and will continue to allocate sufficient time and resources to the management and operation of our Company and will bear the best interests of our Company and the Shareholders in mind;

(ii) we have three executive Directors who are also members of our senior management, and three further members of senior management, besides Mr. Cai and Ms. Fei Feng to oversee the operation and the development of our Group and make independent decisions, all of whom have extensive experiences in the industry we are engaged in to ensure the proper functioning of the daily operation and management of our Company, and who do not hold any major position in Lygend Investment or in Ningbo Lizhan;

(iii) we have three independent non-executive Directors to balance the numbers of interested Director(s) and independent non-executive Directors for the protection of the interests of our Company and the Shareholders as a whole. The independent non-executive Directors, Dr. He Wanpeng, Ms. Zhang Zhengping and Dr. Wang James Jixian are not involved in the daily business operations and management of our Company. We believe that Dr. He Wanpeng, Ms. Zhang Zhengping and Dr. Wang James Jixian (a) possess sufficient experiences, (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (c) will be able to provide impartial and external opinion to the Board; and

(iv) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For further information, please refer to "— Corporate Governance Measures" in this section below.

Based on the above, the Directors are of the view that our management is able to function independently of the Controlling Shareholders and their respective close associates after the Listing.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders as a whole, we have adopted the following corporate governance measures to manage any potential conflicts of interest with the Controlling Shareholders and their respective close associates:

(i) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon Listing. In particular, our Articles of Association has set out relevant provisions to avoid conflict of interests, including but not limited to the following:

- a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting; and

- when a Shareholder is required to be abstained from voting according to the Listing Rules, which includes the circumstances where a Shareholder has a material interest in the connected transaction to be considered and approved at a general meeting, the number of votes cast by such Shareholder shall not be counted.

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with the Controlling Shareholders or any of their associates, our Company will comply with the applicable requirements under the Listing Rules;

(iii) our Directors are entitled to seek the advice of independent professionals, such as financial advisers, at our Company's expense and as and when reasonable and appropriate in accordance with the Corporate Governance Code set out in Appendix 14 of the Listing Rules;

(iv) if a substantial shareholder or a Director has a conflict of interest in a proposal which the Board has determined to be material, such matter should be dealt with by a Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interests in the matter should be present at such Board meeting; and

(v) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are of the view that sufficient corporate governance measures have been put in place to manage conflicts of interests that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

We have entered into certain transactions in the ordinary and usual course of business with entities that will become our connected persons upon the Listing, and certain of such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Name	Connected relationship with our Group
PT Harita Guna Dharma Bhakti ("**HG**", together with its subsidiaries the "**HG Group**")	HG is controlled by the family members of the ultimate beneficial owner of Feng Yi, a substantial shareholder of our Company. PT Trimegah Bangun Persada ("**TBP**"), which is controlled by HG, is a substantial shareholder of certain non-wholly owned subsidiaries of our Company, namely HPL, KPS, ONC, PT Obi Stainless Steel ("**OSS**") and PT Dharma Cipta Mulia ("**DCM**"), which are therefore connected subsidiaries of our Company. Subsidiaries of the Company from time to time which have TBP as a substantial shareholder, including HPL, KPS, ONC, OSS, and DCM, are collectively referred to as the "**Indonesian Entities**".
PT Gema Selaras Perkasa ("**GSP**", together with its subsidiaries the "**GSP Group**")	GSP is controlled by the family members of the ultimate beneficial owner of Feng Yi, a substantial shareholder of our Company.

ONE-OFF CONNECTED TRANSACTIONS

Our Company and a member of the HG Group have guaranteed (i) certain bank borrowings of HPL, which is one of the Indonesian Entities; and (ii) certain bank borrowings of HJF, which is a member of the HG Group. For further details of the guarantees, please see "Financial Information — Related Party Transactions and Balances" and Note 38 to the Accountants' Report in Appendix IA to this prospectus.

Our Directors are of the view that the abovementioned guarantees have been conducted on normal commercial terms. The release of the abovementioned guarantees upon the Listing may involve a lengthy negotiation process with the relevant lenders, which we believe would be unduly burdensome and not in the commercial interests of our Group. Accordingly, these guarantees are not expected to be released upon the Listing.

Upon Listing, the provision of guarantee by our Company for each of HPL and HJF constitutes financial assistance provided by our Group to a connected person and thus a one-off connected transaction under the Listing Rules.

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

CONTINUING CONNECTED TRANSACTIONS

The following transactions with the entities mentioned in the subsection headed "Our Connected Persons" above, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

Summary of our Continuing Connected Transactions

			Proposed annual caps for the years ending December 31,(2)		
Nature of Transactions	**Applicable Listing Rules**	**Applicable Waiver Sought**	**2022**	**2023**	**2024**
			(US$ million)	*(US$ million)*	*(US$ million)*
Partially exempt continuing connected transactions					
1. GSP Stevedoring Framework Agreement					
Expense-based					
Provision of stevedoring services to our Group	14A.76 (2)(a)	Waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules	1.5	2.1	2.2
Non-exempt continuing connected transactions					
2. Mutual Supply Framework Agreement					
Expense-based					
(a) Supply of nickel ore to our Group	N/A	Waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules	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

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps for the years ending December 31,(2)		
			2022	2023	2024
			(US$ million)	*(US$ million)*	*(US$ million)*
Revenue-based					
(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group (1)			626.7	2,377.1	350.1

Notes:

(1) Includes intra-group transactions involving the supply of nickel products by the Indonesian Entities, which are connected subsidiaries of 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.

(2) The proposed annual caps for the years 2022 to 2024 are expected to significantly increase as compared to the corresponding historical transaction figures during the Track Record Period, mainly due to the significant increase in production capacity of the Obi projects, which are expected to complete construction and commence operations in phases between the fourth quarter of 2022 and July 2024. The expansion in production capacity of the Obi projects is expected to significantly drive our demand for nickel ore, coal, the lease of Construction Equipment and the relevant administrative services ancillary to the day-to-day administration and operation of our Group in connection with the Obi projects (including stevedoring services). The increase in scale of intra-group transactions constituting continuing connected transactions (as mentioned in note 1 above) is also expected to occur for the same reason. For further details, please refer to the subsection headed "Basis of Significant Increase in Annual Caps" in this section.

Partially Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transactions will be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. GSP Stevedoring Framework Agreement

Background and reasons for the transactions

During the Track Record Period, GSP has provided stevedoring services to our Group in connection with the operation of our Obi projects. In anticipation of the Listing, we and GSP entered into a framework agreement on May 31, 2022 (the "**GSP Stevedoring Framework Agreement**"), effective upon Listing until December 31, 2024 in respect of the continued provision of such services to our Group.

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

Principal terms

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

Pricing

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

Historical figures

The total payments made by our Group for the stevedoring services provided by GSP for each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately as follows:

	For the years ended December 31,			**For the six months ended June 30,**
	2019	**2020**	**2021**	**2022**
	(US$'000)	*(US$'000)*	*(US$'000)*	*(US$'000)*
Provision of stevedoring services to our Group (*Expense based*)[(1)]	—	48	250	165

Note:

(1) Includes historical amounts for transactions during the Track Record Period between GSP and HPL, as HPL has become a member of our Group since November 30, 2021.

Annual caps

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

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

Note:

(1) Please refer to the subsection headed "Basis of Significant Increase in Annual Caps" in this section for further information on the significant increase in the proposed annual caps, including as compared with the historical figures during the Track Record Period.

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

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

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

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

Non-Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. As such, the following transactions will be subject to the annual review, announcement, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Mutual Supply Framework Agreement

Background and reasons for the transactions

During the Track Record Period, 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).

In anticipation of the Listing, we and HG entered into a framework agreement on May 31, 2022 (the "**Mutual Supply Framework Agreement**"), effective upon Listing until December 31, 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.

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

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

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

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

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

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

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

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

Principal terms

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

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.

(b) Supply of nickel products to our Group	The purchase price for the nickel products is determined with reference to the prevailing market price for the relevant type of nickel product, including the prices at which Independent Third Party suppliers are willing to sell the same or comparable nickel products, and taking into account the purchase price for nickel ore.
(c) Supply of coal to our Group	The supply price for coal is calculated by multiplying the unit price by actual weight. The unit price of coal shall be determined with reference to (a) market price and conditions; (b) relevant local industry index prices; (c) changes in local policies; (d) coal quality characteristics; and (e) transportation costs.
(d) Lease of Construction Equipment to our Group	The rental consideration for each type of Construction Equipment is determined with reference to the prevailing market prices of the same or comparable equipment or machinery leased in the ordinary and usual course of business. The total rent payable is based on the quantity of each type of Construction Equipment used and the recorded rental usage of the same, as further set out in each definitive agreement.
(e) Provision of administrative services to our Group	The fees for the administrative services is generally determined on a cost basis depending on actual usage of the relevant services.

	Rental payable for the lease of vessels is based on the type and/or size of vessels, and is determined with reference to the prices charged by Independent Third Parties. We shall reimburse the HG Group for the amount of Land Use Fees paid by them on our behalf, which is calculated with reference to the area of land used by the relevant member of our Group and the rate of fees charged by the relevant local government authority in Indonesia.
(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group	The price for our sale of production equipment and supplies, repair materials and raw and auxiliary materials is determined based on a cost plus basis, taking into reference our procurement costs and related expenses (e.g. labor and logistics costs).

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

Historical figures

The total payments made by our Group, or to our Group, for the mutual provision of products and services for each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately as follows:

	For the years ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
	(US$ million)	*(US$ million)*	*(US$ million)*	*(US$ million)*
Expense-based				
(a) Supply of nickel ore to our Group(1)	—	—	44.6	88.6
(b) Supply of nickel products to our Group(2)	115.2	221.2	732.0	770.6
(c) Supply of coal to our Group(1)	—	0.7	4.5	9.5
(d) Lease of Construction Equipment to our Group(1)	2.5	3.6	2.2	3.8
(e) Provision of administrative services to our Group(1)	11.2	1.2	2.1	16.3
Revenue-based				
(f) Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group(2)	55.2	151.8	149.9	169.6

Notes:

(1) Includes historical amounts for transactions during the Track Record Period between connected persons and HPL, which has become a member of our Group since November 30, 2021.

(2) Includes intra-group transactions between the Indonesian Entities, which are our connected subsidiaries on the one hand, and other members of our Group on the other hand.

Annual caps

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

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

Notes:

(1) Includes intra-group transactions involving the supply of nickel products by the Indonesian Entities, which are connected subsidiaries of 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.

(2) Please refer to the subsection headed "Basis of Significant Increase in Annual Caps" in this section for further information on the significant increase in the proposed annual caps, including as compared with the historical figures during the Track Record Period.

Basis of significant increase in annual caps

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

The following table sets forth the expected maximum production capacity of each phase of the Obi projects from 2022 to 2024. For further details, please refer to the section headed "Business — Production of Nickel Products — Production Expansion Plan and Product Pipeline" in this prospectus.

	Expected production capacity		
	2022	**2023**	**2024**
	(metal tons)	*(metal tons)*	*(metal tons)*
HPAL project [(1)]			
Phase I *(operated by HPL)*	37,000	37,000	37,000
Phase II *(operated by HPL)*	1,500	18,000	18,000
Phase III *(operated by ONC)*	—	15,000	65,000
RKEF project [(2)]			
Phase I *(operated by HJF)*	15,833	95,000	95,000
Phase II *(operated by KPS)*	—	—	44,585
Total production capacity			
HPAL project and phase II of the RKEF project	**38,500**	**70,000**	**164,585**
HPAL project and RKEF project	**54,333**	**165,000**	**259,585**
Growth rate of total production capacity			
HPAL project and phase II of the RKEF project	N/A	82%	135%
HPAL project and RKEF project	N/A	204%	57%

Notes:

(1) In terms of the HPAL project, in addition to the two nickel-cobalt compounds production lines under phase I of the HPAL project currently in operation, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds, another nickel-cobalt compounds production line under phase II of the project and also operated by HPL, with a designed production capacity of 18,000 metal tons of nickel-cobalt compounds per annum, is expected to commence production in December 2022. The remaining three nickel-cobalt compounds production lines under phase III of the HPAL project and operated by ONC, with an aggregate designed production capacity of 65,000 metal tons of nickel-cobalt compounds per annum, are expected to commence production in December 2023.

(2) In terms of the RKEF project, eight ferronickel production lines under phase I of the RKEF project operated by HJF, with an aggregate designed production capacity of 95,000 metal tons of ferronickel per annum, have commenced / are expected to commence production in the fourth quarter of 2022. 12 ferronickel production lines under phase II of the RKEF project, which is operated by KPS, with an aggregate designed production capacity of 185,000 metal tons of ferronickel per annum, are expected to commence construction in the first quarter of 2023. As it is only expected to commence production in July 2024, it is not expected to reach full production capacity within the year.

As further explained below, the expected addition of production lines and extensive expansion in nickel product production capacity across phases of the Obi projects is expected to significantly drive our demand for nickel ore, coal, the lease of Construction Equipment and the relevant administrative services ancillary to the day-to-day administration and operation of our Group in connection with the Obi projects from 2022 to 2024. The increase in scale of the intragroup transactions with respect to the sale and purchase of nickel product production equipment and related supplies and materials in 2022 and 2023, as well as the supply and purchase of nickel products produced by the Obi projects from 2022 to 2024, is also expected to occur for the same reason.

Supply of nickel ore and coal to our Group

With respect to the supply of nickel ore to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US$261.8 million, US$423.7 million and US$1,026.7 million, respectively, representing an increase of approximately 62% and 142% for the years ending December 31, 2023 and 2024, respectively.

With respect to the supply of coal to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US$46.7 million, US$109.6 million and US$251.1 million, respectively, representing an increase of approximately 135% and 129% for the years ending December 31, 2023 and 2024, respectively.

In arriving at these proposed annual caps, our Directors have considered the following factors:

(i) the expected production capacity of all phases of the HPAL project and phase II of the RKEF project set forth in the table under "— Basis of significant increase in annual caps" in this section and corresponding expected demand for nickel ore and coal under these phases. Our expected demand for nickel ore and coal (in terms of metric tons to be purchased) is derived from assumptions as to the metric tons of nickel ore required to achieve the abovementioned production capacity, as well as the metric tons of coal required once the abovementioned production capacity is reached, in 2022, 2023 and 2024. The metric tons of nickel ore and coal expected to be purchased for the HPAL project directly correlates with, and is expected to increase by the same percentage as, the expected production capacity of this project in each of 2022, 2023 and 2024. The metric tons of nickel ore and coal expected to be purchased for Phase II of the RKEF project also directly correlates with, and is expected to increase by the same percentage as, the expected production capacity of this phase in each of 2022, 2023 and 2024;

(ii) the anticipated prices of nickel ore (of varying nickel content) and coal in 2022 to 2024, which were provided by CIC with reference to forecasts published by institutions such as the World Bank, International Monetary Fund and International Strategic Analysis. According to CIC:

- the anticipated prices of nickel ore (of varying nickel content) in 2022 to 2024 are generally expected to be higher than historical prices in 2021, increasing by up to approximately 33% or 38% (depending on the level of nickel content) as compared to that of 2021. This is due to factors such as prevailing market prices, long-term supply and demand gap change, Indonesia's export ban on nickel ore and the impact of the Russian-Ukraine conflict; and

- the anticipated prices of coal in 2022 to 2024 are generally expected to be higher than historical prices in 2021, increasing by up to 13% as compared to that of 2021, considering factors such as prevailing market prices and long-term supply and demand gap change.

Supply of nickel products to our Group

The proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US$2,882.5 million, US$6,336.4 million and US$8,843.3 million, respectively, representing an increase of approximately 120% and 40% for the years ending December 31, 2023 and 2024. In arriving at these proposed annual caps, our Directors have considered the following factors:

(i) the expected production capacity of the Obi projects set forth in the table under "— Basis of significant increase in annual caps" in this section and corresponding expected volume of nickel products to be produced. During the Track Record Period, only phase I of the HPAL project had commenced production and reached full production capacity. We expect additional nickel products to be produced due to commencement of production under phase II of the HPAL project and phase I of the RKEF project in the fourth quarter of 2022. We expect production volume to increase in 2023, assuming that phase II of the HPAL project and phase I of the RKEF project also reach full production capacity and phase III of the HPAL project commences production. We expect production volume to continue to increase in 2024, assuming that phase III of the HPAL project also reaches full production capacity and phase II of the RKEF project commences production.

(ii) the expected demand for nickel products produced by the Obi projects, based on agreements entered into with downstream customers of our Group; and

(iii) anticipated prices of various nickel products in 2022 to 2024, which were provided by CIC with reference to forecasts published by institutions such as the World Bank, International Monetary Fund and International Strategic Analysis. According to CIC, the anticipated prices of various nickel products in 2022 to 2024 are generally expected to be higher than historical prices in 2021, increasing by up to approximately 38% to 72% (depending on the type of nickel product) as compared to that of 2021. This is due to factors such as prevailing market prices, long-term supply and demand gap change, Indonesia's export ban on nickel ore, the impact of the Russian-Ukraine conflict, as well as the market overview for nickel product trading and the NEV battery industry.

Lease of Construction Equipment and provision of administrative services to our Group

With respect to the lease of Construction Equipment to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US$14.8 million, US$25.9 million and US$39.6 million, respectively.

With respect to the provision of administrative services to our Group, the proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US$67.8 million, US$124.2 million and US$185.6 million, respectively.

In arriving at these proposed annual caps, our Directors have considered the following factors:

(i) the expected increase in scale of the Obi projects and operations of the Indonesian entities, and corresponding increase in our demand for Construction Equipment and administrative services. In particular:

- during the first three years of the Track Record Period, we leased Construction Equipment and received administrative services from the HG Group mainly for phase I of the HPAL project. As the construction and production activities of the remaining phases of the Obi projects progress, we expect our demand to increase in phases throughout 2022 to 2024;

- with respect to the lease of Construction Equipment to our Group, the expected demand attributable to phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project was estimated considering factors such as the expected maximum number of production lines, expected maximum production capacity and construction progress of these phases, as well as specific Construction Equipment needed. During 2022 to 2024, the additional transaction amounts attributable phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project are expected to be up to approximately 60%, 200% and 375%, respectively, of our demand under phase I of the HPAL project;

- with respect to the provision of administrative services to our Group, the expected demand attributable to phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project was estimated considering factors such as (a) the expected maximum number of production lines, expected maximum production capacity and construction progress of these phases; (b) the increase in number of vessels to be leased to accommodate the operations of our Obi projects; and (c) expected area of land needed in connection with the development of each of these phases. During 2022 to 2024, the additional transaction amounts attributable to phase II of the HPAL project, phase III of the HPAL project and phase II of the RKEF project are expected to be approximately up to 50%, 100% and up to 250%, respectively, of our demand under phase I of the HPAL project; and

(ii) with respect to our lease of Construction Equipment, the anticipated prevailing market rental price of the same or comparable Construction Equipment leased in the ordinary and usual course of business.

Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group

The proposed annual caps for the years ending December 31, 2022, 2023 and 2024 are US$626.7 million, US$2,377.1 million and US$350.1 million, respectively. In arriving at these proposed annual caps, our Directors have considered the following factors:

(i) the expected amount of production equipment and supplies, repair materials and raw and auxiliary materials required by the HG Group, the Indonesian Entities and by other associates of HG, which correspond to the status of construction of the HPAL project production facilities and the RKEF project production facilities on the Obi Island in 2022, 2023 and 2024. In particular:

- during the Track Record Period, overall demand was driven by purchases from HPL and HJF in connection with phase I of both the HPAL project and RKEF project. We expect purchases by HPL and HJF to peak in 2022, constituting almost 80% of the annual cap amount for the year, with the remaining portion of the annual cap mostly constituted by purchases from ONC for phase III of the HPAL project and KPS for phase II of the RKEF project;

- demand will additionally be driven by purchases from ONC and KPS in connection with phase III of the HPAL project and phase II of the RKEF project. ONC and KPS did not make any purchase in 2021 and we expect their purchases to peak in 2023, constituting at least 90% of the annual cap amount for the year, with the remaining portion of the annual cap mostly constituted by purchases from HPL for phases I and II of the HPAL project and HJF for phase I of the RKEF project;

- however, we expect an overall reduction in demand in 2024 due to the anticipated completion of construction for the Obi projects;

(ii) the anticipated increase in proportion of production equipment and related supplies to be purchased by HPL, ONC, HJF and KPS from our Group (excluding the Indonesian Entities) as compared with the purchases made during the Track Record Period. Purchases from our Group (excluding the Indonesian Entities) is expected to account for almost all of their respective total demands for such equipment and related supplies in connection with the construction and operations of the Obi projects. This is due to a strategic shift in business model to increase their proportion of such purchases through our Group (excluding the Indonesian Entities) as opposed to purchasing directly from different third party suppliers, allowing the Obi projects to benefit from a more streamlined and reliable supply and improved cost-control due to the increased volume of purchase and/or decreased transportation costs; and

(iii) our expected procurements costs and related expenses (e.g. labor and logistics costs), as well as the anticipated prevailing market price of the same or comparable equipment supplied by our Group in the ordinary and usual course of business.

All transactions under the Mutual Supply Framework Agreement

In addition, the following factors have been taken into account in determining the annual caps for all transactions under the Mutual Supply Framework Agreement:

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

(ii) any upward adjustment due to macro-economic factors, including inflation of approximately 3% in Indonesia according to public sources such as the World Economic Outlook published by the International Monetary Fund in 2022.

WAIVERS FROM THE STOCK EXCHANGE

As the material terms of each of the partially exempt and non-exempt continuing connected transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the disclosures, our Directors consider that strict compliance with the announcement requirement, and, where applicable, the circular (including independent financial advisor) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above:

(a) a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed "Non-Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules for the term ending December 31, 2024; and

(b) a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed "Partially Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term ending December 31, 2024.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including our independent non-executive Directors, are of the view that:

(a) the partially exempt and non-exempt continuing connected transactions described above for which a waiver is sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

(b) the proposed annual caps of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the partially exempt and non-exempt continuing connected transactions described above and have obtained confirmations from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

(a) the partially exempt and non-exempt continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

(b) the proposed annual caps of such partially exempt and non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SHARE CAPITAL

The following is a description of the registered share capital of our Company in issue and immediately following completion of the Global Offering.

As of the Latest Practicable Date

As of the Latest Practicable Date, the registered share capital of our Company was RMB1,317,768,750, comprising 1,317,768,750 Shares with a nominal value of RMB1.00 each.

Immediately after Completion of the Global Offering

Immediately after the Global Offering (assuming the Over-allotment Option is not exercised), the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of the enlarged share capital after the Global Offering
Domestic Shares in issue	1,054,215,000	68.00%
Unlisted Foreign Shares in issue	263,553,750	17.00%
H Shares to be issued under the Global Offering	232,547,600	15.00%
Total	1,550,316,350	100%

CLASS OF SHARES

Upon the completion of the Global Offering, our Company will have two classes of Shares, namely Unlisted Shares and H Shares, both of which are ordinary Shares in our share capital. However, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons, other than certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities.

The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the Shareholders at a Shareholders' general meeting and by holders of such class of Shares at a separate Shareholders' general meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class of Shareholders are listed in Appendix VI to this prospectus. However, the procedures for approval by separate classes of Shareholders do not apply where: (i) our Company issues Shares representing no more than 20%

of each of the existing issued Unlisted Shares and H Shares upon approval by a special resolution of the Shareholders at a Shareholders' general meeting, either separately or concurrently once every 12 months; (ii) our Company's plan to issue Unlisted Shares and H Shares at the time of our incorporation is completed within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) our Company converts our Unlisted Shares into overseas listed Shares upon the approval by the securities regulatory authorities of the State Council.

RANKING

Pursuant to the Articles of Association, the Unlisted Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of members, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarized in Appendix VI to this prospectus.

Except for the differences above, the Unlisted Shares and H Shares shall rank pari passu with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars, all dividends in respect of Domestic Shares are to be paid by our Company in Renminbi, and all dividends in respect of all Unlisted Foreign Shares are to be paid by our Company in foreign currency except for Renminbi. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

Upon completion of the Global Offering, our Company will have two classes of ordinary Shares, namely Unlisted Shares and H Shares.

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion, trading and listing shall complete any requisite internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. Based on the procedures for the conversion of Unlisted Shares into H Shares as described below, we may apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our listing in Hong Kong. Class shareholder voting is not required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Registration on our H Share register will be conditional on: (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares. The relevant procedural requirements for the conversion of Unlisted Shares into H Shares are as follows:

- The holder of Unlisted Shares shall obtain the requisite approval of the CSRC or the relevant securities regulatory authorities of the State Council for the conversion of all or part of its Unlisted Shares into H Shares.

- The holder of Unlisted Shares shall issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.

- Subject to our Company being satisfied with the authenticity of the documents and with the approval of our Board, we would then issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.

- The relevant Unlisted Shares will be withdrawn from the Unlisted Shares register and re-registered on our H Share register maintained in Hong Kong on the condition that:

    - our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant Shares on the H Share register and the due dispatch of share certificates; and

    - the admission of the H Shares (converted from the Unlisted Shares) to trade in Hong Kong is in compliance with the Listing Rules and the general rules of CCASS and CCASS Operational Procedures in force from time to time.

- Upon completion of the conversion, the shareholding of the relevant holder of Unlisted Shares on our Unlisted Shares register will be reduced by such number of Unlisted Shares converted and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.

- We will comply with the Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

So far as our Directors are aware, none of our holders of Unlisted Shares currently proposes to convert any of their Unlisted Shares into H Shares.

RESTRICTIONS OF SHARE TRANSFER BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded on a stock exchange, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and senior management.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our general Shareholders' meeting and Shareholders' class meeting are required, please see the sections headed and "Summary of Principal Legal and Regulatory Provisions — Shareholders' General Meetings" and "Summary of the Articles of Association — Shareholders and Shareholders' General Meeting" in Appendix V and Appendix VI to this prospectus, respectively.

SHARE INCENTIVE SCHEME

We have adopted the Pre-IPO Share Incentive Scheme on October 20, 2021. For details, please refer to the section headed "Statutory and General Information — D. Share Incentive Scheme" in Appendix VII to this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have an interest or a short position in the Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held or interested	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital
Mr. Cai (1)	Beneficial owner, interest held by controlled corporations and interest of spouse	Unlisted Shares	955,581,000	72.52%	61.64%
Ms. Xie Wen (謝雯) (1) ..	Beneficial owner and interest of spouse	Unlisted Shares	955,581,000	72.52%	61.64%
Lygend Investment (1) ...	Beneficial owner and interest held by controlled corporations	Unlisted Shares	508,000,000	38.55%	32.76%
Feng Yi (2)	Beneficial owner	Unlisted Shares	263,553,750	20.00%	17.00%

Notes:

(1) As of the Latest Practicable Date, (i) Mr. Cai, one of our executive Directors and the chairman of the Board, directly held 416,732,000 Unlisted Shares; (ii) Lygend Investment, 88% of the equity interest of which was held by Mr. Cai, directly held 507,000,000 Unlisted Shares; (iii) Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares; and (iv) Ms. Xie Wen (謝雯), the spouse of Mr. Cai, directly held 30,849,000 Unlisted Shares.

Therefore by virtue of the SFO, (i) Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan; (ii) Mr. Cai is deemed to be interested in the aggregate number of Shares held by Lygend Investment, Ningbo Lizhan and Ms. Xie Wen; and (iii) Ms. Xie Wen is deemed to be interested in the Shares in which Mr. Cai has an interest.

(2) As of the Latest Practicable Date, Feng Yi was wholly-owned by Oakswood Group Ltd, which was in turn solely held by Ms. Lim Shu Hua, Cheryl. Therefore by virtue of the SFO, each of Oakswood Group Ltd and Ms. Lim Shu Hua, Cheryl are deemed to be interested in the Shares held by Feng Yi.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

THE CORNERSTONE PLACING

Our Company has entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with each of the cornerstone investors set forth below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"). Pursuant to the Cornerstone Investment Agreements, the Cornerstone Investors have agreed to, subject to certain conditions, subscribe or cause their designated entities to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 200 H Shares) which may be purchased at the Offer Price with an aggregate amount of approximately HK$2,551,088,612 (exclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$19.96 (being the high-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 127,809,600 Offer Shares, representing (i) approximately 55.0% of the Offer Shares (assuming the Over-allotment Option is not exercised); (ii) approximately 47.8% of the Offer Shares (assuming the Over-allotment Option is fully exercised); (iii) approximately 8.2% of our total share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iv) approximately 8.1% of our total share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. If there is over-allocation in the International Offering, there may be deferred delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Placing. All of the Cornerstone Investors, including the Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares in full before dealings in the Offer Shares commence on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue immediately upon completion of the Global Offering and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules.

There are no side agreements/arrangements between our Group and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, and the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. None of the Cornerstone Investors will have any representation on the Board nor become a substantial shareholder of our Company immediately upon completion of the Global Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements.

We became acquainted with each of the Cornerstone Investors through existing business relationships or introduction by certain Underwriters. Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help raise the profile of our Company, and signify that such investors have confidence in the growth and business prospects of our Group. As confirmed by each Cornerstone Investor, their subscription under the

Cornerstone Placing would be financed by their own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained in connection with its subscription for the relevant Offer Shares under the Cornerstone Placing.

To the best knowledge of our Company, (i) each of the Cornerstone Investors (and, for the Cornerstone Investors who will subscribe for the relevant Offer Shares through a qualified domestic institutional investor (合格境內機構投資者) ("**QDII**"), each such QDII) is an Independent Third Party and is not our connected person; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the directors, chief executive, controlling shareholders, substantial shareholders or existing shareholders of our Company or of any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in their name or otherwise held by them; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the directors, chief executive, controlling shareholders, substantial shareholders or existing shareholders of our Company or of any of our subsidiaries or any of their respective close associates; and (iv) save for the Cornerstone Investors which have engaged a QDII to subscribe for and hold the relevant Offer Shares on its behalf, each of the Cornerstone Investors will directly subscribe for and hold the relevant Offer Shares for its own account.

To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation and Clawback". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around November 30, 2022.

OUR CORNERSTONE INVESTORS

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

Hongkong Brunp and Catl Co., Limited

Hongkong Brunp and Catl Co., Limited (香港邦普时代新能源有限公司) ("**Hong Kong CATL**") was incorporated in Hong Kong in December 2019, and its principal business activity is investing in and operating projects and related businesses in the upstream industrial chain, such as overseas new energy metal mineral exploration and smelting. 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). CATL is a global-leading new energy company with technological innovation, and has core technology advantages and forward-looking R&D positioning in battery materials, battery systems, battery recycling and other aspects of the industrial chain. It focuses on the R&D, production and sales of power battery system and energy storage. CATL is committed to providing first-tier solutions and services for the global application of new energy.

In October 2020, we jointly established CBL with a subsidiary of CATL, Ningbo Brunp Contemporary New Energy Co., Ltd (寧波邦普時代新能源有限公司) ("**Ningbo Brunp**"), and Ningbo Ruiting Investment (the largest shareholder of CATL as of December 31, 2021). CBL will focus on a variety of projects in Indonesia across the NEV industry value chain, from nickel mine exploration, production of nickel products and NEV battery materials, to the manufacturing and recycling of NEV batteries. Please also refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" for details.

We have entered into a sales contract with Ningbo Brunp and its designated party, pursuant to which our Company agreed to supply Ningbo Brunp or its designated party with nickel sulfate between January 2023 and December 2027. There is no predetermined purchase price under the sales contract, though the purchase price shall be determined based on a pre-agreed pricing formula. The sales contract was entered into on arm's length basis and on normal commercial terms, and in the ordinary course of business of our Company.

Save as disclosed in this section, our Company did not enter into any other transaction, agreement or arrangement with CATL concerning the acquisition of our H Shares. CATL does not require approval from the relevant stock exchange or its shareholders for its investment in our Company.

China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd.

The China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中国国有企业混合所有制改革基金有限公司) ("**Mixed-ownership Reform Fund**") is a national fund approved by the State Council, entrusted by the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") and initiated by China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**"). The Mixed-ownership Reform Fund was established in Shanghai in December 2020, with a target total scale of RMB200 billion and an initial registered capital of RMB70.7 billion. The shareholders of the Mixed-ownership Reform Fund include a number of Chinese central enterprises, local government SOEs and private enterprises, amongst which the largest shareholder is China Chengtong with a shareholding of approximately 33.95%. China Chengtong is 100% controlled by SASAC. The Mixed-ownership Reform Fund is principally engaged in equity investment, asset management, investment advisory and corporate management advisory, with an investment focus on key strategic fields, core technical domains and others.

In addition, for the purpose of this cornerstone investment, 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 such Offer Shares on its behalf.

Ningbo Yinzhou District Financial Holding Co., Ltd.

Ningbo Yinzhou District Financial Holding Co., Ltd. (宁波市鄞州区金融控股有限公司) ("**Yinzhou Financial Holding**") was established in Ningbo, PRC. Its principal business activities include equity investments, industry funds management, financial services such as financing guarantees and loan extension for public welfare purposes, and the management and operation of state-owned assets. It focuses on enabling high-quality development of the regional economy through equity investment and cultivation services for companies with a proposed listing, fast-growing companies and quality "Specialized, Refined, Differential, Innovation" (專精特新) companies. 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 such Offer Shares on a discretionary basis on its behalf.

GEM Hong Kong International Co., Limited

GEM Hong Kong International Co., Limited (格林美香港國際物流有限公司) ("**GEM Hong Kong**") was incorporated in Hong Kong in April 2014, and its principal business activity is the sale and purchase of non-ferrous metals and raw materials, renewable resources and other resources, and the investment of overseas projects. GEM Hong Kong is wholly-owned by GEM Co., Ltd. (格林美股份有限 公司) ("**GEM China**"), whose scope of investments mainly covers its upstream and downstream industry chain. GEM China was established in 2001 and listed on the Shenzhen Stock Exchange since 2010 (stock code: 002340), as well as the Swiss Stock Exchange since 2022 (symbol: GEM), and is principally engaged in the manufacturing of new energy battery materials and urban mining.

GEM China is one of our customers, to which we have been principally supplying nickel-cobalt compounds. We have entered into a long-term offtake agreement with GEM China in August 2020, for a term commencing from the commercial operation date (the date on which the HPAL project produced a cumulative total of 12,000 metal tons of MHP, i.e. June 22, 2021) to the eighth anniversary of the said commercial operation date. During the offtake period, GEM China agrees to purchase our nickel-cobalt compound products delivered in each contract year. The total annual delivery volume shall be within the corresponding range stipulated in the agreement. There is no predetermined purchase price under the offtake agreement, though the purchase price shall be determined based on a pre-agreed pricing formula. The offtake agreement was entered into on arm's length basis and on normal commercial terms, and in the ordinary course of business of our Company. Please also refer to the section headed "Business — Production of Nickel Products — Production of Nickel-Cobalt Compounds — Material Terms of Agreements with Customers" in this prospectus for details.

Save as disclosed in this section, our Company did not enter into any other transaction, agreement or arrangement with GEM China concerning the acquisition of our H Shares. GEM China does not require approval from the relevant stock exchanges or its shareholders for its investment in our Company.

Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership)

Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership) (湖北容百电池三角壹号股权投资基金合伙企业（有限合伙）) ("**Battery Triangle Fund**") was established in Hubei, PRC in April 2022, with an initial fundraising scale of RMB1.25 billion. Such fund principally makes direct or indirect equity investments in lithium battery industry projects, adheres to an industry-focused investment strategy, fully utilizes the linked advantages of "fund + industry + region", and focuses on growth projects in high-end manufacturing, resources recycling and in upstream and downstream fields related to the lithium battery industry, whilst also attending to high-quality projects in the emerging technology field within the lithium battery industry.

The executive partner and general partner of Battery Triangle Fund is Beijing Ronbay New Energy Investment Management Co., Ltd. (北京容百新能源投資管理有限公司), which held 0.8% fund interests and is ultimately controlled by Mr. Bai Houshan (白厚善), the founder of Ningbo Ronbay New Energy Technology Co., Ltd. (寧波容百新能源科技股份有限公司) ("**Ronbay Technology**"). The limited partners of the Battery Triangle Fund are Ronbay Technology and Xiantao High-tech Industry Investment Co., Ltd. (仙桃市高新技術產業投資有限公司) (a company controlled by the State-owned Assets Supervision and Administration Commission of the Xiantao People's Government (仙桃市人民政府國有資產監督管理委員會)), which held 51.2% and 48.0% fund interests, respectively.

Ronbay Technology was established in 2014 and among the first batch of companies listed on the Shanghai Stock Exchange STAR Market in 2019 (stock code: 688005), and as a platform-based and group-based comprehensive supplier of cathode materials, Ronbay Technology is principally engaged in the R&D, production and sales of high-nickel ternary cathode materials, lithium manganese iron phosphate cathode materials and sodium battery cathode materials. The products are mainly used in the manufacturing of lithium batteries, and applied in the fields of NEV power batteries, energy storage equipment and electronic products. Its core products are the NCM811 series, NCA series, Ni90 and above ultra-high nickel series ternary cathode, lithium manganese iron phosphate cathode materials and sodium battery cathode materials.

Ronbay Technology is one of our customers, to which we have been principally supplying the nickel-cobalt compound, MHP, nickel sulfate and cobalt sulfate. We have entered into a sales contract with Ronbay Technology with a term commencing from November 2022 to December 2026. There is no predetermined purchase price under the sales contract, though the purchase price has been determined based on a pre-agreed pricing formula. The sales contract was entered into on arm's length basis and on normal commercial terms, and in the ordinary course of business of our Company.

Save as disclosed in this section, our Company did not enter into any other transaction, agreement or arrangement with Ronbay Technology concerning the acquisition of our H Shares. As one of the limited partners of Battery Triangle Fund, Ronbay Technology does not require approval from the relevant stock exchange or its shareholders for its investment in our Company.

For the purpose of the cornerstone investment, Battery Triangle Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理（廣東）有限公司), a QDII as approved by the relevant PRC authority, to subscribe for and hold such Offer Shares on a discretionary basis on its behalf.

The following table sets out certain details of the Cornerstone Placing:

		Assuming a final Offer Price of HK$15.60 per Share (being the low-end of the Offer Price Range)					Assuming a final Offer Price of HK$17.78 per Share (being the mid-point of the Offer Price Range)					Assuming a final Offer Price of HK$19.96 per Share (being the high-end of the Offer Price Range)				
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Cornerstone Investor	Investment Amount (HK$)[(1)]	Number of Offer Shares [(2)]	Approximate % of total number of Offer Shares	Approximate % of total share capital[(3)]	Approximate % of total number of Offer Shares	Approximate % of total share capital[(3)]	Number of Offer Shares [(2)]	Approximate % of total number of Offer Shares	Approximate % of total share capital[(3)]	Approximate % of total number of Offer Shares	Approximate % of total share capital[(3)]	Number of Offer Shares [(2)]	Approximate % of total number of Offer Shares	Approximate % of total share capital[(3)]	Approximate % of total number of Offer Shares	Approximate % of total share capital[(3)]
Hong Kong CATL . . .	783,850,000	50,246,600	21.6%	3.2%	18.8%	3.2%	44,086,000	19.0%	2.8%	16.5%	2.8%	39,271,000	16.9%	2.5%	14.7%	2.5%
Mixed-ownership Reform Fund	550,000,000	35,256,400	15.2%	2.3%	13.2%	2.2%	30,933,600	13.3%	2.0%	11.6%	2.0%	27,555,000	11.8%	1.8%	10.3%	1.7%
Yinzhou Financial Holding .	433,388,612	27,781,200	11.9%	1.8%	10.4%	1.8%	24,375,000	10.5%	1.6%	9.1%	1.5%	21,712,800	9.3%	1.4%	8.1%	1.4%
GEM Hong Kong	391,925,000	25,123,200	10.8%	1.6%	9.4%	1.6%	22,043,000	9.5%	1.4%	8.2%	1.4%	19,635,400	8.4%	1.3%	7.3%	1.2%
Battery Triangle Fund	391,925,000	25,123,200	10.8%	1.6%	9.4%	1.6%	22,043,000	9.5%	1.4%	8.2%	1.4%	19,635,400	8.4%	1.3%	7.3%	1.2%
Total	**2,551,088,612**	**163,530,600**	**70.3%**	**10.5%**	**61.1%**	**10.3%**	**143,480,600**	**61.7%**	**9.3%**	**53.7%**	**9.1%**	**127,809,600**	**55.0%**	**8.2%**	**47.8%**	**8.1%**

Notes:

(1) The Hong Kong dollar equivalent is for reference only and is calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering—Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(2) Subject to rounding down to the nearest whole board lot of 200 H Shares.

(3) Represents the percentage of total share capital of our Company immediately upon the completion of the Global Offering.

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to acquire the relevant Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);

(c) the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver not having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or under the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings, acknowledgements and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF OFFER SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior consent of the Company, the Joint Sponsors and the Overall Coordinators, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), dispose of (as defined in the relevant Cornerstone Investment Agreement) any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances (if applicable), such as (i) transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction; and/or (ii) pledges or charges in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) who shall undertake to be bound by the same Lock-up Period restriction, for a bona fide commercial loan.

FUTURE PLANS

See "Business — Development Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$17.78 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$3,964.6 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds of the Global Offering for the following purposes:

1) approximately 56.4% of our total estimated net proceeds, or HK$2,236.0 million, will be used for the development and construction of our nickel product production projects on the Obi Island, among which:

   - approximately 26.4% of our total estimated net proceeds, or HK$1,046.7 million, will be used for the development and construction of phase III of the HPAL project, among which: (i) approximately 24.0% of our total estimated net proceeds, or HK$951.5 million, is intended to be used for the construction of its MHP, nickel sulfate and cobalt sulfate production lines and purchase of related machinery and equipment, and (ii) approximately 2.4% of our total estimated net proceeds, or HK$95.2 million, is intended to be used for the construction of ports that facilitate the shipment of nickel-cobalt compounds produced by the HPAL project, and purchase of related machinery and equipment. The NEV industry, especially the high nickel content ternary battery market, is expected to experience substantial growth in the next few years, which is expected to further increase the market demand for nickel sulfate and cobalt sulfate, the raw materials for high nickel content ternary battery. Leveraging our industry-leading hydrometallurgy techniques and resource advantages, we have accurately captured the growing market opportunities in the NEV industry by expanding the HPAL project on the Obi Island of Indonesia. Phase III of the HPAL project, with an aggregate designed production capacity of 65,000 metal tons of nickel-cobalt compounds (including 7,500 metal tons of cobalt) per annum, has commenced construction in June 2022 and is expected to commence production in December 2023. Once these production lines are put into operation, we plan to flexibly adjust the allocation of production capacities among nickel-cobalt compounds (including MHP, nickel sulfate and cobalt sulfate) in response to the demand from our customers and the relative profit margins of these products;

   - approximately 30.0% of our total estimated net proceeds, or HK$1,189.4 million, will be used for the development and construction of phase II of the RKEF project, among which: (i) approximately 18.0% of our total estimated net proceeds, or HK$713.6 million, is intended to be used for the construction of its ferronickel production lines and purchase of related machinery and equipment, (ii) approximately 6.0% of our total estimated net proceeds, or HK$237.9 million, is intended to be used for its production lines of semi-coke, one of the key raw materials used in the production of ferronickel, and purchase of related machinery and equipment, and (iii) approximately 6.0% of our total estimated net proceeds, or HK$237.9 million, is intended to be used for the construction of ports that facilitate the shipment of ferronickel produced by the RKEF project, and purchase of related machinery and equipment. As one of the important raw materials for the production of stainless steel, the demand of ferronickel will increase in line with the steady growth of the global stainless steel market. The expansion of the RKEF project into phase II is expected to further increase our production capacity of ferronickel and create synergistic effect with our stainless steel project by securing the upstream supply for our stainless steel project. We expect to construct 12 production lines under phase II of the RKEF project, with an aggregate designed production capacity of 185,000 metal tons of ferronickel per annum. These production lines are expected to commence construction in January 2023 and commence production in the third quarter of 2024.

As the Obi Island is a group of isolated islands bordered by the Maluku Sea and the Seram Sea, it is necessary to construct ports to facilitate any inbound and outbound shipment. According to the planning of the Obi projects, a number of ports are designed to facilitate the outbound shipment of nickel-cobalt compounds produced by the HPAL project and ferronickel produced by the RKEF project, and the inbound shipment of machinery and equipment for these projects. Our Indonesian Partner owns the land use right for the ports and has obtained the relevant construction permits for the construction of the ports, including the Stipulation of Fulfillment of Special Terminal Development Commitments issued by the Directorate General of Sea Transportation of the Ministry of Transportation. No additional licenses or approvals are required for the construction of the ports. The port area of our Obi project is divided into two areas, one for the HPAL project (for which we have planned seven ports) and one for the RKEF project (for which we have planned five ports). As of the Latest Practicable Date, five ports of the Obi projects (including three for the HPAL project and two for the RKEF project) have completed construction and are in operation, and another seven ports (including four for the HPAL project and three for the RKEF project) are currently being constructed or designed. All of these ports are designed and constructed by third-party professional service providers engaged by us. These service providers have the required licenses and qualifications to design and construct, and are experienced in designing and constructing, ports and other large-scale transportation infrastructure.

The RKEF project currently expects to consume approximately 1.4 million metric tons of semi-coke annually for its production of ferronickel. The RKEF project plans to produce semi-coke on the Obi Island on its own instead of purchasing it from third parties primarily due to the following reasons:

- ***cost concerns***. It is expected that upon the completion of the semi-coke production lines on the Obi Island, the cost of self-produced semi-coke will be lower than semi-coke purchased from third parties. The estimated net unit cost for self-produced semi-coke is US$129 per metric ton, compared to no less than US$290 per metric ton for semi-coke purchased from third parties;

  The following table illustrates how the estimated unit cost of self-produced semi-coke is calculated:

Items	**Unit price (US$ per metric ton)(1)**	**Unit consumption for producing one metric ton of semi-coke (metric ton)(1)**	**Cost for producing one metric ton of semi-coke (US$)**
Cost of production			
Coal	110	2.5	275
Other costs(1) . .			27
Total cost of production			**302**
	Unit selling price (US$ per metric ton)	**By-product generated in producing one metric ton of semi-coke**	**Selling price for by-product generated in producing one metric ton of semi-coke (US$)**
Sales of by-products from the production of semi-coke			
Coal foam	110(2)	0.5 metric ton	55
Coal gas	0.13(2)	600 cube meters	78
Coal tar	400(2)	0.1 metric ton	40
Subtotal			**173**
Net unit cost (total cost of production minus by-product sales) . . .			**129**

Notes:

(1) primarily include costs of electricity and water, staff costs and other costs that are directly related to the production of semi-coke.

(2) the main by-products from the production of semi-coke that has economic value include coal foam, coal gas and coal tar. The unit price of coal foam and coal tar is estimated based on the prevailing market prices of these products in Indonesia. According to CIC, there is sufficiently large market demand in Indonesia for coal foam and coal tar. For coal gas, as there are a very limited number of Indonesian companies producing coal gas, the unit price of coal gas is conservatively estimated based on the prevailing market price of coal gas in China, which is at least US$0.13 per metric ton. Moreover, coal gas generated in the production of semi-coke is expected to be used as a source of energy for the production activities of our RKEF project.

Indonesia and its adjacent countries do not produce semi-coke for external sale. Semi-coke is predominantly produced in China: in 2021, semi-coke produced in China accounted for substantially all of the world's semi-coke production volume. In addition, semi-coke produced in China is able to meet the quantity and quality requirements for the production the RKEF project. As such, if the RKEF project does not produce semi-coke on the Obi Island on its own, it will have to procure semi-coke from China. Most semi-coke suppliers are located in the northwestern region of China, and significant land transportation and shipping costs would be incurred in order to transport the semi-coke to the Obi Island, making the procurement of semi-coke from third parties a less cost efficient option.

The following table illustrates how the estimated unit cost of semi-coke procured from third parties is calculated:

Items	**Unit price (US$ per metric ton of semi-coke)**
Semi-coke(1)	150
Land transportation costs(2)	100
Shipping costs(2)	40
	290

Notes:

(1) According to CIC, the average market price of semi-coke produced in China increased from RMB545.3 per metric ton in 2016 to RMB1,810.1 per metric in the first half of 2022. According to the same source, for environmental production reasons, Chinese semi-coke producers in recent years have been asked by governmental authorities to reduce production volume and increase their environmental production related expenditure (which in turn further increases their semi-coke production costs). As such, the price of semi-coke is expected to remain at a relatively high level for the foreseeable future.

(2) The oil price is expected to remain at a higher level in the next few years. As such, the transportation costs for procuring semi-coke from third parties, including land transportation costs and shipping costs, are also expected to remain high in the foreseeable future.

- ***potential damage in transit***. Purchasing semi-coke from third-parties, typically semi-coke manufacturers in China, involves long-haul shipping and loading and unloading of the goods, during which process the goods could be easily damaged and no longer suitable for ferronickel production; and

- ***recycling of by-products***. The production of semi-coke generates certain types of by-products that can be recycled. For example, gas generated during the semi-coke production process can be used as fuel for our RKEF project, effectively reducing the costs and carbon emissions of the project.

The semi-coke production lines are designed by a third-party professional service provider engaged by us with decades of experience in the designing of similar construction projects, and are constructed by us. As the construction process of the semi-coke production line is similar to that of the main production lines of the Obi projects, we believe years of experience constructing the main production lines have enabled us to accumulate sufficient experience and expertise that can be leveraged in constructing the semi-coke production lines.

2) approximately 24.0% of our total estimated net proceeds, or HK$951.5 million, will be used to contribute additional capital to CBL, our joint venture with Contemporary Amperex Technology Co., Limited ("CATL").

CBL is a joint venture established by the following three entities: (i) Ningbo Brunp Contemporary New Energy Co., Ltd (a majority-owned subsidiary of CATL), which holds a 60.0% equity interest in CBL; (ii) our Company, which indirectly holds a 30.0% equity interest in CBL, and (iii) Ningbo Ruiting Investment (the largest shareholder of CATL as of December 31, 2021; its registered capital is RMB90.9 million and its executive director and general manager is also the founder and chairman of the board of CATL), which holds a 10.0% equity interest in CBL. CBL currently plans to establish joint ventures (the "**Indonesian JVs**") with its Indonesian JV partners, PT Aneka Tambang Tbk ("**ANTAM**") and PT Industri Baterai Indonesia ("**IBI**"), to develop six projects across the NEV industry value chain, from nickel mining and exploration, production of nickel products and NEV battery materials, to the manufacturing and recycling of NEV batteries (the "**Indonesian projects**"). The Indonesian projects are expected to be located in the FHT Industrial Park of East Halmahera of Indonesia's North Maluku Province and other related industrial parks in Indonesia. The total investment amount of the Indonesian projects is estimated to be up to US$6.0 billion. The Indonesian projects are currently scheduled to be constructed between December 2022 and 2026. Given that the Indonesian projects are still under preliminary stages, as of the Latest Practicable Date, the timeline of capital investments, key milestones or more detailed development timeframe of the Indonesian projects remain uncertain. CATL, as the largest shareholder of CBL, will be in charge of the overall project planning and execution of the Indonesian projects. Our Company, as a 30% minority shareholder of CBL, has limited control and visibility over the overall progress of the Indonesian projects.

The following table sets forth details of the Indonesian projects and the estimated amount of investment by our Company:

No.	Project description	Indonesian business partner	Estimated total investment amount (US$ in millions)	CBL's shareholding	Estimated investment amount to be contributed by CBL[5] (US$ in millions)	Estimated investment amount to be contributed by our Company [6] (US$ in millions)
1	Laterite nickel ore mining and exploration	ANTAM[1]	226[3]	49.0%	39	12
2	Ferronickel production	ANTAM[1]	1,812[4]	60.0%	381	114
3	MHP production	ANTAM[1]	1,531	70.0%	375	113
4	Ternary battery material production	IBI[2]	647	70.0%	159	48
5	Ternary battery production	IBI[2]	1,638	70.0%	401	120
6	Ternary battery recycling	IBI[2]	114	60.0%	24	7
Total			5,968		1,378	413

Notes:

(1) ANTAM is an Indonesian SOE listed in Indonesia. It is primarily engaged in the mining of various types of minerals and related activities.

(2) IBI is an Indonesian SOE. It primarily invests in projects across the NEV battery industry value chain both in Indonesia and overseas.

(3) As the nickel ore mining and exploration project involves the acquisition of equity interest in a mine of the relevant Indonesian business partner, which is currently under negotiation, the estimated investment amount of this project has not been finalized as of the Latest Practicable Date and is subject to further changes.

(4) As the ferronickel production project involves the acquisition of certain industrial parks owned by the relevant Indonesian business partner, which is currently under negotiation, the estimated investment amount of this project has not been finalized as of the Latest Practicable Date and is subject to further changes.

(5) Calculated by multiplying (i) the estimated total investment amount for the relevant Indonesian project by (ii) 35%, which is the percentage of the total investment amount that is expected to be contributed by the Indonesian JVs' shareholders (the Indonesian JVs plan to obtain external financing, such as bank borrowings, to cover the remaining 65% of the investment amount), and further by (iii) the respective shareholding of CBL in the relevant Indonesian JVs (for example, 49.0% for the laterite nickel ore mining and exploration project).

(6) Calculated by multiplying (i) the estimated investment amount to be contributed by CBL to the relevant Indonesian project by (ii) 30%, which is our Company's shareholding in CBL.

In addition to proceeds from this offering, we plan to fund the remainder of our investments in CBL through other means, such as utilizing our cash at hands or through debt financing.

3) approximately 9.6% of our total estimated net proceeds, or HK$380.6 million, will be used for making potential minority investments in nickel mines in Indonesia. As the Indonesian government's export ban continues, an increasing number of companies have been developing nickel production projects in Indonesia, making nickel mines in Indonesia valuable upstream resources with significant investment value. As a company with nickel production operations in Indonesia, making such minority investment is also strategically important to us because it could enhance the predictability and stability of nickel ore supply for our Obi projects. Furthermore, such investment is also consistent with our business strategy to further expand our business across the industry value chain and is expected to create synergy with our other businesses.

   We will consider a variety of factors when selecting potential investment targets: (i) development status of the mines: we will give priority to (a) mines of which resource reserves have been calculated according to JORC Code, or NI43-101 rules as required by Listing Rules, and (b) mines that are under production; (ii) size of reserve: we will give priority to mines with exploitable reserve of more than 100,000 tons of nickel; (iii) grade of serve: we will give priority to nickel mines that produce limonite (with nickel content higher than 1.2% and cobalt content higher than 0.15%) and saprolite (with nickel content higher than 1.7%), (iv) location: mines located on the Obi Island and the Halmahera Island are generally preferred, as they are closer to the Obi project and can better support the production of the Obi projects; and (v) we will also consider large-scale mines in other areas that have large reserves and good quality. We believe such minority investment criteria would lower the uncertainty of our investment and shorten the production preparation period. According to the CIC Report, there are currently more than 15 mines in Indonesia that fulfill our conditions. As such, our Directors and our industry consultant, CIC, believe that there are sufficient numbers of suitable targets available in the market for our aforementioned expansion plan. The specific number of nickel mines we are going to invest in has not been determined yet, and we will consider any nickel mine meeting the above selection criteria. The estimated amount of our investment is calculated by multiplying the approximate value of the target mines, which is calculated based on a variety of factors (including the scale of exploitable reserve, the range of nickel content, the abundance of other valuable metal element, and the market price of comparable mines among others), with our planned minority shareholding in such mines, which is subject to change.

   As of the latest Practical Date, we have not identified any target or entered into any binding commitment, whether oral or written, for any minority investment in nickel mines; and

4) approximately 10.0% of our total estimated net proceeds, or HK$396.5 million, will be used for our working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

If the Offer Price is fixed at HK$19.96 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$494.2 million, assuming the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK$15.60 per Offer Share (being the low end of the Offer Price range states in this prospectus), the net proceeds we receive will be reduced by approximately HK$494.2 million, assuming the Over-allotment Option is not exercised.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK$568.4 million assuming an Offer Price of HK$19.96 per Share, being the high end of the proposed Offer Price range, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. If the Offer Price is set at HK$15.60 per Share, being the low end of the proposed Offer Price range, the additional net proceeds upon full exercise of the Over-allotment Option will decrease by approximately HK$568.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we only intend to deposit the net proceeds into short-term demand deposits with licensed commercial banks as defined under the applicable laws in the relevant jurisdictions. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

With respect to corporate finance strategy, the Company aims to build capabilities in accessing both onshore and offshore capital markets to raise equity and debt funding as required. The Company's management seeks to utilize a combination of available funding sources and instruments including bank loans, bonds, equity as well as hybrid securities to ensure it has sufficient flexibility in obtaining capital at a competitive rate while maintaining a sustainable capital structure.

OVERALL COORDINATORS

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

JOINT GLOBAL COORDINATORS

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

BOCI Asia Limited

DBS Asia Capital Limited

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

BOCI Asia Limited

DBS Asia Capital Limited

ABCI Securities Company Limited

BNP Paribas Securities (Asia) Limited

Silverbricks Securities Company Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 23,254,800 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus.

Subject to (a) the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued and sold pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and (b) to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled in their absolute discretion by notice (in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any or a series of event(s) or circumstance(s) in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak, escalation, mutation or aggravation of disease (including Severe Acute Respiratory Syndrome (SARS), Coronavirus Disease 2019 (COVID-19), H1N1 and H5N1 and such related/mutated forms), or strikes, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, riots, rebellion, civil commotion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), economic sanctions, paralysis in government operations, interruptions or delay in transportation) in or directly or indirectly affecting Hong Kong, the PRC, the United States, the United Kingdom, Indonesia, Philippines, Turkey, New Caledonia, Singapore and British Virgin Islands, Taiwan, South Korea, Malaysia or the European Union (or any member thereof) or any other jurisdiction relevant to the Group (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Singapore Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), the PRC, New York (imposed at Federal or New York State level or other competent Authority (as defined in the Hong Kong Underwriting Agreement)), or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(v) any new Law (as defined in the Hong Kong Underwriting Agreement), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent Authority (as defined in the Hong Kong Underwriting Agreement) of) existing Laws (as defined in the Hong Kong Underwriting Agreement), in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions or the withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction Laws (as defined in the Hong Kong Underwriting Agreement) in Hong Kong, the PRC or any other Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting Taxes (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, Hong Kong dollar, Euro, British pound or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the currency of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares; or

(viii) any litigation, dispute, legal action or claim, regulatory or administrative investigation or action of any third party being threatened or instigated or announced against any member of the Group or any Director; or

(ix) an Authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices) commencing any regulatory investigation or taking other action, against any member of the Group or any Director or any Supervisor or a member of the Company's senior management as named in this prospectus; or

(x) an executive Director or a Supervisor or a member of the Company's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of Law (as defined in the Hong Kong Underwriting Agreement) or otherwise disqualified from taking part in the management or taking directorship of a company or being subject to any disciplinary proceedings in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices); or

(xi) the Chairman, a Director or a Supervisor or any member of senior management of the Company (as named in this prospectus) vacating his or her office; or

(xii) a contravention by any member of the Group or any Director or any Supervisor of the Listing Rules or applicable Laws (as defined in the Hong Kong Underwriting Agreement); or

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws (as defined in the Hong Kong Underwriting Agreement); or

(xiv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC, other than circumstances where the Joint Sponsors and the Overall Coordinators have provided consent; or

(xv) any change, prospective change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" of this prospectus; or

(xvi) any demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xvii) any order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group, which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable or incapable for the Global Offering to proceed or market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof, and provided that in respect of any epidemic or pandemic, adverse mutation or aggravation of diseases referred to in paragraph (i) above, the Joint Sponsors and the Overall Coordinators shall only be entitled to terminate the Hong Kong Underwriting Agreement in accordance with paragraph (i) if, in their opinion, there has been a material escalation in any such epidemic, pandemic or adverse mutation or aggravation of diseases after the date of the Hong Kong Underwriting Agreement; or

(b) there has come to the notice of the Joint Sponsors and the Overall Coordinators:

(i) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) and/or in any notices, announcements, circulars, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding information relating to the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint lead Managers and the Capital Market Intermediaries, the Underwriters or any of them, which for the purpose of this paragraph, include only their respective marketing name, legal name and address) (collectively, the "**Offer Related Documents**") was, when it was issued, or has become, untrue, incorrect, incomplete in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any material breach of the obligations imposed upon any party to any of the Cornerstone Investment Agreements (other than a breach by the Overall Coordinators); or

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement or the Cornerstone Investment Agreement(s), as applicable; or

(vi) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the members of the Group, taken as a whole; or

(vii) any breach of, or any event or circumstance rendering untrue or incorrect, incomplete or misleading, any of the representations, warranties, agreements and undertakings given by the Company and the Controlling Shareholders in Warranties (as defined in the Hong Kong Underwriting Agreement) under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(viii) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including the Option Shares (as defined in the Hong Kong Underwriting Agreement)) pursuant to the terms of the Global Offering; or that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions, revoked) or withheld; or

(ix) the Company withdraws any of the Offer Related Documents or the Global Offering; or

(x) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(xi) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or canceled.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no any further Shares or securities convertible into equity securities (whether or not of a class already listed) shall be issued or form the subject of any agreement to such issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for Shares issued or to be issued pursuant to the Global Offering (including any exercise of the Over-allotment Option) or any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to each of the Stock Exchange and the Company respectively that, except pursuant to the Global Offering, they shall not and shall procure that the relevant registered holder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of our shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which the Controlling Shareholders are shown by this prospectus to be the beneficial owners; and

(b) in the period of six months commencing on the date on which the period referred to in the above paragraph (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders.

Our Controlling Shareholders have further undertaken to the Stock Exchange and to our Company respectively that, within the period commencing from the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

(1) when they pledge or charge any securities of the Company beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(2) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by Our Company

Except for the offer, issue and sale of the Offer Shares pursuant to the Global Offering including pursuant to any exercise of the Over-Allotment Option and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other equity securities of the Company, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other equity securities of the Company, as applicable, or any interest in any of the foregoing (including without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to announce or publicly disclose any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or contracts to or agrees to or announces or publicly discloses any intention to effect any such transaction, the Company undertakes to take all reasonable steps to ensure that such transaction, agreement, announcement or disclosure (as the case maybe) will not create a disorderly or false market in the securities of the Company.

The Controlling Shareholders undertakes to each of the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to use its best endeavors in its capacity as a shareholder of the Company to procure the Company to comply with the undertakings above.

Undertaking by the Controlling Shareholders

Each of the Controlling Shareholder has jointly and severally undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he or she or it will not, at any time during the First Six-Month Period, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by him or it as of the Listing Date (the "**Locked-up Securities**"), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of, any Locked-up Securities;

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce or publicly disclose any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other equity securities will be completed within the First Six-Month Period);

During the Second Six-Month Period, he or she or it will not, at any time, enter into any transaction described in paragraphs (a), (b) or (c) above in respect of any Locked-up Securities or offer to or agree to or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, Mr. Cai, Lygend Investment, Ningbo Lizhan or Ms. Xie (individually or in aggregate) will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of the Company.

Until the expiry of the Second Six-Month period, in the event that he or she or it enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he or she or it will take all reasonable steps to ensure that he or she or it will not create a disorderly or false market in the securities of the Company; at any time during the First Six-Month Period and the Second Six-Month Period, he or she or it will:

(1) if and when he, she or it pledges or charges any Shares or other securities of the Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities (or interest therein) of the Company so pledged or charged; and

(2) if and when he or she or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interest therein) of the Company will be disposed of, to the extent permitted by applicable Laws, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such indications. The Company shall, as soon as practicable upon receiving such information in writing from the member of the Controlling Shareholders and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

The Controlling Shareholders' undertakings shall not (i) apply to H Shares acquired by the Controlling Shareholders subsequent to the completion of the Global Offering; or (ii) prevent the Controlling Shareholders from using the H Shares beneficially owned by the Controlling Shareholders as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, provided that the requirements under paragraph (d) are satisfied.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree severally to purchase, or procure subscribers or purchasers for, the International Offer Shares being offered pursuant to the International Offering. Please refer to the paragraph headed "Structure of the Global Offering — The International Offering" in this prospectus.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators on behalf of the International Underwriters, on or before Saturday, December 24, 2022, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require us to issue and allot, up to an aggregate of 34,882,000 Shares, representing in aggregate approximately 15% of Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations, if any, in the International Offering. Please refer to the paragraph headed "Structure of the Global Offering — The International Offering — Over-allotment Option" in this prospectus.

COMMISSION AND EXPENSES

Our Company will pay an underwriting commission of 1.5% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over- allotment Option (the "**Fixed Fees**"). Our Company may, at our sole and absolute discretion, pay an incentive fee of up to 1.0% of the Offer Price in respect of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the "**Discretionary Fees**"). The ratio of Fixed Fees and Discretionary Fees payable is therefore 60:40 (on the basis that the Discretionary Fees will be fully paid). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, AFRC transaction levy, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB153.8 million (approximately HK$170.1 million) in total (based on the Offer Price of HK$17.78 per Offer Share which is the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised).

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus, save for its obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding in any member of our Group or any right or option (whether legally enforceable or not) to purchase or subscribe for or to nominate persons to purchase or subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited are the Joint Sponsors and Overall Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering consists of (subject to reallocation and the Over-allotment Option):

(i) the Hong Kong Public Offering of 23,254,800 H Shares (subject to reallocation as mentioned below) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section; and

(ii) the International Offering of 209,292,800 H Shares (subject to reallocation and Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 15% of the total share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the total share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "The International Offering — Over-allotment Option" in this section.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering,

but may not do both.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S.

The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering — Reallocation and Clawback" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Subject to reallocation as mentioned below, the Company is initially offering 23,254,800 H Shares at the Offer Price under the Hong Kong Public Offering for subscription by the public in Hong Kong, representing approximately 10% of the 232,547,600 H Shares initially available under the Global Offering. Subject to reallocation as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent approximately 1.50% of our total share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators and the Joint Sponsors so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "Conditions of the Global Offering" in this section.

Allocation

For allocation purposes only, the 23,254,800 H Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation in the number of

Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally (to the nearest board lot and with any odd lots being allocated to Pool A) into two pools: Pool A comprising 11,627,400 Hong Kong Offer Shares and Pool B comprising 11,627,400 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the number of H Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 69,764,400 (in the case of (i)), 93,019,200 (in the case of (ii)), and 116,273,800 Shares (in the case of (iii)), respectively, representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over- allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition to any mandatory reallocation required as described above, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators. The Overall Coordinators may, at their sole discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Offer Shares originally in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation should not exceed 46,509,600 Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e., HK$15.60 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering expected to be published on Wednesday, November 30, 2022.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 232,547,600 H Shares initially comprised in the Hong Kong Public Offering (that is 116,273,800 Hong Kong Offer Shares) will be rejected.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$19.96 per Offer Share in addition to any brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" in this section, is less than the maximum Offer Price of HK$19.96 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applications, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered by us for subscription under the International Offering will consist of an initial offering of 209,292,800 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 13.5% of our total share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors and expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation and Clawback

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering – Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators at their sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Overall Coordinators will have the right to require our Company to issue and allot, at the Offer Price, up to an aggregate of additional 34,882,000 H Shares representing in aggregate approximately 15% of the number of the Offer Shares initially available under the Global Offering at the Offer Price to cover over- allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 2.2% of the share capital of the Company immediately after the completion of the Global Offering.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, an activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 34,882,000 H Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;

(ii) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

(iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;

(iv) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the

Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(v) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 34,882,000 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid before the Listing Date, accordingly there will be no delayed settlement of the Offer Shares.

Our Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager may cover such over-allocations by exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

PRICING OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, November 24, 2022 and in no event later than Wednesday, November 30, 2022.

The Offer Price will be not more than HK$19.96 per Offer Share and is currently expected not to be less than HK$15.60 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$19.96 for each Hong Kong Offer Share together with brokerage of 1%, a Stock

Exchange trading fee of 0.005%, a SFC transaction levy of 0.0027% and a AFRC transaction levy of 0.00015%. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative price range stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors consider it appropriate, with our consent the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus may be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Thursday, November 24, 2022, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**, and on our website at **www.lygend.com** notice of such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon between the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

As soon as practicable after such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, and, where appropriate, extend the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who had applied for the Offer Shares a right to withdraw their applications. Unless the Company received positive confirmations from such potential investors to proceed with their subscriptions, their applications must be rejected.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is so reduced, such applications can subsequently be withdrawn. All applicants who have already submitted an application will be entitled to withdraw their applications and will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus. All unconfirmed applications will not be valid.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Overall Coordinators and the Joint Sponsors.

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on Wednesday, November 30, 2022 through a variety of channels described in the paragraph headed "How to Apply for Hong Kong Offer Shares — Publication of Results" in this prospectus.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that our Company will, on or about Thursday, November 24, 2022, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, inter alia:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

- the Offer Price having been agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by Wednesday, November 30, 2022 between us and the Overall Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the websites of our Company at **www.lygend.com**, and the Hong Kong Stock Exchange at **www.hkexnews.hk,** respectively on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the Company's receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Wednesday, November 30, 2022 but will only become valid evidence of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Thursday, December 1, 2022, provided that (i) the Global Offering has become unconditional in all respects at or before that time and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid evidence of title do so entirely at their own risk.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 1, 2022, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence on Thursday, December 1, 2022. Shares will be traded in board lots of 200 Shares each and the stock code will be 2245.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.lygend.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, **broker** or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 on the following dates:

Monday, November 21, 2022 — 9:00 a.m. to 9:00 p.m.
Tuesday, November 22, 2022— 9:00 a.m. to 9:00 p.m.
Wednesday, November 23, 2022— 9:00 a.m. to 9:00 p.m.
Thursday, November 24, 2022 — 9:00 a.m. to 12:00 noon

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Overall Coordinators, the designated **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC.

If an application is made by a person under a power of attorney, the Overall Coordinators may accept it at their discretion and on any conditions they think fit, including requiring evidence of the attorney's authority. The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer or supervisor of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

(a) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);

(b) have a Hong Kong address; and

(c) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Overall Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, on the designated website under the **White Form eIPO** service, and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Overall Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering and the **White Form eIPO** service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving bank(s), the Joint Global Coordinators, the Overall Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Overall Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus on the designated website under the **White Form eIPO** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "14. Dispatch/ Collection of H Share Certificates and Refund Monies — Personal Collection" in this prospectus to collect the H Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 200 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

Lygend Resources & Technology Co., Ltd. (Stock Code 2245)
(HK$19.96 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
200	4,032.24	5,000	100,805.83	80,000	1,612,893.35	2,000,000	40,322,333.72
400	8,064.47	6,000	120,967.00	90,000	1,814,505.01	3,000,000	60,483,500.58
600	12,096.70	7,000	141,128.17	100,000	2,016,116.68	4,000,000	80,644,667.44
800	16,128.93	8,000	161,289.33	200,000	4,032,233.37	5,000,000	100,805,834.30
1,000	20,161.17	9,000	181,450.50	300,000	6,048,350.06	6,000,000	120,967,001.16
1,200	24,193.41	10,000	201,611.67	400,000	8,064,466.75	7,000,000	141,128,168.02
1,400	28,225.63	20,000	403,223.34	500,000	10,080,583.43	8,000,000	161,289,334.88
1,600	32,257.87	30,000	604,835.01	600,000	12,096,700.11	9,000,000	181,450,501.74
1,800	36,290.10	40,000	806,446.68	700,000	14,112,816.80	10,000,000	201,611,668.60
2,000	40,322.34	50,000	1,008,058.35	800,000	16,128,933.49	11,627,400(1)	234,421,951.55
3,000	60,483.50	60,000	1,209,670.02	900,000	18,145,050.18		
4,000	80,644.67	70,000	1,411,281.68	1,000,000	20,161,166.86		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Applicants who meet the criteria in the paragraph headed "— 2. Who can apply" in this section may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the H Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited at +852 2862 8600 on the following dates:

Monday, November 21, 2022 — 9:00 a.m. to 9:00 p.m.
Tuesday, November 22, 2022— 9:00 a.m. to 9:00 p.m.
Wednesday, November 23, 2022— 9:00 a.m. to 9:00 p.m.
Thursday, November 24, 2022 — 9:00 a.m. to 12:00 noon

Time for Submitting Applications under the White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, November 21, 2022 until 11:30 a.m. on Thursday, November 24, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 24, 2022 or such later time under the paragraph headed "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of the **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Lygend Resources & Technology Co., Ltd." **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Overall Coordinators and our H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Overall Coordinators, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Overall Coordinators, the Underwriters the Capital Market Intermediaries, and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H Shares in the Company are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, November 21, 2022 — 9:00 a.m. to 8:30 p.m.
- Tuesday, November 22, 2022 — 8:00 a.m. to 8:30 p.m.
- Wednesday, November 23, 2022 — 8:00 a.m. to 8:30 p.m.
- Thursday, November 24, 2022 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, November 21, 2022 until 12:00 noon on Thursday, November 24, 2022 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, November 24, 2022, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the H Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Overall Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service or the **White Form eIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by the Company and its H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants.

Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Underwriters, the Capital Market Intermediaries and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the designated **White Form eIPO** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System or the CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, November 24, 2022, the last application day, or such time as described in the paragraph headed "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section.

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **White Form eIPO** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$19.96 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and AFRC transaction levy of 0.00015%. This means that for one board lot of 200 Hong Kong Offer Shares, you will pay HK$4,032.24.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 200 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Offer Shares must be in one of the numbers set out in the table in "— 4. Minimum Application Amount and Permitted Numbers", or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy and AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC respectively).

For further details on the Offer Price, please refer to the paragraph headed "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 24, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, November 24, 2022 or if there is/are a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made on our website at www.lygend.com and the website of the Stock Exchange at **www.hkexnews.hk**.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 30, 2022 on our website at www.lygend.com and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at www.lygend.com and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, November 30, 2022;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, November 30, 2022 to 12:00 midnight on Tuesday, December 6, 2022; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Wednesday, November 30, 2022 to Monday, December 5, 2022.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

(b) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Overall Coordinators, the designated **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists;
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Overall Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, November 30, 2022.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or before Wednesday, November 30, 2022. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 1, 2022 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 30, 2022, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, November 30, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS

Participant's stock account or your CCASS Investor Participant's stock account on Wednesday, November 30, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "— 11. Publication of Results" in this section on Wednesday, November 30, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 30, 2022 or such other date as determined by HKSCC or HKSCC Nominees.

If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 30, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Wednesday, November 30, 2022.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LYGEND RESOURCES & TECHNOLOGY CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-4 to IA-151, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-151 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated November 21, 2022 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in*

Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2021 and other explanatory information (the "Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
November 21, 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
REVENUE	5	9,347,434	7,755,174	12,449,318	4,088,286	9,978,283
Cost of sales		(8,329,333)	(6,802,515)	(10,933,390)	(3,735,398)	(6,894,081)
Gross profit		1,018,101	952,659	1,515,928	352,888	3,084,202
Other income and gains	5	70,946	122,406	424,900	56,108	108,924
Selling and distribution expenses		(55,869)	(50,128)	(124,124)	(23,346)	(43,170)
Administrative expenses		(132,547)	(174,178)	(301,134)	(110,342)	(480,192)
Impairment losses on financial assets, net		(812)	115	(4,172)	(1,581)	(2,685)
Other operating expenses		(13,812)	(40,232)	(91,944)	(57,639)	(111,330)
Finance costs	7	(66,559)	(42,176)	(79,325)	(25,466)	(108,517)
Share of profits and losses of associates		(34,352)	(68,063)	99,008	(52,975)	(54,713)
PROFIT BEFORE TAX	6	785,096	700,403	1,439,137	137,647	2,392,519
Income tax expense	10	(218,370)	(182,065)	(179,174)	(48,691)	(102,896)
PROFIT FOR THE YEAR/PERIOD		566,726	518,338	1,259,963	88,956	2,289,623

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

		Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
PROFIT FOR THE YEAR/PERIOD		566,726	518,338	1,259,963	88,956	2,289,623
OTHER COMPREHENSIVE INCOME/ (LOSS)						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Share of other comprehensive income/ (loss) of associates		13,595	(70,054)	(21,581)	(3,629)	29,398
Reclassification adjustments for losses included in profit or loss		—	—	50,756	—	—
		13,595	(70,054)	29,175	(3,629)	29,398
Exchange differences on translation of foreign operations		182	(4,819)	(11,926)	(774)	288,642
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR/PERIOD, NET OF TAX		13,777	(74,873)	17,249	(4,403)	318,040
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		580,503	443,465	1,277,212	84,553	2,607,663
Profit attributable to:						
Owners of the parent		565,584	520,156	1,099,508	86,053	1,350,119
Non-controlling interests		1,142	(1,818)	160,455	2,903	939,504
		566,726	518,338	1,259,963	88,956	2,289,623
Total comprehensive income attributable to:						
Owners of the parent		579,361	445,283	1,117,740	81,650	1,537,882
Non-controlling interests		1,142	(1,818)	159,472	2,903	1,069,781
		580,503	443,465	1,277,212	84,553	2,607,663
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	12	RMB1.11	RMB1.02	RMB1.69	RMB0.17	RMB1.02

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,			As at June 30,
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	13	309,917	309,897	5,775,059	7,330,799
Intangible assets	15	179	2,474	527,524	519,032
Right-of-use assets	14(a)	43,322	24,389	99,301	152,284
Deferred tax assets	30	21,354	24,300	43,183	65,783
Interests in joint ventures	17	—	—	677	—
Interests in associates	18	670,354	1,015,700	581,878	556,563
Financial assets at fair value through profit or loss	23	—	—	—	44,325
Pledged deposits	24	260,000	300,000	40,633	—
Goodwill	16	—	—	218,037	218,037
Prepayments for property, plant and equipment	21	19,855	2,598	351,557	673,275
Total non-current assets		1,324,981	1,679,358	7,637,849	9,560,098
CURRENT ASSETS					
Inventories	19	632,156	396,272	974,573	1,228,377
Trade and bills receivables	20	862,424	549,209	1,025,203	1,866,221
Prepayments, other receivables and other assets	21	554,258	439,589	528,601	624,886
Due from related parties	38	350,178	204,556	103,478	154,945
Financial assets at fair value through profit or loss	23	187,050	152,398	—	76,157
Pledged deposits	24	301,423	202,157	598,398	649,253
Cash and cash equivalents	24	188,399	256,903	1,413,298	2,959,391
Total current assets		3,075,888	2,201,084	4,643,551	7,559,230
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	27	1,493,866	1,024,498	1,155,912	2,581,957
Trade and bills payables	25	594,273	632,323	728,414	1,005,063
Lease liabilities	14(b)	2,456	3,204	8,638	13,557
Financial liabilities at fair value through profit or loss	29	—	—	6,771	—
Other payables and accruals	26	203,967	193,625	836,247	1,002,074
Contract liabilities	28	240,936	318,435	296,921	152,152
Income tax payable		274,589	245,506	230,549	188,253
Due to related parties	38	429,150	59,324	232,728	413,906
Total current liabilities		3,239,237	2,476,915	3,496,180	5,356,962

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NET CURRENT ASSETS/(LIABILITIES)		(163,349)	(275,831)	1,147,371	2,202,268
TOTAL ASSETS LESS CURRENT LIABILITIES		1,161,632	1,403,527	8,785,220	11,762,366
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	27	—	—	3,595,682	3,902,122
Lease liabilities	14(b)	2,636	1,960	2,229	52,685
Employee benefits liability	31	—	—	8,731	12,368
Deferred tax liabilities	30	12,107	9,512	4,921	13,420
Total non-current liabilities		14,743	11,472	3,611,563	3,980,595
NET ASSETS		1,146,889	1,392,055	5,173,657	7,781,771
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	32	508,000	508,000	—	—
Share capital	32	—	—	1,317,769	1,317,769
Reserves	33	636,232	881,996	1,820,629	3,358,511
		1,144,232	1,389,996	3,138,398	4,676,280
Non-controlling interests		2,657	2,059	2,035,259	3,105,491
Total equity		1,146,889	1,392,055	5,173,657	7,781,771

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2019

	Attributable to owners of the parent								
	Paid-in capital	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Safety production reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 32)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	508,000	3,379	26,873	1,465	5,670	311,344	856,731	1,515	858,246
Profit for the year	—	—	—	—	—	565,584	565,584	1,142	566,726
Exchange differences on translation of foreign operations	—	—	—	182	—	—	182	—	182
Share of other comprehensive income of associates	—	—	—	13,595	—	—	13,595	—	13,595
Total comprehensive income for the year	—	—	—	13,777	—	565,584	579,361	1,142	580,503
Safety production reserve	—	—	—	—	4,737	(4,737)	—	—	—
Capital injection in the subsidiary acquired under common control	—	8,140	—	—	—	—	8,140	—	8,140
Dividends declared (note 11)	—	—	—	—	—	(300,000)	(300,000)	—	(300,000)
Transfer to statutory surplus reserves	—	—	45,791	—	—	(45,791)	—	—	—
At December 31, 2019	508,000	11,519	72,664	15,242	10,407	526,400	1,144,232	2,657	1,146,889

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended December 31, 2020

	Attributable to owners of the parent								
	Paid-in capital	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Safety production reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 32)	(note 33)	(note 33)	(note 33)	(note 33)				
At January 1, 2020	508,000	11,519	72,664	15,242	10,407	526,400	1,144,232	2,657	1,146,889
Profit for the year	—	—	—	—	—	520,156	520,156	(1,818)	518,338
Exchange differences on translation of foreign operations	—	—	—	(4,819)	—	—	(4,819)	—	(4,819)
Share of other comprehensive loss of associates	—	—	—	(70,054)	—	—	(70,054)	—	(70,054)
Total comprehensive income/(loss) for the year	—	—	—	(74,873)	—	520,156	445,283	(1,818)	443,465
Safety production reserve	—	—	—	—	1,186	(1,186)	—	—	—
Consideration for the subsidiary acquired under common control (note a)	—	(20,000)	—	—	—	—	(20,000)	—	(20,000)
Capital injection in the subsidiary acquired under common control	—	10,481	—	—	—	—	10,481	—	10,481
Dividends declared (note 11)	—	—	—	—	—	(190,000)	(190,000)	—	(190,000)
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	1,220	1,220
Transfer to statutory surplus reserves	—	—	8,553	—	—	(8,553)	—	—	—
At December 31, 2020	508,000	2,000	81,217	(59,631)	11,593	846,817	1,389,996	2,059	1,392,055

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended December 31, 2021

	Attributable to owners of the parent										
	Share capital	Share premium*	Paid-in capital	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Safety production reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 32)	(note 33)	(note 32)	(note 33)	(note 33)	(note 33)	(note 33)				
At January 1, 2021	—	—	508,000	2,000	81,217	(59,631)	11,593	846,817	1,389,996	2,059	1,392,055
Profit for the year	—	—	—	—	—	—	—	1,099,508	1,099,508	160,455	1,259,963
Exchange differences on translation of foreign operations	—	—	—	—	—	(10,943)	—	—	(10,943)	(983)	(11,926)
Share of other comprehensive loss of associates	—	—	—	—	—	(21,581)	—	—	(21,581)	—	(21,581)
Reclassification adjustments for losses included in profit or loss (note c)	—	—	—	—	—	50,756	—	—	50,756	—	50,756
Total comprehensive income for the year	—	—	—	—	—	18,232	—	1,099,508	1,117,740	159,472	1,277,212
Safety production reserve	—	—	—	—	—	—	4,600	(4,600)	—	—	—
Consideration for a subsidiary acquired under common control (note b)	—	—	—	(2,000)	—	—	—	(4,535)	(6,535)	—	(6,535)
Dividends declared (note 11)	—	—	—	—	—	—	—	(845,750)	(845,750)	—	(845,750)
Conversion into a joint stock company	508,000	86,360	(508,000)	—	(150,702)	68,962	—	(4,620)	—	—	—
Issue of shares	546,215	140,800	—	—	—	—	—	—	687,015	—	687,015
Transfer to statutory surplus reserves from retained profits	—	—	—	—	159,277	—	—	(159,277)	—	—	—
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	221,042	221,042
Acquisition of subsidiaries (note 35)	263,554	532,378	—	—	—	—	—	—	795,932	1,652,686	2,448,618
At December 31, 2021	1,317,769	759,538	—	—	89,792	27,563	16,193	927,543	3,138,398	2,035,259	5,173,657

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Six months ended June 30, 2022

	Attributable to owners of the parent										
	Share capital	Share premium*	Paid-in capital	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Safety production reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 32)	*RMB'000* (note 33)	*RMB'000* (note 32)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	1,317,769	759,538	—	—	89,792	27,563	16,193	927,543	3,138,398	2,035,259	5,173,657
Profit for the period	—	—	—	—	—	—	—	1,350,119	1,350,119	939,504	2,289,623
Exchange differences on translation of foreign operations	—	—	—	—	—	158,365	—	—	158,365	130,277	288,642
Share of other comprehensive income of associates	—	—	—	—	—	29,398	—	—	29,398	—	29,398
Total comprehensive income for the period	—	—	—	—	—	187,763	—	1,350,119	1,537,882	1,069,781	2,607,663
Safety production reserve	—	—	—	—	—	—	3,002	(3,002)	—	—	—
Acquisition of a subsidiary (note 35 (c))	—	—	—	—	—	—	—	—	—	451	451
At June 30, 2022	1,317,769	759,538	—	—	89,792	215,326	19,195	2,274,660	4,676,280	3,105,491	7,781,771

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Six months ended June 30, 2021 (Unaudited)

	Attributable to owners of the parent								
	Paid-in capital	Other reserves	Statutory surplus reserve	Exchange fluctuation reserve	Safety production reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 32)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000* (note 33)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021 (audited)	508,000	2,000	81,217	(59,631)	11,593	846,817	1,389,996	2,059	1,392,055
Profit for the period (unaudited)	—	—	—	—	—	86,053	86,053	2,903	88,956
Exchange differences on translation of foreign operations (unaudited)	—	—	—	(774)	—	—	(774)	—	(774)
Share of other comprehensive loss of associates (unaudited)	—	—	—	(3,629)	—	—	(3,629)	—	(3,629)
Total comprehensive income/(loss) for the period (unaudited)	—	—	—	(4,403)	—	86,053	81,650	2,903	84,553
Safety production reserve (unaudited)	—	—	—	—	1,971	(1,971)	—	—	—
Consideration for a subsidiary acquired under common control (note b) (unaudited)	—	(2,000)	—	—	—	(4,535)	(6,535)	—	(6,535)
At June 30, 2021 (unaudited)	508,000	—	81,217	(64,034)	13,564	926,364	1,465,111	4,962	1,470,073

Notes:

(a) In 2020, the Company acquired a 100% interest in Shanghai Lygend International Trade Co., Ltd. ("Lygend Shanghai") from its then shareholder that under common control. The purchase consideration for the acquisition was in the form of cash of RMB20,000,000, which was fully paid by December 31, 2020.

(b) In 2021, the Company acquired a 100% interest in Ningbo Yiwei Mining Co., Ltd. ("Yiwei Mining") from its then shareholder that under common control. The purchase consideration for the acquisition was in the form of cash of RMB6,535,000, which was fully paid by December 31, 2021.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

(c) Reclassification adjustment of RMB50,756,000 in 2021 represented the amounts of cumulative exchange differences on translation of PT. Halmahera Persada Lygend ("HPL") reclassified to profit or loss when HPL became a subsidiary of the Group from an associate on November 30, 2021. Refer to note 35(a) to the Historical Financial Information for the details.

* These reserve accounts comprise the consolidated reserves of RMB636,232,000, RMB881,996,000, RMB1,820,629,000 and RMB3,358,511,000 in the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		785,096	700,403	1,439,137	137,647	2,392,519
Adjustments for:						
Finance costs	7	66,559	42,176	79,325	25,466	108,517
Share of profits and losses of associates		34,352	68,063	(99,008)	52,975	54,713
Bank interest income	5	(17,458)	(14,277)	(14,786)	(5,400)	(7,131)
Investment (income)/loss from financial assets at fair value through profit or loss		(29,140)	8,784	41,075	31,279	87,078
Changes in fair value of financial assets and liabilities at fair value through profit or loss		—	—	6,771	4,196	(44,382)
Loss on disposal of items of property, plant and equipment		15	2,424	9,020	8,486	2,743
Gain on disposal of a subsidiary	5	—	(11,085)	—	—	—
Gain on step acquisition of subsidiaries	5	—	—	(282,574)	—	—
Depreciation of property, plant and equipment		211,269	50,238	74,784	29,755	181,377
Depreciation of right-of-use assets	14(a)	1,967	3,087	6,794	2,716	10,550
Amortization of intangible assets	15	264	83	6,702	259	36,547
Impairment/(reversal of impairment) of trade receivables and other receivables		812	(115)	4,172	1,581	2,685
Foreign exchange differences, net		7,649	(58,908)	(16,721)	(5,708)	123,269
		1,061,385	790,873	1,254,691	283,252	2,948,485
(Increase)/decrease in inventories		(210,016)	235,884	58,038	(216,582)	(253,804)
(Increase)/decrease in trade and bills receivables		(808,297)	61,410	(676,275)	(636,945)	(1,208,534)
(Increase)/decrease in prepayments, other receivables and other assets		(225,960)	110,423	117,863	(68,161)	(83,959)
(Increase)/decrease in pledged deposits		(213,794)	47,194	(15,798)	(262,707)	(4,822)
Increase/(decrease) in trade and bills payables		209,885	177,722	(51,050)	(61,526)	276,649
Increase/(decrease) in other payables and accruals		(17,274)	4,797	173	(51,768)	78,647
Increase/(decrease) in amounts due to related parties		(34,490)	—	165,633	371,981	248,273
(Increase)/decrease in amounts due from related parties		1,724	(406,389)	195,438	109,279	(50,351)
Increase/(decrease) in contract liabilities		(1,199)	79,872	(21,514)	188,236	(144,769)
Cash generated from/ (used in) operations		(238,036)	1,101,786	1,027,199	(344,941)	1,805,815
Income tax paid		(123,488)	(212,479)	(215,878)	(109,345)	(159,293)
Net cash flows from/(used in) operating activities		(361,524)	889,307	811,321	(454,286)	1,646,522

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Note	Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(59,636)	(74,226)	(309,951)	(12,031)	(1,679,303)
Proceeds from disposal of property, plant and equipment		414	1,548	2,295	1,632	525
Prepayment for leasehold land		—	—	(71,066)	(71,066)	—
Purchases of intangible assets		(443)	(2,378)	(2,503)	(759)	(1,692)
Purchases of financial assets at fair value through profit or loss		(187,000)	(135,474)	(31,572)	(10,000)	(116,800)
Deposits for purchases of derivatives		—	—	(96,490)	(80,478)	(81,007)
Interests in associates		(438,870)	(612,613)	(351,691)	(351,691)	—
Interests in a joint venture		—	—	—	—	(677)
Advance of loans to related parties		(190,178)	(154,427)	—	—	—
Repayment of loans from related parties		118,699	262,089	—	—	—
Purchase of pledged time deposits with original maturity of over three months		(311,285)	(40,000)	—	—	—
Repayment of pledged time deposits with original maturity of over three months		44,600	51,285	—	—	—
Proceeds from disposal of a subsidiary	34	—	162,994	—	—	—
Proceeds from acquisition of subsidiaries, net of cash acquired		—	—	1,500	—	848
Proceeds from disposal of financial assets at fair value through profit or loss		6,700	170,126	183,970	146,398	40,700
Repayment of deposits for purchases of derivatives		—	—	58,497	29,510	70,000
Investment income/(loss) from financial assets at fair value through profit or loss		29,140	(8,784)	(41,075)	(31,279)	(79,346)
Interest received		16,367	15,064	14,786	304	1,731
Net cash flows used in investing activities		(971,492)	(364,796)	(643,300)	(379,460)	(1,845,021)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Note	Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares		—	—	1,277,015	—	—
Capital injection in a subsidiary acquired under common control		8,140	10,481	—	—	—
Capital injection from non-controlling shareholders		—	1,220	126,627	—	—
Proceeds from bank borrowings		6,913,494	4,623,003	6,137,149	2,618,581	3,742,701
Proceeds from other borrowings		624,289	251,980	643,391	509,968	448,418
Proceeds from a related party		—	—	20,000	20,000	—
Repayment of bank borrowings		(6,175,036)	(5,049,513)	(6,184,637)	(2,076,444)	(2,306,810)
Repayment of other borrowings		—	(27,340)	—	—	(2,400)
Repayment to a related party		—	—	(20,000)	(12,710)	(34)
Payment of consideration for a subsidiary acquired under common control		—	(20,000)	(6,535)	(6,535)	—
Principal portion of lease payments		(900)	(3,681)	(5,062)	(1,861)	(8,212)
Interest paid		(82,571)	(49,944)	(150,834)	(25,718)	(105,093)
Dividend paid		—	(189,386)	(838,013)	(58,661)	(67,061)
Listing expenses		—	—	(1,866)	—	(21,679)
Net cash flows from/(used in) financing activities		1,287,416	(453,180)	997,235	966,620	1,679,830
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(45,600)	71,331	1,165,256	132,874	1,481,331
Cash and cash equivalents at beginning of year/period		233,687	188,399	256,903	256,903	1,413,298
Effect of foreign exchange rate changes, net		312	(2,827)	(8,861)	(1,199)	64,762
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		188,399	256,903	1,413,298	388,578	2,959,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position	24	188,399	256,903	1,413,298	388,578	2,959,391
Cash and cash equivalents as stated in the consolidated statements of cash flows		188,399	256,903	1,413,298	388,578	2,959,391

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31,			As at June 30,
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	13	29,247	26,887	24,286	25,408
Intangible assets		—	2,338	4,110	4,693
Right-of-use assets	14(a)	—	192	—	1,018
Deferred tax assets	30	5,189	12,761	22,192	31,536
Interests in associates		670,354	985,697	557,790	535,996
Investments in subsidiaries		387,520	221,068	1,980,230	1,992,312
Total non-current assets		1,092,310	1,248,943	2,588,608	2,590,963
CURRENT ASSETS					
Inventories	19	197,349	86,993	233,864	342,043
Trade and bills receivables	20	168,439	250,792	328,553	362,988
Prepayments, other receivables and other assets	21	321,368	276,885	201,018	185,000
Due from related parties		349,141	—	—	—
Due from subsidiaries		980,894	660,359	637,902	778,591
Financial assets at fair value through profit or loss	23	177,000	22,000	—	70,000
Pledged deposits	24	60,875	61,045	222,066	253,623
Cash and cash equivalents	24	66,107	25,546	104,700	817,525
Total current assets		2,321,173	1,383,620	1,728,103	2,809,770

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (continued)

	Notes	As at December 31,			As at June 30,
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	27	507,865	722,121	842,116	1,679,515
Trade and bills payables	25	66,695	386,640	369,151	630,320
Lease liabilities	14(b)	—	—	—	320
Financial liabilities at fair value through profit or loss	29	—	—	1,741	—
Other payables and accruals	26	92,496	111,656	154,176	128,734
Contract liabilities	28	32,406	34,206	44,747	18,185
Income tax payable		42,689	28,124	32,839	11,888
Due to related parties		430,806	59,324	67,095	174,179
Due to subsidiaries		1,334,552	576,507	571,124	402,988
Total current liabilities		2,507,509	1,918,578	2,082,989	3,046,129
NET CURRENT LIABILITIES		(186,336)	(534,958)	(354,886)	(236,359)
TOTAL ASSETS LESS CURRENT LIABILITIES		905,974	713,985	2,233,722	2,354,604
NON-CURRENT LIABILITIES					
Lease liabilities	14(b)	—	—	—	349
Total non-current liabilities		—	—	—	349
Net assets		905,974	713,985	2,233,722	2,354,255
EQUITY					
Paid-in capital	32	508,000	508,000	—	—
Share capital	32	—	—	1,317,769	1,317,769
Reserves	33	397,974	205,985	915,953	1,036,486
Total equity		905,974	713,985	2,233,722	2,354,255

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

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

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

As at June 30, 2022, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the Company's principal subsidiaries are set out below:

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		Principal activities
			Direct	Indirect	
Yiwei Mining (a) 寧波毅威礦業有限公司*	PRC/Mainland China October 15, 2015	RMB2,000,000	100	—	Import of machinery and equipment
Ningbo Lygend Wisdom Co., Ltd. (a) ("Ningbo Huiran") 寧波力勤惠然貿易有限公司*	PRC/Mainland China June 7, 2017	RMB1,000,000	100	—	Trading of laterite nickel ore and ferronickel
Lygend Shanghai (a) 上海力勤國際貿易有限公司*	PRC/Mainland China June 11, 2018	RMB20,000,000	100	—	Project design
Jiangsu Wisdom Industrial Co., Ltd. (a) ("Jiangsu Wisdom") 江蘇惠然實業有限公司*	PRC/Mainland China March 21, 2011	RMB120,000,000	100	—	Smelting and production
Xi'an Pengyuan Metallurgical Equipment Co., Ltd. (a) ("Xi'an Pengyuan") 西安鵬遠冶金設備有限公司*	PRC/Mainland China February 20, 2017	RMB50,000,000	70	—	Manufacture and sale of machinery and equipment
Lygend Resources Pte., Ltd. (a) ("Lygend Singapore") 新加坡力勤資源有限公司*	Singapore August 16, 2018	USD2,000,000	100	—	Trading of laterite nickel ore and ferronickel
Ningbo Lygend New Energy Co., Ltd. (b) ("Lygend New Energy") 寧波力勤新能源有限公司*	PRC/Mainland China September 30, 2020	RMB200,000,000	100	—	New energy technological development
Ningbo Leda International Logistics Co., Ltd. (c) ("Lida Logistics") 寧波勵達國際物流有限公司*	PRC/Mainland China March 17, 2021	RMB100,000,000	100	—	Logistics services
Hong Kong Blue Whale International Limited (b) (f) ("Hong Kong Bwhale")	Hong Kong March 29, 2016	USD1,000,000	100	—	Vessel subleasing

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		Principal activities
			Direct	Indirect	
Kang Xuan PTE. LTD. (c) (“Kang Xuan”)	Singapore June 14, 2021	USD 66,062,412	100	—	Investment holding
HPL (d) & (e)	Indonesia July 27, 2018	IDR 5,030,000,000,000	36.9	18	Smelting and production

Notes:

(a) The statutory financial statements of these entities for the years ended December 31, 2019 and 2020 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)), certified public accountants registered in the PRC.

(b) No audited financial statements have been prepared for these entities for the years ended December 31, 2019, 2020 and 2021 since their dates of incorporation as these entities are not required by the local government to prepare statutory accounts.

(c) No audited financial statements have been prepared for the entity as the entity was incorporated in 2021.

(d) The statutory financial statements of the entity for the years ended December 31, 2019 and 2020 prepared under Indonesia Generally Accepted Accounting Principles were audited by KAP Teramihardja, Pradhono & Chandra, certified public accountants registered in Indonesia. And the statutory financial statements of the entity for the year ended December 31, 2021 prepared under Indonesia Generally Accepted Accounting Principles were audited by KAP Purwantono, Sungkoro & Surja.

(e) HPL became a subsidiary of the Group on November 30, 2021 (note 35(a)).

(f) Hong Kong Lygend International Limited (“Lygend Hong Kong”) changed its company name to Hong Kong Blue Whale International Limited on February 23, 2022.

* 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 Relevant Periods 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.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”), and accounting principles generally accepted in Hong Kong. All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the six months ended June 30, 2021.

The Historical Financial Information has been prepared under the historical cost convention except for financial assets at fair value through profit or loss, and bills receivable which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. 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).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial information of the subsidiaries is 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 derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized 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.

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the reserves. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respective equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

2.2 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 the Historical Financial Information.

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

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

2 No mandatory effective date yet determined but available for adoption

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

4 Effective for annual periods beginning on or after January 1, 2024.

5 An entity shall apply (a) the amendment to paragraph 139U of IAS 1 immediately on issue of *Non-current Liabilities with covenants*, and (b) all other amendments for annual periods beginning on or after January 1, 2024 retrospectively.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiaries

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

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associates or joint ventures, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized 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 unrealized 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 recognizes 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 recognized in profit or loss.

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

Business combinations and goodwill

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

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

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

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 recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized 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 recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized 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, recognized 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 December 31. 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 recognized. An impairment loss recognized 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.

Fair value measurement

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

An impairment loss is recognized 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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

(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 capitalized 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 recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	4.75% to 12.5%
Plant and machinery	6.3% to 33.3%
Electronic and office equipment	9.5% to 32%
Motor vehicles	9.5% to 19%
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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and amortized 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 amortization and identified impairment loss and amortized 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 capitalized 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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

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

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

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

(b) Lease liabilities

Lease liabilities are recognized 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 recognized 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 statements of financial position.

(c) Short-term leases

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). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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.

In order for a financial asset to be classified and measured at amortized 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 amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, 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 recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost.

The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

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 recognized in profit or loss.

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

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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.

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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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 recognizes 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 recognized 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 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. 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 amortized 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 end of each of the Relevant Periods (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 recognizes 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 recognized 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.

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, the financial liabilities are subsequently measured at amortized 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 recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization 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 recognized 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 recognized less, when appropriate, the cumulative amount of income recognized.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, 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 recognized in profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realizable 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 labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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.

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each 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 realize 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.

Government grants

Government grants are recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized 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 recognized 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 recognized 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.

(a) Sale of nickel products

Revenue from the sale of nickel products is recognized 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 recognized 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 recognizes revenue at a mostly 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 recognized to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognized as revenue.

(b) Sale of equipment

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

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

(c) Sale of others

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

Other income

Interest income is recognized 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.

Contract assets

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

Contract liabilities

A contract liability is recognized 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 recognized 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 capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized 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 capitalized contract costs are amortized and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share-based payment scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration 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 the discounted cash flow method, further details of which are given in note 40 to the Historical Financial Information.

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

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

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. 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 recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized 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 recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Employee benefits

Pension schemes

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

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

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

Post-employment benefits

The Group provides post-employment benefits to its employees in Indonesia in conformity with the requirements of Indonesia's Labor Law No. 13/2003 dated March 25, 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 recognized 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 recognized in profit or loss at the earlier of:

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

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

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognizes 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.

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 capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. 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 recognized 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 Historical Financial Information. 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 each of the reporting period. Differences arising on settlement or translation of monetary items are recognized 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 recognized in other comprehensive income or profit or loss is also recognized 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 recognizes 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.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods 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 recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statements 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 JUDGMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

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.

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

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

Leases — Estimating the incremental borrowing rate

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. 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 were approximately nil, nil, RMB218,037,000 and RMB218,037,000 during the Relevant Periods, respectively. Further details are given in note 16.

Fair value measurement of share-based payments

The Company operates a share award plan for the purpose of providing incentives and rewards to employees (including directors). The fair value of the share is determined by discounted cash flow method at the grant dates. Significant estimates on assumptions, including future performance, discount for lack of marketability and discount rate, are made by the board of directors of the Company. Further details are included in note 40 to the financial statements.

Recognition of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognized 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 utilized. Further details are included in note 30 to the Historical Financial Information.

Write-down of inventories to net realizable value

Write-down of inventories to net realizable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realizable value. The assessment of the provision required involves management's judgment and estimates on which are influenced by assumptions concerning future sales and usage and judgments 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. The carrying amounts of inventories were RMB632,156,000, RMB396,272,000, RMB974,573,000 and RMB1,228,377,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organized 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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Mainland China	7,611,512	6,648,087	10,379,462	3,606,910	7,788,705
Others	1,735,922	1,107,087	2,069,856	481,376	2,189,578
	9,347,434	7,755,174	12,449,318	4,088,286	9,978,283

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

(b) Non-current assets

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	1,043,627	1,355,058	1,024,324	1,097,559
Indonesia	—	—	6,529,709	8,352,431
	1,043,627	1,355,058	7,554,033	9,449,990

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 major customers which individually accounted for 10% or more of the Group's revenue during the Relevant Periods and the six months ended June 30, 2021 are set out below:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	2,767,840	1,288,327	N/A*	582,471	N/A*
HPL	N/A*	908,302	N/A*	N/A*	N/A**
Customer B	N/A*	865,681	1,545,269	600,173	N/A*
Customer C	N/A*	N/A*	N/A*	N/A*	1,177,044

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the Relevant Periods and the six months ended June 30, 2021.

** HPL became a subsidiary of the Group on November 30, 2021 (note 35(a)).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers	9,347,434	7,755,174	12,449,318	4,088,286	9,978,283

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Types of goods or services					
Sale of nickel products	8,855,733	6,647,554	11,219,560	3,661,099	9,160,938
Sale of equipment	416,855	1,020,232	1,003,392	353,548	671,375
Others	74,846	87,388	226,366	73,639	145,970
	9,347,434	7,755,174	12,449,318	4,088,286	9,978,283
Geographical markets					
Mainland China	7,611,512	6,648,087	10,379,462	3,606,910	7,788,705
Others	1,735,922	1,107,087	2,069,856	481,376	2,189,578
	9,347,434	7,755,174	12,449,318	4,088,286	9,978,283
Timing of revenue recognition					
Goods transferred at a point in time	8,524,400	7,168,259	10,704,552	3,502,378	9,121,870
Services transferred over time	823,034	586,915	1,744,766	585,908	856,413
	9,347,434	7,755,174	12,449,318	4,088,286	9,978,283

The following table shows the amounts of revenue recognized during the Relevant Periods and the six months ended June 30, 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and recognized from performance obligations satisfied in previous periods:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the year/period:					
Sale of nickel products	84,494	40,991	43,921	43,921	136,906
Sale of equipment	3,506	196,342	271,182	271,182	138,443
Others	—	3,603	3,332	3,332	21,572
	88,000	240,936	318,435	318,435	296,921

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue recognized from performance obligations satisfied in previous periods:					
Sale of equipment not previously recognized due to constraints on variable consideration	—	—	—	—	18,519

(b) Performance obligations

Information about the Group's performance obligations is summarized 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. 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.

Sale of equipment

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

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

Sale of others

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

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognized as revenue:				
Within one year	780,003	882,208	1,231,899	1,116,516
After one year	116,374	1,242	—	—
	896,377	883,450	1,231,899	1,116,516

In addition, for the nickel-cobalt compounds produced by the HPAL project, the Group has entered into eight-year long-term offtake agreements with two customers. 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.

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year relate to the sales of equipment, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligation are expected to be recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Other income					
Government grants*	21,341	59,302	80,196	47,024	41,899
Bank interest income	17,458	14,277	14,786	6,981	12,583
Investment income from financial assets at fair value through profit or loss	29,140	1,378	141	—	—
Others**	3,007	3,314	6,576	2,103	10,060
	70,946	78,271	101,699	56,108	64,542
Gains					
Gain on disposal of a subsidiary	—	11,085	—	—	—
Gain on step acquisition of subsidiaries (note 35(a))***	—	—	282,574	—	—
Changes in fair value of financial assets at fair value through profit or loss	—	—	—	—	44,382
Foreign exchange gains, net	—	33,050	40,627	—	—
	—	44,135	323,201	—	44,382
	70,946	122,406	424,900	56,108	108,924

* 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.

** Others mainly include sale of discarded low value consumables.

*** The amount represents gain on step acquisition of HPL by the Group on November 30, 2021, which is derived from the remeasurement gain of the 36.9% shareholding interest in HPL previously held by the Group and the reclassification of other comprehensive loss to profit or loss of RMB50,756,000 at the acquisition date (refer to note (c) on page IA – 14).

6. PROFIT BEFORE TAX

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

	Notes	Year ended December 31,			Six months ended June 30,	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Cost of inventories sold*		7,264,563	6,153,477	9,362,704	3,219,269	6,118,972
Depreciation of property, plant and equipment**		211,269	50,238	74,784	29,755	149,195
Depreciation of right-of-use assets*****	14(a)	1,967	3,087	6,794	2,716	10,550
Amortization of intangible assets***	15	264	83	6,702	259	36,547
Government grants	5	(21,341)	(59,302)	(80,196)	(47,024)	(41,899)
Bank interest income	5	(17,458)	(14,277)	(14,786)	(6,981)	(12,583)
Loss on disposal of items of property, plant and equipment		15	2,424	9,020	8,486	2,743
Gain on disposal of a subsidiary	34	—	(11,085)	—	—	—
Gain on step acquisition of subsidiaries		—	—	(282,574)	—	—
Impairment of trade receivables, net	20	(220)	(375)	4,267	1,581	2,539
Impairment of other receivables, net	21	1,032	260	(95)	—	146
Lease payments not included in the measurement of lease liabilities	14(c)	1,605	2,599	19,990	1,747	9,778
Foreign exchange differences, net		12,619	(33,050)	(40,627)	5,091	15,829
Auditor's remuneration		308	1,134	2,080	702	457
Listing expenses		—	—	1,083	—	1,519
Changes in fair value of financial assets and liabilities at fair value through profit or loss		—	—	6,771	4,196	(44,382)
Investment (income)/loss from financial assets at fair value through profit or loss, net		(29,140)	8,784	41,075	31,279	87,078
Employee benefit expense (excluding directors' and supervisors' remuneration (note 8)):						
Wages and salaries		133,552	160,341	305,697	106,753	375,923
Pension scheme contributions****		16,204	5,074	22,951	10,094	20,403
Staff welfare expenses		12,646	6,851	12,618	5,973	12,820
		162,402	172,266	341,266	122,820	409,146

* The cost of inventories sold includes RMB68,844,000, RMB47,344,000, RMB89,532,000, RMB134,160,000 and RMB32,164,000 relating to staff costs during the Relevant Periods and the six months ended June 30, 2021, which are also included in "Employee benefit expense" disclosed above.

** 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 statements of profit or loss and other comprehensive income.

*** The amortization of intangible assets is included in "Selling expense" and "Administrative expenses" on the face of the consolidated statements of profit or loss and other comprehensive income.

**** At December 31, 2019, 2020 and 2021 and June 30, 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank borrowings	59,513	38,599	79,556	23,847	132,449
Interest on other borrowings	6,955	3,384	5,077	1,530	2,783
Interest on lease liabilities (*note 14(c)*)	91	193	244	89	1,409
	66,559	42,176	84,877	25,466	136,641
Less: Interest capitalized	—	—	(5,552)	—	(28,124)
Total	66,559	42,176	79,325	25,466	108,517

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:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	—	—	66	—	450
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	6,278	10,632	50,533	5,989	37,671
Pension scheme contributions	125	10	123	62	82
	6,403	10,642	50,656	6,051	37,753
	6,403	10,642	50,722	6,051	38,203

(a) Independent non-executive directors

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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dr. HE Wanpeng(1)	—	—	22	—	150
Ms. ZHANG Zhengping(1)	—	—	22	—	150
Dr. WANG James Jixian(1)	—	—	22	—	150
	—	—	66	—	450

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

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and the six months ended June 30, 2021.

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

Executive directors

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2019			
Mr. CAI Jianyong(2)	965	18	983
Mr. JIANG Xinfang(3)	154	23	177
Ms. FEI Feng(4)	952	17	969
Mr. CAI Jianwei(4)	962	17	979
Mr. YU Weijun(4)	977	13	990
	4,010	88	4,098
Year ended December 31, 2020			
Mr. CAI Jianyong(2)	889	2	891
Mr. JIANG Xinfang(3)	4,169	2	4,171
Ms. FEI Feng(4)	877	1	878
Mr. CAI Jianwei(4)	879	1	880
Mr. YU Weijun(4)	1,039	1	1,040
	7,853	7	7,860
Year ended December 31, 2021			
Mr. CAI Jianyong(2)	8,455	18	8,473
Mr. JIANG Xinfang(3)	8,704	21	8,725
Ms. FEI Feng(4)	5,445	17	5,462
Mr. CAI Jianwei(4)	11,044	17	11,061
Mr. YU Weijun(4)	1,253	13	1,266
	34,901	86	34,987
Six months ended June 30, 2021 (Unaudited)			
Mr. CAI Jianyong(2)	206	9	215
Mr. JIANG Xinfang(3)	4,125	11	4,136
Ms. FEI Feng(4)	200	8	208
Mr. CAI Jianwei(4)	202	8	210
Mr. YU Weijun(4)	167	7	174
	4,900	43	4,943
Six months ended June 30, 2022			
Mr. CAI Jianyong(2)	9,052	12	9,064
Mr. JIANG Xinfang(3)	6,358	11	6,369
Ms. FEI Feng(4)	4,307	11	4,318
Mr. CAI Jianwei(4)	6,872	11	6,883
Mr. YU Weijun(4)	1,971	10	1,981
	28,560	55	28,615

Non-executive director

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remune-ration
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2021			
Mr. Lawrence Lua Gek Pong(5)	22	—	22
Six months ended June 30, 2021 (Unaudited)			
Mr. Lawrence Lua Gek Pong(5)	—	—	—
Six months ended June 30, 2022			
Mr. Lawrence Lua Gek Pong(5)	150	—	150

Supervisors

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remune-ration
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2019			
Mr. GE Kaicai(6)	925	13	938
Mr. DONG Dong(6)	938	13	951
Ms. HU Zhinong(6)	405	11	416
	2,268	37	2,305
Year ended December 31, 2020			
Mr. GE Kaicai(6)	1,557	1	1,558
Mr. DONG Dong(6)	853	1	854
Ms. HU Zhinong(6)	369	1	370
	2,779	3	2,782
Year ended December 31, 2021			
Mr. GE Kaicai(6)	3,539	13	3,552
Mr. DONG Dong(6)	11,639	13	11,652
Ms. HU Zhinong(6)	432	11	443
	15,610	37	15,647
Six months ended June 30, 2021 (Unaudited)			
Mr. GE Kaicai(6)	792	7	799
Mr. DONG Dong(6)	184	7	191
Ms. HU Zhinong(6)	113	5	118
	1,089	19	1,108

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remune-ration
	RMB'000	*RMB'000*	*RMB'000*
Six months ended June 30, 2022			
Mr. GE Kaicai(6)	2,397	10	2,407
Mr. DONG Dong(6)	6,147	10	6,157
Ms. HU Zhinong(6)	417	7	424
	8,961	27	8,988

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

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

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

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

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

* The Company did not have chief executive during the Relevant Periods and the six months ended June 30, 2021.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods and the six months ended June 30, 2021. During the Relevant Periods and the six months ended June 30, 2021, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the six months ended June 30, 2021 included one, one, four, three and one directors, and nil, nil, one, two and one supervisors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining four, four, nil, nil and three highest paid employees who are neither a director nor a supervisor of the Company during the Relevant Periods and the six months ended June 30, 2021 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	7,026	8,338	—	1,636	—
Pension scheme contributions	136	150	—	63	—
	7,162	8,488	—	1,699	—

The numbers of non-director, non-chief executive and non-supervisor highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees				
	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Nil to HK$500,000	—	—	—	2	—
HK$500,001 to HK$1,000,000	—	—	—	—	—
HK$1,000,001 to HK$1,500,000	2	—	—	1	—
HK$1,500,001 to HK$2,000,000	1	2	—	—	—
HK$2,000,001 to HK$2,500,000	—	1	—	—	—
HK$2,500,001 to HK$3,000,000	—	—	—	—	—
HK$3,000,001 to HK$3,500,000	—	—	—	—	—
HK$3,500,001 to HK$4,000,000	1	—	—	—	—
HK$4,000,001 to HK$4,500,000	—	1	—	—	—
	4	4	—	3	—

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% on the taxable income. A preferential tax treatment is available to a subsidiary of the Company, since it was recognized as a High and New Technology Enterprise on December 2, 2019, and was entitled to a preferential tax rate of 15% during the Relevant Periods.

Indonesia

Pursuant to the Corporate Income Tax Law of Indonesia and the respective regulations (the "CIT Law"), the companies which operate in Indonesia are subject to CIT at a rate of 25% on the taxable income. On March 31, 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 November 7, 2021, the Government ratified the Tax Regulation Harmonization Law/Undang-Undang Harmonisasi Peraturan Perpajakan ("UU HPP"). The UU HPP reinstated the corporate income tax rate of 22%.

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

The income tax expense of the Group during the Relevant Periods and the six months ended June 30, 2021 is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
Charge for the year/period	248,997	183,681	200,921	54,334	116,757
Deferred tax (note 30)	(30,627)	(1,616)	(21,747)	(5,643)	(13,861)
Total tax expense for the year/period	218,370	182,065	179,174	48,691	102,896

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:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	785,096	700,403	1,439,137	137,647	2,392,519
Tax at the statutory tax rate of 25%	196,274	175,101	359,784	34,412	598,130
Preferential tax rates enacted by local authority	(5,344)	(1,554)	(89,775)	(2,959)	(512,042)
Expenses not deductible for tax	965	2,246	2,950	1,329	2,862
Additional deductible allowance for research and development costs	(120)	(182)	(590)	(328)	(705)
Tax losses utilized from previous periods	—	—	(938)	(777)	—
Profits and losses attributable to associates	5,141	9,859	(29,729)	12,978	6,271
Gain on step acquisition of subsidiaries	—	—	(70,643)	—	—
Income not subject to tax related to gain on disposal of a subsidiary	—	(11,386)	—	—	—
Effect of withholding tax on the distributable profit of foreign subsidiaries of the Company	2,566	2,491	2,201	1,644	(645)
Tax losses not recognized	1,949	5,225	5,914	2,392	8,506
Temporary differences not recognized	16,939	265	—	—	519
Tax charge at the Group's effective tax rate	218,370	182,065	179,174	48,691	102,896

The share of tax attributable to associates were nil, nil, nil, nil and nil due to the 100% corporate income tax reduction in Indonesia during the Relevant Periods and the six months ended June 30, 2021.

11. DIVIDENDS

On December 12, 2019, the Company declared a cash dividend of RMB300,000,000 to the shareholder of the Company, Zhejiang Lygend Investment Co., Ltd. ("Lygend Investment"). The dividends of RMB242,517,000 have been settled by offsetting against the amounts due from the ultimate holding company, Lygend Investment, and the rest has been fully paid by December 2020.

On November 26, 2020, the Company declared a cash dividend of RMB190,000,000 to the shareholders of the Company. The dividends of RMB130,676,000 have been paid by December 2020 and the rest has been fully paid by December 2021.

On August 1, 2021, the Company declared a cash dividend of RMB845,750,000 to the shareholders of the Company, among which RMB778,689,000 has been paid in 2021, and RMB67,061,000 has been paid in the six months ended June 30, 2022.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 508,000,000, 508,000,000, 650,333,069, 1,317,768,750 and 508,000,000 in issue during the Relevant Periods and the six months ended June 30, 2021, respectively. The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 upon transformation into a joint stock company in September 2021 (note 32).

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods and the six months ended June 30, 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended June 30, 2021.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2019							
At January 1, 2019:							
Cost	197,754	583,563	34,876	18,424	275	281	835,173
Accumulated depreciation	(47,069)	(233,705)	(24,821)	(8,222)	(31)	—	(313,848)
Accumulated impairment	—	(36,575)	(521)	(67)	—	—	(37,163)
Net carrying amount	150,685	313,283	9,534	10,135	244	281	484,162
At January 1, 2019, net of accumulated depreciation	150,685	313,283	9,534	10,135	244	281	484,162
Additions	65	2,870	2,264	2,937	—	29,317	37,453
Disposals	—	—	(16)	(413)	—	—	(429)
Transfers	—	25,109	—	—	—	(25,109)	—
Depreciation provided during the year (note 6)	(27,377)	(177,347)	(3,482)	(2,971)	(92)	—	(211,269)
At December 31, 2019, net of accumulated depreciation and impairment	123,373	163,915	8,300	9,688	152	4,489	309,917
At December 31, 2019:							
Cost	197,819	611,542	37,118	19,735	275	4,489	870,978
Accumulated depreciation	(74,446)	(411,052)	(28,297)	(9,980)	(123)	—	(523,898)
Accumulated impairment	—	(36,575)	(521)	(67)	—	—	(37,163)
Net carrying amount	123,373	163,915	8,300	9,688	152	4,489	309,917

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020							
At January 1, 2020:							
Cost	197,819	611,542	37,118	19,735	275	4,489	870,978
Accumulated depreciation	(74,446)	(411,052)	(28,297)	(9,980)	(123)	—	(523,898)
Accumulated impairment	—	(36,575)	(521)	(67)	—	—	(37,163)
Net carrying amount	123,373	163,915	8,300	9,688	152	4,489	309,917
At January 1, 2020, net of accumulated depreciation	123,373	163,915	8,300	9,688	152	4,489	309,917
Additions	1,852	3,968	1,022	1,050	451	75,551	83,894
Disposals	—	(2,612)	(390)	(970)	—	—	(3,972)
Disposal of a subsidiary (note 34)	(25,046)	(3,652)	(135)	(871)	—	—	(29,704)
Transfers	4,794	75,018	—	—	—	(79,812)	—
Depreciation provided during the year (note 6)	(10,777)	(35,079)	(1,842)	(2,298)	(242)	—	(50,238)
At December 31, 2020, net of accumulated depreciation and impairment	94,196	201,558	6,955	6,599	361	228	309,897
At December 31, 2020:							
Cost	148,237	372,406	20,311	14,424	726	228	556,332
Accumulated depreciation	(54,041)	(170,848)	(13,356)	(7,825)	(365)	—	(246,435)
Net carrying amount	94,196	201,558	6,955	6,599	361	228	309,897

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021							
At January 1, 2021:							
Cost	148,237	372,406	20,311	14,424	726	228	556,332
Accumulated depreciation	(54,041)	(170,848)	(13,356)	(7,825)	(365)	—	(246,435)
Net carrying amount	94,196	201,558	6,955	6,599	361	228	309,897
At January 1, 2021, net of accumulated depreciation	94,196	201,558	6,955	6,599	361	228	309,897
Additions	—	1,528	1,392	10,768	—	276,353	290,041
Disposals	(1,937)	(8,906)	(290)	(182)	—	—	(11,315)
Acquisition of subsidiaries (note 35)	2,164,161	2,346,745	5,487	104,941	—	643,960	5,265,294
Exchange realignment	(1,149)	(1,217)	(4)	(37)	—	(373)	(2,780)
Transfers	4,457	28,202	—	—	—	(32,659)	—
Depreciation provided during the year	(24,955)	(45,047)	(1,160)	(4,629)	(287)	—	(76,078)
At December 31, 2021, net of accumulated depreciation and impairment	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
At December 31, 2021:							
Cost	2,373,358	2,806,604	26,806	161,189	726	887,509	6,256,192
Accumulated depreciation	(138,585)	(283,741)	(14,426)	(43,729)	(652)	—	(481,133)
Net carrying amount	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
June 30, 2022							
At January 1, 2022:							
Cost	2,373,358	2,806,604	26,806	161,189	726	887,509	6,256,192
Accumulated depreciation	(138,585)	(283,741)	(14,426)	(43,729)	(652)	—	(481,133)
Net carrying amount	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
At January 1, 2022, net of accumulated depreciation	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
Additions	35	15,317	5,072	94,762	4,186	1,347,679	1,467,051
Disposals	(1,674)	(389)	(849)	(356)	—	—	(3,268)
Acquisition of a subsidiary (note 35)	—	—	7	—	—	—	7
Exchange realignment	111,601	120,257	264	5,479	—	43,366	280,967
Transfers	—	3,021	—	—	—	(3,021)	—
Depreciation provided during the period	(60,567)	(111,962)	(2,561)	(13,852)	(75)	—	(189,017)
At June 30, 2022, net of accumulated depreciation and impairment	2,284,168	2,549,107	14,313	203,493	4,185	2,275,533	7,330,799
At June 30, 2022:							
Cost	2,488,017	2,949,586	30,624	263,176	4,637	2,275,533	8,011,573
Accumulated depreciation	(203,849)	(400,479)	(16,311)	(59,683)	(452)	—	(680,774)
Net carrying amount	2,284,168	2,549,107	14,313	203,493	4,185	2,275,533	7,330,799

Certain of the Group's buildings with a net carrying amount of approximately RMB37,688,000, RMB82,719,000, RMB1,707,633,000 and RMB1,731,185,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, were pledged to secure bank loans (note 27).

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 RMB2,163,771,000 and RMB2,213,344,000 as at December 31, 2021 and June 30, 2022, respectively, were pledged to secure bank loans (note 27).

As at June 30, 2022, certain of the Group's buildings have not obtained the relevant building ownership certificates.

Company

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2019							
At January 1, 2019:							
Cost	29,428	252	488	7,614	—	281	38,063
Accumulated depreciation	(8,676)	(178)	(414)	(2,927)	—	—	(12,195)
Net carrying amount	20,752	74	74	4,687	—	281	25,868
At January 1, 2019, net of accumulated depreciation	20,752	74	74	4,687	—	281	25,868
Additions	65	45	623	1,649	—	4,203	6,585
Disposals	—	—	—	(114)	—	—	(114)
Depreciation provided during the year	(1,398)	(63)	(374)	(1,257)	—	—	(3,092)
At December 31, 2019, net of accumulated depreciation and impairment	19,419	56	323	4,965	—	4,484	29,247
At December 31, 2019:							
Cost	29,493	297	1,111	8,919	—	4,484	44,304
Accumulated depreciation	(10,074)	(241)	(788)	(3,954)	—	—	(15,057)
Net carrying amount	19,419	56	323	4,965	—	4,484	29,247

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020							
At January 1, 2020:							
Cost	29,493	297	1,111	8,919	—	4,484	44,304
Accumulated depreciation	(10,074)	(241)	(788)	(3,954)	—	—	(15,057)
Net carrying amount	19,419	56	323	4,965	—	4,484	29,247
At January 1, 2020, net of accumulated depreciation	19,419	56	323	4,965	—	4,484	29,247
Additions	1,852	—	537	—	—	—	2,389
Disposals	—	—	—	(285)	—	—	(285)
Transfers	4,484	—	—	—	—	(4,484)	—
Depreciation provided during the year	(2,669)	(27)	(533)	(1,235)	—	—	(4,464)
At December 31, 2020, net of accumulated depreciation and impairment	23,086	29	327	3,445	—	—	26,887
At December 31, 2020:							
Cost	35,829	297	1,648	8,305	—	—	46,079
Accumulated depreciation	(12,743)	(268)	(1,321)	(4,860)	—	—	(19,192)
Net carrying amount	23,086	29	327	3,445	—	—	26,887

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021							
At January 1, 2021:							
Cost	35,829	297	1,648	8,305	—	—	46,079
Accumulated depreciation	(12,743)	(268)	(1,321)	(4,860)	—	—	(19,192)
Net carrying amount	23,086	29	327	3,445	—	—	26,887
At January 1, 2021, net of accumulated depreciation	23,086	29	327	3,445	—	—	26,887
Additions	—	—	962	619	—	—	1,581
Disposals	—	—	—	(21)	—	—	(21)
Depreciation provided during the year	(2,760)	(15)	(170)	(1,216)	—	—	(4,161)
At December 31, 2021, net of accumulated depreciation and impairment	20,326	14	1,119	2,827	—	—	24,286
At December 31, 2021:							
Cost	35,829	297	2,610	8,494	—	—	47,230
Accumulated depreciation	(15,503)	(283)	(1,491)	(5,667)	—	—	(22,944)
Net carrying amount	20,326	14	1,119	2,827	—	—	24,286

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
June 30, 2022							
At January 1, 2022:							
Cost	35,829	297	2,610	8,494	—	—	47,230
Accumulated depreciation	(15,503)	(283)	(1,491)	(5,667)	—	—	(22,944)
Net carrying amount	20,326	14	1,119	2,827	—	—	24,286
At January 1, 2022, net of accumulated depreciation	20,326	14	1,119	2,827	—	—	24,286
Additions	—	—	436	—	—	2,709	3,145
Depreciation provided during the period	(1,218)	—	(213)	(592)	—	—	(2,023)
At June 30, 2022, net of accumulated depreciation and impairment	19,108	14	1,342	2,235	—	2,709	25,408
At June 30, 2022:							
Cost	35,829	297	3,046	8,494	—	2,709	50,375
Accumulated depreciation	(16,721)	(283)	(1,704)	(6,259)	—	—	(24,967)
Net carrying amount	19,108	14	1,342	2,235	—	2,709	25,408

Certain of the Company's buildings with a net carrying amount of approximately RMB12,514,000, RMB11,606,000, RMB10,698,000 and RMB10,244,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, were pledged to secure bank loans (note 27).

14. LEASES

The Group and the Company as a lessee

The Group has lease contracts for office premises, warehouses and vessels used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises, warehouses and vessels generally have lease terms between 1 and 7 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. 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 and the Company's right-of-use assets and the movements during the Relevant Periods are as follows:

Group

	Vessels	Leasehold land	Office premises and warehouses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2019	—	38,817	2,546	41,363
Additions	—	—	3,926	3,926
Depreciation charge (note 6)	—	(932)	(1,035)	(1,967)
As at December 31, 2019 and January 1, 2020	—	37,885	5,437	43,322
Additions	—	—	3,753	3,753
Depreciation charge (note 6)	—	(505)	(2,582)	(3,087)
Disposal of a subsidiary (note 34)	—	(19,599)	—	(19,599)
As at December 31, 2020 and January 1, 2021	—	17,781	6,608	24,389
Additions	—	71,066	7,676	78,742
Acquisition of subsidiaries (note 35)	2,963	—	—	2,963
Exchange realignment	1	—	—	1
Depreciation charge (note 6)	(230)	(1,475)	(5,089)	(6,794)
As at December 31, 2021 and January 1, 2022	2,734	87,372	9,195	99,301
Additions	—	—	63,434	63,434
Exchange realignment	99	—	—	99
Depreciation charge (note 6)	(1,394)	(915)	(8,241)	(10,550)
As at June 30, 2022	1,439	86,457	64,388	152,284

Company

	Office premises and warehouses
	RMB'000
As at January 1, 2019 and December 31, 2019 and January 1, 2020	—
Additions	192
As at December 31, 2020 and January 1, 2021	192
Depreciation charge	(192)
As at December 31, 2021 and January 1, 2022	—
Additions	1,044
Depreciation charge	(26)
As at June 30, 2022	1,018

(b) Lease liabilities

Group

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

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at January 1,	2,066	5,092	5,164	10,867
New leases	3,926	3,753	7,676	63,434
Accretion of interest recognized during the year/period	91	193	244	1,409
Acquisition of subsidiaries (note 35)	—	—	2,963	—
Exchange realignment	—	—	126	153
Payments	(991)	(3,874)	(5,306)	(9,621)
Carrying amount at the end of the year/period	5,092	5,164	10,867	66,242
Analyzed into:				
Current portion	2,456	3,204	8,638	13,557
Non-current portion	2,636	1,960	2,229	52,685

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

Company

	Office premised and warehouses
	RMB'000
As at January 1, 2022	—
New leases	1,044
Accretion of interest recognized during the period	2
Payments	(377)
Carrying amount at the end of the period	669
Analyzed into:	
Current portion	320
Non-current portion	349

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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on lease liabilities (note 7)	91	193	244	89	1,409
Depreciation charge of right-of-use assets	1,967	3,087	6,794	2,716	10,550
Expense relating to short-term leases (included in cost of sales, administrative expenses and selling expenses) (note 6)	1,605	2,599	19,990	1,747	9,778
Total amount recognized in profit or loss	3,663	5,879	27,028	4,552	21,737

(d) The total cash outflow for leases is disclosed in note 36(c) to the Historical Financial Information.

Certain of the Group's leasehold land with net carrying amounts of approximately RMB19,694,000, RMB17,781,000, RMB17,373,000 and RMB86,813,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, was pledged to secure bank loans (note 27).

15. INTANGIBLE ASSETS

Group

	Software
	RMB'000
December 31, 2019	
At January 1, 2019:	
Cost	—
Accumulated amortization	—
Net carrying amount	—
Cost at January 1, 2019, net of accumulated amortization	—
Additions	443
Amortization provided during the year (note 6)	(264)
At December 31, 2019, net of accumulated amortization	179
At December 31, 2019:	
Cost	443
Accumulated amortization	(264)
Net carrying amount	179
December 31, 2020	
At January 1, 2020:	
Cost	443
Accumulated amortization	(264)
Net carrying amount	179
Cost at January 1, 2020, net of accumulated amortization	179
Additions	2,378
Amortization provided during the year (note 6)	(83)
At December 31, 2020, net of accumulated amortization	2,474
At December 31, 2020:	
Cost	2,821
Accumulated amortization	(347)
Net carrying amount	2,474

	Customer relationship	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2021			
At January 1, 2021:			
Cost	—	2,821	2,821
Accumulated amortization	—	(347)	(347)
Net carrying amount	—	2,474	2,474
Cost at January 1, 2021, net of accumulated amortization	—	2,474	2,474
Additions	—	2,503	2,503
Acquisition of subsidiaries (note 35)	529,490*	—	529,490
Amortization provided during the year (note 6)	(5,946)	(756)	(6,702)
Exchange realignment	(241)	—	(241)
At December 31, 2021, net of accumulated amortization	523,303	4,221	527,524
At December 31, 2021:			
Cost	529,183	5,324	534,507
Accumulated amortization	(5,880)	(1,103)	(6,983)
Net carrying amount	523,303	4,221	527,524
June 30, 2022			
At January 1, 2022:			
Cost	529,183	5,324	534,507
Accumulated amortization	(5,880)	(1,103)	(6,983)
Net carrying amount	523,303	4,221	527,524
Cost at January 1, 2022, net of accumulated amortization	523,303	4,221	527,524
Additions	—	1,639	1,639
Amortization provided during the period (note 6)	(35,999)	(548)	(36,547)
Exchange realignment	26,416	—	26,416
At June 30, 2022, net of accumulated amortization	513,720	5,312	519,032
At June 30, 2022:			
Cost	557,046	6,963	564,009
Accumulated amortization	(43,326)	(1,651)	(44,977)
Net carrying amount	513,720	5,312	519,032

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

16. GOODWILL

	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*
Cost and carrying amount at beginning of year/period	—	218,037
Acquisition of subsidiaries (note 35)	218,037	—
Cost and net carrying amount at end of year/period	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 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 margins applied to the cash flow projections, the terminal growth rate and pre-tax discount rate used to extrapolate the cash flows of HPL cash-generating units beyond the five-year period are as follows:

	As at December 31, 2021
	%
Budgeted gross margin	37 - 40
Terminal growth rate	—
Pre-tax discount rate	20.4

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 reflect 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.

As at December 31, 2021, the recoverable amount of HPL cash-generating unit to which goodwill is allocated exceeded its carrying amount by RMB746,986,000.

If the pre-tax discount rate rose to 22.3%, or the gross margin decreased to the range between 34% to 37%, the recoverable amount of the cash-generating unit would be decreased to the carrying amount of the cash-generating unit. With regard to the assessment of the value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to exceed the recoverable amount. The management of the Group determined that no impairment of goodwill should be recognized for the HPL cash-generating as of December 31, 2021.

HKAS 36 requires an entity to perform impairment tests on goodwill on an annual basis. Meanwhile, the management did not identify any significant adverse changes in the operating results and macro environment in the six months ended June 30, 2022, and the Company's management has concluded there was no impairment indicator of goodwill at June 30, 2022. Accordingly, the management did not perform impairment testing on goodwill as at June 30, 2022.

17. INTERESTS IN JOINT VENTURES

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	—	677	—

Particulars of the Group's joint ventures are as follows:

Company	Place of incorporation/ registration and business	Authorised share capital	Percentage of ownership interest attributable to the Group	Principal activities
PT Dharma Cipta Mulia ("DCM")*	Indonesia	IDR 10,100,000,000,000	60%	Industrial estate business
PT OBI Nickel Cobalt ("ONC")**	Indonesia	IDR 4,350,000,000,000	60%	Smelting and processing sale of nickel compounds

* DCM was incorporated on November 5, 2007, which has not commenced any business or operation since its incorporation. A subsidiary of the Company acquired 60% of its shareholdings in July 2021 and recognized it as a joint venture considering that the decisions about the key operating activities require the unanimous consent of all of its investors. It became a subsidiary of the Group since April 4, 2022 as the Group obtained control of the key operating and financial activities of DCM by obtaining control of the board of directors and the

board of shareholders in accordance with the amended shareholder agreement on April 4, 2022. Refer to note 35 (c) to the Historical Financial Information for the details.

** ONC was incorporated on August 20, 2021 as a joint venture of the Group as the decisions about the key operating activities require the unanimous consent of all of its investors. It became a subsidiary of the Group since November 29, 2021 as the Group obtained control of the key operating and financial activities of ONC by obtaining control of the board of directors and the board of shareholders in accordance with the amended shareholder agreement on November 29, 2021. Refer to note 35 (b) to the Historical Financial Information for the details.

The Group's shareholdings in the joint ventures are held through wholly-owned subsidiaries of the Company.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year/period	—	—	—	—
Aggregate carrying amount of the Group's interests in the joint ventures	—	—	677	—

18. INTERESTS IN ASSOCIATES

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	670,354	1,015,700	581,878	556,563

The Group's trade receivables from associates and amounts due to an associate are disclosed in note 38 to the Historical Financial Information.

Particulars of the Group's material associates are as follows:

Company	Place of incorporation/ registration and business	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
PT Halmahera Jaya Feronikel ("HJF")	Indonesia	IDR 4,000,000,000,000	36.9%	Smelting and processing sale of nickel compounds

Company	Place of incorporation/ registration and business	Nominal value of registered share capital	Percentage of ownership interest attributable to the Group	Principal activities
HPL*	Indonesia	IDR 5,030,000,000,000	36.9%	Smelting and processing sale of nickel compounds

* HPL became a subsidiary of the Group on November 30, 2021 (note 35(a)).

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Contemporary Brunp Lygend Co., Ltd., which is an immaterial associate of the Group, the shareholding in which is held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarized financial information in respect of HJF adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	350,759	287,677	515,440	651,781
Non-current assets	—	777,681	3,563,989	5,288,956
Current liabilities	—	62,159	947,136	847,070
Non-current liabilities	—	120	1,582,326	3,513,349
Net assets	350,759	1,003,079	1,549,967	1,580,318
Reconciliation to the Group's interest in the associate:				
Proportion of the Group's ownership	36.9%	36.9%	36.9%	36.9%
Group's share of net assets of the associate	129,430	370,136	571,938	583,137
Accumulated unrealised gain	—	—	(14,148)	(47,141)
Carrying amount of the investment	129,430	370,136	557,790	535,996

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	—	—	—	—
Loss for the year/period	—	(2,085)	(55,929)	(49,445)
Other comprehensive profit/(loss)	—	(30,512)	(41,018)	79,796
Total comprehensive profit/(loss) for the year/period	—	(32,597)	(96,947)	30,351

The following table illustrates the summarized financial information in respect of HPL adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	Year ended December 31,	
	2019	2020
	RMB'000	*RMB'000*
Current assets	487,842	189,354
Non-current assets	2,434,475	4,521,028
Current liabilities	1,408,904	2,915,691
Non-current liabilities	1,269	2,691
Net assets	1,512,144	1,792,000
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	36.9%	36.9%
Group's share of net assets of the associate	557,981	661,248
Accumulated unrealised gain	(17,057)	(45,687)
Carrying amount of the investment	540,924	615,561

	Year ended December 31,		Eleven months ended November 30,
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	—	1,212,138
Profit/(loss) for the year/period	(55,727)	(104,703)	406,672
Other comprehensive income/(loss)	36,083	(159,336)	(17,501)
Total comprehensive income/(loss) for the year/period	(19,644)	(264,039)	389,171

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

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year/period	—	10	(19,760)	(11,580)
Total comprehensive income/(loss) for the year/period	—	—	44	(158)
Aggregate carrying amount of the Group's investment in the associate	—	30,003	24,088	20,567

19. INVENTORIES

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	374,312	247,633	588,522	591,305
Work in progress	11,397	15,688	75,649	109,973
Finished goods	246,447	132,951	310,402	527,099
	632,156	396,272	974,573	1,228,377

The Group's inventories, which have aggregate net carrying values of approximately RMB142,461,000, RMB127,109,000, RMB201,729,000 and RMB219,483,000 as at the end of each of the Relevant Periods, respectively, were pledged to secure the Group's bank loans (note 27).

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finished goods	197,349	86,993	233,864	342,043

20. TRADE AND BILLS RECEIVABLES

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	863,753	500,872	1,015,990	1,867,017
Bills receivable measured at amortized cost	1,076	40,067	11,199	4,691
Impairment	(2,505)	(2,130)	(6,396)	(8,941)
	862,324	538,809	1,020,793	1,862,767
Bills receivable measured at fair value	100	10,400	4,410	3,454
	862,424	549,209	1,025,203	1,866,221

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 aging analysis of the trade receivables of the Group as at the end of each of the Relevant Periods (based on the invoice date and net of loss allowance) is as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	859,137	493,695	1,005,516	1,857,246
3 to 6 months	121	1,672	187	373
6 to 12 months	1,924	3,370	3,891	390
1 to 2 years	66	5	—	67
	861,248	498,742	1,009,594	1,858,076

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	2,725	2,505	2,130	6,396
Impairment losses, net (note 6)	(220)	(375)	4,267	2,539
Exchange realignment	—	—	(1)	6
At end of year/period	2,505	2,130	6,396	8,941

The Group applies the simplified approach to measure the loss allowance for trade receivables classified at amortized 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. As the material underlying balances of trade receivables have similar characteristics and credit ratings, and there is no significant changes in forward-looking factors as at December 31, 2020 and 2021, the expected credit loss rates for trade receivables as at December 31, 2020 and 2021 were almost the same.

The Group's trade receivables, which have an aggregate net carrying value of approximately RMB676,114,000, RMB259,313,000, nil and nil as at the end of each of the Relevant Periods, respectively, were pledged to secure the Group's bank loans (note 27).

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2019

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Current:	852,735	0.27%	2,330
Past due:			
Less than 3 months	10,569	1.33%	141
3 to 6 months	360	3.06%	11
6 to 12 months	89	25.84%	23
	863,753	0.29%	2,505

As at December 31, 2020

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Current:	476,529	0.29%	1,378
Past due:			
Less than 3 months	23,335	1.33%	311
6 to 12 months	765	25.88%	198
1 to 2 years	243	100.00%	243
	500,872	0.43%	2,130

As at December 31, 2021

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Current:	902,918	0.29%	2,590
Past due:			
Less than 3 months	106,750	1.33%	1,423
3 to 6 months	116	3.45%	4
6 to 12 months	5,163	25.88%	1,336
1 to 2 years	1,043	100.00%	1,043
	1,015,990	0.63%	6,396

As at June 30, 2022

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Current:	1,707,783	0.31%	5,250
Past due:			
Less than 3 months	157,735	1.64%	2,589
3 to 6 months	194	3.09%	6
6 to 12 months	282	25.89%	73
Over 1 year	1,023	100.00%	1,023
	1,867,017	0.48%	8,941

Bills receivable of RMB100,000, RMB10,400,000, RMB4,410,000 and RMB3,454,000 whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9 at the end of each of the Relevant Periods, respectively. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant.

The Group endorsed certain bills receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB63,269,000, RMB61,130,000, RMB19,731,000 and RMB16,041,000 (the "Endorsement") at the end of each of the Relevant Periods. In addition, the Group discounted certain bills receivable accepted by certain banks in the PRC (the "Discounted Notes") with carrying amounts in aggregate of RMB361,670,000, RMB375,650,000, RMB435,000,000 and RMB423,310,000 (the "Discount") at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Notes with amounts of RMB57,886,000 RMB49,165,000, RMB11,582,000 and RMB11,650,000 and Discounted Notes with amounts of RMB361,670,000, RMB351,150,000, RMB435,000,000 and RMB423,310,000 accepted by large and reputable banks at the end of each of the Relevant Periods, respectively (the "Derecognized Notes"). Accordingly, the Group has derecognized the full carrying amounts of these Derecognized Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Notes and the undiscounted cash flows to repurchase these Derecognized Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Notes are not significant.

The Group continued to recognize the full carrying amounts of the remaining Endorsed Notes and the associated trade payables settled with amounts of RMB5,383,000, RMB11,965,000, RMB8,149,000 and RMB4,391,000 and to recognize the proceeds received from the discount of the remaining Discounted Notes with amounts of nil, RMB24,500,000, nil and nil as short-term loans at the end of each of the Relevant Periods, respectively, because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes.

During the Relevant Periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Notes. No gains or losses were recognized from the Continuing Involvement, both during the year/period or cumulatively. The Endorsement and the Discount have been made evenly during the Relevant Periods.

The Group's bills receivable were all aged within six months and were neither past due nor impaired.

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	168,968	219,122	330,729	366,213
Bills receivable measured at amortized cost	—	24,500	—	—
Impairment	(529)	(830)	(2,176)	(3,225)
	168,439	242,792	328,553	362,988
Bills receivable measured at fair value	—	8,000	—	—
	168,439	250,792	328,553	362,988

An aging analysis of the trade receivables of the Company as at the end of each of the Relevant Periods (based on the invoice date and net of loss allowance) is as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	168,435	209,045	328,553	362,988
3 to 6 months	4	—	—	—
6 to 12 months	—	9,247	—	—
	168,439	218,292	328,553	362,988

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	817	529	830	2,176
Impairment losses, net	(288)	301	1,346	1,049
At end of year/period	529	830	2,176	3,225

The Company applies the simplified approach to measure the loss allowance for trade receivables classified at amortized cost, using the lifetime expected loss provision. The expected credit losses on these financial assets are estimated based on different scenarios of probability of default and expected loss applicable to each of the material underlying balances, using a provision matrix by reference to past default experience and an equivalent credit rating, adjusted as appropriate for current observable data and forward-looking information.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at December 31, 2019

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Current:	158,399	0.24%	388
Past due:			
Less than 3 months	10,569	1.33%	141
	168,968	0.31%	529

As at December 31, 2020

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Current:	195,787	0.27%	519
Past due:			
Less than 3 months	23,335	1.33%	311
	219,122	0.38%	830

As at December 31, 2021

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Current:	236,569	0.39%	921
Past due:			
Less than 3 months	94,160	1.33%	1,255
	330,729	0.66%	2,176

As at June 30, 2022

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Current:	209,599	0.47%	990
Past due:			
Less than 3 months	156,614	1.43%	2,235
	366,213	0.88%	3,225

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Prepayments	437,440	346,408	275,772	271,299
Other receivables and others	118,295	92,314	145,885	255,368
Other current assets	—	1,547	107,529	98,950
	555,735	440,269	529,186	625,617
Impairment allowance	(1,477)	(680)	(585)	(731)
	554,258	439,589	528,601	624,886
Non-current				
Prepayments for property, plant and equipment	19,855	2,598	351,557	673,275
	574,113	442,187	880,158	1,298,161

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

The movements in the loss allowance for impairment of other receivables are as follows:

	Expected credit losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	419	—	26	445
Impairment losses (note 6)	1,032	—	—	1,032
At December 31, 2019 and January 1, 2020	1,451	—	26	1,477
Impairment losses, net (note 6)	286	—	(26)	260
Disposal of a subsidiary	(1,057)	—	—	(1,057)
At December 31, 2020 and January 1, 2021	680	—	—	680
Impairment losses, net (note 6)	(95)	—	—	(95)
At December 31, 2021 and January 1, 2022	585	—	—	585
Impairment losses, net (note 6)	146	—	—	146
At June 30, 2022	731	—	—	731

Company

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Prepayments	314,185	270,351	180,980	106,520
Other receivables and others	7,321	6,808	20,312	78,263
Other current assets	—	—	—	491
	321,506	277,159	201,292	185,274
Impairment allowance	(138)	(274)	(274)	(274)
	321,368	276,885	201,018	185,000

The movements in the loss allowance for impairment of other receivables are as follows:

	Expected credit losses			
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	137	—	—	137
Impairment losses	1	—	—	1
At December 31, 2019 and January 1, 2020	138	—	—	138
Impairment losses	136	—	—	136
At December 31, 2020, January 1, 2021 and December 31, 2021 and June 30, 2022	274	—	—	274

Included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB18,926,000, RMB2,351,000, nil and nil as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

22. LOANS TO DIRECTORS

Group and Company

Amounts due from directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	At June 30, 2022	Maximum amount outstanding during the period	At December 31, 2021	Maximum amount outstanding during the year	At December 31, 2020	Maximum amount outstanding during the year	At December 31, 2019	Maximum amount outstanding during the year	At January 1, 2019	Security held
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. CAI Jianyong[1] . .	—	—	—	—	—	17,532	17,532	45,516	38,992	None
Ms. FEI Feng[2]	—	—	—	—	—	50,000	—	—	—	None
Mr. CAI Jianwei[3]	—	—	—	—	—	2,000	2,000	2,000	—	None
Total	—		—		—		19,532		38,992	

(1) The loans granted to Mr. CAI Jianyong for the years ended December 31, 2019 and 2020, were unsecured, interest-free, non-trade in nature and were repayable on demand.

(2) The loan granted to Ms. FEI Feng for the year ended December 31, 2020 was unsecured, interest-free, non-trade in nature and was repayable on demand.

(3) The loan granted to Mr. CAI Jianwei for the year ended December 31, 2019 was unsecured, interest-free, non-trade in nature and was repayable on demand.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Unlisted investments, at fair value	187,050	152,398	—	76,100
Derivative financial instruments, at fair value	—	—	—	57
	187,050	152,398	—	76,157
Non-current				
Derivative financial instruments, at fair value	—	—	—	44,325
	187,050	152,398	—	120,482

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Unlisted investments, at fair value	177,000	22,000	—	70,000

The unlisted investments were wealth management products issued by commercial banks and financial institutions in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The current derivative financial instruments were the futures products that fair value income have not been realised. The non-current derivative financial instruments were interest rate swap agreements with ending dates various from January to March 2026. For information about the methods and assumptions used in determining fair value, please refer to note 42 to the Historical Financial Information.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	188,399	256,903	1,413,298	2,959,391
Pledged deposits	561,423	502,157	639,031	649,253
Less:				
Current portion:				
Pledged deposits for bank loans	(52,376)	(304)	(115,859)	(19,687)
Pledged deposits for bills payable	—	—	(260,304)	(308,204)
Pledged deposits for letters of credit	(249,047)	(201,853)	(222,235)	(321,362)
Non-Current portion:				
Pledged deposits for bank loans	(260,000)	(300,000)	(40,633)	—
Cash and cash equivalents	188,399	256,903	1,413,298	2,959,391
Denominated in:				
RMB	112,272	95,970	312,622	1,186,439
United States dollar ("USD")	76,127	160,687	929,318	1,521,847
Indonesian rupiah ("IDR")	—	—	171,189	250,996
Singapore dollar ("SGD")	—	246	169	109
Total cash and cash equivalents	188,399	256,903	1,413,298	2,959,391

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	66,107	25,546	104,700	817,525
Pledged deposits	60,875	61,045	222,066	253,623
Less:				
Pledged deposits for letters of credit	(60,875)	(61,045)	(222,066)	(253,623)
Cash and cash equivalents	66,107	25,546	104,700	817,525
Denominated in:				
RMB	62,188	25,403	93,594	651,947
USD	3,919	143	11,106	165,578
Total cash and cash equivalents	66,107	25,546	104,700	817,525

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between 3 months and 1 year depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

Group

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	589,273	533,223	725,434	1,002,407
Bills payable	5,000	99,100	2,980	2,656
	594,273	632,323	728,414	1,005,063

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 each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	521,531	374,701	564,315	645,791
3 to 6 months	7,080	38,000	24,130	102,209
6 to 12 months	6,676	41,745	13,798	139,032
1 to 2 years	1,599	72,654	77,687	50,639
Over 2 years	52,387	6,123	45,504	64,736
	589,273	533,223	725,434	1,002,407

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	66,695	329,640	369,151	630,320
Bills payable	—	57,000	—	—
	66,695	386,640	369,151	630,320

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 each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	65,626	273,085	284,651	374,968
3 to 6 months	—	15,289	17,142	85,398
6 to 12 months	464	29,090	4,217	128,137
1 to 2 years	601	11,609	62,159	34,360
Over 2 years	4	567	982	7,457
	66,695	329,640	369,151	630,320

26. OTHER PAYABLES AND ACCRUALS

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Taxes payable other than corporate income tax	146,439	138,554	97,941	75,755
Accrued payroll	41,194	35,611	70,209	170,142
Dividend payable to shareholders other than the ultimate holding company	1,227	—	—	—
Advance from customers	6,481	10,120	6,954	2,500
Other accruals	—	—	23,456	24,691
Other payables for property, plant and equipment	53	14	568,222	691,798
Other payables	8,573	9,326	69,465	37,188
	203,967	193,625	836,247	1,002,074

Other payables are non-interest-bearing and repayable on demand.

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Taxes payable other than corporate income tax	73,511	85,586	45,071	49,754
Accrued payroll	10,655	20,198	50,076	64,548
Advance from customers	3,588	4,446	6,000	2,362
Other payables	4,742	1,426	53,029	12,070
	92,496	111,656	154,176	128,734

Other payables are non-interest-bearing and repayable on demand.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

The floating rate on the interest rate swaps is the London interbank offered rate ("LIBOR").

Group

	As at December 31, 2019		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	2.24-5.66	2020	1,466,526
Other borrowing	5.66	2020	27,340
			1,493,866

	As at December 31, 2020		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	1.30-4.35	2021	1,024,498

	As at December 31, 2021		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	1.7-4.40	2022	1,121,096
Other borrowing	5.61	2022	30,434
Current portion of long term bank borrowings — secured	LIBOR+3.75	2022	4,382
			1,155,912
Non-current			
Bank borrowings — secured	LIBOR+3.00-3.75	2027	3,595,682
			4,751,594

	As at June 30, 2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	1.36-4.95	2022	2,294,492
Other borrowing	3.6-4.3	2022	207,870
Current portion of long term bank borrowings — secured	LIBOR+3.75	2022	79,595
			2,581,957
Non-current			
Bank borrowings — secured	LIBOR+3.00-3.75	2023-2027	3,902,122
			6,484,079

	As at December 31,			As at June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed into:				
Bank loans repayable:				
Within one year or on demand	1,493,866	1,024,498	1,155,912	2,581,957
In the second year	—	—	144,757	516,490
In the third year	—	—	533,486	495,706
In the fourth year	—	—	752,741	777,267
In the fifth year	—	—	873,459	951,755
Beyond five years	—	—	1,291,239	1,160,904
	1,493,866	1,024,498	4,751,594	6,484,079

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 aggregate net carrying values of RMB37,688,000, RMB82,719,000, RMB1,707,633,000 and RMB1,731,185,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively (note 13);

(ii) mortgages over the Group's leasehold lands situated in Mainland China, which had aggregate net carrying values of RMB19,694,000, RMB17,781,000, RMB17,373,000 and RMB86,813,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively (note 14);

(iii) mortgages over the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress situated in Indonesia with aggregate net carrying values of approximately RMB2,163,771,000 and RMB2,213,344,000 as at December 31, 2021 and June 30, 2022, respectively (note 13);

(iv) mortgages over leasehold lands and buildings situated in Mainland China of a related party, Suqian Xiangxiang Industry Co., Ltd. ("Suqian Xiangxiang");

(v) mortgages over leasehold lands and buildings situated in Mainland China of Mr. CAI Jianyong, an executive director;

(vi) mortgages over leasehold lands and buildings situated in Mainland China of Mrs. CHEN Saihong, a related party;

(vii) mortgages over leasehold lands and buildings situated in Mainland China of Ningbo Red House Obstetrics and Gynecology Hospital ("Red House Hospital"), an entity controlled by the ultimate holding company;

(viii) mortgages over leasehold lands and buildings situated in Mainland China of Mrs. HAN Lansu, the spouse of an executive director; and

(ix) mortgages over buildings situated in Mainland China of Ms. CAI Xiao'ou, the daughter of an executive director.

(b) An executive director of the Group, Mr. CAI Jianyong, and his spouse have guaranteed the Group's bank loans up to RMB999,500,000, RMB1,724,500,000, RMB1,805,000,000 and RMB1,208,788,000 during the Relevant Periods, respectively.

(c) The ultimate holding company of the Group has guaranteed the Group's bank loans up to RMB999,500,000, RMB1,594,500,000, RMB1,314,500,000 and RMB240,000,000 during the Relevant Periods, respectively.

(d) The ultimate holding company of the Group and a senior management of the Group, Mr. SONG Zhen have guaranteed the Group's bank loans up to RMB80,000,000, RMB75,000,000, RMB70,000,000 and nil during the Relevant Periods, respectively.

(e) The ultimate holding company of the Group and a related party of the Group, Suqian Xiangxiang have guaranteed the Group's bank loans up to nil, nil, RMB405,000,000 and nil during the Relevant Periods, respectively.

(f) An executive director of the Group, Mr. CAI Jianwei, and a senior management, Mr. SONG Zhen and his spouse have guaranteed the Group's bank loans up to RMB40,000,000, nil, nil and nil during the Relevant Periods, respectively.

(g) A related party of the Group, Suqian Xiangxiang has guaranteed the Group's bank loans up to nil, RMB1,801,500,000, RMB285,000,000 and nil during the Relevant Periods, respectively.

(h) The Group's pledged deposits, which have an aggregate net carrying value of approximately RMB561,423,000, RMB502,157,000, RMB639,031,000 and RMB649,253,000 during the Relevant Periods, respectively, were pledged to secure the Group's bank loans and letters of credit (note 24).

(i) The ultimate holding company of the Group has pledged certain equity of a related party to secure the Group's bank loans up to RMB11,660,000, RMB11,660,000, nil and nil during the Relevant Periods, respectively.

(j) The Group's inventories, which have aggregate net carrying values of approximately RMB142,461,000, RMB127,109,000, RMB201,729,000 and RMB219,483,000 during the Relevant Periods, respectively, were pledged to secure the Group's bank loans (note 19).

(k) The Group's trade receivables, which have aggregate net carrying values of approximately RMB676,114,000, RMB259,313,000, nil and nil during the Relevant Periods, respectively, were pledged to secure the Group's bank loans (note 20).

(l) The long-term bank borrowing is pledged with a corporate guarantee from the PT. Harita Jayaraya ("HJR"), and shares of PT. Trimegah Bangun Persada ("TBP").

(m) In the opinion of the directors, all guarantees provided by directors and other related parties over the Group's borrowings, except for HPL's borrowings, will be released upon completion of the initial listing of the shares of the Company on the Main Board of the Stock Exchange ("Listing").

Company

	As at December 31, 2019		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	2.24-5.20	2020	507,865

	As at December 31, 2020		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	2.10-3.56	2021	722,121

	As at December 31, 2021		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	1.7-3.60	2022	842,116

	As at June 30, 2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — secured	1.1-3.90	2022	1,679,515

Notes:

(a) Certain of the Company's bank loans are secured by:

(i) mortgages over the Company's buildings situated in Mainland China, which had aggregate net carrying values of RMB12,514,000, RMB11,606,000, RMB10,698,000 and RMB10,244,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively (note 13);

(ii) mortgages over a subsidiary's leasehold lands and buildings situated in Mainland China;

(iii) mortgages over leasehold lands and buildings situated in Mainland China of Mr. CAI Jianyong, an executive director;

(iv) mortgages over leasehold lands and buildings situated in Mainland China of Mrs. CHEN Saihong, a related party;

(v) mortgages over leasehold lands and buildings situated in Mainland China of Red House Hospital, an entity controlled by the ultimate holding company;

(vi) mortgages over leasehold lands and buildings situated in Mainland China of Mrs. HAN Lansu, the spouse of an executive director; and

(vii) mortgages over buildings situated in Mainland China of Ms. CAI Xiao'ou, the daughter of an executive director.

(b) An executive director of the Company, Mr. CAI Jianyong, and his spouse have guaranteed the Company's bank loans up to RMB999,500,000, RMB1,724,500,000, RMB1,805,000,000 and RMB793,486,000 during the Relevant Periods, respectively.

(c) The ultimate holding company of the Company has guaranteed the Company's bank loans up to RMB837,500,000, RMB1,432,500,000, RMB950,000,000 and RMB180,000,000 during the Relevant Periods, respectively.

(d) The ultimate holding company and a subsidiary of the Company have guaranteed the Company's bank loans up to RMB162,000,000, RMB162,000,000, RMB364,500,000 and nil during the Relevant Periods, respectively.

(e) The ultimate holding company and a related party, Suqian Xiangxiang of the Company have guaranteed the Company's bank loans up to nil, nil, RMB405,000,000 and nil during the Relevant Periods, respectively.

(f) The subsidiaries of the Company have guaranteed the Company's bank loans up to RMB1,456,500,000, RMB975,000,000, RMB1,125,000,000 and RMB1,619,540,000 during the Relevant Periods, respectively.

(g) A related party, Suqian Xiangxiang of the Company has guaranteed the Company's bank loans up to nil, RMB897,000,000, RMB285,000,000 and nil during the Relevant Periods, respectively.

(h) A related party, Suqian Xiangxiang and a subsidiary of the Company have guaranteed the Company's bank loans up to nil, RMB904,500,000, nil and nil during the Relevant Periods, respectively.

(i) The Company's pledged time deposits, which have aggregate net carrying values of approximately RMB60,875,000, RMB61,045,000, RMB222,066,000 and RMB253,623,000 during the Relevant Periods, respectively, were pledged to secure the Company's bank loans (note 24).

(j) The ultimate holding company of the Company has pledged certain equity of a related party to secure the Company's bank loans up to RMB11,660,000, RMB11,660,000, nil and nil during the Relevant Periods, respectively.

28. CONTRACT LIABILITIES

Group

The Group recognized the following revenue-related contract liabilities:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of nickel products	40,991	43,921	136,906	114,291
Sale of equipment	196,342	271,182	138,443	28,538
Others	3,603	3,332	21,572	9,323
Current	240,936	318,435	296,921	152,152

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of nickel products	30,852	34,204	44,733	18,170
Others	1,554	2	14	15
Current	32,406	34,206	44,747	18,185

Included in the Group's contract liabilities were amounts due to the Group's related parties of RMB178,327,000, RMB230,791,000, RMB131,887,000 and RMB27,515,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Contract liabilities include short-term advances received to deliver nickel products, equipment and others, and provide shipping services. The increase and decrease in contract liabilities during the Relevant Periods was mainly due to the fluctuation in advances received from customers in relation to the provision of nickel products and shipping services during the Relevant Periods.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments, at fair value	—	—	6,771	—

Company

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial instruments, at fair value	—	—	1,741	—

30. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Group

Deferred tax assets

	Accrued expenses	Impairment of trades receivables	Impairment of other receivables	Unrealized profit attributable to the intra-group transactions	Payroll payable	Lease liabilities	Provision	Changes in fair value of financial liabilities at fair value through profit or loss	Estimated liabilities for employees' benefits	Tax loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	3,325	680	34	3,558	3,033	310	—	—	—	—	10,940
Deferred tax credited/(charged) to profit or loss during the year (note 10)	652	(58)	73	8,742	1,315	817	—	—	—	—	11,541
At December 31, 2019 and January 1, 2020	3,977	622	107	12,300	4,348	1,127	—	—	—	—	22,481
Deferred tax credited/(charged) to profit or loss during the year (note 10)	1,337	(112)	(37)	1,716	42	(60)	—	—	—	—	2,886
At December 31, 2020 and January 1, 2021	5,314	510	70	14,016	4,390	1,067	—	—	—	—	25,367
Deferred tax credited/(charged) to profit or loss during the year (note 10)	(3,974)	826	18	9,233	5,150	444	3,988	1,693	220	—	17,598
Acquisition of subsidiaries (note 35)	—	—	—	—	—	—	—	—	1,727	—	1,727
At December 31, 2021 and January 1, 2022	1,340	1,336	88	23,249	9,540	1,511	3,988	1,693	1,947	—	44,692
Deferred tax credited/ (charged) to profit or loss during the period (note 10)	(1,228)	754	83	16,471	5,201	13,632	—	(1,693)	523	2,002	35,745
Exchange realignment	—	1	—	—	—	—	209	—	277	51	538
At June 30, 2022	112	2,091	171	39,720	14,741	15,143	4,197	—	2,747	2,053	80,975

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Group

Deferred tax liabilities

	Right-of-use assets	Withholding tax	Revaluation of property, plant and equipment	Changes in fair value of financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	382	—	31,938	—	32,320
Deferred tax charged/(credited) to profit or loss during the year (note 10)	816	2,566	(22,468)	—	(19,086)
At December 31, 2019 and January 1, 2020	1,198	2,566	9,470	—	13,234
Deferred tax charged/(credited) to profit or loss during the year (note 10)	77	2,491	(1,298)	—	1,270
Disposal of a subsidiary (note 34)	—	—	(3,925)	—	(3,925)
At December 31, 2020 and January 1, 2021	1,275	5,057	4,247	—	10,579
Deferred tax charged/(credited) to profit or loss during the year (note 10)	446	(3,298)	(1,297)	—	(4,149)
At December 31, 2021 and January 1, 2022	1,721	1,759	2,950	—	6,430
Deferred tax charged/(credited) to profit or loss during the period (note 10)	13,725	(645)	(649)	9,453	21,884
Exchange realignment	(1)	—	—	299	298
At June 30, 2022	15,445	1,114	2,301	9,752	28,612

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:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statement of financial position	21,354	24,300	43,183	65,783
Net deferred tax liabilities recognized in the consolidated statement of financial position	12,107	9,512	4,921	13,420

The Group has tax losses arising in Mainland China of RMB16,227,000, RMB39,627,000, RMB57,031,000 and RMB89,110,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022 respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

At the end of each of the Relevant Periods, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Indonesia. In the opinion of the directors, it is not probable that these companies will distribute such earnings generated from 2021 to 2023 in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Indonesia for which deferred tax liabilities have not been recognized totalled approximately nil, nil, RMB580,224,000 and RMB2,660,672,000 as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

The movements in deferred tax assets during the Relevant Periods are as follows:

Company

Deferred tax assets

	Lease liabilities	Impairment of trade receivables	Impairment of other receivables	Unrealised profit attributable to the intra-group transactions	Payroll payable	Change in fair value of financial assets at fair value through profit or loss	Tax loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	—	204	34	—	—	—	—	238
Deferred tax credited to profit or loss during the year	—	—	—	3,456	1,495	—	—	4,951
At December 31, 2019 and January 1, 2020	—	204	34	3,456	1,495	—	—	5,189
Deferred tax credited to profit or loss during the year	—	3	34	7,158	377	—	—	7,572
At December 31, 2020 and January 1, 2021	—	207	68	10,614	1,872	—	—	12,761
Deferred tax credited to profit or loss during the year	—	337	—	3,827	4,832	435	—	9,431
At December 31, 2021 and January 1, 2022	—	544	68	14,441	6,704	435	—	22,192
Deferred tax charged/(credited) to profit or loss during the period	168	262	—	4,445	4,787	(435)	372	9,599
At June 30, 2022	168	806	68	18,886	11,491	—	372	31,791

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Company

Deferred tax liabilities

	Right-of use assets
	RMB'000
At December 31, 2021 and January 1, 2022	—
Deferred tax charged/(credited) to profit or loss during the period	255
At June 30, 2022	255

	As at June 30, 2022
	RMB'000
At December 31, 2021 and January 1, 2022	—
Deferred tax charged/(credited) to profit or loss during the period	255
At June 30, 2022	255

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 Company for financial reporting purposes:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the statement of financial position	5,189	12,761	22,192	31,536

31. EMPLOYEE BENEFITS LIABILITY

HPL, a subsidiary of the Group, provides post-employment benefits to its employees in conformity with the requirements of Indonesia Government Regulation No. 35 Year 2021 ("PP 35/2021"), implementing the provisions of Article 81 and Article 185 (b) of Law no. 11/2020 concerning Job Creation ("UU Cipta Kerja"). In prior years, HPL has calculated its employee benefits liability in accordance with Law No. 13/2003 and with its Regulation. HPL recorded the estimated liabilities for employees' benefits as of December 31, 2021 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:

	As at December 31,	As at June 30,
	2021	2022
	RMB'000	*RMB'000*
Discount rate	7.10%	7.59%
Mortality table	TMI-IV 2019	TMI-IV 2019
Retirement age	55 years	55 years
Annual salary increase rate	10.00%	10.00%

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statements of profit or loss and other comprehensive income in respect of the post-employment benefit to the employees is as follows:

a. Estimated liabilities for employees' benefits

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Present value of employees' benefit obligation	—	—	8,731	12,368
Net liabilities recognized in the statement of financial position	—	—	8,731	12,368

b. Employee benefit expense

	Year ended December 31,	Six months ended June 30,
	2021	2022
	RMB'000	*RMB'000*
Current service cost	638	2,501
Interest costs	26	310
Curtailment effect	219	—
Past service cost	(619)	—
Employee benefit expense for the year/period	264	2,811

c. Change in liabilities of employees' benefits

	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*
Beginning balance	—	8,731
Acquisition of subsidiaries (note 35)	8,505	—
Employee benefit expense for the year/period	264	2,811
Foreign exchange difference	(38)	826
Ending balance	8,731	12,368

Sensitivity analysis to the key assumptions used in determining employee benefit obligations is as follows:

	Discount rate			
	As at December 31, 2021	As at December 31, 2021	As at June 30, 2022	As at June 30, 2022
	1% increase	1% decrease	1% increase	1% decrease
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Impact on the defined benefit obligations	(478)	561	(905)	1,801

The sensitivity analysis above is based on a deterministic method of values the impact on the benefit obligations as a result of reasonable changes in key assumptions occurring at December 31, 2021 and June 30, 2022.

The following payments are expected contributions to the benefit obligations in future years:

	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*
Within the next 12 months	—	—
Between 1 and 2 years	51	31
Between 3 and 5 years	1,486	1,826
Between 6 and 10 years	19,306	20,662
Beyond 10 years	283,884	636,974
Total	304,727	659,493

The average duration of the benefit obligations at December 31, 2021 and June 30, 2022 was 19.27 years and 21.11 years, respectively.

32. SHARE CAPITAL/PAID-IN CAPITAL

Share capital

	Number of ordinary shares	Total
		RMB'000
Issued and fully paid as at December 31, 2020 and as at January 1, 2021	—	—
Issue of ordinary shares upon conversion into a joint stock company (note a)	508,000,000	508,000
Issue of ordinary shares (note b)	520,300,000	520,300
Issue of ordinary shares (note c)	25,915,000	25,915
Issue of ordinary shares (note d)	263,553,750	263,554
Issued and fully paid as at December 31, 2021 and June 30, 2022	1,317,768,750	1,317,769

Paid-in capital

	Total
	RMB'000
As at January 1, 2019, December 31, 2019, December 31, 2020 and January 1, 2021	508,000
Conversion into a joint stock company (note a)	(508,000)
As at December 31, 2021, January 1, 2022 and June 30, 2022	—

Notes:

(a) On September 16, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, other reserves and retained profits, amounting to RMB594,360,000 were converted into 508,000,000 ordinary shares of RMB1.00 each. The excess of the net assets of RMB86,360,000 converted over the nominal value of the ordinary shares was credited to the Company's share premium.

(b) On September 23, 2021, the registered capital of the Company was increased from RMB508,000,000 to RMB1,028,300,000. Mr. CAI Jian Yong, Mr. SONG Zhen, Mr. DONG Dong, Mr. CAI Jianwei, Mr. CAI Jiansong, Ms. FEI Feng, Mr. GE Kaicai, Ms. HE Xiaodan agreed to subscribe for the increased registered capital of RMB520,300,000 at considerations of RMB535,701,000, RMB18,263,000, RMB12,175,000, RMB12,175,000, RMB9,131,000, RMB9,131,000, RMB9,131,000 and RMB3,044,000, respectively. The aggregate consideration paid was RMB608,751,000, of which RMB88,451,000 was included as share premium of the Company. The consideration was fully settled by September 28, 2021.

(c) On November 29, 2021, the registered capital of the Company was increased from RMB1,028,300,000 to RMB1,054,215,000. Four employee incentive platforms, namely Ningbo Yangcheng Enterprise Management Partnership (Limited Partnership) ("Ningbo Yangcheng"), Ningbo Yufeng Enterprise Management Partnership (Limited Partnership) ("Ningbo Yufeng"), Ningbo Litai Enterprise Management Partnership (Limited Partnership) ("Ningbo Litai"), and Ningbo Xinpan Enterprise Management Partnership (Limited Partnership) ("Ningbo Xinpan") (together, the "Employee Incentive Platforms"), agreed to subscribe for the increased registered capital of RMB25,915,000 at considerations of RMB39,593,000, RMB22,076,000, RMB10,902,000 and RMB5,693,000, respectively. The aggregate consideration paid was RMB78,264,000, of which RMB52,349,000 was included as share premium of the Company. The consideration was fully settled by December 16, 2021. Refer to note 40 to the Historical Financial Information for the details.

(d) Pursuant to a capital increase agreement dated November 8, 2021 entered into by and amongst Feng Yi Pte. Ltd. ("Feng Yi"), a third party, our shareholders and the Company, the registered capital of the Company was increased by RMB263,554,000. The consideration was fully settled by December 24, 2021. Refer to note 35(a) to the Historical Financial Information for the details.

33. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements 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.

Exchange fluctuation reserves

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 capitalization is not less than 25% of the registered capital.

Other reserves

Other reserves of the Group mainly arose from the capital injection and acquisition of subsidiaries under common control.

Company

	Share premium account	Exchange fluctuation reserves	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	—	1,465	26,873	198,135	226,473
Profit for the year	—	—	—	457,906	457,906
Share of other comprehensive income of associates	—	13,595	—	—	13,595
Total comprehensive income for the year	—	13,595	—	457,906	471,501
Transfer to statutory reserves	—	—	45,791	(45,791)	—
Dividends declared	—	—	—	(300,000)	(300,000)
At December 31, 2020	—	15,060	72,664	310,250	397,974
At December 31, 2019 and January 1, 2020	—	15,060	72,664	310,250	397,974
Profit for the year	—	—	—	85,526	85,526
Share of other comprehensive income of associates	—	(70,054)	—	—	(70,054)
Total comprehensive income for the year	—	(70,054)	—	85,526	15,472
Business combination under common control	—	—	(17,461)	—	(17,461)
Transfer to statutory reserves	—	—	8,553	(8,553)	—
Dividends declared	—	—	—	(190,000)	(190,000)
At December 31, 2020	—	(54,994)	63,756	197,223	205,985
At December 31, 2020 and January 1, 2021	—	(54,994)	63,756	197,223	205,985
Profit for the year	—	—	—	905,530	905,530
Share of other comprehensive income of associates	—	(21,593)	—	—	(21,593)
Total comprehensive income for the year	—	(21,593)	—	905,530	883,937
Business combination under common control	—	—	—	(1,397)	(1,397)
Conversion into a joint stock company	86,360	68,962	(150,702)	(4,620)	—
Issue of shares	140,800	—	—	—	140,800
Acquisition of subsidiaries	532,378	—	—	—	532,378
Transfer to statutory reserves	—	—	159,277	(159,277)	—
Dividends declared	—	—	—	(845,750)	(845,750)
At December 31, 2021	759,538	(7,625)	72,331	91,709	915,953

	Share premium account	Exchange fluctuation reserves	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2021 and January 1, 2022	759,538	(7,625)	72,331	91,709	915,953
Profit for the period	—	—	—	91,088	91,088
Share of other comprehensive income of associates	—	29,445	—	—	29,445
Total comprehensive income for the period	—	29,445	—	91,088	120,533
At June 30, 2022	759,538	21,820	72,331	182,797	1,036,486

34. DISPOSAL OF A SUBSIDIARY

	Notes	2020
		RMB'000
Net assets disposed of:		
Property, plant and equipment		29,704
Cash and cash equivalents		1,548
Bills receivable		200
Prepayments, other receivables and other assets		3,986
Due from a related party		201,833
Right-of-use assets		19,599
Trade payables		(90,507)
Other payables and accruals		(6,323)
Income tax payable		(285)
Contract liabilities		(2,373)
Deferred tax liability	30	(3,925)
		153,457
Gain on disposal of a subsidiary	6	11,085
		164,542
Satisfied by:		
Cash		164,542

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020
	RMB'000
Cash consideration	164,542
Cash and cash equivalents disposed of	(1,548)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	162,994

35. BUSINESS COMBINATIONS

(a) Pursuant to a capital increase agreement dated November 8, 2021 entered into by and amongst Feng Yi, a third party, our then shareholders and the Company, the registered capital of the Company was increased by RMB263,554,000, which Feng Yi agreed to subscribe at a total amount of RMB590,000,000 and thereby acquiring a 20% equity interest in the Company. On the same date, the Company entered into a share purchase agreement to acquire a 100% shareholding interest of Kang Xuan, which holds a 18% shareholding interest in HPL, from Feng Yi at a total amount of RMB590,000,000 which was fully settled by December 24, 2021.

After the acquisition of Kang Xuan, the Company's aggregate shareholding interest in HPL increased from 36.9% to 54.9% and HPL became a subsidiary of the Group. The substance of the above transactions is that the Company issued its 20% equity interest in exchange for the 18% shareholding interest in HPL. The consideration for the acquisition is the fair value of the 20% equity interest of the Company as at the acquisition date. The acquisition was completed on November 30, 2021 (the "Acquisition Date").

The fair values of the identifiable assets and liabilities of HPL and Kang Xuan as at the Acquisition Date were as follows:

	Notes	Fair value recognized on acquisition
		RMB'000
Property, plant and equipment	13	5,265,294
Intangible asset	15	529,490
Prepayments for property, plant and equipment		363,987
Right-of-use assets	14(a)	2,963
Deferred tax assets	30	1,727
Other non-current assets		630
Inventories		636,339
Trade receivables		416,943
Prepayments, other receivables and other assets		147,218
Due from related parties		5,958
Pledged deposits		120,446

	Notes	Fair value recognized on acquisition RMB'000
Cash and cash equivalents		396,666
Interest-bearing bank borrowings		(3,834,964)
Employee benefits liability	31	(8,505)
Lease liabilities	14(b)	(2,963)
Trade payables		(147,141)
Other payables and accruals*		(511,113)
Due to a related party		(151,319)
Total identifiable net assets at fair value		3,231,656
Non-controlling interests		(1,457,491)
Goodwill on acquisition	16	218,037
Fair value of the issued 20% equity interest of the Company		795,932
The fair value of 36.9% of shareholding interest in HPL previously held		1,196,270
Total Consideration		1,992,202

* Included in the other payables and accruals are other payables with carrying amounts of RMB31,000 recorded in Kang Xuan.

The goodwill of RMB218,037,000 recognized above comprises the value of expected synergies arising from this acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash received from Feng Yi	(590,000)
Cash and cash equivalents acquired	396,666
Net outflow of cash and cash equivalents included in cash flows from investing activities	(193,334)
Transaction costs of the acquisition included in cash flows from operating activities	(379)
	(193,713)

The fair values of the trade receivables and prepayments, other receivables and other assets at the Acquisition Date amounted to RMB416,943,000 and RMB147,218,000, respectively. The gross contractual amounts of trade receivables and prepayments, other receivables and other assets were RMB416,943,000 and RMB147,218,000, respectively.

The Group incurred transaction costs of RMB379,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Since the acquisition, HPL contributed nil to the Group's revenue and RMB463,148,000 to the consolidated profit for the year ended December 31, 2021.

Had the combination taken place at the beginning of the year of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB12,140,677,000 and RMB1,620,887,000, respectively.

(b) ONC was incorporated on August 20, 2021, which has not commenced any business or operation since its incorporations. ONC became a subsidiary of the Group as the Group obtained control over it with the amendments on the shareholders agreement on November 29, 2021.

The fair values of the identifiable assets of ONC as at the date of acquisition were as follows:

	Fair value recognized on acquisition
	RMB'000
Due from the Group	288,787
Cash and cash equivalents	194,834
Total identifiable net assets at fair value	483,621
Non-controlling interests	(195,195)
Goodwill on acquisition	—
Cash consideration	—
The fair value of shareholding interest previously held	288,426
Total consideration	288,426

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and cash equivalents acquired	194,834
Net inflow of cash and cash equivalents included in cash flows from investing activities	194,834

Since the acquisition, ONC contributed nil to the Group's revenue and RMB2,540,000 to the consolidated profit for the year ended December 31, 2021.

Had the combination taken place at the beginning of the year of 2021, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB12,449,318,000 and RMB1,259,963,000, respectively.

(c) DCM was incorporated on November 5, 2007, which has not commenced any business or operation since its incorporation. DCM became a subsidiary of the Group as the Group obtained control over it with the amendments on the shareholders agreement on April 4, 2022, which is a step acquisition without consideration. Refer to note 17 to the Historical Financial Information for the details.

The fair values of the identifiable assets of DCM as at the date of acquisition were as follows:

	Fair value recognized on acquisition
	RMB'000
Property, plant and equipment	7
Prepayments, other receivables and other assets	280
Cash and cash equivalents	848
Other payables and accruals	(7)
Total identifiable net assets at fair value	1,128
Non-controlling interests	(451)
Goodwill on acquisition	—
Cash consideration	—
The fair value of shareholding interest previously held	677
Total consideration	677

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	—
Cash and cash equivalents acquired	848
Net inflow of cash and cash equivalents included in cash flows from investing activities	848

Since the acquisition, DCM contributed nil to the Group's revenue and RMB352,000 to the consolidated profit for the six months ended June 30, 2022.

Had the combination taken place at the beginning of the year of 2022, the revenue from continuing operations of the Group and the profit of the Group for the six months ended June 30, 2022 would have been RMB9,978,283,000 and RMB2,289,623,000, respectively.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,926,000, RMB3,753,000, RMB7,676,000 and RMB63,434,000 during the Relevant Periods, respectively, in respect of lease arrangements for office premises.

The Group endorsed certain bills receivable accepted by certain banks in the PRC to certain of its suppliers in order to settle the trade and other payables due to such supplies with carrying amounts in aggregate of RMB64,069,000, RMB68,380,000, RMB50,578,000 and RMB17,896,000 during the Relevant Periods, respectively.

The Company records payments received from certain financiers (the "Lender") as loans, which amounts are determined based on certain future trade receivables from customers (the "Customer") for the provision of sale of nickel products, and recognizes trade receivables when delivering products to the Customer. Such loans and trade receivables are offset when all of the following steps are completed: (i) the Lender makes payment to the Company, (ii) the Company delivers products to the Customer, and (iii) the Customer makes repayment to the Lender. The aggregate amounts of such non-cash settlement were RMB596,949,000, RMB251,980,000, RMB612,958,000 and RMB364,971,000 during the Relevant Periods, respectively.

The consideration for the loan from the ultimate holding company amounting to nil, RMB242,517,000, nil and nil was offset with the dividend payable of the Group during the Relevant Periods, respectively.

HPL had non-cash additions of construction in progress from capitalization of depreciation of fixed assets of nil, nil, RMB1,294,000 and RMB7,640,000 during the Relevant Periods, respectively.

The Company issued its 20% equity interest in exchange for the 18% shareholding interest in HPL. Refer to note 35(a) to the Historical Financial Information for the details.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	**Dividend payable**	**Lease liabilities**	**Due to the ultimate holding company**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	673,415	1,227	2,066	—
Changes from financing cash flows	1,280,267	—	(991)	—
Non-cash settlement	(534,063)	—	—	—
New lease	—	—	3,926	—
Dividend declared	—	—	—	300,000
Interest accrued	66,468	—	91	—
Foreign exchange differences	7,779	—	—	—
At December 31, 2019 and January 1, 2020	1,493,866	1,227	5,092	300,000
Changes from financing cash flows	(251,621)	(1,227)	(3,874)	(188,159)
Non-cash settlement	(202,815)	—	—	(242,517)
Dividend declared	—	—	—	190,000
New leases	—	—	3,753	—
Interest accrued	41,983	—	193	—
Foreign exchange differences	(56,915)	—	—	—
At December 31, 2020 and January 1, 2021	1,024,498	—	5,164	59,324

	Interest-bearing bank and other borrowings	Dividend payable	Lease liabilities	Due to the ultimate holding company
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2020 and January 1, 2021	1,024,498	—	5,164	59,324
Changes from financing cash flows	445,313	—	(5,306)	(838,013)
Non-cash settlement	(612,958)	—	—	—
Dividend declared	—	—	—	845,750
New leases	—	—	7,676	—
Interest accrued	79,047	—	244	34
Acquisition of subsidiaries	3,834,964	—	2,963	—
Foreign exchange differences	(19,270)	—	126	—
At December 31, 2021 and January 1, 2022	4,751,594	—	10,867	67,095
Changes from financing cash flows	1,778,225	—	(9,621)	(67,095)
Non-cash settlement	(364,971)	—	—	—
New leases	—	—	63,434	—
Interest accrued	107,108	—	1,409	—
Foreign exchange differences	212,123	—	153	—
At June 30, 2022	6,484,079	—	66,242	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Within operating activities	1,605	2,599	19,990	1,747	9,778
Within financing activities	991	3,874	5,306	1,950	9,621
	2,596	6,473	25,296	3,697	19,399

37. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	67,590	534	2,374,080	4,296,905
Capital contributions payable to joint ventures and associates	841,789	236,876	681	—
	909,379	237,410	2,374,761	4,296,905

38. RELATED PARTY TRANSACTIONS

Name	Relationship
Mr. CAI Jianyong	Executive director
Mr. CAI Jianwei	Executive director
Mr. GE Kaicai	Supervisor
Mrs. XIE Wen	Spouse of an executive director
Mrs. FEI Feng	Executive director
Mr. SONG Zhen	Senior management
Mr. CAI Jiansong	Director of a subsidiary
Mrs. HE Xiaodan	Supervisor of a subsidiary
HPL*	An associate (before November 30, 2021)
HJF	An associate
DCM**	A joint venture (before April 4, 2022)
Suqian Xiangxiang	Subsidiary of the ultimate holding company
Lygend Investment	The ultimate holding company
REGENT SOUND LIMITED ("REGENT")	Company controlled by a director of a subsidiary
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

Name	**Relationship**
PT Gema Selaras Perkasa ("GSP")	Entity under common control of HJR's ultimate beneficial owner
PT OBI SINAR TIMUR ("OST")	Entity under common control of HJR
PT Lima Srikandi Jaya ("LSJ")	Entity under common control of HJR
PT. Pesona Khatulistiwa Nusantara ("PKN")	Entity under common control of HJR
PT. Mitra Kemakmuran Line ("MKL")	Entity under common control of HJR

* HPL became a subsidiary of the Group on November 30, 2021 (note 35(a)).

** DCM became a subsidiary of the Group on April 4, 2022 (note 35(c)).

Group

(a) In addition to the transactions detailed in the Historical Financial Information as stated in notes 8, 11, 21, 22, 27 and 28, the Group had the following transactions with related parties during the Relevant Periods and the six months ended June 30, 2021:

		Year ended December 31,			**Six months ended June 30,**	
		2019	**2020**	**2021**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Loans to:						
Lygend Investment	(i)	132,866	149,632	—	—	—
Mr. CAI Jianyong	(i)	50,512	1,698	—	—	—
Mr. CAI Jianwei	(i)	2,000	—	—	—	—
Mr. CAI Jiansong	(i)	3,500	—	—	—	—
Mr. SONG Zhen	(i)	1,201	447	—	—	—
Mrs. FEI Feng	(i)	—	50	—	—	—
Mrs. HE Xiaodan	(i)	—	2,000	—	—	—
Mrs. XIE Wen	(i)	72	—	—	—	—
Mr. GE Kaicai	(i)	27	600	—	—	—
		190,178	154,427	—	—	—
Loans from:						
Lygend Investment	(v)	—	—	20,000	20,000	—
Interests to:						
Lygend Investment	(v)	—	—	34	34	—
Sale of equipment to:						
HJF	(ii)	—	4,134	577,119	187,900	621,509
HPL	(ii)&(iv)	383,553	908,302	308,641	113,652	—
		383,553	912,436	885,760	301,552	621,509
Sale of ancillary materials to:						
HJF	(ii)	—	—	—	—	42,629
Disposal of a subsidiary to:						
Lygend Investment	(iii)	—	164,542	—	—	—

	Notes	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchase of equipment from:						
Lygend Investment	(ii)	—	—	1,154	—	—
Suqian Xiangxiang	(ii)	—	—	2,313	2,283	—
		—	—	3,467	2,283	—
Purchase of nickel products from:						
HPL	(ii)&(iv)	—	—	1,212,143	136,551	—
MSP	(ii)	—	—	2,552,036	—	1,132,366
GPS	(ii)	—	—	1,079	—	132,632
TBP	(ii)	—	—	66,144	—	443,529
PKN	(ii)	—	—	—	—	61,545
REGENT	(ii)	351,441	299,070	—	—	—
		351,441	299,070	3,831,402	136,551	1,770,072

	Notes	Year ended December 31, 2019	2020	2021	Six months ended June 30, 2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of service from:						
TBP	(ii)	—	—	15,666	—	23,799
LSJ	(ii)	—	—	1,124	—	1,615
MSP	(ii)	—	—	1,514	—	1,207
ASR	(ii)	—	—	896	—	4,250
MKL	(ii)	—	—	—	—	4,371
GSP	(ii)	—	—	243	—	1,071
		—	—	19,443	—	36,313
Payments on behalf by:						
TBP	(vi)	—	—	—	—	37,851
GPS	(vi)	—	—	—	—	40
MSP	(vi)	—	—	—	—	117
HJF	(vi)	—	—	—	—	12,177
		—	—	—	—	50,185
Payment on behalf of:						
HJF	(vi)	—	—	—	—	43,981

Notes:

(i) The loans granted to Lygend Investment, Mr. CAI Jianyong, Mr. CAI Jianwei, Mr. CAI Jiansong, Mr. SONG Zhen, Mrs. FEI Feng, Mrs. HE Xiaodan, Mrs. XIE Wen and Mr. GE Kaicai is unsecured, non-interest-bearing and is repayable on demand.

(ii) 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.

(iii) On November 26, 2020, the Group disposed of its entire 100% equity interest in Suqian Xiangxiang to the ultimate holding company, Lygend Investment, at a consideration of RMB164,542,000. The consideration for the disposal is the fair value of the 100% equity interest of Suqian Xiangxiang (note 34).

(iv) The purchases from and sales to HPL during the year of 2021 represent the transaction for the eleven months ended the Acquisition Date.

(v) The loans from Lygend Investment bear interest at the rate of 4.35% per annum. The balance was unsecured and repayable on demand.

(vi) The payments on behalf by and of the related parties were reimbursement for miscellaneous site expenses.

(b) Other transactions with related parties:

As at December 31, 2019 and 2020 and the Acquisition Date, the Company has guaranteed certain of the bank borrowings made to its associate HPL, amounting to RMB1,168,514,000, RMB2,153,217,000 and RMB3,600,699,000, respectively. As at December 31, 2019, 2020 and 2021 and June 30, 2022, the Company has guaranteed certain of the bank borrowings made to its associate HJF, amounting to nil, nil, RMB1,581,481,000 and RMB3,511,576,000, respectively. The above bank borrowings were also jointly guaranteed by HJR. The Company's shareholdings in HPL and HJF are also pledged to secure the above bank borrowings. In the opinion of the directors, these guarantees mentioned above are not expected to be released upon the completion of the Listing.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Company were insignificant at initial recognition and at December 31, 2019, 2020 and 2021 and June 30, 2022, accordingly, no value has been recognized at the inception of the guarantee contracts and on the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and June 30, 2022. The directors of the Company consider that the loss rate of these guarantees is low.

HPL entered agreements which effective from April 12, 2021 to December 31, 2030 with GPS and TBP to purchase nickel ore for HPL's production. The amounts of total purchases from GPS and

TBP for the one month ended December 31, 2021 since the acquisition are included in note 38(a). HPL expects total purchases from GPS and TBP from July 1 2022 to 2030 to be approximately USD270,324,000 and USD222,537,000, respectively.

HPL entered an agreement with TBP for the payment of levy related to the use of certain land located on the Obi Island, Indonesia, which includes in 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.

(c) Outstanding balances with related parties:

		As at December 31,			As at June 30,
	Notes	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from directors:					
Mr. CAI Jianyong	(ii)	17,532	—	—	—
Mr. CAI Jianwei	(ii)	2,000	—	—	—
		19,532	**—**	**—**	**—**
Due from related parties:					
Mr. SONG Zhen	(ii)	1,239	—	—	—
Mrs. XIE Wen	(ii)	72	—	—	—
		1,311	—	—	—
Due from the ultimate holding company:					
Lygend Investment	(ii)	329,335	—	—	—
Due from associates:					
HPL	(iii)	—	204,555	N/A	N/A
HJF	(iii)	—	1	9,118	59,098
		—	204,556	9,118	59,098
Due from related parties:					
MSP	(iii)	—	—	—	370
TBP	(iv)	—	—	94,360	95,477
		—	—	94,360	95,847
Due to the ultimate holding company:					
Lygend Investment	(iii)	—	—	1,282	—
Lygend Investment	(vii)	—	—	34	—

	Notes	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lygend Investment	(vi)	300,000	59,324	67,061	—
		300,000	59,324	68,377	—
Due to an associate:					
HJF	(v)	129,150	—	—	—
Due to related parties:					
TBP	(iii)	—	—	160,355	183,956
GSP	(iii)	—	—	327	—
MSP	(iii)	—	—	1,213	174,179
PKN	(iii)	—	—	—	9,300
ASR	(iii)	—	—	601	1,037
GPS	(iii)	—	—	1,554	44,082
LSJ	(iii)	—	—	294	298
MKL	(iii)	—	—	—	1,042
OST	(iii)	—	—	7	12
		—	—	164,351	413,906

Notes:

(i) Details of the Group's amounts due from directors are included in note 22 to the Historical Financial Information.

(ii) The balances with directors and related parties are unsecured, interest-free and repayable on demand and the balances are non-trade in nature.

(iii) The balances with related parties are trade in nature.

(iv) The balance represents capital contribution receivable for 25% of the authorised capital of a subsidiary of the Group under the laws of Indonesia, which is non-trade in nature. In the opinion of the directors, the balance will not be settled prior to the Listing.

(v) The balance of RMB129,150,000 as at December 31, 2019 represents capital contribution payable by the Company to HJF for 25% of the authorised capital under the laws of Indonesia, which is non-trade in nature.

(vi) The balances represent dividend payables by the Company, which are non-trade in nature and have been settled by June 2022.

(vii) The balance represents interest payable by the Company, which is non-trade in nature.

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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	7,257	13,863	54,968	7,598	41,816
Pension scheme contributions	166	164	171	86	112
	7,423	14,027	55,139	7,684	41,928

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*
Percentage of equity interest held by non-controlling interests:		
HPL	45.1%	45.1%
Accumulated balances of non-controlling interests:		
HPL	1,610,012	2,659,792

	From the Acquisition Date to December 31, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*
Profit for the period allocated to non-controlling interests:		
HPL	153,504	938,282

The following tables illustrate the summarized financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*
Current assets	1,755,465	2,958,481
Non-current assets	6,291,773	7,948,127
Current liabilities	(878,587)	(1,109,255)
Non-current liabilities	(3,604,413)	(3,899,810)

	From the Acquisition Date to December 31, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*
Revenue	926,414	3,872,885
Other income	4,772	75,573
Total expenses	(590,822)	(1,868,010)
Profit for the period	340,364	2,080,448
Other comprehensive profit/(loss) for the period	(2,181)	252,857
Net cash flows from operating activities	550,041	1,455,822
Net cash flows used in investing activities	(1,828,018)	(1,268,208)
Net cash flows from financing activities	1,830,333	87,288
Net increase in cash and cash equivalents	552,356	274,902

40. SHARE-BASED PAYMENT

On October 20, 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. Cash consideration of RMB78,264,000, in aggregate, was received by the Company in December 2021 (note 32).

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.

Restricted Domestic Shares were issued at fair value at the grant date, which was determined by an external valuer by the discounted cash flow method. Thus, during the year ended December 31, 2021 and the six months ended June 30, 2022, no share-based payment expense was charged to profit or loss.

The following table lists the inputs to the model used:

	Year ended December 31, 2021
Risk-free interest rate	3.4%
Discount rate	15.0%
Discount for lack of marketability	14.0%

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

Financial assets

As at December 31, 2019

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	861,248	—	861,248
Bills receivable	—	1,076	100	1,176
Financial assets included in prepayments, other receivables and other assets	—	116,818	—	116,818
Due from related parties	—	350,178	—	350,178
Financial assets at fair value through profit or loss	187,050	—	—	187,050
Pledged deposits	—	561,423	—	561,423
Cash and cash equivalents	—	188,399	—	188,399
	187,050	2,079,142	100	2,266,292

As at December 31, 2020

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	498,742	—	498,742
Bills receivable	—	40,067	10,400	50,467
Financial assets included in prepayments, other receivables and other assets	—	91,634	—	91,634
Due from related parties	—	204,556	—	204,556
Financial assets at fair value through profit or loss	152,398	—	—	152,398
Pledged deposits	—	502,157	—	502,157
Cash and cash equivalents	—	256,903	—	256,903
	152,398	1,594,059	10,400	1,756,857

As at December 31, 2021

	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,009,594	—	1,009,594
Bills receivable	11,199	4,410	15,609
Financial assets included in prepayments, other receivables and other assets	129,689	—	129,689
Due from related parties	103,478	—	103,478
Pledged deposits	639,031	—	639,031
Cash and cash equivalents	1,413,298	—	1,413,298
	3,306,289	4,410	3,310,699

As at June 30, 2022

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	1,858,076	—	1,858,076
Bills receivable	—	4,691	3,454	8,145
Financial assets included in prepayments, other receivables and other assets	—	223,328	—	223,328
Due from related parties	—	154,945	—	154,945
Financial assets at fair value through profit or loss	120,482	—	—	120,482
Pledged deposits	—	649,253	—	649,253
Cash and cash equivalents	—	2,959,391	—	2,959,391
	120,482	5,849,684	3,454	5,973,620

Financial liabilities

As at December 31, 2019

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	594,273
Financial liabilities included in other payables and accruals	9,853
Interest-bearing bank and other borrowings	1,493,866
Due to related parties	429,150
	2,527,142

As at December 31, 2020

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	632,323
Financial liabilities included in other payables and accruals	9,340
Interest-bearing bank and other borrowings	1,024,498
Due to a related party	59,324
	1,725,485

As at December 31, 2021

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	—	728,414	728,414
Financial liabilities included in other payables and accruals	—	637,687	637,687
Financial liabilities at fair value through profit or loss	6,771	—	6,771
Interest-bearing bank and other borrowings	—	4,751,594	4,751,594
Due to related parties	—	232,728	232,728
	6,771	6,350,423	6,357,194

As at June 30, 2022

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	—	1,005,063	1,005,063
Financial liabilities included in other payables and accruals	—	728,986	728,986
Interest-bearing bank and other borrowings	—	6,484,079	6,484,079
Due to related parties	—	413,906	413,906
	—	8,632,034	8,632,034

Company

Financial assets

As at December 31, 2019

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	168,439	—	168,439
Financial assets included in prepayments, other receivables and other assets	—	7,183	—	7,183
Due from related parties	—	349,141	—	349,141
Due from subsidiaries	—	980,894	—	980,894
Financial assets at fair value through profit or loss	177,000	—	—	177,000
Pledged deposits	—	60,875	—	60,875
Cash and cash equivalents	—	66,107	—	66,107
	177,000	1,632,639	—	1,809,639

As at December 31, 2020

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	218,292	—	218,292
Bills receivable	—	24,500	8,000	32,500
Financial assets included in prepayments, other receivables and other assets	—	6,534	—	6,534
Due from subsidiaries	—	660,359	—	660,359
Financial assets at fair value through profit or loss	22,000	—	—	22,000
Pledged deposits	—	61,045	—	61,045
Cash and cash equivalents	—	25,546	—	25,546
	22,000	996,276	8,000	1,026,276

As at December 31, 2021

	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*
Trade receivables	328,553	328,553
Financial assets included in prepayments, other receivables and other assets	4,427	4,427
Due from subsidiaries	637,902	637,902
Pledged deposits	222,066	222,066
Cash and cash equivalents	104,700	104,700
	1,297,648	1,297,648

As at June 30, 2022

	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	362,988	362,988
Financial assets included in prepayments, other receivables and other assets	—	46,680	46,680
Due from subsidiaries	—	778,591	778,591
Financial assets at fair value through profit or loss	70,000	—	70,000
Pledged deposits	—	253,623	253,623
Cash and cash equivalents	—	817,525	817,525
	70,000	2,259,407	2,329,407

Financial liabilities

As at December 31, 2019

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	66,695
Financial liabilities included in other payables and accruals	4,742
Interest-bearing bank and other borrowings	507,865
Due to related parties	430,806
Due to subsidiaries	1,334,552
	2,344,660

As at December 31, 2020

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	386,640
Financial liabilities included in other payables and accruals	1,426
Interest-bearing bank and other borrowings	722,121
Due to subsidiaries	576,507
Due to a related party	59,324
	1,746,018

Financial Liabilities

As at December 31, 2021

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	—	369,151	369,151
Financial liabilities included in other payables and accruals	—	53,029	53,029
Financial liabilities at fair value through profit or loss	1,741	—	1,741
Interest-bearing bank and other borrowings	—	842,116	842,116
Due to subsidiaries	—	571,124	571,124
Due to related parties	—	67,095	67,095
	1,741	1,902,515	1,904,256

As at June 30, 2022

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	—	630,320	630,320
Financial liabilities included in other payables and accruals	—	12,070	12,070
Interest-bearing bank and other borrowings	—	1,679,515	1,679,515
Due to subsidiaries	—	402,988	402,988
Due to related parties	—	174,179	174,179
	—	2,899,072	2,899,072

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade receivables, the current portion of pledged deposits, trade 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 the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant. All the carrying amounts of the Group's non-current portion of pledged deposits and interest-bearing bank borrowings approximate to their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Group

Assets measured at fair value:

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	—	100	—	100
Financial assets at fair value through profit or loss	—	187,050	—	187,050
	—	187,150	—	187,150

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	—	10,400	—	10,400
Financial assets at fair value through profit or loss	—	152,398	—	152,398
	—	162,798	—	162,798

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	—	4,410	—	4,410

As at June 30, 2022

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	—	3,454	—	3,454
Financial assets at fair value through profit or loss	—	120,482	—	120,482
	—	123,936	—	123,936

Liabilities measured at fair value:

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss . . .	—	6,771	—	6,771

Company

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	177,000	—	177,000

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	—	8,000	—	8,000
Financial assets at fair value through profit or loss	—	22,000	—	22,000
	—	30,000	—	30,000

As at June 30, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	70,000	—	70,000

Company

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Liabilities measured at fair value:

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	—	1,741	—	1,741

The Group and the Company did not have any financial liabilities measured at fair value as at December 31, 2019 and 2020 and June 30, 2022.

During the Relevant Periods, 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.

43. 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 main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below. The Group's accounting policies in relation to derivatives are set out in note 2.3 to the financial statements.

Foreign currency risk

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 minimizing its net foreign currency position.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to translation of monetary assets and liabilities) and the Group's equity.

Group

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		RMB'000	*RMB'000*
December 31, 2019			
If the RMB weakens against the USD	5%	20,256	19,494
If the RMB strengthens against the USD	(5%)	(20,256)	(19,494)
December 31, 2020			
If the RMB weakens against the USD	5%	12,108	15,190
If the RMB strengthens against the USD	(5%)	(12,108)	(15,190)
December 31, 2021			
If the RMB weakens against the USD	5%	16,346	17,446
If the RMB strengthens against the USD	(5%)	(16,346)	(17,446)
If the RMB weakens against the IDR	5%	(1,743)	(643)
If the RMB strengthens against the IDR	(5%)	1,743	643
June 30, 2022			
If the RMB weakens against the USD	5%	73,000	83,766
If the RMB strengthens against the USD	(5%)	(73,000)	(83,766)
If the RMB weakens against the IDR	5%	138	117
If the RMB strengthens against the IDR	(5%)	(138)	(117)

Credit risk

The Group trades only with recognized 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/period-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 aging information unless other information is available without undue cost or effort, and year staging classification. The amounts presented are gross carrying amounts for financial assets.

Group

As at December 31, 2019

	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*	—	—	—	863,753	863,753
Bills receivable**	1,176	—	—	—	1,176
Financial assets included in prepayments, other receivables and other assets — Normal**	118,269	—	—	—	118,269
— Doubtful**	—	—	26	—	26
Due from related parties — Normal**	350,178	—	—	—	350,178
Pledged deposits — Normal**	561,423	—	—	—	561,423
Cash and cash equivalents — Not yet past due	188,399	—	—	—	188,399
	1,219,445	—	26	863,753	2,083,224

As at December 31, 2020

	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*	—	—	—	500,872	500,872
Bills receivable**	50,467	—	—	—	50,467
Financial assets included in prepayments, other receivables and other assets — Normal**	92,314	—	—	—	92,314
Due from related parties — Normal**	204,556	—	—	—	204,556
Pledged deposits — Normal**	502,157	—	—	—	502,157
Cash and cash equivalents — Not yet past due	256,903	—	—	—	256,903
	1,106,397	—	—	500,872	1,607,269

As at December 31, 2021

	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*	—	—	—	1,015,990	1,015,990
Bills receivable**	15,609	—	—	—	15,609
Financial assets included in prepayments, other receivables and other assets — Normal**	130,274	—	—	—	130,274
Due from related parties — Normal**	103,478	—	—	—	103,478
Pledged deposits — Normal**	639,031	—	—	—	639,031
Cash and cash equivalents — Not yet past due	1,413,298	—	—	—	1,413,298
	2,301,690	—	—	1,015,990	3,317,680

As at June 30, 2022

	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*	—	—	—	1,867,017	1,867,017
Bills receivable**	8,145	—	—	—	8,145
Financial assets included in prepayments, other receivables and other assets — Normal**	224,059	—	—	—	224,059
Due from related parties — Normal**	154,945	—	—	—	154,945
Pledged deposits — Normal**	649,253	—	—	—	649,253
Cash and cash equivalents — Not yet past due	2,959,391	—	—	—	2,959,391
	3,995,793	—	—	1,867,017	5,862,810

Company

As at December 31, 2019

	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*	—	—	—	168,968	168,968
Financial assets included in prepayments, other receivables and other assets — Normal**	7,321	—	—	—	7,321
Due from related parties — Normal**	349,141	—	—	—	349,141
Due from subsidiaries — Normal**	980,894	—	—	—	980,894
Pledged deposits — Normal**	60,875	—	—	—	60,875
Cash and cash equivalents — Not yet past due	66,107	—	—	—	66,107
	1,464,338	—	—	168,968	1,633,306

As at December 31, 2020

	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*	—	—	—	219,122	219,122
Bills receivable**	32,500	—	—	—	32,500
Financial assets included in prepayments, other receivables and other assets — Normal**	6,808	—	—	—	6,808
Due from subsidiaries — Normal**	660,359	—	—	—	660,359
Pledged deposits — Normal**	61,045	—	—	—	61,045
Cash and cash equivalents — Not yet past due	25,546	—	—	—	25,546
	786,258	—		219,122	1,005,380

As at December 31, 2021

	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*	—	—	—	330,729	330,729
Financial assets included in prepayments, other receivables and other assets — Normal**	4,701	—	—	—	4,701
Due from subsidiaries — Normal**	637,902	—	—	—	637,902
Pledged deposits — Normal**	222,066	—	—	—	222,066
Cash and cash equivalents — Not yet past due	104,700	—	—	—	104,700
	969,369	—	—	330,729	1,300,098

As at June 30, 2022

	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*	—	—	—	366,213	366,213
Financial assets included in prepayments, other receivables and other assets — Normal**	46,954	—	—	—	46,954
Due from subsidiaries — Normal**	778,591	—	—	—	778,591
Pledged deposits — Normal**	253,623	—	—	—	253,623
Cash and cash equivalents — Not yet past due	817,525	—	—	—	817,525
	1,896,693	—	—	366,213	2,262,906

* 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 Historical Financial Information.

** The credit qualities of the bills receivable, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, pledged deposits and amounts due from related parties and subsidiaries is 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 Historical Financial Information.

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 each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	As at December 31, 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	525,135	69,138	—	—	594,273
Financial liabilities included in other payables and accruals	2,711	3,654	1,524	1,964	9,853
Lease liabilities	—	310	1,590	3,473	5,373
Due to related parties	429,150	—	—	—	429,150
Financial guarantee contracts	—	6,334	1,240,549	—	1,246,883
Interest-bearing bank and other borrowings	—	1,218,482	289,292	—	1,507,774
	956,996	1,297,918	1,532,955	5,437	3,793,306

	As at December 31, 2020				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	473,801	158,522	—	—	632,323
Financial liabilities included in other payables and accruals	2,368	809	3,436	2,727	9,340
Lease liabilities	152	517	2,825	2,008	5,502
Due to a related party	59,324	—	—	—	59,324
Financial guarantee contracts	—	—	2,160,636	—	2,160,636
Interest-bearing bank and other borrowings	—	655,665	387,590	—	1,043,255
	535,645	815,513	2,554,487	4,735	3,910,380

	As at December 31, 2021				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	567,099	161,315	—	—	728,414
Financial liabilities included in other payables and accruals	588,437	45,785	3,465	—	637,687
Lease liabilities	—	4,202	4,636	2,254	11,092
Due to related parties	232,728	—	—	—	232,728
Financial guarantee contracts	—	—	1,617,569	—	1,617,569
Interest-bearing bank and other borrowings	—	768,690	391,047	3,730,520	4,890,257
	1,388,264	979,992	2,016,717	3,732,774	8,117,747

	As at June 30, 2022				
	On demand	Less than 3 months	3 to 12 months	More than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	887,032	116,138	1,893	—	1,005,063
Financial liabilities included in other payables and accruals	727,745	235	562	444	728,986
Lease liabilities	1,410	5,711	10,958	58,915	76,994
Due to related parties	413,906	—	—	—	413,906
Financial guarantee contracts	—	61,205	143,791	4,000,763	4,205,759
Interest-bearing bank and other borrowings	—	1,916,445	691,441	4,050,684	6,658,570
	2,030,093	2,099,734	848,645	8,110,806	13,089,278

Company

	As at December 31, 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	65,626	1,069	—	—	66,695
Financial liabilities included in other payables and accruals	696	3,528	518	—	4,742
Due to related parties	430,806	—	—	—	430,806
Financial guarantee contracts	—	6,334	1,240,549	—	1,246,883
Due to subsidiaries	1,334,552	—	—	—	1,334,552
Interest-bearing bank and other borrowings	—	247,451	265,096	—	512,547
	1,831,680	258,382	1,506,163	—	3,596,225

	As at December 31, 2020				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	330,085	56,555	—	—	386,640
Financial liabilities included in other payables and accruals	1,426	—	—	—	1,426
Due to subsidiaries	576,507	—	—	—	576,507
Due to a related party	59,324	—	—	—	59,324
Financial guarantee contracts	—	—	2,160,636	—	2,160,636
Interest-bearing bank and other borrowings	—	418,565	312,614	—	731,179
	967,342	475,120	2,473,250	—	3,915,712

	As at December 31, 2021				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	284,651	84,500	—	—	369,151
Financial liabilities included in other payables and accruals	15,166	37,863	—	—	53,029
Due to subsidiaries	571,124	—	—	—	571,124
Due to related parties	67,095	—	—	—	67,095
Financial guarantee contracts	—	—	1,617,569	—	1,617,569
Interest-bearing bank and other borrowings	—	458,710	391,047	—	849,757
	938,036	581,073	2,008,616	—	3,527,725

	As at June 30, 2022				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	588,502	41,818	—	—	630,320
Financial liabilities included in other payables and accruals	12,070	—	—	—	12,070
Lease liabilities	—	—	363	363	726
Due to subsidiaries	402,988	—	—	—	402,988
Due to related parties	174,179	—	—	—	174,179
Financial guarantee contracts	—	61,205	143,791	4,000,763	4,205,759
Interest-bearing bank and other borrowings	—	1,158,441	536,885	—	1,695,326
	1,177,739	1,261,464	681,039	4,001,126	7,121,368

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 maximize 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 Relevant Periods.

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.

	As at December 31,			As at June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	1,493,866	1,024,498	4,751,594	6,484,079
Trade and bills payables	594,273	632,323	728,414	1,005,063
Lease liabilities	5,092	5,164	10,867	66,242
Other payables and accruals	203,967	193,625	836,247	1,002,074
Due to related parties	429,150	59,324	232,728	413,906
Less: Cash and cash equivalents	188,399	256,903	1,413,298	2,959,391
Pledged deposits	561,423	502,157	639,031	649,253
Net debt	1,976,526	1,155,874	4,507,521	5,362,720
Equity attributable to owners of the parent	1,144,232	1,389,996	3,138,398	4,676,280
Capital and net debt	3,120,758	2,545,870	7,645,919	10,039,000
Gearing ratio	63%	45%	59%	53%

44. EVENTS AFTER JUNE 30, 2022

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Relevant Periods.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to June 30, 2022.

The following is the text of a report received from the HPL reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF PT HALMAHERA PERSADA LYGEND TO THE DIRECTORS OF LYGEND RESOURCES AND TECHNOLOGY CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of PT Halmahera Persada Lygend ("HPL") set out on pages IB-4 to IB-61, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of HPL for each of the years ended December 31, 2019 and 2020 and the eleven months ended November 30, 2021 (the "Relevant Periods"), and the statements of financial position of HPL as at December 31, 2019 and 2020 and November 30, 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Lygend Resources and Technology Co., Ltd. dated November 21, 2022 (the "Prospectus") in connection with the initial listing of the shares of Lygend Resources and Technology Co., Ltd. on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of HPL are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants

("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of HPL as at December 31, 2019 and 2020 and November 30, 2021 and of the financial performance and cash flows of HPL for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of HPL which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of HPL for the eleven months ended November 30, 2020 and other explanatory information (the "Interim Comparative Financial Information").

The directors of HPL are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by HPL in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
November 21, 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of HPL for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("USD") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		Eleven months ended November 30,	
		2019	2020	2020	2021
		USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
REVENUE	5	—	—	—	187,816
Cost of sales		—	—	—	(78,529)
Gross profit		—	—	—	109,287
Other income and gains	6	184	2,918	4,347	246
Selling and distribution expenses		—	—	—	(55)
Administrative expenses		(7,580)	(18,129)	(16,131)	(33,922)
Other operating expenses		(723)	—	—	(2,687)
Finance costs	8	—	—	—	(10,076)
PROFIT/(LOSS) BEFORE TAX		(8,119)	(15,211)	(11,784)	62,793
Income tax credit	11	39	34	34	219
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(8,080)	(15,177)	(11,750)	63,012
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) on a defined benefit plan, net of tax		(3)	(11)	(11)	119
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		(3)	(11)	(11)	119
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(8,083)	(15,188)	(11,761)	63,131

STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2019	As at December 31, 2020	As at November 30, 2021
		USD'000	*USD'000*	*USD'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	209,881	658,502	822,115
Prepayments for property, plant and equipment	17	138,507	34,230	57,057
Right-of-use assets	14	—	—	464
Deferred tax assets	25	45	82	271
Other non-current assets	18	254	74	99
Total non-current assets		348,687	692,888	880,006
CURRENT ASSETS				
Inventories	15	—	—	68,424
Trade receivables	16	—	—	65,358
Prepayments, other receivables and other assets	19	13,587	20,738	23,077
Due from related parties	28	27	574	934
Pledged deposits	20	4,733	—	18,880
Cash and cash equivalents	20	50,691	8,948	62,179
Total current assets		69,038	30,260	238,852
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	24	—	—	573,996
Employee benefits liability	21	182	412	1,333
Lease liabilities	14	—	—	39
Total non-current liabilities		182	412	575,368
CURRENT LIABILITIES				
Interest-bearing bank borrowings	24	170,693	331,763	27,152
Trade payables	22	—	—	23,065
Lease liabilities	15	—	—	445
Other payables and accruals	23	28,336	82,460	80,095
Due to related parties	28	2,648	32,633	23,720
Total current liabilities		201,677	446,856	154,477
Total liabilities		201,859	447,268	729,845
NET CURRENT ASSETS/(LIABILITIES)		(132,639)	(416,596)	84,375
TOTAL ASSETS LESS CURRENT LIABILITIES		216,048	276,292	964,381
Net assets		215,866	275,880	389,013
EQUITY				
Share capital	26	224,986	300,188	348,709
Reserves		(9,120)	(24,308)	40,304
Total equity		215,866	275,880	389,013

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2019

	Share capital	Advance for future stock subscription	Reserves	Total equity
	USD'000 (note 26)	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2019	28,884	22,048	(1,037)	49,895
Loss for the year	—	—	(8,080)	(8,080)
Other comprehensive loss	—	—	(3)	(3)
Total comprehensive loss for the year	—	—	(8,083)	(8,083)
Issue of shares	196,102	(22,048)	—	174,054
At December 31, 2019	224,986	—	(9,120)	215,866

Year ended December 31, 2020

	Share capital	Advance for future stock subscription	Reserves	Total equity
	USD'000 (note 26)	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2020	224,986	—	(9,120)	215,866
Loss for the year	—	—	(15,177)	(15,177)
Other comprehensive loss	—	—	(11)	(11)
Total comprehensive loss for the year	—	—	(15,188)	(15,188)
Advance for future stock subscription	—	75,202	—	75,202
Issue of shares	75,202	(75,202)	—	—
At December 31, 2020	300,188	—	(24,308)	275,880

STATEMENTS OF CHANGES IN EQUITY (continued)

Eleven months ended November 30, 2021

	Share capital	Share premium	Reserves	Total equity
	USD'000 (note 26)	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2021	300,188	—	(24,308)	275,880
Profit for the period	—	—	63,012	63,012
Other comprehensive income	—	—	119	119
Total comprehensive income for the period	—	—	63,131	63,131
Issue of shares	48,521	1,481	—	50,002
At November 30, 2021	348,709	1,481	38,823	389,013

Eleven months ended November 30, 2020 (Unaudited)

	Share capital	Advance for future stock subscription	Reserves	Total equity
	USD'000	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2020 (audited)	224,986	—	(9,120)	215,866
Loss for the period (unaudited)	—	—	(11,750)	(11,750)
Other comprehensive loss (unaudited)	—	—	(11)	(11)
Total comprehensive loss for the period	—	—	(11,761)	(11,761)
Advance for future stock subscription (unaudited)	—	75,202	—	75,202
At November 30, 2020 (unaudited)	224,986	75,202	(20,881)	279,307

STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31,		Eleven months ended November 30,	
		2019	2020	2020	2021
		USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(8,119)	(15,211)	(11,784)	62,793
Adjustments for:					
Finance costs	8	—	—	—	10,076
Depreciation of property, plant and equipment		223	462	408	20,358
Depreciation of right-of-use assets	14	—	—	—	393
		(7,896)	(14,749)	(11,376)	93,620
Increase in inventories		—	—	—	47,674
Increase in prepayments, other receivables and other assets		(12,807)	(7,151)	(11,246)	(2,339)
Increase in trade receivables		—	—	—	(65,358)
Increase in amounts due from related parties		(27)	(547)	(547)	(360)
Decrease/(increase) in other non-current assets		(198)	180	90	(25)
Increase in trade payables		—	—	—	23,065
Increase in amounts due to related parties		—	—	—	2,388
Increase/(decrease) in other payables and accruals		320	348	(239)	315
Increase/(decrease) in employee benefits liability		156	216	216	1,070
Net cash flows used in/(from) operating activities		(20,452)	(21,703)	(23,102)	4,702
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(264,077)	(254,986)	(241,154)	(231,195)
(Increase)/decrease in pledged deposits		(4,733)	4,733	4,733	(18,880)
Net cash used in investing activities		(268,810)	(250,253)	(236,421)	(250,075)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank borrowings		164,518	155,011	153,738	583,544
Repayment of bank borrowings		—	—	—	(344,948)
Proceeds of other borrowing from a related party		—	—	—	12,134
Proceeds from issue of shares	26	174,054	75,202	75,202	50,002
Principal portion of lease payments	14	—	—	—	(433)
Interest paid		—	—	—	(1,695)
Net cash flows from financing activities		338,572	230,213	228,940	298,604
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49,310	(41,743)	(30,583)	53,231
Cash and cash equivalents at beginning of year/period		1,381	50,691	50,691	8,948
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		50,691	8,948	20,108	62,179
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statements of financial position	20	50,691	8,948	20,108	62,179
Cash and cash equivalents as stated in the statements of cash flows		50,691	8,948	20,108	62,179

1. CORPORATE INFORMATION

Establishment of HPL

HPL was established on July 24, 2018 under its original name PT Halmahera Persada Lygend based on Notarial Deed No. 9 of Ida Waty Salim, S.H., M.Kn., Notary in Jakarta and was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on its Decision Letter No. AHU-0035192.AH.01.01 Tahun 2018 dated July 27, 2018.

HPL is engaged in the nickel industry and trading. HPL is domiciled in Jakarta, Indonesia with the location of a plant in North Maluku.

On January 17, 2019, HPL obtained a Special Mining Business Permit Special Production Operations for Processing and Refining *("Izin Usaha Pertambangan Operasi Produksi Khusus Pengolahan Pemurnian"/"IUPOPK")* of nickel number 6/I/IUP/PMA/2019, which is valid for 30 years.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions, have been consistently applied by HPL in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

HPL has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,3]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9-Comparative Information*[1]

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[4]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[5]

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

2 No mandatory effective date yet determined but available for adoption

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

4 Effective for annual periods beginning on or after January 1, 2024.

5 An entity shall apply (a) the amendment to paragraph 139U of IAS 1 immediately on issue of *Non-current Liabilities with Covenants*, and (b) all other amendments for annual periods beginning on or after January 1, 2024 retrospectively.

HPL is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, HPL considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on HPL's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

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

An impairment loss is recognized 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 of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized 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 HPL 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 HPL;

   ii. has significant influence over HPL; or

   iii. is a member of the key management personnel of HPL or of a parent of HPL.

   or

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

   i. the entity and HPL 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 HPL 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 HPL or an entity related to HPL;

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 HPL or to the parent of HPL.

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 capitalized 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, HPL recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

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	5.0% to 12.5%
Plant and machinery	6.3% to 25.0%
Electronic and office equipment	12.5% to 25.0%
Motor vehicles	12.5%

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 recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Leases

HPL 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.

HPL as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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:

Vessels	2 years

If ownership of the leased asset transfers to HPL 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 recognized 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 HPL and payments of penalties for termination of a lease, if the lease term reflects HPL exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized 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, HPL 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.

(c) Short-term leases

HPL applies the short-term lease recognition exemption to its short-term leases of warehouses and office premises (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).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost 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 HPL's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which HPL has applied the practical expedient of not adjusting the effect of a significant financing component, HPL 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 HPL 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.

In order for a financial asset to be classified and measured at amortized 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.

HPL'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 amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

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 recognized in 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 derecognized (i.e., removed from HPL's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- HPL 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) HPL has transferred substantially all the risks and rewards of the asset, or (b) HPL has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When HPL 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, HPL continues to recognize the transferred asset to the extent of HPL's continuing involvement. In that case, HPL also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that HPL 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 HPL could be required to repay.

Impairment of financial assets

HPL recognizes 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 HPL 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 recognized 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 the end of each of the Relevant Periods, HPL assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, HPL compares the risk of a default occurring on the financial instrument as at the end of each of the Relevant Periods 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.

HPL considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, HPL may also consider a financial asset to be in default when internal or external information indicates that HPL is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by HPL. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized 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 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 end of each of the Relevant Periods (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 HPL applies the practical expedient of not adjusting the effect of a significant financing component, HPL applies the simplified approach in calculating ECLs. Under the simplified approach, HPL does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. HPL considers the expected credit losses based on days past due of the trade receivables and 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings and payables)

After initial recognition, interest-bearing bank borrowings and payables are subsequently measured at amortized 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 recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods 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.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which HPL operates.

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

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if HPL 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 realize 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.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which HPL 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 HPL 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of mixed hydroxide precipitate ("MHP")

Revenue from the sale of MHP is recognized at the point in time when control of the asset is transferred to the customer, generally on shipment on board incoterms.

Variable consideration

HPL has certain provisionally priced sales where the contract terms for HPL's products sales allow for a price adjustment based on a final assay of the goods determined after discharge. HPL assesses such provisional pricing to be a variable consideration and recognizes revenue at an amount representing HPL's estimate for the expected final consideration. This amount is based on the most recently determined estimate of product assays. HPL applies judgement regarding the likelihood of significant reversals to ensure that revenue is only recognized to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognized as revenue.

Other income

Interest income is recognized 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.

Contract assets

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

Contract liabilities

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

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized 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.

Employee benefits

Short-term employee benefits

HPL recognized short-term employee benefits liability when services are rendered and the compensation for such services is to be paid within twelve months after the rendering of such services.

Post-employment benefits

HPL provides post-employment benefits to its employees in conformity with the requirements of Indonesia's Labor Law No. 13/2003 dated March 25, 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 recognized 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 recognized in profit or loss at the earlier of:

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

ii) The date of HPL recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. HPL recognizes 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. 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 recognized as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in USD, which is HPL's functional currency. Foreign currency transactions are translated into the functional currency of HPL using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized 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 recognized in other comprehensive income or profit or loss is also recognized 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 HPL initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, HPL determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of HPL's Historical Financial Information requires management to make judgments, 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.

Judgments

In the process of applying HPL's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

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

Contracts for the sale of MHP include price adjustments subject to the quality and weight of nickel and cobalt inspected by independent surveyor at the discharging port that give rise to variable consideration. In estimating the variable consideration, HPL 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.

HPL determines that the most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of MHP with price adjustment, given that 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 that management will not expect material variances between weight and quality results provided by supplier and those inspected at the discharging port.

Before including any amount of variable consideration in the transaction price, HPL considers whether the amount of variable consideration is constrained. HPL determines 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 of the Relevant Periods, 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.

Impairment of non-financial assets

HPL assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. 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.

Recognition of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognized 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 utilized. Further details are included in note 25 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, HPL is not organized into business units based on their products and only has one reportable operating segment. Management monitors the operating results of HPL'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

	Year ended December 31,		**Eleven months ended November 30,**	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Mainland China	—	—	—	187,816

The revenue information above is based on the locations of the customers.

(b) Non-current assets

HPL's non-current assets are all located in Indonesia.

Information about a major customer

Revenue from a major customer which accounted for 10% or more of HPL's revenue during the Relevant Periods and the eleven months ended November 30, 2020 is set out below:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Ningbo Lygend Wisdom Co., Ltd. ("Ningbo Huiran")	—	—	—	187,816

5. REVENUE

An analysis of revenue is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Revenue from contracts with customers	—	—	—	187,816

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		Eleven months ended November 30,	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Type of goods				
Sale of MHP	—	—	—	187,816
Geographical market				
Mainland China	—	—	—	187,816
Timing of revenue recognition				
Goods transferred at a point in time	—	—	—	187,816

(b) Performance obligations

Information about HPL's performance obligations is summarized below:

Sales of MHP

The performance obligation is satisfied upon shipment on board and payment is generally due within 1 month.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Bank interest income	184	579	550	246
Foreign exchange gains, net	—	2,339	3,797	—
Total	**184**	**2,918**	**4,347**	**246**

7. PROFIT/(LOSS) BEFORE TAX

HPL's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Cost of inventories sold*	—	—	—	58,057
Depreciation of property, plant and equipment**	223	462	408	20,358
Foreign exchange differences, net	723	(2,339)	(3,797)	2,548
Lease payments not included in the measurement of lease liabilities	497	808	719	513
Bank interest income	(184)	(579)	(550)	(246)
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):				
Wages and salaries	898	3,479	3,136	16,300
Pension scheme contribution	167	229	229	1,070
	1,065	**3,708**	**3,365**	**17,370**

* The cost of inventories sold include US$7,091,000 and US$17,620,000 relating to employee benefit expense and depreciation for the eleven months ended November 30, 2021 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 statements of profit or loss and other comprehensive income.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Interest on bank borrowings	3,206	17,688	15,082	22,595
Interest on lease liabilities	—	—	—	60
	3,206	17,688	15,082	22,655
Less: interest capitalized	(3,206)	(17,688)	(15,082)	(12,579)
Total	—	—	—	**10,076**

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of HPL's directors and chief executive is set out below:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Fees	—	—	—	—
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	196	441	410	622
Total	**196**	**441**	**410**	**622**

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the five highest paid employees who are neither a director nor chief executive of HPL during the Relevant Periods and the eleven months ended November 30, 2020 are as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Salaries, bonuses, allowances and benefits in kind	151	210	188	206

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
			(Unaudited)	
Nil to HK$1,000,000	5	5	5	5

11. INCOME TAX CREDIT

HPL is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which HPL is domiciled and operate.

Pursuant to the Corporate Income Tax Law of Indonesia and the respective regulations (the "CIT Law"), the companies which operate in Indonesia are subject to CIT at a rate of 25% on the taxable income. On March 31, 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 fulfill certain criteria. Subsequently, on November 7, 2021, the Government ratified the Tax Regulation Harmonization Law/Undang-Undang Harmonisasi Peraturan Perpajakan ("UU HPP"). The UU HPP reinstated the corporate income tax rate of 22%.

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

The income tax credit of HPL during the Relevant Periods and the eleven months ended November 30, 2020 is analyzed as follows:

	Year ended December 31,		**Eleven months ended November 30,**	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Current tax:				
Charge for the year/period	—	—	—	—
Deferred tax	(39)	(34)	(34)	(219)
Income tax credit for the year/period	(39)	(34)	(34)	(219)

A reconciliation of the tax credit applicable to profit/(loss) before tax at the statutory rate to the tax credit at the effective tax rate is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Profit/(loss) before tax	(8,119)	(15,211)	(11,784)	62,793
Tax at the statutory tax rate of 25% for 2019 and 22% for 2020 and 2021 in Indonesia	(2,030)	(3,346)	(2,592)	13,815
Expenses not deductible for tax	119	330	284	541
Adjustment on deferred tax due to change in tax rate	—	13	13	(8)
Income already subject to final tax	(60)	(160)	(152)	(54)
Tax losses not recognized	1,932	3,129	2,413	—
Tax losses utilized from previous periods	—	—	—	(5,066)
Effect of tax holiday	—	—	—	(9,447)
Tax credit at HPL's effective tax rate	**(39)**	**(34)**	**(34)**	**(219)**

HPL had tax losses arising in Indonesia of US$8,806,000, US$23,029,000 and nil as at December 31, 2019, December 31, 2020 and November 30, 2021, respectively. The tax losses will expire in the following years:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
2023	1,078	1,078	—
2024	7,728	7,728	—
2025	—	14,223	—
Total	**8,806**	**23,029**	**—**

Deferred tax assets have not been recognized in respect of these tax losses as HPL obtained a tax holiday facility. Based on the Decree of the Minister of Finance of the Republic of Indonesia number 721/KMK.03/2018 concerning Corporate Income Tax Reduction Facility to PT Halmahera Persada Lygend dated November 1, 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.

12. DIVIDENDS

No dividend has been paid or declared by HPL in respect of the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
December 31, 2019						
At January 1, 2019:						
Cost	102	382	117	1,243	4,021	5,865
Accumulated depreciation	(2)	(8)	(2)	(21)	—	(33)
Net carrying amount	100	374	115	1,222	4,021	5,832
At January 1, 2019, net of accumulated depreciation	100	374	115	1,222	4,021	5,832
Additions	906	3,571	309	15,513	184,870	205,169
Depreciation provided during the year	(35)	(298)	(57)	(730)	—	(1,120)
At December 31, 2019, net of accumulated depreciation	971	3,647	367	16,005	188,891	209,881
At December 31, 2019:						
Cost	1,008	3,953	426	16,756	188,891	211,034
Accumulated depreciation	(37)	(306)	(59)	(751)	—	(1,153)
Net carrying amount	**971**	**3,647**	**367**	**16,005**	**188,891**	**209,881**

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
December 31, 2020						
At January 1, 2020:						
Cost	1,008	3,953	426	16,756	188,891	211,034
Accumulated depreciation	(37)	(306)	(59)	(751)	—	(1,153)
Net carrying amount	971	3,647	367	16,005	188,891	209,881
At January 1, 2020, net of accumulated depreciation	971	3,647	367	16,005	188,891	209,881
Additions	1,005	1,186	159	1,702	447,692	451,744
Depreciation provided during the year	(107)	(686)	(77)	(2,253)	—	(3,123)
At December 31, 2020, net of accumulated depreciation	1,869	4,147	449	15,454	636,583	658,502
At December 31, 2020:						
Cost	2,013	5,139	585	18,458	636,583	662,778
Accumulated depreciation	(144)	(992)	(136)	(3,004)	—	(4,276)
Net carrying amount	**1,869**	**4,147**	**449**	**15,454**	**636,583**	**658,502**

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
November 30, 2021						
At January 1, 2021:						
Cost	2,013	5,139	585	18,458	636,583	662,778
Accumulated depreciation	(144)	(992)	(136)	(3,004)	—	(4,276)
Net carrying amount	1,869	4,147	449	15,454	636,583	658,502
At January 1, 2021, net of accumulated depreciation	1,869	4,147	449	15,454	636,583	658,502
Additions	—	1,354	588	3,234	181,497	186,673
Transfer	343,708	373,428	—	—	(717,136)	—
Depreciation provided during the period	(9,264)	(11,374)	(176)	(2,246)	—	(23,060)
At November 30, 2021, net of accumulated depreciation	336,313	367,555	861	16,442	100,944	822,115
At November 30, 2021:						
Cost	345,721	379,921	1,173	21,692	100,944	849,451
Accumulated depreciation	(9,408)	(12,366)	(312)	(5,250)	—	(27,336)
Net carrying amount	**336,313**	**367,555**	**861**	**16,442**	**100,944**	**822,115**

14. LEASES

HPL as a lessee

HPL has lease contracts for vessels used in its operations. Leases of vessels generally have lease terms between 1 and 3 years. Generally, HPL is restricted from assigning and subleasing the leased assets outside HPL. There are no lease contracts that include termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of HPL's right-of-use assets and the movements during the Relevant Periods are as follows:

	Vessels
	USD'000
As at January 1, 2019, December 31, 2019, December 31, 2020 and January 1, 2021	—
Additions	857
Depreciation charge	(393)
As at November 30, 2021	**464**

(b) Lease liabilities

HPL does not have lease liabilities as at December 31, 2019 and December 31, 2020. The carrying amounts of lease liabilities and the movements during the eleven months ended November 30, 2021 are as follows:

	As at November 30, 2021
	USD'000
Carrying amount at January 1,	—
New leases	857
Accretion of interest recognized during the period	60
Payments	(433)
Carrying amount at the end of period	**484**
analyzed into:	
Current portion	445
Non-current portion	39

The maturity analysis of lease liabilities is disclosed in note 31 to the Historical Financial Information.

(c) The amounts recognized in profit or loss in relation to leases

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Interest on lease liabilities (note 8)	—	—	—	60
Depreciation charge of right-of-use assets	—	—	—	393
Expense relating to short-term leases (included in cost of sales, administrative expenses and selling expenses) (note 6)	497	808	719	513
Total amount recognized in profit or loss	**497**	**808**	**719**	**966**

(d) The total cash outflow for leases is disclosed in note 27(c) to the Historical Financial Information.

15. INVENTORIES

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Raw materials	—	—	35,981
Finished goods	—	—	27,419
Work in progress	—	—	5,024
Total	**—**	**—**	**68,424**

16. TRADE RECEIVABLES

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Trade receivables - a related party	—	—	65,358
Allowance for expected credit losses ("ECLs")	—	—	—
Net	**—**	**—**	**65,358**

The sales are all made to Ningbo Huiran, a related party, and the credit period is generally within one month. HPL 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 HPL as at the end of each of the Relevant Periods (based on the invoice date and net of loss allowance) is as follows:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Within 1 month	—	—	65,358

As the sales are all made to Ningbo Huiran, and based on the review of the possibility of uncollectible of the receivables, the management believes that all receivables are collectible. Accordingly, no allowance for expected credit losses was made as at November 30, 2021.

17. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Project - Nickel Cobalt Smelter High Pressure Acid Leaching	138,507	34,230	57,057

18. OTHER NON-CURRENT ASSETS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Non-current			
Security deposit	217	74	99
Claim for tax refund	37	—	—
Total	**254**	**74**	**99**

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Prepayments	—	—	6,029
Prepaid value added taxes	13,577	20,487	16,046
Prepaid expenses	10	31	826
Other receivables - third parties	—	220	176
	13,587	**20,738**	**23,077**

An impairment analysis was performed at the end of each of the Relevant Periods. HPL has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. HPL considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. At the end of each of the Relevant Periods, HPL estimated the expected credit loss rate was close to zero on other receivables.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Cash and bank balances	50,691	8,948	62,179
Restricted cash	4,733	—	18,880
Less:			
Pledged deposits for letters of credit (note 24)	(4,733)	—	(18,880)
Cash and cash equivalents	**50,691**	**8,948**	**62,179**
Denominated in:			
USD	47,506	5,520	56,942
IDR	3,182	3,425	5,235
RMB	2	2	2
EUR	1	1	—
Total	**50,691**	**8,948**	**62,179**

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited in creditworthy banks with no recent history of default.

21. EMPLOYEE BENEFITS LIABILITY

HPL recorded the estimated liabilities for employees' benefits as of December 31, 2019, December 31, 2020 and November 30, 2021 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:

	As at December 31,		As at November 30,
	2019	2020	2021
Discount rate	7.80%	6.89%	7.03%
Mortality table	TMI-III 2011	TMI-IV 2019	TMI-IV 2019
Retirement age	55 years	55 years	55 years
Annual salary increase rate	10.00%	10.00%	10.00%

Analysis of estimated liabilities for employees' benefits which is presented as "employee benefits liability" in the statements of financial position and "employee benefit expense" as recorded in the statements of profit or loss and other comprehensive income is as follows:

a. Estimated liabilities for employees' benefits

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Present value of employees' benefit obligation	182	412	1,333
Net liabilities recognized in the statement of financial position	**182**	**412**	**1,333**

b. Employee benefit expense

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Current service cost	60	130	564
Interest costs	10	20	17
Curtailment effect	97	79	489
Employee benefit expense for the year/period	**167**	**229**	**1,070**

c. Change in liabilities of employees' benefits

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Beginning balance	22	182	412
Employee benefit expense for the year/period	167	229	1,070
Payment of employees' benefits for current year/period	(11)	(13)	—
Other comprehensive loss/(income)	4	14	(149)
Ending balance	**182**	**412**	**1,333**

Sensitivity analysis to the key assumptions used in determining employee benefit obligations are as follows:

	Discount rate			
	As at December 31,			
	2019		2020	
	1% increase	1% decrease	1% increase	1% decrease
	USD'000	*USD'000*	*USD'000*	*USD'000*
Impact on the defined benefit obligations	(21)	25	(50)	59

	Discount rate	
	As at November 30,	
	2021	
	1% increase	1% decrease
	USD'000	*USD'000*
Impact on the defined benefit obligations	(73)	85

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 the end of the reporting period.

The following payments are expected contributions to the benefit obligations in future years:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Within the next 12 months	—	—	—
Between 1 and 2 years	—	—	8
Between 3 and 5 years	—	168	218
Between 6 and 10 years	670	721	2,949
Beyond 10 years	14,567	23,995	38,212
Total	**15,237**	**24,884**	**41,387**

The average duration of the benefit obligations at December 31, 2019, December 31, 2020 and November 30, 2021 was 23.28 years, 20.14 years and 18.77 years.

22. TRADE PAYABLES

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Trade payables	—	—	23,065

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Within 1 month	—	—	23,065
Total	—	—	**23,065**

Trade payables are non-interest-bearing and are normally settled on 30-90 days terms.

23. OTHER PAYABLES AND ACCRUALS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Other payables	**27,919**	**81,695**	**79,015**
Taxes payable other than corporate income tax	417	269	771
Accrued expense	—	496	309
	28,336	**82,460**	**80,095**

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	As at December 31, 2019	As at December 31, 2020	As at November 30, 2021
			USD'000	*USD'000*	*USD'000*
Current					
Bank loans — secured (a)	LIBOR + 3.00%	2020,2021	4,733	—	20,750
Bank loans — secured (b)	LIBOR + 3.00% - 4.00%	2020,2021	165,960	331,763	6,402
			170,693	331,763	27,152
Non-current					
Bank loans — secured (c)	LIBOR + 3.00% - 3.75%	2027	—	—	573,996
			—	—	573,996
			170,693	**331,763**	**601,148**
Analyzed into:					
Within one year or on demand			170,693	331,763	27,152
In the second year			—	—	32,734
In the third year			—	—	83,675
In the fourth year			—	—	118,064
In the fifth year			—	—	136,998
Beyond five years			—	—	202,525

Notes:

(a) As of December 31, 2019, HPL obtained a letter of credit facility from PT Bank OCBC NISP Tbk ("OCBC NISP") amounting to USD4,733,000, which is pledged with restricted cash in OCBC's bank account with the same balance (note 20). This letter of credit facility was fully settled in March 2020.

As of November 30, 2021, HPL obtained a letter of credit facility from PT Bank OCBC NISP based on an agreement in May 2021 (point (b)) and is pledged with LC margin deposit amounting to US$18,880,000 (note 20).

(b) Based on a bank facility agreement dated July 31, 2019 ("Bank Facility Agreement"), HPL obtained a term loan facility ("Term Loan Facility") for financing the project cost from BNP Paribas ("BNP"), DBS Bank Ltd., Singapore ("DBS"), Oversea-Chinese Banking Corporation ("OCBC"), OCBC NISP and PT Bank Mandiri (Persero) Tbk ("MANDIRI") with a maximum facility amounting to US$250,000,000, which will mature in 15 months until October 31, 2020 and bears an annual interest rate of LIBOR plus a margin of 3.75%. This facility is pledged with corporate guarantees from Lygend Resources and Technology Co., Ltd. ("Lygend Resources", formerly named as "Ningbo Lygend Mining Co., Ltd."), PT Harita Jayaraya ("HJR") and Zhejiang Lygend Investment Co., Ltd. (collectively referred to as the "Corporate Guarantor") and share pledges of PT Trimegah Bangun Persada, PT Gema Kreasi Perdana and Lygend Resources.

Based on an amendment to the Bank Facility Agreement dated June 19, 2020 ("Amendment Bank Facility Agreement"), HPL obtained Term Loan Facility A and Term Loan Facility B for financing the project cost in USD from BNP, DBS, OCBC, OCBC NISP and MANDIRI with maximum facilities of US$250,000,000 and US$80,000,000, respectively, which bear annual interest rate of LIBOR plus a margin of 3.75% and LIBOR plus a margin of 4.00%, respectively. The latest loan terms of Term Loan Facility A and Term Loan Facility B have been extended up to March 31, 2021 and the collateral was amended to become corporate guarantees from Lygend Resources, HJR and Zhejiang Lygend Investment Co., Ltd. and share pledges of PT Trimegah Bangun Persada and Lygend Resources.

Based on these loan agreements, the Corporate Guarantor is required to maintain some financial covenants as follows:

- Lygend Resources and Zhejiang Lygend Investment Co., Ltd. shall maintain a positive net worth.

- HJR shall maintain a positive net worth of no less than Rp3,450,000,000,000 and the consolidated debt to equity ratio at a maximum of 1.25:1.

As of December 31, 2019 and 2020, the Corporate Guarantor complied with the loan covenants. This facility was fully settled and refinanced on March 31, 2021 with a term and revolving loan facility.

In May 2021, HPL entered into a revolving loan agreement with OCBC NISP, where HPL obtained several credit facilities for its working capital which will end on December 31, 2027, as follows:

- A demand loan facility, with a maximum credit limit of US$5,000,000, which bears interest rate of LIBOR plus a margin of 3.00%

- An omnibus trade facility, which consist of a letter of credit facility, *Surat Kredit Berdokumen Dalam Negeri* facility, a trust receipt facility, a trade purchase financing facility and a bill purchase facility. Each facility has a maximum credit limit of US$10,000,000 but all outstanding omnibus trade facility shall not be more than US$10,000,000.

(c) On February 22, 2021, HPL entered into a term and revolving loan facility ("Term Loan") with DBS, United Overseas Bank Limited ("UOB"), BNP, MANDIRI, PT Bank Negara Indonesia (Persero) Tbk ("BNI"), OCBC NISP, Malayan Banking Berhad ("Maybank"), OCBC, and PT Bank Central Asia, Tbk ("BCA"), with the facility limit amounting to US$605,000,000 and an option to increase the limit to US$625,000,000. This agreement will mature on December 31, 2027 and bears an annual interest rate of LIBOR plus a margin of 3.75%.

On June 25, 2021, BNP and Lembaga Pembiayaan Ekspor Indonesia ("LPEI") entered into a transfer certificate agreement, where BNP transfers some portion of its commitment to LPEI and starting from June 30, 2021, LPEI shall be a lender.

Based on this agreement, HPL obtained 3 (three) facilities as follows:

- Term Loan A, which is to be utilized for refinancing the term loan facility amounting to US$330,000,000 and project financing with a total credit limit of US$425,000,000, which bears interest of LIBOR plus a margin of 3.75%

- Term Loan B, which is to be utilized for project financing with a total credit limit of US$175,000,000, which bears interest of LIBOR plus a margin of 3.75%

- Term Loan C, which is to be utilized for general working capital with a total credit limit of US$25,000,000, which bears interest of LIBOR plus a margin of 3.00%

This agreement is pledged with HPL's certain fixed assets and certain receivables, corporate guarantee from Lygend Resources (HPL's shareholders) and HJR and share pledges of PT Trimegah Bangun Persada and Lygend Resources. Based on this loan agreement, HPL shall maintain several financial covenants which will be effective in 2022.

In addition, the Corporate Guarantor also entered into an equity support and retention deed dated March 4, 2021, where based on this agreement, the Corporate Guarantor is required to maintain some financial covenants as follows:

- Lygend Resources and Zhejiang Lygend Investment Co., Ltd. shall maintain a positive net worth.

- HJR shall maintain a positive net worth of no less than US$400,000,000, the consolidated debt to equity ratio at a maximum of 1.25:1 and the non-consolidated net borrowings not exceeding US$120,000,000.

25. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Year ended December 31, 2019			
		Charged to		
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
	USD'000	*USD'000*	*USD'000*	*USD'000*
Estimated liabilities for employees' benefits	5	39	1	45

	Year ended December 31, 2020			
		Charged to		
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
	USD'000	*USD'000*	*USD'000*	*USD'000*
Estimated liabilities for employees' benefits	45	34	3	82

	Eleven months ended November 30, 2021			
		Charged to		
	Beginning balance	Profit or loss	Other Comprehensive loss	Ending balance
	USD'000	*USD'000*	*USD'000*	*USD'000*
Estimated liabilities for employees' benefits	82	214	(30)	266
Right-of-use assets	—	5	—	5
	82	219	(30)	271

26. SHARE CAPITAL/SHARE PREMIUM

Shares

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Issued and fully paid:			
Ordinary shares	224,986	300,188	348,709

A summary of movements in the HPL's share capital is as follows:

	Number of shares	Nominal value of shares
		USD'000
Issued and fully paid as at January 1, 2019	420,000	28,884
Issue of ordinary shares (note a)	2,780,000	196,102
As at December 31, 2019 and January 1, 2020	3,200,000	224,986
Issue of ordinary shares (note b)	1,130,000	75,202
As at December 31, 2020 and January 1, 2021	4,330,000	300,188
Issue of ordinary shares (note c)	700,000	48,521
As at November 30, 2021	5,030,000	348,709

Share premium

	Total
	USD'000
As at January 1, 2019, December 31, 2019, December 31, 2020 and January 1, 2021	—
Capital contribution by shareholders (note c)	1,481
At November 30, 2021	1,481

Notes:

(a) As of January 1, 2019, advances for future stock subscription represent advances received from PT Trimegah Bangun Persada, PT Gema Kreasi Perdana and Lygend Resources, HPL's shareholders, amounting to US$7,642,000, US$6,640,000 and US$7,766,000, respectively, related to the increase of share capital of HPL, which have not yet been ratified through the statement of shareholders' resolution.

In December 2019, based on the statement of shareholders' resolution which had been notarized by the Notarial Deed of Ida Waty Salim, S.H., M.Kn., No 6 dated December 9, 2019, the shareholders agreed to increase the authorised capital from

Rp1,680,000,000,000 to Rp5,000,000,000,000 and increase the issued and fully paid share capital from Rp420,000,000,000 (equivalent to US$28,884,000) to Rp3,200,000,000,000 (equivalent to US$224,986,000). Accordingly, advances for future stock subscription were reclassified to share capital.

(b) As of November 30, 2020, advances for future stock subscription represent balances from PT Trimegah Bangun Persada and Lygend Resources, HPL's shareholders, amounting to US$47,452,000 and US$27,750,000, respectively, related to the increase of share capital of HPL, which have not yet been ratified through the statement of shareholders' resolution.

In December 2020, based on the statement of shareholders' resolution which had been notarized by the Notarial Deed of Ida Waty Salim, S.H., M.Kn., No. 23 dated December 28, 2020, the shareholders agreed to increase the authorised capital from Rp5,000,000,000,000 to Rp6,000,000,000,000 and increase the issued and fully paid share capital from Rp3,200,000,000,000 (equivalent to US$224,986,000) to Rp4,330,000,000,000 (equivalent to US$300,188,000).

(c) In September 2021, based on the statement of shareholders' resolution which had been notarized by the Notarial Deed of Ida Waty Salim, S.H., M.Kn., No. 8 dated September 17, 2021, the shareholders agreed to increase the issued and fully paid share capital from Rp4,330,000,000,000 (equivalent to US$300,188,000) to Rp5,030,000,000,000 (equivalent to US$348,709,000). This increase was taken by Kang Xuan Pte. Ltd. and Lygend Resources by 441,700 shares and 258,300 shares, respectively, with total cash consideration amounting to US$50,002,000. The difference between the amount paid and the par value of shares amounting to US$1,481,000 was recorded as share premium.

27. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

HPL had non-cash additions to right-of-use assets and lease liabilities of nil, nil and USD857,000 during the Relevant Periods, respectively, in respect of lease arrangements for a unit of vessel.

In addition, HPL had other major non-cash transactions as follows:

	Year ended December 31,		**Eleven months ended November 30,**	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Additions of property, plant and equipment from amortization of transaction costs	400	4,700	4,700	1,624
Additions of inventories through letter of credit	—	—	—	20,750
Additions of property, plant and equipment from capitalization of depreciation of fixed assets	897	2,661	2,442	2,702
	1,297	7,361	7,142	25,076

(b) Changes in liabilities arising from financing activities

	Amounts due to related parties	Lease liabilities	Interest-bearing bank borrowings
	USD'000	USD'000	USD'000
At 1 January, 2019	—	—	—
Changes from operating and investing activities	2,648	—	—
Changes from financing cash flows	—	—	164,518
Capitalization of interest	—	—	1,442
Letter of credit	—	—	4,733
At December 31, 2019 and January 1, 2020	2,648	—	170,693
Changes from operating and investing activities	29,985	—	—
Changes from financing cash flows	—	—	155,011
Capitalization of interest	—	—	6,059
At December 31, 2020 and January 1, 2021	32,633	—	331,763
Changes from operating and investing activities	(21,047)		
Addition of right-of-use assets	—	857	—
Interest expenses	—	60	10,016
Changes from financing cash flows	12,134	(433)	236,901
Letter of credit	—	—	20,750
Capitalization of interest	—	—	1,718
At November 30, 2021	23,720	484	601,148

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	USD'000	USD'000 (Unaudited)	USD'000
Within operating activities	497	808	719	513
Within financing activities	—	—	—	433
Total	**497**	**808**	**719**	**946**

28. RELATED PARTY TRANSACTIONS

Name	Relationship
Lygend Resources *	Parent entity
PT. Harita Jayaraya ("HJR")	Parent entity of TBP
PT. Trimegah Bangun Persada ("TBP") **	Shareholder of HPL which has significant influence
PT. Megah Surya Pertiwi ("MSP")	Entity under common control of TBP
PT. Halmahera Jaya Feronikel ("HJF")	Entity under common control of TBP
PT. Antar Sarana Rekasa ("ASR")	Entity under common control of HJR
PT. Gema Selaras Perkasa ("GSP")	Entity under common control of HJR
PT. Pesona Khatulistiwa Nusantara ("PKN")	Entity under common control of HJR
PT. Gane Permai Sentosa ("GPS")	Entity under common control of HJR
Ningbo Huiran	Entity under common control of Lygend Resources
Ningbo Yiwei Mining Co., Ltd. ("Ningbo Yiwei")	Entity under common control of Lygend Resources

Notes:

* Shareholder which has significant influence until November 29, 2021.

** Parent entity until November 29, 2021.

(a) In addition to the transactions detailed in the Historical Financial Information as stated in notes 16 and 24, HPL had the following transactions with related parties during the Relevant Periods and the eleven months ended November 30, 2020:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Services from: (note i)				
GSP	—	—	—	212
HJF	—	—	—	111
	—	—	—	**323**

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Purchase of inventories from: (note i)				
HJF	—	—	—	4,882
TBP	—	—	—	32,473
PKN	—	745	633	4,506
GPS	—	—	—	1,543
	—	**745**	**633**	**43,404**
Purchase of fixed assets from: (note i)				
Ningbo Yiwei	55,608	131,758	127,919	70,532
TBP	—	34	—	—
	55,608	**131,792**	**127,919**	**70,532**
Loan from: (note ii)				
TBP	—	—	—	12,134
Sales to: (note iii)				
Ningbo Huiran	—	—	—	187,816
Payment on behalf:				
TBP	101	50	50	184
MSP	185	62	17	397
HJF	—	4,011	2,267	1,744
GSP	—	283	283	—
	286	4,406	2,617	2,325
Leases from: (note iv)				
TBP	11,340	3,492	2,710	1,679
ASR	—	1,027	939	1,856
MSP	2,375	118	114	366
	13,715	4,637	3,763	3,901

Notes:

(i) The purchases and services from the related parties were made according to the mutually agreed prices between HPL and the related parties.

(ii) The loan from the related party is unsecured, interest-free and has no fixed terms of repayment.

(iii) The sales to the related parties were made according to the market prices.

(iv) The leases from the related parties were made according to the mutually agreed prices.

(b) Commitments with related parties

On March 5, 2021, HPL entered agreements ending December 31, 2030 with GPS and TBP to purchase nickel ore for HPL's production. The amounts of total purchases from GPS and TBP for the eleven months ended November 30, 2021 are included in note 28(a) to the Historical Financial Information. HPL expects total purchases from GPS and TBP from 2022 to 2030 to be approximately USD290,711,000 and USD290,711,000, respectively.

HPL entered an agreement with TBP for the payment of levy related to the use of certain land located on the Obi Island, Indonesia, which includes in 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.

(c) Outstanding balances with related parties:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	USD'000	USD'000
Prepayments for property, plant and equipment (non-trade in nature):			
Ningbo Yiwei	24,892	—	8,375
Trade receivables:			
Ningbo Lygend	—	—	65,358
Amounts due from related parties:			
Other receivables (non-trade in nature):			
HJF	—	570	745
TBP	27	—	159
MSP	—	4	30
	27	**574**	**934**

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Amounts due to related parties:			
Trade payables (trade in nature):			
TBP	2,623	1,034	22,086
HJF	—	—	1,225
PKN	—	—	360
ASR	—	165	—
MSP	25	90	49
Ningbo Yiwei	—	31,344	—
	2,648	**32,633**	**23,720**
Lease liabilities (non-trade in nature):			
ASR	—	—	484

(d) Compensation of key management personnel of HPL:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Salaries, bonuses, allowances and benefits in kind	196	441	410	622
Total compensation paid to key management personnel	196	441	410	622

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

As at December 31, 2019

	Financial assets at amortized cost
	USD'000
Financial assets included in other non-current assets	217
Amounts due from related parties	27
Pledged deposits	4,733
Cash and cash equivalents	50,691
Total	**55,668**

As at December 31, 2020

	Financial assets at amortized cost
	USD'000
Financial assets included in other non-current assets	74
Financial assets included in prepayments, other receivables and other assets	220
Amounts due from related parties	574
Cash and cash equivalents	8,948
Total	**9,816**

As at November 30, 2021

	Financial assets at amortized cost
	USD'000
Financial assets included in other non-current assets	99
Trade receivables	65,358
Financial assets included in prepayments, other receivables and other assets	176
Amounts due from related parties	934
Pledged deposits	18,880
Cash and cash equivalents	62,179
Total	**147,626**

Financial liabilities

As at December 31, 2019

	Financial liabilities at amortized cost
	USD'000
Financial liabilities included in other payables and accruals	27,919
Amounts due to related parties	2,648
Interest-bearing bank borrowings	170,693
Total	**201,260**

As at December 31, 2020

	Financial liabilities at amortized cost
	USD'000
Financial liabilities included in other payables and accruals	82,191
Amounts due to related parties	32,633
Interest-bearing bank borrowings	331,763
Total	**446,587**

As at November 30, 2021

	Financial liabilities at amortized cost
	USD'000
Trade payables	23,065
Financial liabilities included in other payables and accruals	79,324
Amounts due to related parties	23,720
Interest-bearing bank borrowings	601,148
Total	**727,257**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash on hand and in banks, financial assets included in other current assets, other non-current assets, other receivables and trade receivables, financial liabilities included in other payables and accruals, trade payables and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments. All the carrying amounts of HPL's financial liabilities approximate to their fair values.

HPL's finance department which is 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 the end of each of the Relevant Periods, the finance department analyzes 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 HPL periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The 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. HPL's own non-performance risk for interest-bearing bank borrowings as at November 30, 2021 was assessed to be insignificant.

HPL did not have any financial assets and financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, 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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

HPL's principal financial instruments comprise interest-bearing bank borrowings and cash on hand and in banks. The main purpose of these financial instruments is to raise finance for HPL's operations. HPL 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 main risks arising from HPL's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between US$ and other currencies in which HPL conducts business may affect HPL's financial condition and results of operations. HPL seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of HPL's profit/(loss) before tax (due to translation of monetary assets and liabilities) and HPL's equity.

	Increase/ (decrease) in rate of foreign currency	(Increase)/ decrease in profit/(loss) before tax	Increase/ (decrease) in equity
	%	*USD'000*	*USD'000*
December 31, 2019			
If the USD weakens against the IDR	5	1,514	1,514
If the USD strengthens against the IDR	(5)	(1,514)	(1,514)
December 31, 2020			
If the USD weakens against the IDR	5	2,803	2,803
If the USD strengthens against the IDR	(5)	(2,803)	(2,803)
If the USD weakens against the RMB	5	2,435	2,435
If the USD strengthens against the RMB	(5)	(2,435)	(2,435)
November 30, 2021			
If the USD weakens against the IDR	5	2,597	2,597
If the USD strengthens against the IDR	(5)	(2,597)	(2,597)
If the USD weakens against the RMB	5	3,746	3,746
If the USD strengthens against the RMB	(5)	(3,746)	(3,746)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. HPL's exposure to the risk of changes in market interest rates relates primarily to HPL's bank loans with floating interest rates.

To manage this, in 2021, HPL enters into interest rate swap agreements, to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Although not designated and qualified for hedge accounting, such agreements enable HPL to mitigate the risk of changing interest rates on the cash flow exposures on issued floating rate debt. The floating rate on the interest rate swaps is the London interbank offered rate ("LIBOR").

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, HPL's profit/(loss) before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ (decrease) in rate of interest rate	(Increase)/ decrease in profit/(loss) before tax
	%	*USD'000*
December 31, 2019		
LIBOR	0.5	175
LIBOR	(0.5)	(175)
December 31, 2020		
LIBOR	0.5	1,298
LIBOR	(0.5)	(1,298)
November 30, 2021		
LIBOR	0.5	2,211
LIBOR	(0.5)	(2,211)

Credit risk

HPL is exposed to credit risk in relation to its cash on hand and in banks, trade receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent HPL's maximum exposure to credit risk in relation to financial assets.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on HPL's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year/period-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial assets included in other non-current assets**	217	—	—	—	217
Amounts due from related parties	27	—	—	—	27
Pledged deposits	4,733	—	—	—	4,733
Cash and cash equivalents - Not yet past due	50,691	—	—	—	50,691
Total	**55,668**	**—**	**—**	**—**	**55,668**

As at December 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial assets included in other non-current assets**	74	—	—	—	74
Financial assets included in prepayments, other receivables and other assets**	220	—	—	—	220
Amounts due from related parties	574	—	—	—	574
Cash and cash equivalents — Not yet past due	8,948	—	—	—	8,948
Total	**9,816**	—	**—**	**—**	**9,816**

As at November 30, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial assets included in other non-current assets**	99	—	—	—	99
Financial assets included in prepayments, other receivables and other assets**	176	—	—	—	176
Trade receivables — a related party*	—	—	—	65,358	65,358
Amounts due from related parties	934	—	—	—	934
Pledged deposits	18,880	—	—	—	18,880
Cash and cash equivalents					
— Not yet past due	62,179	—	—	—	62,179
Total	**82,268**	**—**	**—**	**65,358**	**147,626**

* For trade receivables to which HPL applies the simplified approach for impairment, which is disclosed in note 16 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and financial assets included in other non-current assets is 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".

Liquidity risk

The maturity profile of HPL's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 6 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial liabilities included in other payables and accruals	27,919	—	—	—	27,919
Amounts due to related parties	2,648	—	—	—	2,648
Interest-bearing bank borrowings	—	5,775	167,500	—	173,275
Total	**30,567**	**5,775**	**167,500**	**—**	**203,842**
Unamortized transaction cost					(2,582)
Net					**201,260**

	As at December 31, 2020				
	On demand	Less than 3 months	3 to 12 months	1 to 6 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial liabilities included in others payables and accruals	82,191	—	—	—	82,191
Amounts due to related parties	32,633	—	—	—	32,633
Interest-bearing bank borrowings	—	2,401	331,137	—	333,538
Total	**114,824**	**2,401**	**331,137**	—	**448,362**
Unamortized transaction cost					(638)
Net					**447,724**

	As at November 30, 2021				
	On demand	Less than 3 months	3 to 12 months	1 to 6 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade payables	—	23,065	—	—	23,065
Financial liabilities included in other payables and accruals	79,324	—	—	—	79,324
Amounts due to related parties	23,720	—	—	—	23,720
Interest-bearing bank borrowings — current	—	17,215	10,169	—	27,384
Interest-bearing bank borrowings — non-current	—	13,440	20,589	646,795	680,824
Total	**103,044**	**53,720**	**30,758**	**646,795**	**834,317**
Unamortized transaction cost					(10,574)
Net					**823,743**

Capital management

The primary objectives of HPL's capital management are to safeguard HPL's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

HPL monitors capital by regularly reviewing the capital structure. As a part of this review, HPL considers the cost of capital and the risks associated with the issued share capital. HPL may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase HPL's shares.

32. EVENTS AFTER THE RELEVANT PERIODS

No other significant events that require additional disclosures or adjustments occurred after the Relevant Periods.

The following information does not form part of the Accountants' Report from Ernst &Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix IA to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix IA to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as if the Global Offering had taken place on June 30, 2022.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the parent had the Global Offering been completed as of June 30, 2022 or at any future date.

	Consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2022	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as at June 30, 2022**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as at June 30, 2022**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*
Based on an Offer Price of HK$15.60 per Share	3,939,211	3,141,561	7,080,772	4.57	5.05
Based on an Offer Price of HK$19.96 per Share	3,939,211	4,035,640	7,974,851	5.14	5.68

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2022 was equal to the consolidated net assets attributable to owners of the parent as at June 30, 2022 of RMB4,676,280,000 after deducting intangible assets of RMB519,032,000 and goodwill of RMB218,037,000 as at June 30, 2022, as shown in the Accountants' Report set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are calculated based on estimated offer prices of HK$15.60 per Share or HK$19.96 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and other

related expenses payable by the Company (excluding listing expenses of RMB2,602,000 which have been charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on 1,550,316,350 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9045 to HK$1.00.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to June 30, 2022.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

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

安永會計師事務所
香港鰂魚涌英皇道 979 號
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B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the directors of Lygend Resources & Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2022, and related notes as set out on pages II-1 to II-2 of the prospectus dated November 21, 2022 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II(A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at June 30, 2022 as if the transaction had taken place at June 30, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended June 30, 2022, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
November 21, 2022

The following is the text of a letter and valuation certificate, prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer for the purpose of incorporation in this prospectus, in connection with its valuation of the property interests held by the Group as at September 30, 2022.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
License No : C-030171

November 21, 2022

The Board of Directors
Lygend Resources & Technology Co., Ltd.
10-11/F, Building C10, R&D Park,
Lane 299 Guanghua Road, Yinzhou District,
Ningbo City, Zhejiang Province, PRC

Dear Sirs,

In accordance with your instructions to value the property interests held by Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Indonesia, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at September 30, 2022 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. It has therefore been valued by cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Cooperation Agreement for the Use of Forest Areas and building licenses relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the Indonesia and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's Indonesia legal advisers — Imran Muntaz & Co., concerning the validity of the property interests in Indonesia.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Unless otherwise stated, all monetary figures stated in this report are in United States Dollar (USD). The exchange rate adopted in our valuation is USD1 = IDR14,843 (Indonesian Rupiah) as at the valuation date.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on April 20-23, 2022 by Mr. Andi Saladin and Mr. Agus Prianto. Mr. Andi Saladin is a registered valuer of the Ministry of Finance of Republic of Indonesia and a certified member of the Indonesia Society of Appraisers (MAPPI) and has more than 26 years of experience in the valuation of various properties in Indonesia. Mr. Agus Prianto is a registered valuer of the Ministry of Finance of Republic of Indonesia and a certified member of the Indonesia Society of Appraisers (MAPPI) and has more than 13 years of experience in the valuation of various properties in Indonesia.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on March 11, 2020 has caused much disruption to economic activities around the world.

As of the report date, Indonesia's economy is experiencing gradual recovery and it is anticipated that disruption to business activities will steadily reduce. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

Our valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Senior Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 28 years' experience in the valuation of properties in Hong Kong and 26 years of property valuation experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at September 30, 2022 USD
Industrial properties located in the Village of Kawasi, District of Obi, Sub District of South Halmahera, Province of North Maluku, Indonesia	The property comprises completed portion and portion under construction of the property. The completed portion of the property comprises 27 buildings with a total gross floor area of approximately 170,891.14 sq.m., various ancillary buildings and structures erected thereon which were completed in various stages between 2019 to 2022. The buildings mainly include production facilities, warehouse, office and staff quarters. The structures mainly include road, boundary walls, shed and chimney. As at the valuation date, portion of the property was under construction scheduled to be completed and operated between November 2022 and July 2023. Upon completion, it will have a total gross floor area of approximately 145,427 sq.m. As advised by the Group, the construction cost of the construction in progress ("CIP") of the property is estimated to be approximately USD177,498,000, of which approximately USD114,976,000 had been incurred up to the valuation date. The properties are located in the district of Obi Island. Obi Islands are a group of islands in the Indonesian province of North Maluku. The locality of the property is an industrial area with some large-scale factory complexes. The land use rights of the property have been leased to the Group for terms until the IPPKH license is expired and as long as the operational license owned by PT Halmahera Persada Lygend ("HPL") still valid. (See note 2 and 3 below)	As at the valuation date, the property was occupied by the Group for production, warehouse, office, staff quarters and ancillary purposes.	No commercial value (See note below)

Notes:

1. HPL is a 54.9% owned subsidiary of the Company.

2. According to a translate copy of the Cooperation Agreement for the Use of Forest Areas No.9 dated August 11, 2020 between PT Trimegah Bangun Persada ("TBP") and HPL, the part of forest area of approximately +562.53 hectares within IPPKH-1 area were given to be used by HPL for a term effective from August 11, 2020 and the validity period of this cooperation agreement will follow the period of license of IPPKH 1 (based on Decree of the Minister of Environment & Forestry of Republic of Indonesia No.SK.8/Menlhk/Setjen/PLA.0/1/2020 of an area of 1,600.98 hectares) and its extension if TBP extends.

3. According to the legal opinion dated February 14, 2022, pursuant to the Deed Cooperation Agreement for the Borrow and Use of Forest Area No.9 dated August 11, 2020, between TBP and HPL ("Agreement"), salient points are extracted below:

   a. Scope of agreement: The purpose of this Agreement is to regulate the joint use of forest areas by TBP and HPL in TBP's IPPKH areas, as follows:

      - Ministry of Forestry Decree Number SK.8/Menlhk/Setjen/PLA.0/1/2020 regarding Extension of Borrow and Use of Forest Area license for DMP Nickel Ore Operational Production Activities and Supporting Facilities in Convertible Production Forest Areas located at, South Halmahera District, North Maluku Province with the area of 1,600.98 Ha (one thousand six hundred point nine eight hectare) ("IPPKH-1");

   b. Period of Agreement: This Agreement is effective since the signing of this Agreement until the IPPKH license is expired and as long as the operational license owned by HPL is still valid;

   c. Object of Agreement: Part of forest area in the IPPKH-1 area with the area of +-562.53 Ha (five hundred sixty two point five three hectare);

   d. Rights of HPL: Occupy and management and carry out activities using the IPPKH-1 area including but not limited to the construction of processing facilities (smelters) and supporting facilities as well as other related activities;

   e. Obligations of HPL:

      - Paying PNBP ("Payment of Non-Tax State Revenue") for the use of forest areas proportionally according to the size of the forest area used at a rate in accordance with applicable laws and regulations;

      - Jointly with TBP, carry out the obligations stipulated in the IPPKH proportionally including carrying out environmental management and protection obligations as stipulated in the Environmental Impact Analysis ("AMDAL") document as well as the TBP's Environmental Management Plan and Environmental Monitoring Plan ("RKL-RPL").

   f. Choice of Law: Laws of Republic of Indonesia;

4. We have attributed no commercial value to the property due to the borrow-to-use land nature on which the buildings and structures erected on.

5. Pursuant to 10 Building Licenses ("IMB") issued by the Regent of South Halmahera, HPL obtains the permits to construct new buildings with details set out as follows.

No	Certificate No.	Issuance Date	Usability	Building Function	Location
1.	1111/IMB/IX/2019	September 11, 2019	Construct building	Beneficiation Plant Area Building	Desa Kawasi, Sub-District, District South Halmahera
2.	1112/IMB/IX/2019	September 11, 2019	Construct building	HPAL Smelter Area Building	Desa Kawasi, Sub-District, District South Halmahera
3.	1113/IMB/IX/2019	September 11, 2019	Auxiliary Building	Beneficiation Plant Area Building	Desa Kawasi, Sub-District, District South Halmahera
4.	1114/IMB/IX/2019	September 11, 2019	Construct building	Jetty Area Building	Desa Kawasi, Sub-District, District South Halmahera
5.	1115/IMB/IX/2019	September 11, 2019	Construct building	Area Coal Fired Power Plant Building	Desa Kawasi, Sub-District, District South Halmahera
6.	1116/IMB/IX/2019	September 11, 2019	Construct building	Mess Building	Desa Kawasi, Sub-District, District South Halmahera
7.	1117/IMB/IX/2019	September 11, 2019	Construct building	Acid Plant Building	Desa Kawasi, Sub-District, District South Halmahera
8.	68/IMB/IX/2020	September 25, 2020	Construct building	Residue Filtration Area Building	Desa Kawasi, Sub-District, District South Halmahera
9.	69/IMB/IX/2020	September 25, 2020	Construct building	Water Pump House Building	Desa Kawasi, Sub-District, District South Halmahera
10.	129/IMB/X/2021	October 13, 2021	Construct building	Telecommunication Tower Building	Desa Kawasi, Sub-District, District South Halmahera

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%.

Pursuant to the Administrative Measures on Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》), qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate. Upon obtaining the qualification as a high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge pursuant to the provisions of Article 4 of these Measures.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

The Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》), promulgated by the MOF and the STA on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; where the VAT rate of 10% applies currently, it shall be adjusted to 9%.

OTHER PRC TAXATION

Taxation on Dividends

Enterprise Investors

In accordance with the EIT Law and the Implementation Provisions of the Enterprise Income Tax Law of the PRC, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is withheld at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such withholding tax may be reduced pursuant to an applicable double taxation treaty upon application and approval.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued by the STA on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the STA and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit corporate income tax at a rate of 10% on dividends of 2008 and the subsequent years that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a PRC resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC resident enterprise. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**"), which was last amended on August 31, 2018 and came into effect on January 1, 2019 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 and came into effect on January 1, 2019, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%.

According to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (財稅[2015]101號) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the income from dividends shall be exempted from personal income tax for the time being. Where an individual acquires the stocks of a listed company in a public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, only 50% of the income from dividends shall be included into the taxable incomes of the individual; individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the MOF or exempted by an international convention or agreement to which the PRC government is a party.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》), which was issued by MOF and STA on May 13, 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the State Administration of Taxation on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》), which came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和

國印花稅暫行條例施行細則》), which came into effect on October 1, 1988, PRC stamp duty only applies to specific proof executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

According to the Stamp Duty Law of the People's Republic of China (《中華人民共和國印花稅法》), which was promulgated on June 10, 2021 and will come into effect on July 1, 2022, the disposal of H Shares by non-PRC investors outside of the PRC is still not subject to the requirements of the Stamp Duty Law of the People's Republic of China.

Estate Duty

The PRC currently does not impose any estate duty.

Shenzhen-Hong Kong Stock Connect Taxation Policy

On November 5, 2016, Ministry of Finance, State Taxation Administration and China Securities Regulatory Commission jointly promulgated the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) ("**SZHK Stock Connect Tax Policies**"), which clearly set forth tax policies applicable to transactions via SZHK Stock Connect and took effect on December 5, 2016.

According to the SZHK Stock Connect Tax Policies, revenues gained by mainland individual investors from the price difference arising from the trade of shares on the HKEx through SZHK Stock Connect may be exempted from VAT during China's pilot fiscal reform where the business tax is to be replaced by VAT. The dividends obtained by mainland individual investors from the listing of H-shares on HKEx via SZHK Stock Connect shall be subject to 20% personal income tax, provided that the H-share companies shall submit application to China Securities Depository and Clearing Corporation Limited ("**CSDC**"), after which CSDC will furnish them with a roster of the mainland individual investors, and the H-share companies may withdraw personal income tax at a rate of 20% in accordance therewith. If, however, dividends are generated from the listing of non-H-shares on HKEx via SZHK Stock Connect, such personal income tax at the rate of 20% will be deducted by CSDC. In case the individual investors have paid taxes in other jurisdictions by withdrawal in advance, the investors may apply for tax exemption to the tax authority in charge of CSDC using materials evidencing such withdrawal. Dividends gained by mainland securities investment funds via investing in shares listed on the HKEx via SZHK Stock Connect shall be subject to personal income tax according to the aforementioned provisions as if they are individual investors.

According to the SZHK Stock Connect Tax Policies, revenues made by mainland company investors from their transfer of shares that they have invested in on the HKEx via SZHK Stock

Connect shall be factored in their total revenues and subject to company income tax, and if it is the mainland entity investors that earn incomes through trading shares listed on HKEx via SZHK Stock Connect, these incomes are exempted from VAT during the pilot period of replacement of business tax by VAT. If mainland company investors gain dividends through investment in shares listed on the HKEx via SZHK Stock Connect, such dividends shall be calculated in the total revenue of the companies and will be subject to income tax accordingly, in which case, a mainland domiciled company legally holding H shares for no less than 12 consecutive months will be exempted from company income tax for the amounts earned from the H shares during such 12-month period, while in case of a HK-based H-share company listed on the HKEx, the company shall apply to CSDC, who will provide to it the roster of mainland company investors, upon which the H-share company refrains from deducting income tax from the dividends, and payable income tax shall be declared and paid by the investors themselves; when declaring company income tax, if a mainland company investor has any tax imposed on the dividends deducted by a non-H-share company listed on the HKEx, the investor may apply for tax offset.

According to the SZHK Stock Connect Tax Policies, in case that any mainland investor trades, inherits or gives as gift shares listed on the HKEx, stamp tax will be imposed thereon according to the tax law currently prevalent in Hong Kong SAR, and the both CSDC and Hong Kong Securities Clearing Company Limited may collect the stamp tax on behalf of one another.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.13% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Control Regulations**") and it came into effect on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "**Settlement Regulations**"), which became effective on July 1, 1996. The Settlement Regulations does not impose any restrictions on convertibility of foreign exchange under current items, while imposing restrictions on foreign exchange transactions under capital account items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》). The notice came into effect on June 1, 2015. The notice has canceled two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE and came into effect on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 18, 2017, Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of our Company, please see section entitled “Regulatory Overview” in this prospectus.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the “**Constitution**”), which was adopted and came effected on December 4, 1982 and amended on March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People’s Congress (the “**NPC**”) and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》, the “**Legislation Law**”), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if such local regulations are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The people's congresses and their standing committees of the provinces and cities where special economic zones are located may, upon authorization by the National People's Congress, formulate regulations and enforce them within the special economic zones.

The ministries and commissions of the State Council, People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should govern the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to the application of laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The

State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations as well as administrative rules is vested in the regional legislative and administrative authorities which promulgate such laws, regulations and rules.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and the special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions, such as the intellectual property division, if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

A people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance at a people's court are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the president of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "**PRC Civil Procedure Law**") adopted on April 9, 1991 and amended three times on October 28, 2007, August 31, 2012 and June 27, 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens, enterprises and other organizations, the PRC court may apply the same limitations to the citizens, enterprises and organizations of such foreign country as per the principle of reciprocity. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If the party subject to enforcement fails to perform as the judgment, ruling or other legal instrument requires pursuant to the enforcement notice, the court may mandatorily enforce the judgment on such party or entrust a relevant unit or other person to do so.

Where a party applies for enforcement of a legally effective judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of the international treaties concluded or acceded to by the PRC or with the principle of reciprocity, request recognition and enforcement by a foreign court. If a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by a people's court of the PRC, the parties concerned may directly apply to the intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may request recognition and enforcement by the people's court in accordance with the provisions of international treaties concluded or acceded to by the country and the PRC or in accordance with the principle of reciprocity, provided that the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

The PRC Company Law, Special Regulations, the Mandatory Provisions and Official Reply

The PRC Company Law (《中華人民共和國公司法》) was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2018. The latest revised PRC Company Law was implemented on October 26, 2018.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") was passed at the 22nd Standing Committee Meeting of the State Council and took effect on August 4, 1994. The Special Regulations was applicable to the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions") jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System and implemented on September 29, 1994 prescribe that the provisions should be incorporated in the articles of association of joint stock limited companies to be listed in overseas stock exchanges. Accordingly, the contents required by the Mandatory Provisions have been incorporated in the Articles of Association. References to a "company" made in this Appendix are to a joint stock limited company established under the PRC Company Law with overseas-listed foreign invested shares to be issued.

According to The State Council issued the Official Reply of the State Council on the Adjustment of the Notice Period for the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) with effect from October 17, 2019, State Council agreed that joint stock limited companies registered in China and listed abroad shall comply with the PRC Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting, and that relevant procedures set forth in Article 20 to Article 22 of the Special Regulations shall no longer apply.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations, the Mandatory Provisions and Official Reply.

General

A "joint stock limited company" ("company") refers to a corporate legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company's registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with the relevant company registration authority, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. A promoter who offers shares to the public must announce a prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC law, and underwriting agreements shall be entered into. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and is obliged to furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain under subscribed by the cut-off date stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant company registration authority and a business license has been issued.

A company's promoter shall be liable for the followings:

(1) the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

(2) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(3) the compensation of any damages suffered by the company as a result of the promoters' fault in the course of its establishment.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any overvaluation or under-valuation.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of China Securities Regulatory Commission ("**CSRC**") to offer its shares to the overseas public. According to the Special Regulations and the Mandatory

Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and listed overseas are classified as overseas-listed foreign shares, and those shares issued to investors within the PRC, are known as domestic shares. Qualified foreign institutional investors approved by CSRC may hold domestic listed shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas-listed foreign shares, to retain not more than 15% of the aggregate number of such overseas-listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(1) the name and domicile of each shareholder;

(2) the number of shares held by each shareholder;

(3) the serial numbers of shares held by each shareholder; and

(4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares upon the approval by CSRC, a new share offering document (prospectus) and financial accounting report must be published and a subscription form must be prepared. After the issue of new share the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(1) the company shall prepare a balance sheet and an inventory of assets;

(2) the reduction of registered capital must be approved by shareholders at general meeting;

(3) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;

(4) the creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and

(5) the company must apply to the company registration authority for registration of the change on the reduction of registered capital.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(1) Reducing the registered capital of the company.

(2) Merging with another company that holds its shares.

(3) Using shares for employee stock ownership plan or equity incentives.

(4) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company.

(5) Using shares for converting convertible corporate bonds issued by the listed company.

(6) It is necessary for a listed company to protect the corporate value and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law of the People's Republic of China. A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

A company shall not accept its own shares as the subject matter of pledge.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder of a joint stock listed company should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides that changes due to share transfer should not be made to shareholder registry within 30 days before a shareholders' general meeting or within 5 days before the record date for the purpose of determining entitlements to dividend distributions.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of holders of ordinary shares of a company include:

(1) to receive a return on assets, participate in significant decision-making and select management personnel;

(2) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board of directors that has not been convened in compliance with the laws, administrative regulations or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which are in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(3) to transfer the shares of the shareholders in accordance with laws, administrative regulations and provisions of the articles of associations;

(4) to attend or appoint a proxy to attend shareholders' general meetings and vote at the meetings;

(5) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make suggestions or inquiries in respect of the company's operations;

(6) to receive dividends in respect of the number of shares held;

(7) to participate in residual properties of the company in proportion to their shareholdings upon the liquidation of the company;

(8) and any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(1) to decide on the company's operational objectives and investment plans;

(2) to elect and dismiss the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(3) to review and approve the reports of the board of directors;

(4) to review and approve the reports of the supervisory board;

(5) to review and approve the company's annual financial budgets and final accounts;

(6) to review and approve the company's profit distribution proposals and loss recovery proposals;

(7) to decide on any increase or reduction of the company's registered capital;

(8) to decide on the issue of corporate bonds;

(9) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(10) to amend the company's articles of association; and

(11) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(1) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

(2) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(4) the board deems necessary;

(5) the supervisory board proposes to hold; or

(6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present in person (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(3) to decide on the company's operational plans and investment proposals;

(4) to formulate proposal for the company's annual financial budgets and final accounts;

(5) to formulate the company's profit distribution proposals and loss recovery proposals;

(6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(7) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(8) to decide on the setup of the company's internal management organs;

(9) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(10) to formulate the company's basic management system; and

(11) to exercise any other authority stipulated in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(1) a person who is unable or has limited ability to undertake any civil liabilities;

(2) a person who has been convicted of an offense of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic order, or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

(3) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(4) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(5) a person who is liable for a relatively large amount of debts that are overdue.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

The legal representative of a company, in accordance with the company's articles of association, shall be the chairman. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory board may exercise its powers:

(1) to review the company's financial position;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(4) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law; and

(7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), which is promulgated and implemented on April 3, 1995, the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager, who reports to the board of directors, may exercise his/her powers:

(1) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(2) to arrange for the implementation of the company's annual operation plans and investment proposals;

(3) to formulate proposals for the establishment of the company's internal management organs;

(4) to formulate the fundamental management system of the company;

(5) to formulate the company's specific rules and regulations;

(6) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(7) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and

(8) to exercise any other authority granted by the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence.

Directors, supervisors and senior management are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors and senior management are prohibited from:

(1) misappropriating company funds;

(2) depositing company funds into accounts under their own names or the names of other individuals to deposit;

(3) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the articles of association or without approval of the general meeting or the board of directors;

(4) entering into contracts or transactions with the company in violation of the articles of association or without approval of the general meeting;

(5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(6) accepting commissions paid by a third party for transactions conducted with the company;

(7) unauthorized divulgence of confidential information of the company; and

(8) other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish relevant information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisory violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from it profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company earned from the issue of share and other income as required by CSRC to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. The Special Regulations require that any dividend and other distribution to shareholders of overseas-listed foreign shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department of the State Council authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(2) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph 1 above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph 1, 2, 4 or 5 above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(1) to sort out the company's assets and to prepare a balance sheet and an inventory of assets;

(2) to notify the company's creditors or publish announcements;

(3) to deal with any outstanding business related to the liquidation;

(4) to pay any overdue tax together with any tax arising during the liquidation process;

(5) to settle the company's claims and liabilities;

(6) to handle the company's remaining assets after its debts have been paid off; and

(7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to apply for canceling the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Special Regulations, the shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with the procedures specified by the State Council.

According to Rule 2(6) of the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Limited Companies (《關於股份公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC (effective from January 1, 2013), the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of overseas-listed foreign shares or of H share certificates, details of which are set out in our Articles of Association.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant company registration authority.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

The PRC Securities Laws, Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information of companies. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering CSRC. CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and CSRC and reformed China Securities Regulatory Commission.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing matter including the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》, the "**PRC Securities Law**") took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies. Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Listing Rules, also in contracts between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") or the Hong Kong International Arbitration Center ("**HKIAC**"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including but not limited to where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements of the Supreme People's Court of China on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangements reflect the spirit of the New York Convention. Under the arrangements, the awards by the Mainland arbitral bodies recognized by Hong Kong may be enforced in Hong Kong and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be issued share capital. Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital either. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

If the H shares of the company are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. The directors, supervisors and senior management of a joint stock limited company shall report to the company their holdings of the company's shares and any changes thereof. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on the Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix VI — Summary of Articles of Association" to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, domestic shares and H shares not more than 20% of each of the existing issued domestic shares and H shares, respectively; (ii) where the plan for the issue of domestic shares and H shares upon our establishment is implemented within 15 months following the date of approval or within the valid period of the approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the supervisors violate as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of the shareholder voting rights of the company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors and other senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards and regulations, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the Chinese accounting standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under both the PRC and Hong Kong law, dividends once declared will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or senior management person in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management person should be responsible to the company for such damages. In addition, in compliance with the Listing Rules and the Mandatory Provisions, remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management) have been set out in the Articles of Association.

Dividends

Pursuant to relevant PRC laws and regulations, the company in certain circumstances shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on December 31, 2021, which shall become effective as at the date on which the H shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII to this prospectus, the full document of the Articles of Association in Chinese is available for examination.

SHARES

Issuance of Shares

The Company shall set up ordinary Shares at any time. According to its needs, the Company may create other classes of Shares upon approval from the authorized department of the State Council.

The Shares of the Company shall be issued by the Company following the principles of open, fairness and justice, and each share in the same class shall have the same rights.

For the same class of Shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the Shares shall pay the same price for each share.

The Company's shares shall be in the form of share certificates. All the shares issued by the Company shall have a par value which shall be RMB1 for each share.

The Company may issue Shares to domestic and overseas investors upon approval by competent securities department of the State Council.

Increase, Reduction and Repurchase of Shares

The company may, in light of the company's operational and developmental needs and in accordance with laws and regulations, increase its capital by any of the following methods subject to a separate resolution of the general meeting:

(a) a public offering of shares;

(b) a private placement of shares;

(c) placement of new shares to existing shareholders;

(d) the payment of a bonus shares to existing shareholders;

(e) the conversion of reserve funds into shares; or

(f) any other method stipulated in laws and regulations or approved by the competent securities department of the State Council, the securities regulatory authority where the Company's shares are listed and any other relevant regulatory authority.

The company may reduce its registered capital. Any reduction of its registered capital shall be subject to the procedures prescribed in the Company Law and other applicable provisions, as well as the Articles of Association.

When reducing its registered capital, the company must prepare a balance sheet and an inventory of property.

Within ten (10) days of the date on which the resolution on reducing registered capital is made, the creditors shall be notified by the company and a public announcement shall be made in the information disclosure press within thirty (30) days. A creditor shall, within thirty (30) days of receipt of such a notice or within forty-five (45) days of the first public announcement where the creditor has not received the notice, have the right to require the company to settle its claim or provide a relevant debt repayment guarantee.

The registered capital after its reduction shall not be less than the statutory minimum amount.

The Company may repurchase its issued Shares in the following circumstance, after passing the procedures stipulated in laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Articles of Association.

(a) reduction of the Company's registered capital;

(b) merging with another company holding Shares in the Company;

(c) use of its shares for carrying out an employee stock ownership plan or equity incentive;

(d) requests to the Company for acquiring their Shares from Shareholders who have voted against the resolutions passed at a Shareholders' general meeting on the merger or division of the Company;

(e) use of shares for conversion of convertible corporate bonds issued by a listed company;

(f) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity; and

(g) other circumstances permitted by laws and administrative regulations.

Except for the circumstances set out above, the Company shall not repurchase its Shares.

Approval shall be obtained from general meeting when the Company is to repurchase its own Shares under the circumstances (a) and (b) set out above; for a company's share buyback under any of the circumstances stipulated in item (c), item (e) or item (f) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting.

The shares acquired under the circumstance stipulated in item (a) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either item (b) or item (d); and the shares held in total by a company after a share buyback under any of the circumstances stipulated in item (c), item (e) or item (f) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

With the approval of the relevant competent authorities of the state, the Company may repurchase its Shares by the following ways:

(a) making a repurchase offer to all Shareholders in proportion to their shareholdings;

(b) repurchasing the Shares by public trading on a stock exchange;

(c) repurchasing the Shares by agreement without involving a stock exchange;

(d) by other means stipulated by laws or regulations or permitted by competent securities department of the State Council or other competent authorities.

A prior approval shall be obtained from a general meeting in respect of any share repurchase by the Company through an off-market agreement in accordance with the provisions of our Articles. After the general meeting has given its approval in the same way, the Company may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts.

The contract to repurchase Shares as referred to in the preceding paragraph, but is not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase Shares.

The Company shall not assign a contract for repurchasing its Shares or any of its rights thereunder. Listing rules for stock exchanges where the Company's Shares are listed shall apply to the redeemable Shares that the Company has the right to repurchase.

Unless the Company is undergoing liquidation, it shall comply with the following requirements with respect to a repurchase of its issued Shares:

(a) for repurchases of Shares by the Company at their par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose;

(b) where the Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. Payment of the portion which is in excess of the par value shall be made as follows:

(i) if the Shares being repurchased are issued at par value, payment shall be made from the book balance of its distributable profits; or

(ii) if the Shares being repurchased are issued at a premium to its par value, payment shall be made from the book balance of its distributable profits or from the proceeds of issuance of new Shares for that purpose. However, the amount deducted from the proceeds of issuance of new Shares shall not exceed the aggregate amount of the premium received by the Company from the issuance of the Shares so repurchased, nor shall it exceed the amount in the Company's capital reserve fund account (including premium on the new issue) at the time of such repurchase;

(c) the Company shall make the following payments from the Company's distributable profits:

(i) acquisition of the rights to repurchase its own Shares;

(ii) variation of any contracts for the repurchase of its Shares; or

(iii) release from its obligations under any repurchase contracts;

(d) after the aggregate par value of the canceled Shares is deducted from the Company's registered capital in accordance with the relevant provisions, the amount deducted from the distributable profits used for the repurchase of the Shares at par value shall be credited to the Company's capital reserve fund account.

Transfer of Shares

Unless otherwise specified by laws, regulations, regulatory documents and listing rules for stock exchanges where the Company's Shares are listed, the Shares of the Company may be transferred freely without any lien attached.

The transfer of shares shall be conducted at a stock exchange established in accordance with the law, or in other ways prescribed by the State Council.

All fully paid H Shares may be freely transferred in accordance with the Company's Articles. However, the Board may refuse to recognize any documents for the transfer of H Shares without stating any reasons unless the conditions stipulated below are met:

(a) all transfer documents and other documents relating to or affecting the title of any H Shares registered are required to be registered, with registration fees paid to the Company based on the standards prescribed by the Hong Kong Listing Rules and the fees shall not exceed the highest standard prescribed by the Hong Kong Listing Rules from time to time;

(b) transfer documents are only in relation to H Shares;

(c) stamp duty (as stipulated by Hong Kong law) in relation to transfer documents has been duly paid;

(d) relevant share certificate(s) and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the Shares have been provided;

(e) where the Shares are intended to be transferred to joint holders, the number of such joint Shareholders shall not be more than four;

(f) Shares are free and clear of any lien of the Company.

If the Board refuses to register a share transfer, the Company shall send the transferor and the transferee a notice of refusal to register the said share transfer within 2 months from the date of submission of the application for transfer.

The Company does not accept Shares of the Company as the subject of pledges.

Shares held by promoters shall not be transferred within one year from the date of the establishment of the Company.

The Directors, Supervisors and senior management personnel of the Company shall notify the Company of their holding of Shares (including preferred shares) in the Company and changes of their holdings. The Shares transferrable by them during each year of their tenures shall not exceed twenty-five percent of their total holdings of Shares of the Company. The Shares in the Company held by them are not transferable within one year from the date on which the Company's Shares are listed. The Shares in the Company held by them shall not be transferred within six months of their departure from the Company.

Financial Assistance for the Acquisition of Shares in Our Company

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers who will or who intend to purchase the Company's Shares. The aforementioned purchasers include both persons who have directly or indirectly assumed obligations due to purchasing the Company's Shares.

The Company and its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or relieve the obligations of the aforesaid obligors.

"Financial assistance" referred to in our Articles of Association shall include, without limitation, the following means:

(a) financial assistance given as gifts;

(b) financial assistance given by guarantee (including the assumption of liability by the guarantor or the provision of properties by the guarantor to secure the performance of obligations by the obligor), indemnity (other than an indemnity in respect of the Company's neglect or default) or the release or waiver of any rights;

(c) the provision of loans or the entrance into any agreement under which the obligations of the Company are to be fulfilled prior to the obligations of another party, and a change in the parties to, and the assignment of rights arising under such loans or agreement; or

(d) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets, or under any other situations when its net assets would be reduced to a material extent.

The "obligations" referred to in the Articles shall include the obligations of an obligor which have arisen from entering into an agreement or making an arrangement (regardless of whether such agreement or arrangement is enforceable, or whether such obligations are assumed by the obligor individually or jointly with any other person) or any obligations that arise out of changes made in any other way to the obligor's financial condition.

The acts listed below are not prohibited by the preceding three paragraphs:

(a) the financial assistance provided by the Company is either genuinely for the interests of the Company and the main purpose of the financial assistance is not to purchase Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

(b) the lawful distribution of the Company's properties in the form of dividends;

(c) the distribution of dividends in the form of Shares;

(d) the reduction of registered capital, repurchase of Shares, and adjustment of shareholding structure, etc. in accordance with our Articles;

(e) the provision of a loan by the Company within its scope of business and in the ordinary course of business (provided that this does not lead to a reduction in the net assets of the Company or that if this causes a reduction, the financial assistance is taken from the Company's distributable profits); or

(f) provision of funds by the Company for an employee shareholding scheme (provided that this does not lead to a reduction in the net assets of the Company or that if there causes a reduction, the financial assistance is taken from the Company's distributable profits).

Register of Shareholders

The Company shall have a Shareholders register to record the following matters:

(a) the name, address (domicile), occupation or nature of each Shareholder;

(b) the class and number of Shares held by each Shareholder;

(c) the amount paid or payable for the Shares held by each Shareholder;

(d) the serial number(s) of the share certificate(s) held by each Shareholder;

(e) the date on which each Shareholder is registered as a Shareholder;

(f) the date on which each Shareholder ceases to be a Shareholder.

Unless there is proof to the contrary, the register of Shareholders shall be sufficient evidence to the holding of the Shares of the Company by a Shareholder.

Subject to the Articles of Association and other applicable regulations, once the Shares of the Company are transferred, the name of the transferee shall be listed in the Shareholders' register as the holder of the said Shares.

Transfer of Shares shall be registered at domestic and overseas-listed share transfer register agencies assigned by the Company and recorded in the Shareholders' register.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Rights and Obligations of Shareholders

The Shareholders holding ordinary Shares shall enjoy the following rights:

(a) to receive dividends and other kinds of distributions as determined by the number of Shares held by them;

(b) to request, convene, host, attend or appoint a proxy to general meetings according to laws, and to exercise voting rights based on the number of the Shares held by them;

(c) to supervise the operations of the Company, and to make suggestions and enquiries accordingly;

(d) to transfer, bestow or pledge of the Shares held by them in accordance with the laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the provisions of the Company's Articles;

(e) to obtain relevant information in accordance with our Articles, including:

(i) to obtain the Company's Articles after paying the production costs thereof;

(ii) to acquire the right to inspect and duplicate after paying a reasonable charge:

(1) all parts of the register of Shareholders;

(2) personal information of the Directors, Supervisors, General manager and other senior management personnel of our Company, including: present and former name or alias; principal address (place of domicile); nationality; primary and all other part-time occupations and duties; identification document and its number;

(3) information on the share capital of the Company;

(4) reports on the aggregate par value, number of Shares, and highest and lowest prices of each class of Shares in relation to any repurchase by the Company of its own Shares since the last financial year, as well as all the expenses paid by the Company in relation to such repurchases (classified as domestic Shares and foreign-invested Shares);

(5) bond stub of the Company;

(6) minutes of the Shareholders' general meetings (only for Shareholders to inspect) and special resolutions of the Company, resolutions of the Board and resolutions of the Supervisory Committee;

(7) the latest audited financial statements of the Company, and the reports of the Board, auditors and the Board of Supervisors;

(8) financial and accounting reports; or

(9) the latest issue of annual report already submitted to the Administration for Industry and Commerce of PRC or other competent authorities for filing.

The Company shall keep documents and any other applicable documents related to Item (1), (3), (4), (6) (7), (8) and (9) at the Company's Hong Kong domicile for public and Shareholders to inspect free of charge according to provisions of Hong Kong Listing Rules;

(f) to participate in the distribution of the remaining assets of the Company based on the number of Shares held in the event of the Company's dissolution or liquidation;

(g) to demand the Company to acquire their Shares (for Shareholders who disagree with the resolutions adopted at a Shareholders' general meeting in relation to the merger or division of the Company);

(h) on the basis of one share, one vote, the shareholders holding more than 3% of the voting rights attached to the Company's share capital, individually or in the aggregate, shall have the right to make an interim proposal and submit it in writing to the convener 10 business days prior to the shareholders' meeting; and

(i) to have other rights conferred in accordance with the law, administrative regulations, regulations of ministries and commissions, regulatory documents or listing rules for stock exchanges where the Company's Shares are listed and our Articles.

Company shareholders holding ordinary Shares shall have the following obligations:

(a) to abide by laws, administrative regulations, regulations of ministries and commissions, regulatory documents or listing rules for stock exchanges where the Company's Shares are listed and our Articles of Association;

(b) to provide share capital according to the shares subscribed for and share participation methods;

(c) not to return shares unless prescribed otherwise in laws and administrative regulations;

(d) not to abuse shareholders' rights to infringe upon the interests of the company or other shareholders; not to abuse the company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the company's creditors;

Any company shareholder who abuses shareholders' rights and causes the company or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law.

Any company shareholder who abuses the status of the company as an independent legal entity or the limited liability of shareholders to evade debts and seriously damages the interests of the company's creditors shall assume joint and several liability for the company's debts.

(e) Other duties prescribed in the law, administrative regulations, regulations of ministries and commissions, regulatory documents or listing rules for stock exchanges where the Company's Shares are listed and our Articles of Association.

Shareholders shall not be liable for any subsequent increase in share capital other than those conditions agreed to by the subscriber of the shares at the time of subscription.

In addition to obligations as required by laws, administrative regulations or the listing rules of the stock exchange on which the company's shares are listed, a controlling shareholder when exercising its shareholding rights shall not exercise its voting rights to make decisions on the following matters which harm the interests of all or some shareholders:

(a) To exempt a director or supervisor from his/her responsibility for acting in good faith for the best interests of the company;

(b) To approve the expropriation of the company's property by a director or supervisor (for his/her own interests or another's interests) through any means including (but not limited to) any opportunity which is beneficial to the company; or

(c) To approve the divestment of other shareholders' individual rights and interests by a director or supervisor (for his/her own interests or another's interests), including (but not limited to) any distribution rights and voting rights, but not including where the matter is submitted to the shareholders' meeting for adoption in accordance with the company's Articles of Association that there be reorganization of the company.

Power of the Meeting and Matters to be Determined

The Shareholders' general meeting shall be the governing organ of the Company. It may exercise the following powers in accordance with the law:

(a) to decide on the business policies and investment plans of the Company;

(b) to elect and replace Directors and Supervisors which are not appointed as representatives of the employees and to decide on the remuneration of the relevant Directors and Supervisors;

(c) to review and approve reports made by the Board;

(d) to review and approve reports made by the Supervisory Committee;

(e) to review and approve the Company's proposed annual financial budget and final accounts;

(f) to review and approve the Company's plans for profit distribution and loss recovery plans;

(g) to adopt resolutions concerning the increase or reduction of the Company's share capital;

(h) to adopt resolutions on the issuance of bond;

(i) to adopt resolutions on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(j) amendment of the Articles of Association;

(k) to adopt resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms;

(l) to review and approve the guarantees stated in the Article 67 of the Articles of Association;

(m) to review and approve the issues that the Company purchases or sells any major assets of which the amount exceeds 30% of its latest audited total assets;

(n) to review and approve matters relating to the modification of raised fund purpose;

(o) to review and approve the share incentive schemes;

(p) to review the proposals raised by the Shareholders severally or jointly representing above three percent of the Company's Shares with voting rights;

(q) to review and approve other issues which should be decided by the Shareholders' general meeting as stipulated by laws, administrative regulations, regulations of ministries and commissions and listing rules for stock exchanges where the Company's Shares are listed or our Articles of Association.

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of the general meeting shall be passed by more than half of the voting rights represented by Shareholders (including proxies) present at the meeting.

Special resolutions of the general meeting shall be passed by more than two thirds of the total voting rights of shareholders present and voting in person or by proxy at the general meeting (including shareholders' proxies).

The following matters shall be approved by general meeting by ordinary resolutions:

(a) work report of the Board of directors and the Board of supervisors;

(b) profit distribution plan and loss recovery plan formulated by the Board of Directors;

(c) appointment and removal of members of the Board of Directors and members of the Board of supervisors, their remuneration and method of payment thereof;

(d) Proposed annual preliminary financial budgets, final account proposals, statements of financial position, statements of profit or loss and other comprehensive income and other financial statements of the Company;

(e) Annual reports of the Company;

(f) Other matters other than those provided by laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed or special resolutions which shall be approved by the provisions of the Articles of Association.

The following matters shall be approved by general meeting by special resolutions:

(a) increasing or reducing the share capital of the Company and issuing Shares of any class, equity warrants and other similar securities;

(b) the issuance of corporate bonds;

(c) division, merger, dissolution, liquidation (including voluntary winding-up) of the Company;

(d) amendment to the Articles of Association;

(e) any purchase or disposal of substantial assets made, or guarantee provided by the Company within one year, with an amount exceeding 30% of the latest audited total assets of the Company;

(f) share incentive schemes;

(g) to repurchase the Company's shares under the circumstances stated in Articles of Association;

(h) other matters stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles of Association, or matters which are determined by an ordinary resolution of the general meeting to be of material significance to the Company and are required to be approved by way of special resolutions.

If the chairman of the meeting decides to vote on a show of hands, the general meeting shall vote on a show of hands unless a vote is demanded by the following persons before or after the show of hands:

(a) chairman of the meeting;

(b) at least two voting shareholders or agents of voting shareholders;

(c) one or more shareholders (including shareholder‘s agent) holding more than 10% (including 10%) of the voting shares at the meeting shall be calculated separately or jointly.

If the chairman of the meeting decides to vote on a show of hands, unless a poll is proposed, the chairman of the meeting shall, on the basis of the result of the show of hands, announce the adoption of the proposal and record it in the minutes of the meeting as the final basis, without proving the number or proportion of votes for or against the resolution passed at the meeting.

The demand for a poll can be withdrawn by the proposer.

If the matter required to be voted by way of a poll relates to election of chairman or adjournment of meeting, a poll shall be conducted immediately; in respect of other matters required to be voted by way of a poll, the chairman may decide the time of a poll, and the meeting may proceed to consider other matters. The voting results shall still be deemed as resolutions passed at the said meeting.

When voting by a poll, Shareholders (including their proxies) entitled to two or more votes need not cast all their votes for or against in the same way.

When the number of votes against and in favor are equal, the chairman of the meeting shall be entitled to an additional vote.

Where relevant laws and regulations and the Listing Rules requires any shareholder to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Notice of the Meeting

The Shareholders' general meetings shall be divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once an accounting year, and be held within six months after the end of each accounting year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(a) the number of Directors is less than the minimum number required by the PRC Company Law or less than two-thirds of the number stipulated in our Articles;

(b) the outstanding loss of the Company is at least one-third of the Company's total paid-up share capital;

(c) on the basis of one share, one vote, when Shareholders who individually or jointly holding more than ten percent of the voting rights attached to the Company's share capital request to convene an extraordinary general meeting;

(d) the Board deems it necessary to convene the meeting;

(e) the Supervisory Committee proposes to convene the meeting; or

(f) any other circumstances as stipulated by laws, administrative regulations, regulations of ministries and commissions and the listing rules for stock exchanges where the Company's Shares are listed or our Articles.

In item (c) above, the number of Shares held by the Shareholders shall be calculated as at the date of request in writing made by him/her.

The conveners shall notify all shareholders by way of announcement prior to twenty days from the date of annual general meetings. All shareholders shall be informed by way of announcement prior to fifteen days from the date of extraordinary general meetings. In determining the commencement date and the period, the Company shall not include the date on which the meeting is held and the date on which the notice is given.

The notice of a Shareholders' general meeting shall:

(a) be issued in writing;

(b) specify the time, venue and duration of the meeting;

(c) state the matters and proposals to be deliberated at the meeting;

(d) provide to Shareholders with all necessary information and explanation to enable Shareholders to make informed decisions on the matters to be discussed. This means that when (including but not limited to) any merger, share repurchase, share capital reorganization or any proposals relating to change in the structure of the Company are involved, the detailed terms of the proposed transaction, copies of the proposed agreement (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;

(e) if any of the Directors, Supervisors, General manager and other senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor, General manager and other senior management personnel as Shareholders compared to other Shareholders of that same class, they shall explain this difference;

(f) the full text of any proposed special resolution to be voted on at the meeting;

(g) a prominent statement stating that Shareholders entitled to attend the meeting and vote can appoint proxy by written to attend and vote on his/her behalf, and such proxy need not be a Shareholder of the Company;

(h) the time and venue for delivering the proxy form authorizing the proxy to vote of the relevant meeting;

(i) specify the date of registration of shareholdings of Shareholders who are entitled to attend the Shareholders' general meeting;

(j) the name and phone number of the contact person of the meeting.

Unless otherwise stipulated by laws, administrative regulations, listing rules for stock exchanges where the Company's Shares are listed or the Articles, the notice of a Shareholders' general meeting shall be delivered by hand or prepaid mail to all Shareholders (regardless of whether they have voting rights at the Shareholders' general meeting). The address of the recipients shall be the address registered in the register of Shareholders. For holders of domestic Shares, the notice of a Shareholders' general meeting may be in the form of an announcement.

The aforesaid announcement shall be published in one or more newspapers, specified by competent securities department of the State Council, and all holders of domestic Shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.

Provided that such action is complied with relevant laws and regulations and the listing rules for stock exchanges where the Company's Shares are listed and fulfills relevant procedures, the Company may also send or dispatch the aforesaid notices of general meeting to the holders of H Shares through the websites of the Company and website specified by the Hong Kong Stock Exchange or by other methods approved by Hong Kong Listing Rules and our Articles to replace the approach of delivery by hand or pre-paid post.

Shareholder Proxies

Any Shareholder entitled to attend and vote at the general meeting shall have the right to appoint one or several persons (who may not be Shareholders) to act as his or her proxy to attend and vote at the meeting on his or her behalf.

The proxy(ies) so appointed by the Shareholder(s) may, pursuant to the instructions of the Shareholder(s), exercise the following rights:

(a) the Shareholders' right to speak at the general meeting;

(b) the right to demand a poll by himself/herself or jointly with others;

(c) the right to exercise voting rights by a show of hands or by a poll, provided that where more than one proxy is appointed, the proxies may only exercise such voting rights by a poll.

The appointment of a proxy shall be in writing and signed by the appointing Shareholder or his/her attorney duly authorised in writing; where the appointing Shareholder is a legal person, such appointment shall be affixed with its seal or signed by its Director or attorney duly authorised.

The instrument of proxy shall be lodged at the address of the Company or at other places specified in the notice of meeting at least twenty-four (24) hours prior to the relevant meeting at which the proxy is authorized to vote, or within twenty-four (24) hours prior to the specified time of voting. Where the instrument of proxy is signed by a person authorized by the appointing shareholder, the power of attorney or other documents authorizing such person to sign the instrument of proxy shall be notarized. The notarized power of attorney or other authorization documents, together with the instrument of proxy, shall be lodged at the address of the Company or at other places specified in the notice of meeting.

Where the appointing shareholder is a legal person, its legal representative or the person authorized by the resolution of its board of directors or other governing bodies may attend the shareholders' general meetings of the Company as a representative of such appointing shareholder.

Any blank instrument of proxy or proxy form issued to a shareholder by the board of directors for the shareholder to appoint a proxy shall allow the shareholder to freely instruct the proxy to cast vote for, against or abstain from voting and enable the shareholder to give separate instructions on each matter to be voted at the meeting.

Such instrument of proxy shall contain a statement that in the absence of instructions from the shareholders, his proxy may vote at his discretion.

Where the appointing shareholder has deceased, lost capacity, revoked the appointment or the signed instrument of authorization prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of such event prior to the commencement of the relevant meeting.

Special Procedures for Voting by Class Shareholders

Shareholders who hold different classes of Shares shall be class Shareholders.

Class Shareholders shall have rights and obligations in accordance with the laws, administrative regulations and the Articles of Association.

Apart from holders of other classes of Shares, holders of domestic Shares and H Shares are regarded as Shareholders of different classes.

If the Company proposes to change or nullify certain rights of a certain class of Shareholders, this proposal should be passed by a special resolution at the Shareholders' general meeting and passed at the meeting convened according to Article 131 to 135 of the Articles by the related class of Shareholders.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

(a) to increase or reduce in the number of the Shares of such class, or increase or reduce the number of the Shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;

(b) to convert part or whole of the Shares of such class into other class(es), convert part or whole of the Shares of other class(es) into such class, or grant such conversion rights;

(c) to nullify or reduce the rights of such class of Shares to receive payable dividends or cumulative dividends;

(d) to reduce or nullify the privileged rights of such class of Shares to acquire dividends or obtain distribution of assets during liquidation of the Company;

(e) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of such class of Shares or the rights of such class of Shares to obtain securities issued by the Company;

(f) to nullify or reduce the rights of such class of Shares to receive amounts payable by the Company in a particular currency;

(g) to establish new class(es) of Shares with the same or more voting rights, distribution rights or other privileges as compared with those enjoyed by such class of Shares;

(h) to impose restriction or additional restrictions on the transfer of ownership of such class of Shares;

(i) to grant the share subscription options or share conversion options of such class or another class of Shares;

(j) to increase the rights or privileges of other class(es) of Shares;

(k) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of Shareholders during the restructuring; or

(l) to revise or nullify the provisions under this section.

Where issues specified in (b) to (h), (k) to (l) of the preceding provisions are involved, the affected class Shareholders, whether or not they are entitled to vote at Shareholders' general meetings originally, shall have the right to vote at class general meetings. However, the Shareholders with conflicts of interests shall have no voting rights at the meeting for such class of Shareholders.

A resolution of the meeting for a certain class of Shareholders shall be adopted by above two-thirds of the voting Shares represented by Shareholders of such class present at the meeting.

The special voting procedure at a Shareholders' general meeting for class Shareholders shall not apply for the following cases:

(a) upon the approval by way of a special resolution passed by a Shareholders' general meeting, the Company issues overseas listed foreign Shares every twelve months, provided that the amount of Shares intended to be issued is not more than twenty percent of the issued and outstanding Shares of the class;

(b) the Company's plan on issuing overseas listed foreign Shares at the time of establishment, which is completed within fifteen months from the date of approval from competent securities department under the State Council, or

(c) where with the approval by the security's regulatory authorities of the State Council the shareholders who hold the domestic shares of the Company transfer the shares held by them to foreign investors and cause these shares to be listed and traded on an overseas stock exchange.

DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders' meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

Appointment, Removal and Retirement

Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. Each term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of his/her term of office.

The Board of the Company consists of nine Directors. including three independent Directors. A Director is not required to hold any Shares of the Company.

The Board shall have one chairman, which shall be elected or removed from office by more than half of all Directors.

Candidates for Directors, excluding the candidates for independent Directors, shall be nominated by the Board or Shareholders individually or jointly holding above three percent of the Company's total Shares with voting rights and be selected by the Shareholders' general meeting.

A person may not serve as a Director, Supervisor, General manager or other senior management of the Company if such person:

(a) has no civil capacity or has limited civil capacity;

(b) was sentenced for the offense of corruption, bribery, expropriation, misappropriation of property or for disrupting the socialist market economic order, and less than five years has elapsed since the sentence was served, or has been deprived of political rights due to such crimes, and less than five years has elapsed since the deprivation was completed;

(c) has served as a director, factory manager or general manager of a company or enterprise that was bankrupted and liquidated, and was personally liable for the bankruptcy of such company or enterprise, and less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(d) was a former legal representative of a company or an enterprise which has had its business license revoked and been ordered to close down its business for violating the laws, and was personally liable for that revocation, and less than three years has elapsed since the date of revocation;

(e) has comparatively large amount of individual debts that have become overdue and have not been settled;

(f) has been currently under investigation for criminal offense and which investigation is not yet concluded;

(g) is prohibited from acting as leader of an enterprise by virtue of any laws and administrative regulations;

(h) is not a natural person;

(i) has been prohibited to enter the capital market by competent securities department of the State Council and the period has not expired;

(j) has been convicted by relevant competent authorities for violation of securities related laws and regulations, where such violation involved fraudulent or dishonest acts, and less than five years has elapsed since the date of such conviction; or

(k) other contents stipulated by laws, administrative regulations, regulations of ministries and commissions or listing rules for stock exchanges where the Company's Shares are listed.

Power to Dispose of the Assets of Our Company or Any Subsidiary

For the disposal of fixed assets by the Board, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months preceding such proposal for disposal exceeds thirty-three percent of the fixed assets value shown in the most recent balance sheet reviewed at a Shareholders' general meeting, the Board shall not dispose of or approve of the disposal of such fixed assets without the approval of the Shareholders' general meeting.

The disposal of fixed assets referred to in this paragraph includes the transfer of interests of certain assets, but excludes the provision of fixed assets as pledges to any guarantees.

A breach of the above paragraph shall not affect the validity of transactions entered into by the Company in disposing of fixed assets.

Borrowing Powers

The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors, other than provisions which require the issuance of corporate bonds to be approved by the Shareholders in general meeting by way of a special resolution.

Disclosure of Interests in Contracts with Our Company

The Directors, Supervisors, General manager (President, CEO) and other senior management personnel of the Company having any direct or indirect material conflict of interests in any executed or proposed contracts, transactions or arrangements (except the employment contracts between the Company and its Directors, Supervisors, General manager (President, CEO) and other senior management personnel), regardless of whether such interests are usually subject to the approval and consent of the Board, such persons shall disclose the nature and extent of the interests to the Board as soon as possible.

Unless the Directors, Supervisors, General manager (President, CEO) and other senior management personnel of the Company with conflicts of interest have disclosed their interests to the Board in accordance with the requirements of the preceding paragraph, and the Board has approved the matter without counting the interested persons into the quorum and without their participation in the vote, the Company shall have the right to rescind such contracts, transactions or arrangements, except in circumstances where the counterparty is acting in good faith and unaware of that the Directors, Supervisors, General manager and other senior management personnel are in breach of their obligations.

Where the related persons of the company's directors, supervisors, general manager (President, CEO) and other senior managers have interests in a contract, transaction or arrangement, the relevant directors, supervisors, general manager (President, CEO) and other management personnel shall also be regarded as having interests.

Loans to Directors, Supervisors and Senior Management

The Company shall not, directly or indirectly, provide loans or loan guarantees to the Directors, Supervisors, General manager (President, CEO) and other senior management personnel of the Company and its parent company, nor shall the Company provide the same to their connected persons. The preceding provision shall not apply to the following circumstances:

(a) loans or loan guarantees provided by the Company to its subsidiaries;

(b) loans, loan guarantees or other funds provided by the Company to the Directors, Supervisors, General manager (President, CEO) and other senior management personnel of the Company pursuant to their employment contracts which were adopted by the Shareholders' general meeting, with which the foregoing persons can make payments in the interests of the Company or for the expenses incurred in performing their duties and responsibilities for the Company;

(c) where the normal scope of business of the Company includes the provisions of loans and loan guarantees, loans and loan guarantees can be provided by the Company to the relevant Directors, Supervisors, General manager (President, CEO) and other senior management personnel of the Company and their connected persons, provided that the loans and loan guarantees are provided on normal commercial terms and conditions.

If the Company provides a loan in breach of the provisions above, the person who has received the loan shall repay it immediately regardless of the terms of the loan.

Remunerations and Compensation for Loss of Office

The Company shall enter into written contracts with the Directors and the Supervisors regarding remuneration which are subject to the prior approval from the Shareholders' general meeting. The written contracts shall include at least the following provisions:

(a) An undertaking by the directors, supervisors, general manager and other senior management to the Company that they will comply with the Company Law, the Special Regulations, the Articles of Association, the Code on Takeovers and Mergers, the Code on Share Repurchases and other requirements established by the Hong Kong Stock Exchange, and an agreement that the Company will have the remedies provided for in the Articles of Association, and that neither such contracts nor their positions are transferable;

(b) An undertaking by the directors, supervisors, general manager and other senior management to the Company that they will observe and perform their duties to the shareholders as set out in the Articles of Association; and

(c) The arbitration clause stipulated in Article 265 of the Articles of Association.

The aforesaid "remunerations" include:

(a) remuneration for the Directors, Supervisors or senior management personnel of the Company;

(b) remuneration for the Directors, Supervisors or senior management personnel of the subsidiaries of the Company;

(c) remuneration for those providing other services for managing the Company and its subsidiaries; and

(d) compensation to Directors or Supervisors for loss of office or upon retirement.

Except for the contracts mentioned above, the Directors and Supervisors shall not initiate litigation against the Company and claim benefits due to them for the foregoing matters.

The remuneration contracts between the Company and its Directors or Supervisors shall stipulate that if the Company is to be acquired, the Directors and Supervisors of the Company shall, subject to prior approval from the Shareholders' general meeting, be entitled to compensation or other funds for loss of their positions or upon retirement. Such compensation shall be in accordance with the principle of fairness and shall not damage the legitimate rights and interests of the Company or carry out transfer of benefits. The "acquisition of the Company" mentioned in this paragraph refers to one of the following circumstances:

(a) a takeover offer made by any person to all Shareholders; and

(b) a takeover offer made by any person with the intent of becoming a "Controlling Shareholder". See the definition of "Controlling Shareholder" in Article 266 of our Articles of Association.

If Directors and Supervisors do not comply with the preceding provisions, any funds received by them shall go to the persons who have accepted the offer mentioned above and sell their Shares. The Directors and Supervisors shall bear the expenses arising from the proportional distribution of such amounts, and such expenses shall not be deducted from the amounts.

FINANCIAL, PROFIT DISTRIBUTION AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with laws, administrative regulations and the provisions of competent departments. The Company shall prepare financial reports at the end of each fiscal year and submit it for examination and verification in accordance with the law.

The Company shall prepare its financial statements in accordance with PRC accounting standards and regulations, as well as in accordance with international accounting standards or the accounting standards of the overseas locality in which the Company's Shares are listed. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. When distributing the after-tax profits of a given fiscal year, the Company shall take as final the smaller amount of after-tax profits out of the aforesaid two kinds of financial statements.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations, as well as the international accounting standards or the accounting standards of the overseas locality where the Company's Shares are listed.

Profit Distribution

The Company shall withdraw 10% of the annual profits as the statutory reserve fund the Company. Such withdrawal may be stopped when the statutory reserve fund of the Company has accumulated to at least 50% of the registered capital of the Company.

If the statutory reserve fund is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up for the said losses before any statutory reserve fund is withdrawn as per the preceding paragraph.

After statutory reserve fund is withdrawn out of the after-tax profits, discretionary reserve fund may also be withdrawn out of the same as per a resolution made at a general meeting.

The after-tax profits remaining after makeup of losses and withdrawal of capital reserves shall be profits distributable to shareholders, which shall be distributed by the Company to the shareholders in proportion to their shareholding according to the resolution of the general meeting.

The Company may distribute dividends in one of the following forms (or in more than two forms simultaneously):

(a) Cash;

(b) Shares.

Our Company shall appoint receiving agents on behalf of shareholders holding overseas listed foreign shares. Receiving agents shall receive dividends and other payable funds that are distributed with respect to our overseas listed foreign shares for relevant shareholders. Receiving agents appointed by our Company shall on behalf of shareholders of shares listed in Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

After the shareholders' meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the shareholders' meeting.

If the general meeting, in violation of the provision in the preceding paragraph, distributes profits to shareholders before recovering losses and withdrawing statutory reserve fund, the profits thus distributed shall be returned to the Company.

Distribution of profits shall not apply to the Shares in the Company held by the Company itself.

The capital reserve of the Company shall be used to make up for the losses, enhance the operating scale or increase the capital of the Company. However, the capital reserve shall not be used to recover the losses of the Company.

The capital reserve shall include:

(a) Premium arising from issue above the par value of the stock; and

(b) Other revenue required by the financial authority under the State Council to be stated as capital reserve.

When statutory reserve fund is converted into capital, the amount of the said fund left shall not be less than 25% of the registered capital of the Company before such conversion.

Accounting Firm

The company shall appoint an accounting firm qualified to engage in securities-related business to undertake matters including audits of accounting statements, the verification of net assets and other relevant consultancy services. The term of appointment shall be one year which commence on the date of conclusion of the current shareholders' meeting and end on the date of conclusion of the subsequent shareholders' meeting, and may be renewed.

The company's appointment of an accounting firm shall be decided by an ordinary resolution of the general meeting. The board of directors shall not appoint any accounting firm prior to a decision being made by the general meeting.

An accounting firm appointed by the company shall have the following rights:

(a) To inspect, at any time, the company's account books, records or vouchers, and shall have the right to require the directors, managers or other senior officers to provide relevant data and explanations;

(b) To require the company to adopt all reasonable measures to obtain from its subsidiaries data and explanations which the accounting firm requires for the performance of its duties; and

(c) To attend shareholders' meetings and to obtain information which is available to any shareholder who has the right to receive notice of a meeting or on other matters related to the meeting, and to speak at any shareholders' meeting about matters related to its functions as accounting firm to the company.

The remuneration of an accounting firm or methods for determining remuneration shall be decided by an ordinary resolution of the general meeting. The remuneration of an accounting firm appointed by the board of directors shall be determined by the board of directors.

MERGER, DIVISION, DISSOLUTION AND LIQUIDATION OF THE COMPANY

In the case of the consolidation or division of the company, a consolidation or division plan shall be drafted by the board of directors and after the plan is adopted according to the procedures stipulated in the company's Articles of Association, the relevant procedures for examination and approval shall then be carried out in accordance with the law. If a shareholder objects to the consolidation or division plan, that shareholder shall have the right to require the company or those shareholders who approve the consolidation or division plan to purchase his/her shares at a fair price. The content of a resolution on the consolidation or division of the company shall be made into a special document to be available for inspection by shareholders.

For holders of foreign shares of the company listed in Hong Kong the aforesaid document shall be delivered by mail to each of them.

In a merger of companies, the companies shall execute a merger agreement and prepare their respective balance sheets and schedules of assets. The companies shall notify their creditors within ten days of adopting merger resolutions, and shall publish notices more than three times in information disclosure press within 30 days. Creditors shall be entitled to claim full repayment of all debts owed by the companies or require that appropriate assurances are provided within 30 days of receiving the notice, or within 45 days of publication of the first notice if any such creditor does not receive the notice.

If the company is to be divided, its assets shall be divided accordingly.

In a division of the company, a balance sheet and a schedule of assets shall be prepared. The company shall notify its creditors within ten days of the date on which the division resolution is made, and shall make announcements more than three times in the information disclosure press within 30 days.

The Company shall be dissolved in any of the following circumstances:

(a) expiry of term of business stipulated in the Articles of Association of the Company;

(b) if the Shareholders' general meeting resolves to do so;

(c) if a dissolution is necessary as a result of a merger or division of the Company;

(d) the Company is declared bankrupt pursuant to the law as a result of its inability to pay due;

(e) the business license of the Company is revoked or if it is ordered to close down its business; or deregistered;

(f) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholders holding above ten percent of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions.

If the Board decides that the Company shall be liquidated (except for liquidation resulting from the Company's declaration of bankruptcy), it shall state in the notice of Shareholders' general meeting convened for such purpose that the Board have conducted a comprehensive investigation into the situation of the Company and believes that the Company is able to pay off all its debts within twelve months following the commencement of the liquidation.

After the Shareholders' general meeting adopts a resolution in favor of the liquidation, the functions and powers of the Board of the Company shall be terminated immediately.

The liquidation committee shall follow the instructions of the Shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Company and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

AMENDMENTS TO THE ARTICLES

In any of the following circumstances, the Company shall amend the Articles:

(a) if upon amendments to the PRC Company Law or relevant laws and administrative regulations, any terms contained in the Articles become inconsistent with the provisions of the amended laws and administrative regulations;

(b) a change in the Company causes inconsistence with those contained in the Articles; or

(c) a resolution being passed by the Shareholders' general meeting to amend our Articles.

If the amendments to our Articles are subject to approval by relevant competent authorities, the amendments to our Articles adopted at the Shareholders' general meeting shall be reported to the competent authority for approval; if registration matters are involved, the Company shall apply for registration of the changes in accordance with the law.

OTHER PROVISIONS MATERIAL TO OUR COMPANY AND OUR SHAREHOLDERS

General Provisions

The Company is a joint stock company with limited liability and permanently surviving.

From the date on which the Articles of Association come into effect, the Articles shall constitute a legally binding document regulating the Company's organization and activities, and the rights and obligations between the Company and each Shareholder and among the Shareholders inter se.

From the date on which the Articles of Association come into effect, the Articles shall constitute a legally binding document to the Company, Shareholders, Directors, Supervisors and senior management personnel. The aforesaid persons are entitled to claim for their rights based on the Articles of Association.

The Company may, based on its operating and development needs, increase its share capital pursuant to laws, subject to the resolution on general meeting. The Company may increase its capital by the following ways:

(a) public offering of Shares;

(b) non-public offering of Shares;

(c) placing Shares to existing Shareholders;

(d) distributing bonus Shares to existing Shareholders;

(e) transferring reserve funds to increase share capital; or

(f) other methods permitted by laws, administrative regulations, competent securities department and other relevant competent authorities of the State Council.

Board of Directors

The Board of Directors shall exercise the following functions and powers:

(a) convening Shareholders' general meetings and reporting its performance at the Shareholders' general meetings;

(b) implementing resolutions of the Shareholders' general meetings;

(c) determining or making significant amendment to the Company's business plans and investment plans;

(d) formulating annual financial budget plans and final account plans;

(e) formulating profit distribution plans and plans for recovery of losses of the Company;

(f) formulating proposals for the increase or reduction of the Company's registered capital, and for the issuance of the Company's debentures or other securities and the listing;

(g) drafting proposals for the Company's major acquisition, purchase of the Company's Shares according to article 27(1), (2) of the Articles of Association or merger, division, dissolving and change in corporate form of the Company;

(h) determining the purchase of the Company's Shares according to article 27 (3), (5), (6) of the Articles of Association;

(i) determining investments, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted investments, connected transactions and other matters within the authorization scope of Shareholders' general meeting;

(j) deciding on the Company's internal management structure;

(k) appointing or dismissing the General manager and the secretary to the Board of the Company based on the nominations of the chairman of the Board; appointing or dismissing Vice General manager, Chief Financial Officer and other senior management of the Company based on the nominations of the General manager, and determining their emoluments, rewards and penalties;

(l) establishing the basic management system of the Company;

(m) drafting proposals for the amendment to the Articles;

(n) managing the information disclosures of the Company;

(o) proposing the engagement or change of the appointment of accounting firms to the Shareholders' general meeting;

(p) reviewing work reports of the General manager of the Company and examine his or her work;

(q) other duties and powers stipulated by laws, administrative regulations, regulations of ministries and commissions, listing rules for stock exchanges where the Company's Shares are listed and the Company's Articles of Association.

The Board of Directors shall hold a regular meeting at least four times a year, and the Board meeting shall be convened by the chairman of the Board. Notices of the regular Board meeting shall be sent to all Directors and Supervisors at least fourteen days prior to the date of the meeting.

A meeting of the Board of Directors shall only be held if it has a quorum of more than one half of the directors. Resolutions adopted at the Board meeting must be approved by more than one half of all members of the Directors unless otherwise required in the Company's Articles of Association.

Resolutions of the Board shall be passed on a "one person one vote" basis. Where there is an equality of votes cast both for and against a resolution, the chairman shall have the right to cast one more vote.

General manager

The Company shall have one General manager (President, CEO), appointed and removed by the Board of Directors.

General manager (President, CEO) shall be accountable to the Board and shall exercise the following powers:

(a) to be in charge of the Company's operation and management and to implement the solutions of the Board, and report work to the Board;

(b) to formulate and implement the Company's annual business plan and investment plan;

(c) to formulate the Company's internal management structure;

(d) to draft the basic management scheme of the Company;

(e) to formulate the Company's concrete bylaws;

(f) to propose the appointment or dismissal of the Company's Vice General Manager, Chief Financial Officer, Secretary of the Board and other senior management personnel;

(g) to determine the appointment or dismissal of responsible management personnel except for whom should be appointed or dismissed by the Board of Directors;

(h) to exercise other powers conferred by the Articles of Association and the Board.

The general manager (President, CEO) may be present at a meeting of the Board. The general manager has no voting rights at the Board meetings unless he is also a director.

Secretary of the Board

There shall be a secretary of the Board. The secretary to the Board shall have necessary professional knowledge and experience. The secretary to the Board shall be responsible for the preparations for general meetings and Board meetings, keeping of documentation and shareholders' data, matters relating to information disclosure of the Company, etc., to ensure:

(a) complete organizational documents and records are available for the Company;

(b) the Company prepares and submits documents and reports required by relevant authorities pursuant to the law; and

(c) the register of Shareholders of the Company is properly established, and that persons entitled to receive relevant records and documents of the Company are given timely access to such records and documents.

Supervisory Committee

The Directors, General manager (President, CEO) and other senior managements shall not act concurrently as Supervisors.

Each Supervisor shall serve for a term of three years, which may be re-elected upon the expiration of his/her term.

The Company shall have a Supervisory Committee. The Board of Supervisors shall consist of three supervisors. The Supervisory Committee shall have one chairman.

The Board of Supervisors shall consist of an appropriate proportion of shareholders representative supervisors and employee representative supervisors, and the percentage of employee representative supervisors shall not be less than 1/3. The employee representative supervisors shall be elected by employees of the Company at the employee representatives' meeting, the employee meeting or otherwise democratically.

The appointment and removal of the chairman shall be made with a resolution passed by over two-thirds of all members of the Supervisory Committee.

The Supervisory Committee shall be accountable to the Shareholders' general meeting and shall exercise the following powers:

(a) to review and give written comments to regular reports of the Company formulated by the Board;

(b) to monitor financial situations of the Company;

(c) to supervise the related acts of any of the Directors and senior management personnel and propose the removal of who violates any laws, administrative regulations, the Articles of Association or resolutions passed by the Shareholders' meeting;

(d) to demand any Director or senior management personnel who acts in a manner which is detrimental to the Company's interest to rectify such behaviors;

(e) to propose the convening of extraordinary general meeting and to convene and preside over extraordinary general meeting when the Board fails to perform the duty of convening and presiding Shareholders' general meetings;

(f) to make proposal to the Shareholders' general meeting;

(g) to bringing actions against Directors and senior management members according to Article 151 of the Company Law; and

(h) to investigate the Company should any abnormal operation situation arise; to authorize accounting firms, law firms and other professional institutions to assist the investigation and the fees shall be borne by the Company.

Meetings of the Supervisory Committee shall be convened at least once each six months and be convened and presided by its chairman. The notice of the meeting shall be delivered to all supervisors in writing within 10 days before the meeting.

Meetings of the Supervisory Committee shall be convened and presided by its chairman; A Supervisor shall be elected by more than half of all Supervisors to convene and host the meetings of Supervisory Committee when the chairman fails or refuses to perform the duty.

Calls On Shares and Forfeiture of Shares

There are no provisions in the Articles relating to calls on Shares.

Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised after the expiry of the relevant time frame.

Resolution of Disputes

The Company shall abide by the following rules for dispute resolution:

(a) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under our Articles, the PRC Company Law or any other relevant laws and administrative regulations, arise between Shareholders of overseas listed foreign Shares and the Company, between Shareholders of overseas listed foreign Shares and the Company's Directors, Supervisors, or senior management personnel of the Company, or between Shareholders of overseas listed foreign Shares and Shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

(b) An applicant may choose for the arbitration to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

(c) Unless otherwise provided by laws and administrative regulations, the laws of the PRC shall apply to the settlement of any disputes or claims that are resolved by arbitration described in item (a) above.

(d) The award of the arbitration institution shall be final and binding upon all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on January 5, 2009 and converted into a joint stock limited liability company in the PRC on September 16, 2021.

We have established a place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 16, 2021 under the same address. Ms. Tang Wing Shan Winza has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix V and Appendix VI to this prospectus, respectively.

2. Changes in our share capital

The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this prospectus:

- On September 16, 2021, our Company was converted into a joint stock company with limited liability under PRC law. Upon completion of such conversion, the registered capital of our Company was RMB508,000,000 divided into 508,000,000 Domestic Shares with a nominal value of RMB1.00 each.

- On September 24, 2021, the registered capital of our Company was increased from RMB508,000,000 to RMB1,028,300,000.

- On November 29, 2021, the registered capital of our Company was increased from RMB1,028,300,000 to RMB1,054,215,000.

- On December 7, 2021, the registered capital of our Company was increased from RMB1,054,215,000 to RMB1,317,768,750.

Save as disclosed above, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

- On December 30, 2020, the authorized capital and issued and paid-up capital of HPL was increased from IDR5,000,000,000,000 to IDR6,000,000,000,000 and from IDR3,200,000,000,000 to IDR4,330,000,000,000, respectively.
- On January 19, 2021, the authorized capital and issued and paid-up capital of PT Dharma Cipta Mulia was increased from IDR5,000,000,000 to IDR10,100,000,000 and from IDR1,250,000,000 to IDR2,525,000,000, respectively.
- On June 14, 2021, Kang Xuan Pte. Ltd. allotted and issued 1,000 shares upon its incorporation.
- On June 25, 2021, the registered capital of Xi'an Pengyuan was increased from RMB10,000,000 to RMB50,000,000.
- On September 20, 2021, the issued and paid-up capital of HPL was increased from IDR4,330,000,000,000 to IDR5,030,000,000,000.
- On November 22, 2021, Kang Xuan Pte. Ltd. allotted and issued 66,061,412 shares, thereby increasing its share capital to 66,062,412 shares.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Resolutions of our Shareholders

At the extraordinary general meeting of our Company held on December 31, 2021, the following resolutions, among other things, were duly passed:

(a) the issue of H Shares by our Company of nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange;

(b) the number of H Shares to be issued shall not be more than 15% of the total share capital of our Company as enlarged by the Global Offering, and the grant of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the issue and the listing of the H Shares; and

(d) the adoption of the Articles of Association which shall become effective on the Listing Date, and authorization to the Board to amend the Articles of Association.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) the capital increase agreement entered into among our Company, Lygend Investment, Ningbo Lizhan, Cai Jianyong (蔡建勇), Song Zhen (宋臻), Dong Dong (董栋), Cai Jianwei (蔡建威), Cai Jiansong (蔡建松), Fei Feng (费风), Ge Kaicai (葛凯财) and He Xiaodan (何晓丹) dated September 23, 2021, pursuant to which Cai Jianyong, Song Zhen, Dong Dong, Cai Jianwei, Cai Jiansong, Fei Feng, Ge Kaicai and He Xiaodan agreed to contribute an aggregate of RMB608.751 million to the registered capital and capital reserves of our Company, and thereby acquiring an approximately 50.6% shareholding interest in our Company;

(b) the sale and purchase agreement entered into among our Company and Feng Yi Pte. Ltd. dated November 8, 2021, pursuant to which our Company agreed to purchase and Feng Yi Pte. Ltd. agreed to sell the entire issued and paid-up share capital of Kang Xuan Pte. Ltd. for a consideration of RMB590 million;

(c) the capital increase agreement entered into among our Company, Feng Yi Pte. Ltd., Lygend Investment, Ningbo Lizhan, Cai Jianyong (蔡建勇), Song Zhen (宋臻), Dong Dong (董栋), Cai Jianwei (蔡建威), Cai Jiansong (蔡建松), Fei Feng (费风), Ge Kaicai (葛凯财) and He Xiaodan (何晓丹) dated November 8, 2021, pursuant to which Feng Yi Pte. Ltd. agreed to contribute RMB590 million to the registered capital and capital reserves of our Company and thereby acquiring a 20% shareholding interest in our Company;

(d) the sixth amendment to the shareholders agreement dated May 29, 2018, addendum dated July 4, 2018, second addendum dated July 24, 2018, third addendum dated April 23, 2019, fourth addendum dated January 13, 2020 and fifth addendum dated September 4, 2020 entered into among our Company and PT Harita Jayaraya dated November 29, 2021;

(e) the cornerstone investment agreement dated November 15, 2022 entered into among our Company, Hongkong Brunp and Catl Co., Limited (香港邦普时代新能源有限公司), China International Capital Corporation Hong Kong Securities Limited (中国国际金融香港证券有限公司) ("**CICC**") and CMB International Capital Limited (招银国际融资有限公司) ("**CMBI**"), details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated November 16, 2022 entered into among our Company, China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中国国有企业混合所有制改革基金有限公司), CICC and CMBI, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated November 15, 2022 entered into among our Company, Ningbo Yinzhou District Financial Holding Co., Ltd. (宁波市鄞州区金融控股有限公司), CICC and CMBI, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated November 15, 2022 entered into among our Company, GEM Hong Kong International Co., Limited (格林美香港國際物流有限公司), CICC and CMBI, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(i) the cornerstone investment agreement dated November 15, 2022 entered into among our Company, Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership) (湖北容百电池三角壹号股权投资基金合伙企业（有限合伙）), CICC and CMBI, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(j) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, the following intellectual property rights are, in the opinion of our Directors, material to our Group's business.

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	LYGEND	6	the Company	PRC	35791027	July 27, 2030
2.	LYGEND	37	the Company	PRC	35771575	February 6, 2031
3.	力勤惠然	6	the Company	PRC	35537014	August 20, 2029
4.	力勤惠然	35	the Company	PRC	35532769	August 6, 2029
5.	力勤惠然	37	the Company	PRC	35531910	August 20, 2029
6.	力勤	6	the Company	PRC	26553279	November 20, 2028
7.	LYGEND	6	the Company	PRC	26551579	November 20, 2028
8.	力勤	6	the Company	PRC	26551560	December 6, 2028
9.	力勤资源	6	the Company	PRC	62223650	July 13, 2032
10.	力勤资源	1	the Company	PRC	61423974	July 6, 2032
11.	LYGEND RESOURCES	6	the Company	PRC	61418500	July 6, 2032
12.	LYGEND RESOURCES	1	the Company	PRC	61435554	July 6, 2032
13.	力勤 LYGEND 力勤 LYGEND 力勤 LYGEND 力勤 LYGEND	6, 16	the Company	Hong Kong	305798017	November 9, 2031
14.	力勤资源 LYGEND RESOURCES 力勤资源 LYGEND RESOURCES	6, 16	the Company	Hong Kong	305858687	January 13, 2032
15.		6, 16	the Company	Hong Kong	305870601	January 26, 2032

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents which are material to our business:

No.	Name of Patent Holder	Description	Type of Patent	Application Number	Application Date
1.	Jiangsu Wisdom	a high-efficiency and energy-saving submerged arc furnace structure with cooling function (一種具備冷卻功能的高效節能礦熱爐結構)	Invention	2021105140696	May 12, 2021
2.	Jiangsu Wisdom	an energy saving drying kiln device for dewatering wet ores (一種用於濕礦脱水的乾燥窯節能型烘乾裝置)	Invention	2021105162549	May 12, 2021
3.	Jiangsu Wisdom	an energy saving and environmentally friendly recovery and utilization device for electric furnace waste heat (一種節能環保型的電爐餘熱回收利用裝置)	Invention	2021105157396	May 12, 2021
4.	Jiangsu Wisdom	an automatic control device for tempering furnace temperature (一種用於鋼化爐溫的自動控制裝置)	Utility Model	2021206657309	March 31, 2021
5.	Jiangsu Wisdom	a new type of rotary kiln discharge tank structure (一種新型回轉窯出料罐結構)	Utility Model	2021206538865	March 31, 2021
6.	Jiangsu Wisdom	a re-modeled gas stove feeder (一種煤氣爐改造型給料裝置)	Utility Model	2021206024931	March 24, 2021
7.	Jiangsu Wisdom	a submerged arc furnace tap hole structure (一種礦熱爐出鐵口結構)	Utility Model	2020217505199	August 20, 2020
8.	Jiangsu Wisdom	a vertical lifting guiding mechanism for submerged arc furnace electrodes (一種礦熱爐電極豎直升降導向機構)	Utility Model	2020217520358	August 20, 2020
9.	Jiangsu Wisdom	a phosphorus removal device for nickel-iron rolling (一種鎳鐵出爐軋製前除磷裝置)	Utility Model	2020217372089	August 19, 2020
10.	Jiangsu Wisdom	a device for recycling and utilizing waste heat from submerged arc furnace cooling water (一種用於礦熱爐冷卻水餘熱回收利用裝置)	Utility Model	2020217362621	August 19, 2020
11.	Jiangsu Wisdom	a flue gas desulfurization and dust reduction device (一種煙氣脱硫降塵裝置)	Utility Model	2020216970263	August 14, 2020
12.	Jiangsu Wisdom	an improved integrated crushing and screening machine for mines (一種改進型礦山用破碎篩分一體機)	Utility Model	2020216964775	August 14, 2020
13.	Jiangsu Wisdom	an improved feeding device for nickel smelting (一種改進型煉鎳用進料裝置)	Utility Model	2020216981342	August 14, 2020

No.	Name of Patent Holder	Description	Type of Patent	Application Number	Application Date
14.	Jiangsu Wisdom	a dust removal device for rotary kilns (一種用於回轉窯的除塵設備)	Utility Model	2020216824623	August 13, 2020
15.	Jiangsu Wisdom	a rotary kiln noise reduction and flue heat preservation device (一種回轉窯降噪及煙道保溫裝置)	Utility Model	2020216822774	August 13, 2020
16.	Jiangsu Wisdom	a pre-processing system for gas furnace feed (一種煤氣爐進料前置加工系統)	Utility Model	2020216822810	August 13, 2020
17.	Jiangsu Wisdom	a discharge conveying device for gas furnaces (一種煤氣爐出料輸送裝置)	Utility Model	201921012906X	July 2, 2019
18.	Jiangsu Wisdom	a proportioning and stirring mixed device for reducing agents (一種還原劑配比攪拌混合裝置)	Utility Model	2019210128071	July 2, 2019
19.	Jiangsu Wisdom	an easy-to-install submerged arc furnace flue gas pipe (一種便於安裝的礦熱爐煙氣管道)	Utility Model	2019210129110	July 2, 2019
20.	Jiangsu Wisdom	an easy-to-install submerged arc furnace flue gas pipe (一種礦熱爐爐蓋冷卻裝置)	Utility Model	201921012913X	July 2, 2019
21.	Jiangsu Wisdom	a submerged arc furnace flue gas recovery device (一種礦熱爐煙氣回收裝置)	Utility Model	2019210129074	July 2, 2019
22.	Xi'an Pengyuan	a material for improving reduction of nickel slag and its preparation method (一種促進鎳渣還原的物料及其製備方法)	Invention	2020108809310	August 27, 2020
23.	Xi'an Pengyuan	a metal smelting furnace (一種金屬冶煉爐)	Utility Model	2020220662161	September 21, 2020
24.	Xi'an Pengyuan	a metallurgical casting vibrating pouring device (一種冶金鑄造振動澆注裝置)	Utility Model	2020222156817	October 9, 2020
25.	Xi'an Pengyuan	a vacuum furnace with convenient operation and high safety (一種便於操作安全性高的真空爐)	Utility Model	2020223444262	October 20, 2020
26.	Xi'an Pengyuan	a utilization and crushing device for metallurgical slag (一種用於冶金爐渣的利用粉碎裝置)	Utility Model	2020224695357	October 30, 2020
27.	Xi'an Pengyuan	an explosion-proof vacuum furnace with good safety (一種安全性好的防爆真空爐)	Utility Model	2020223489259	October 21, 2020
28.	Xi'an Pengyuan	an intermediate feeding device for metallurgical equipment (一種冶金設備用間歇加料裝置)	Utility Model	2020223159085	October 18, 2020
29.	Xi'an Pengyuan	an electric arc furnace with climbing auxiliary structure (一種帶有攀高輔助結構的電弧爐)	Utility Model	2018219880030	November 29, 2018
30.	Xi'an Pengyuan	an improved water-cooling compensator for electric furnaces (一種改進型電爐水冷補償器)	Utility Model	2021213573454	June 18, 2021

No.	Name of Patent Holder	Description	Type of Patent	Application Number	Application Date
31.	Xi'an Pengyuan	a water-cooling structure for electric arc furnaces and silo weighing devices (一種電弧爐爐體和料倉稱重裝置的水冷結構)	Utility Model	2021212536960	June 7, 2021
32.	Xi'an Pengyuan	a process solution for improving the efficiency of electrostatic precipitators (一種提高電除塵器效率的工藝方案)	Utility Model	2021212183846	June 2, 2021
33.	Xi'an Pengyuan	an advanced furnace cover sealing device (一種先進的爐蓋密封裝置)	Utility Model	2021211717511	May 28, 2021
34.	Xi'an Pengyuan	an improved nickel-iron electric dust collector shell (一種改進型鎳鐵電除塵器殼體)	Utility Model	202121175654X	May 28, 2021
35.	Xi'an Pengyuan	A horizontal electrostatic precipitator using CW type anode plate (一種採用CW型陽極板的臥式電除塵器)	Utility Model	2022213708757	June 3, 2022
36.	the Company, China Enfei Engineering Co., Ltd. (中國恩菲工程技術有限公司)	method for reducing hexavalent chromium in high pressure acid leaching process for laterite nickel ores (紅土鎳礦高壓酸浸工藝中還原六價鉻的方法)	Invention	202110764231X	July 6, 2021

As of the Latest Practicable Date, our Group had applied for registration of the following patents which are material to our business:

No.	Name of Patent Holder	Description	Type of Patent	Application Number	Date of Application
1.	Jiangsu Wisdom	a rotary kiln roasting structure and roasting process (一種回轉窯焙燒結構及其焙燒工藝)	Invention	2020109836175	September 18, 2020
2.	the Company	high pressure acid leaching treatment liquid and high pressure acid leaching treatment process for laterite nickel ores (紅土鎳礦高壓酸浸浸出液的處理方法及紅土鎳礦的高壓酸浸處理工藝)	Invention	2019106842453	July 26, 2019
3.	Xi'an Pengyuan	a horizontal electrostatic precipitator using CW type anode plate (一種採用CW型陽極板的臥式電除塵器)	Invention	2022106238249	June 3, 2022
4.	Xi'an Pengyuan	an additive and method for making microcrystalline glass from iron containing nickel slag (一種用於含鐵鎳渣製作微晶玻璃的添加劑及方法)	Invention	2020109926881	September 21, 2020

(c) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Place of Registration	Date of Approval by the Relevant Authority
1.	lygend.com	the Company	PRC	November 10, 2021
2.	jshrsy.com	Jiangsu Wisdom	PRC	March 13, 2020
3.	xapyyj.com	Xi'an Pengyuan	PRC	July 24, 2017

(d) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyrights in the PRC which are material to its business:

No.	Copyright	Registration Number	Registered Owner	Place of Registration	Date of Registration
1.	Lygend corporate logo (1)	Zhe Zuo Filing No. 11-2019-F-1038	the Company	PRC	January 24, 2019
2.	Lygend corporate logo (2)	Zhe Zuo Filing No. 11-2019-F-1037	the Company	PRC	January 24, 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the interests or short positions of our Directors, Supervisors or chief executives in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of

Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") to be notified to us and the Stock Exchange, once the H Shares are listed will be as follows:

(i) Interest in Shares of our Company

Name of Director, Supervisor or Chief Executive	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in our Company
Mr. Cai	Beneficial owner, interest held by controlled corporations and interest of spouse(1)	Unlisted Shares	955,581,000	72.52%	61.64%
Mr. DONG Dong	Beneficial owner	Unlisted Shares	10,406,000	0.79%	0.67%
Mr. CAI Jianwei	Beneficial owner	Unlisted Shares	10,406,000	0.79%	0.67%
Ms. FEI Feng	Beneficial owner and interest held by controlled corporations(2)	Unlisted Shares	33,719,500	2.56%	2.18%
Mr. GE Kaicai	Beneficial owner	Unlisted Shares	7,804,500	0.59%	0.50%

Notes:

(1) As of the Latest Practicable Date, (i) Mr. Cai, one of our executive Directors and the chairman of the Board, directly held 416,732,000 Unlisted Shares; (ii) Lygend Investment, 88% of the equity interest of which was held by Mr. Cai, directly held 507,000,000 Unlisted Shares; (iii) Ningbo Lizhan, a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares; and (iv) Ms. Xie Wen (謝雯), the spouse of Mr. Cai, directly held 30,849,000 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, Ningbo Lizhan and Ms. Xie Wen. See also the section headed "Substantial Shareholders" in this prospectus.

(2) As of the Latest Practicable Date, Ms. Fei Feng directly held 7,804,500 Unlisted Shares, and was the general partner of each of our Employee Incentive Platforms. Therefore by virtue of the SFO, Ms. Fei Feng is deemed to be interested in the aggregate number of 25,915,000 Unlisted Shares held by our Employee Incentive Platforms.

(ii) Interest in Shares of associated corporations of our Company

Name of Director, Supervisor or Chief Executive	Name of associated corporation	Number of shares	Nature of interest	Approximate percentage
Mr. Cai	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 our Controlling Shareholders, is a limited liability company established in the PRC and did not issue any shares. As of the Latest Practicable Date, Mr. Cai directly held 88% equity interest in Lygend Investment.

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

(b) Interests of the Substantial Shareholders of any member of our Group (other than our Company)

Name of shareholder	Name of member of our Group	Nature of interest	Approximate percentage of shareholding interest
Ningbo Yike Enterprise Management Co., Ltd. (寧波宜科企業管理有限公司)	Xi'an Pengyuan	Beneficial owner	12%
PT Trimegah Bangun Persada ("**TBP**")	HPL	Beneficial owner	45%
TBP	PT Dharma Cipta Mulia	Beneficial owner	40%
Li Yuen Pte. Ltd.	ONC	Beneficial owner	30%
TBP	ONC	Beneficial owner	10%
TBP	PT Obi Stainless Steel	Beneficial owner	35%
TBP	KPS	Beneficial owner	35%

Save as disclosed above, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Directors are not aware of any person, not being a Director, Supervisor or chief executive of our Company who will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than our Company).

2. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed above, none of the 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 employer within one year without the payment of compensation other than statutory compensation).

3. Directors' and Supervisors' Remuneration

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and bonuses) and benefits in kind we paid to our Directors in respect of the financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately RMB4,098,000, RMB7,860,000, RMB35,075,000 and RMB29,215,000, respectively.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes and bonuses) and benefits in kind we paid to our Supervisors in respect of the financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately RMB2,305,000, RMB2,782,000, RMB15,647,000 and RMB8,988,000, respectively.

Details of the Directors' and Supervisors' remuneration are also set out in note 8 of the Accountants' Report set out in Appendix IA to this prospectus. Save as disclosed in the Accountants' Report, no other emoluments have been paid or are payable by our Company or any of our subsidiaries to our Directors or Supervisors during the Track Record Period.

For the financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, there was/were one, one, four and three Director(s), and nil, nil, one and two Supervisor(s), among the five highest paid individuals, respectively. During the Track Record Period, the total emoluments paid to the remaining four, four, nil and nil highest paid individuals who are neither a Director nor a Supervisor by us amounted to RMB7,162,000, RMB8,488,000, nil and nil for the financial years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration and benefits in kind payable by our Company to the Directors and Supervisors for the financial year ending December 31, 2022 is estimated to be approximately RMB83,250,000.

None of the Directors (or former Directors), Supervisors or the five highest paid individuals has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us; or (ii) as compensation for loss of office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

Save as disclosed in the subsections headed "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company" and "History, Development and Corporate Structure — Corporate Structure" in this prospectus, none of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

4. Fees or commissions received

Save in connection with the Underwriting Agreements, none of the Directors, Supervisors or any of the persons whose names are listed under the paragraph headed "E. Other Information — 7. Consents of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

(a) Save as disclosed in the sub section headed "C. Further Information About our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests" in this appendix, none of our Directors, Supervisors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our H Shares are listed on the Stock Exchange.

(b) Save as disclosed in the subsections headed "History, Development and Corporate Structure — Establishment and Major Shareholding Changes of our Company" and "History, Development and Corporate Structure — Corporate Structure" in this prospectus, none of our Directors, Supervisors nor any of the parties listed in the paragraph headed "E. Other Information — 6. Qualification of Experts" below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us.

(c) Save in connection with the Underwriting Agreements, none of our Directors, Supervisors nor any of the parties listed in the paragraph headed "E. Other Information — 6. Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group.

(d) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "E. Other Information — 6. Qualification of Experts" below: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE INCENTIVE SCHEME

Pre-IPO Share Incentive Scheme

The Pre-IPO Share Incentive Scheme (the "**Scheme**") was adopted and approved by resolutions by the Board on October 20, 2021. The terms of the Scheme are not subject to the provisions of Chapter 17 of Listing Rules, as the Scheme does not involve the grant of options or share awards by our Company after the Listing. Given the underlying Shares under the Scheme have already been issued, there will not be any dilution effect to the issued Shares as a result of the operation of the Scheme. No further awards will be granted after Listing under the Scheme.

As of the Latest Practicable Date, our Company had established four Employee Incentive Platforms, namely Ningbo Litai, Ningbo Yangcheng, Ningbo Xinpan and Ningbo Yufeng. The four Employee Incentive Platforms, in aggregate, held 25,915,000 Domestic Shares. For further details of the Employee Incentive Platforms, please refer to the section headed "History, Development and Corporate Structure — Employee Shareholding Platforms" in this prospectus.

The following is a summary of the principal terms of the Scheme.

Objectives

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

Administration

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

Eligibility

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

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

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

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

Grant of Awards

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 our 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.

Details of the Awards granted under the Scheme

As of the Latest Practicable Date, the aggregate number of Shares underlying the awards granted amounted to 25,915,000 Shares, of which 7,470,000 Shares underlie awards granted to our Directors, Supervisors and other senior management, representing 0.35%, 0.02% and 0.20% interest in our Company, respectively, as of the Latest Practicable Date. Apart from (i) Mr. Jiang Xinfang, Ms. Fei Feng and Mr. Yu Weijun, each being a Director of our Company, (ii) Mr. Wang Duodong, Mr. Zhang Baodong, Mr. Yu Hai, Mr. Hu Honggen, Mr. Li Xiang, Mr. Zhang Jihong, Mr. Wang Biao, Mr. Xie Cheng and Ms. Li Yeqing, each being a director of certain of our subsidiaries, (iii) Ms. Hu Zhinong, being a Supervisor of our Company and (iv) Mr. Qian Feng, being a supervisor of our subsidiary, none of the other grantees under the Scheme are connected persons of our Company.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that currently no material liability for estate duty is likely to fall upon our Company or any of our subsidiaries under the laws of Hong Kong, the PRC and Indonesia.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The fee payable to each of the Joint Sponsors in respect of its services as a sponsor for the Listing is US$500,000 and payable by us.

4. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

5. Promoter

The promoters of our Company are Lygend Investment and Ningbo Lizhan.

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
CMB International Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor

Zhejiang T&C Law Firm	PRC legal advisor
Imran Muntaz & Co.	Indonesia legal advisor
China Insights Industry Consultancy Limited	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Ernst & Young (China) Advisory Limited	Independent transfer pricing consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Consents of Experts

Each of the persons named in "— 6. Qualification of Experts" has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The rate charged on each of the purchaser and seller is 0.13% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix IV to this prospectus.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Restrictions on Share Repurchases

For details, please refer to the sections "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of the Articles of Association" in this prospectus.

11. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) save as disclosed in the sections headed "History, Development and Corporate Structure", "Share Capital" and "Structure of the Global Offering" in this prospectus and in this appendix, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(iii) save in connection with the Underwriting Agreements, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share or debenture in our Company.

(b) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) No founder or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.

(e) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(f) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(h) Our Company is currently a sino-foreign investment joint stock limited company and subject to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)[1] .

(i) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Note:

(1) The Foreign Investment Law of the PRC has become effective on January 1, 2020, and the Sino-foreign Joint Venture Law of the PRC was abolished on the same date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 7. Consents of Experts" in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.lygend.com** up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report of our Group prepared by Ernst & Young, the text of which is set out in Appendix IA to this prospectus;

(c) the Accountants' Report of PT Halmahera Persada Lygend prepared by Ernst & Young, the text of which is set out in Appendix IB to this prospectus;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;

(e) the report issued by Ernst & Young in relation to the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;

(f) the letter and valuation certificate relating to the property interests held by our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus;

(g) the PRC legal opinions issued by Zhejiang T&C Law Firm, our PRC legal advisor, in respect of certain aspects and property interests of our Group in the PRC;

(h) the Indonesia legal opinion issued by Imran Muntaz & Co., our Indonesia legal advisor, in respect of certain aspects of our Group in Indonesia;

(i) the CIC Report, the summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(j) the transfer pricing analysis report issued by Ernst & Young (China) Advisory Limited;

(k) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VII to this prospectus;

(l) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 7. Consents of Experts" in Appendix VII to this prospectus;

(m) the service contracts referred to in "Statutory and General Information — C. Further Information About Our Directors, Supervisors and Substantial Shareholders — 2. Particulars of Service Contracts" in Appendix VII to this prospectus; and

(n) a copy of the following PRC laws, together with unofficial English translations:

    (i) the PRC Company Law;

    (ii) the Mandatory Provisions;

    (iii) the Special Regulations.

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