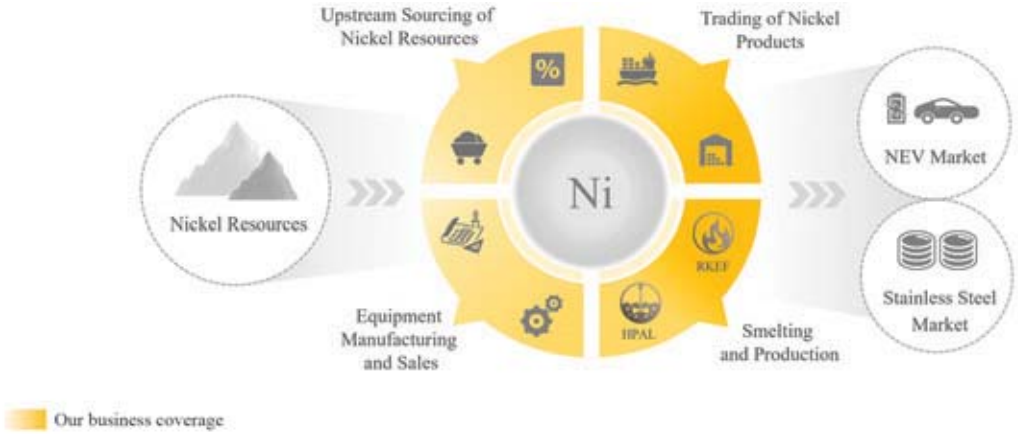
OVERVIEW

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.

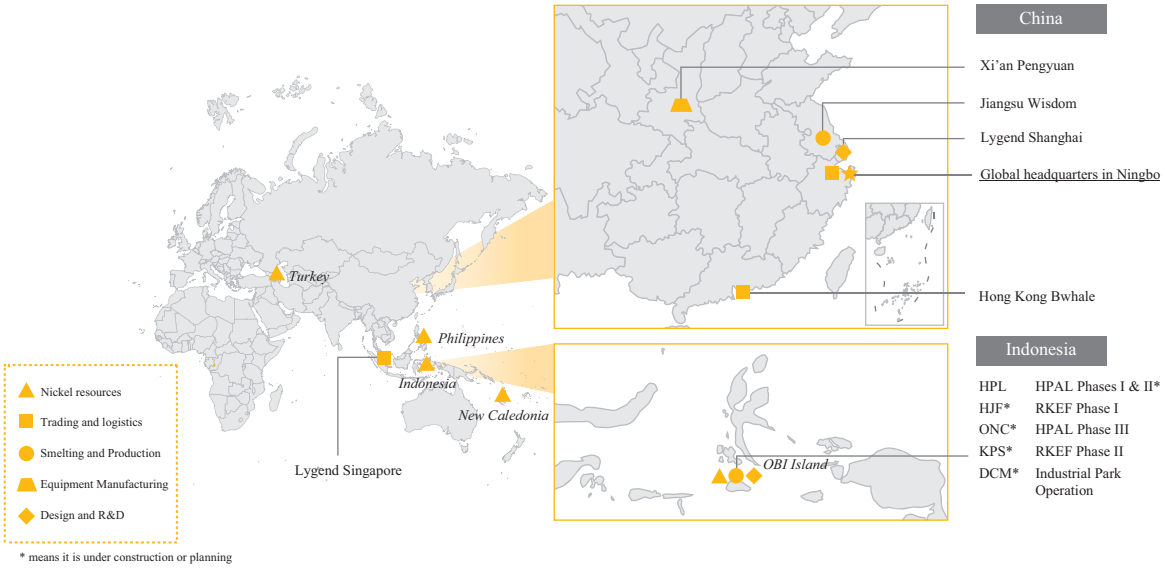
Our Obi projects have received various awards and recognitions, including being named as the Belt and Road Major Strategic Construction Project and the Overseas Chinese-Standard Demonstration Project.

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
10th year	95%
11th year	90%
12th year	85%
13th year	80%
14th year	70%
15th 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
15th year	95%
16th year	90%
17th year	85%
18th year	80%
19th year	70%
20th 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*	*(%)*	*RMB'000*	*(%)*
							(Unaudited)			
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

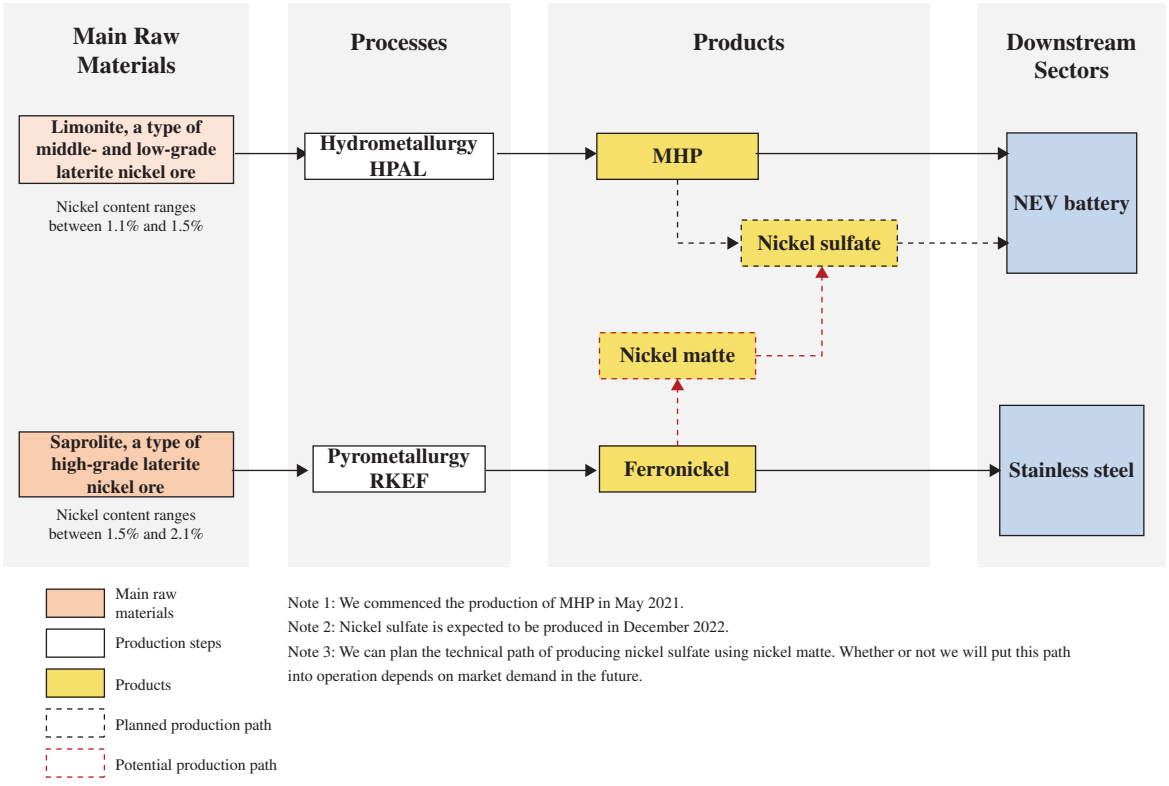
is jointly invested by us and our Indonesian Partner on the Obi Island, Indonesia, has two nickel-cobalt compound production lines using the HPAL process that have commenced operation, with an aggregate designed production capacity of 37,000 metal tons of nickel-cobalt compounds (which also include 4,500 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.

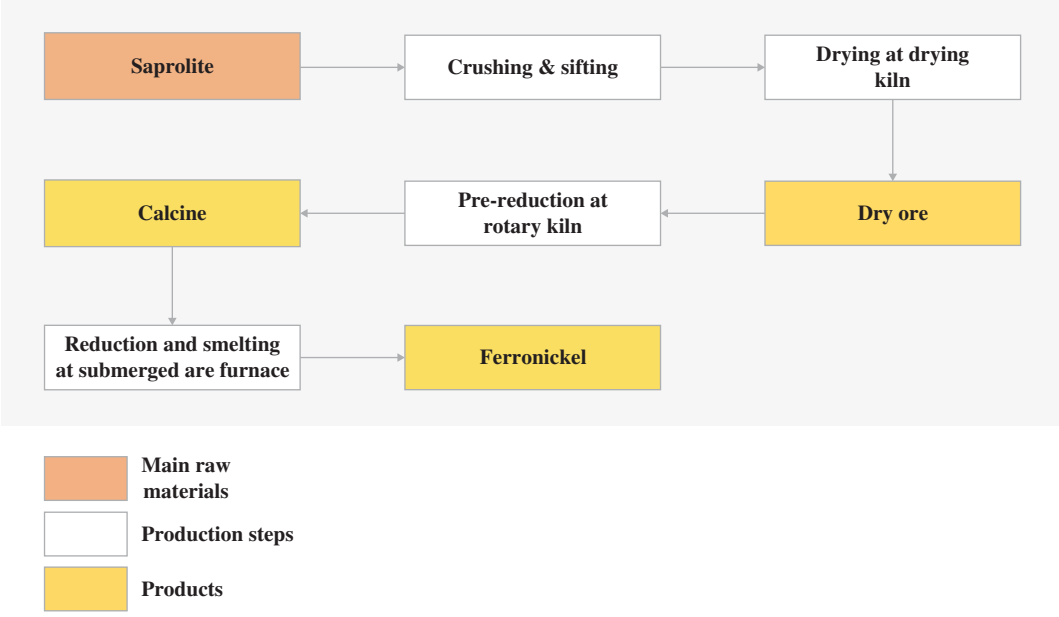
(4) The relatively low utilization rate of our Jiangsu Facilities in the six months ended June 30, 2021 was primarily due to periodic maintenance of production lines in May 2021.

(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.

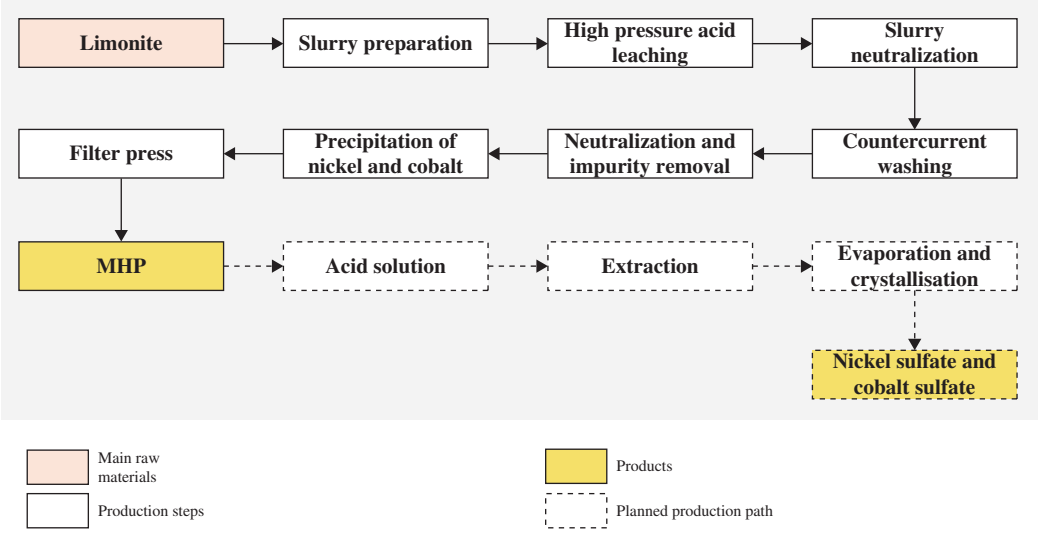
As a result of the above, the production lines under phase I of HPAL project were able to achieve utilization rate that exceeded 100% in the six months ended June 30, 2022.

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

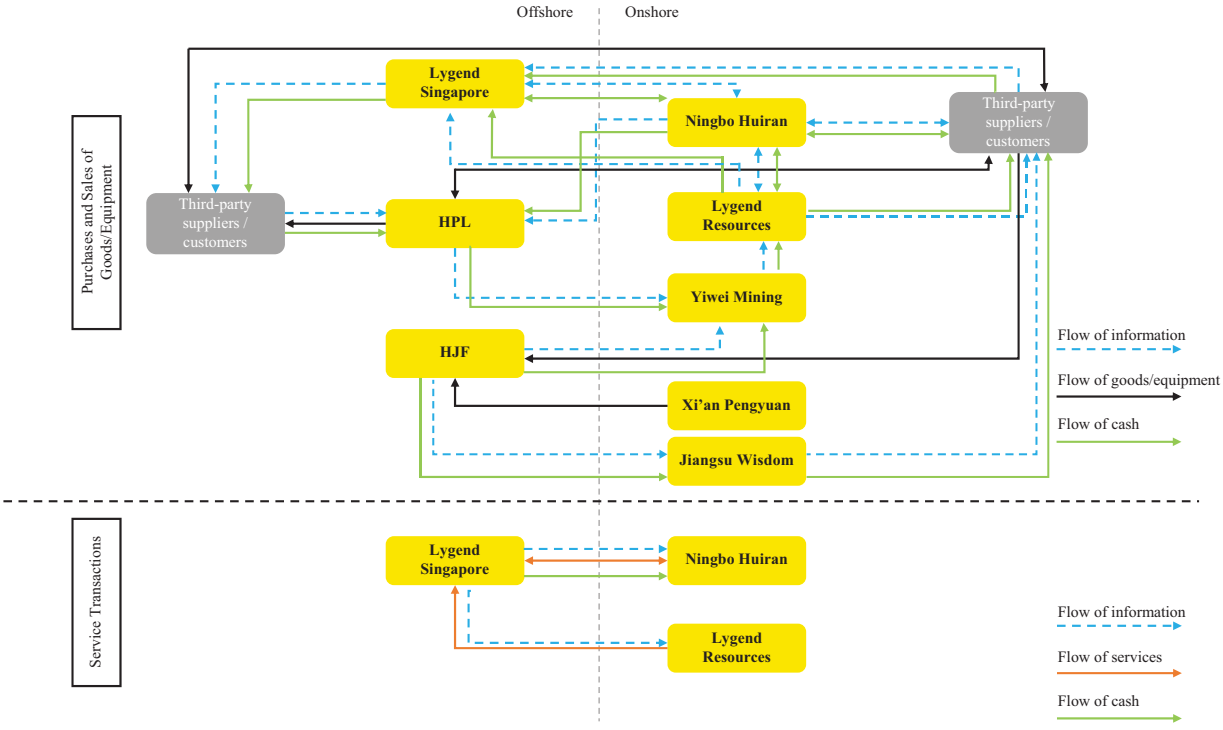
(4) ***Services***: Lygend Singapore provided shipping agent services to Ningbo Huiran. The amounts of intra-group transactions for shipping agent services provided by Lygend Singapore to Ningbo Huiran were nil, nil, RMB889.2 million and RMB524.9 million in 2019, 2020 and 2021 and the six months ended 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

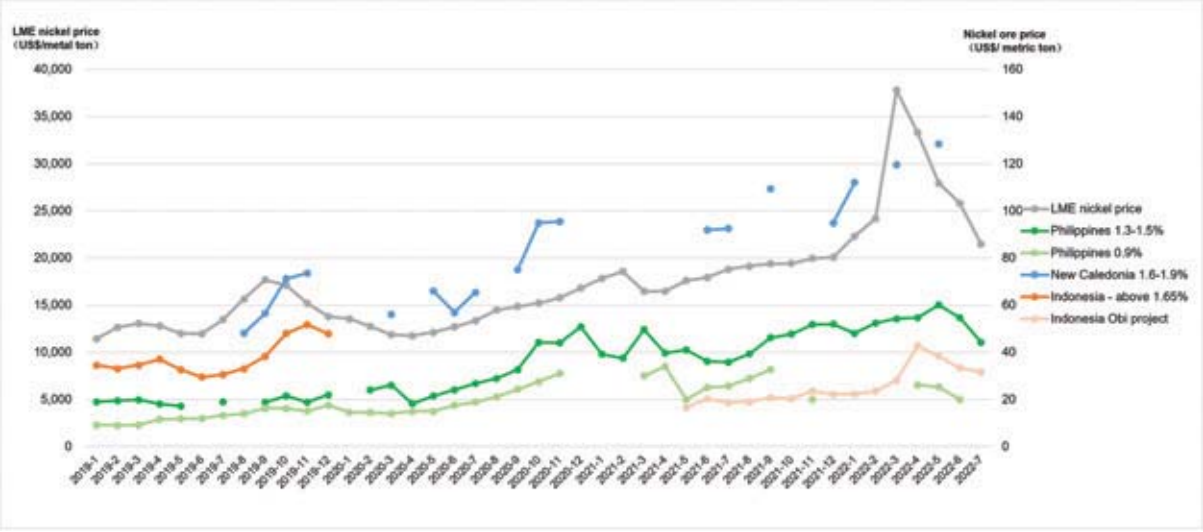
The following table sets forth the monthly average LME nickel price, our monthly average procurement price of nickel ore and the changes in the monthly average prices for the six months ended June 30, 2022.

	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	unit	For the year ended December 31, 2019	2020	2021	For the six months ended June 30, 2022
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]	unit	For the year ended December 31, 2019	2020	2021	For the six months ended June 30, 2022
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, 2019	2020	2021	For the six months ended June 30, 2022
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

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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.