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**Lygend Resources & Technology Co., Ltd.**

**宁波力勤资源科技股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2245)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board of directors (the “**Board**”) of Lygend Resources & Technology Co., Ltd. (the “**Company**”) hereby announces the results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 21 November 2022 issued by the Company (the “**Prospectus**”).

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

## FINANCIAL HIGHLIGHTS

- Our revenue increased from RMB12,449.3 million for the year ended 31 December 2021 to RMB18,289.6 million for the year ended 31 December 2022, representing an increase of 46.9%.
- Our gross profit increased from RMB1,515.9 million for the year ended 31 December 2021 to RMB4,493.8 million for the year ended 31 December 2022, representing an increase of 196.4%. Gross profit margin for the year ended 31 December 2022 was 24.6%, representing an increase of 12.4 percentage points compared to the gross profit margin of 12.2% for the year ended 31 December 2021.
- Profit for the year ended 31 December 2022 was RMB3,028.1 million, representing an increase of 140.3% compared with the profit of RMB1,260.0 million for the year ended 31 December 2021.
- Profit attributable to owners of the Company for the year ended 31 December 2022 was RMB1,735.2 million, representing an increase of 57.8% as compared to RMB1,099.5 million for the year ended 31 December 2021.
- As at 31 December 2022, cash and cash equivalents as stated in the consolidated statement of cash flows amounted to RMB4,426.2 million, representing an increase of 213.2% as compared to RMB1,413.3 million as at 31 December 2021, mainly due to the net proceeds raised from the Listing.
- The Board has resolved not to recommend the distribution of a final dividend for the year ended 31 December 2022 (2021: nil).

## FINANCIAL INFORMATION

The consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
		2022	2021
	Notes	RMB'000	RMB'000
REVENUE	4	<b>18,289,596</b>	12,449,318
Cost of sales		<b>(13,795,761)</b>	(10,933,390)
Gross profit		<b>4,493,835</b>	1,515,928
Other income and gains	4	<b>265,412</b>	424,900
Selling and distribution expenses		<b>(96,156)</b>	(124,124)
Administrative expenses		<b>(791,266)</b>	(301,134)
Impairment losses on financial assets, net		<b>1,619</b>	(4,172)
Other operating expenses		<b>(388,884)</b>	(91,944)
Finance costs		<b>(254,425)</b>	(79,325)
Share of profits and losses of associates		<b>(45,165)</b>	99,008
PROFIT BEFORE TAX	5	<b>3,184,970</b>	1,439,137
Income tax expense	6	<b>(156,856)</b>	(179,174)
PROFIT FOR THE YEAR		<b><u>3,028,114</u></b>	<b><u>1,259,963</u></b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
	Note	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR		<u>3,028,114</u>	<u>1,259,963</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income/(loss) of associates		52,607	(21,581)
Reclassification adjustments for losses included in profit or loss		<u>–</u>	<u>50,756</u>
		52,607	29,175
Exchange differences on translation of foreign operations		<u>487,347</u>	<u>(11,926)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>539,954</u>	<u>17,249</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>3,568,068</u></u>	<u><u>1,277,212</u></u>
Profit attributable to:			
Owners of the parent		1,735,238	1,099,508
Non-controlling interest		<u>1,292,876</u>	<u>160,455</u>
		<u><u>3,028,114</u></u>	<u><u>1,259,963</u></u>
Total comprehensive income for the year attributable to:			
Owners of the parent		2,052,377	1,117,740
Non-controlling interest		<u>1,515,691</u>	<u>159,472</u>
		<u><u>3,568,068</u></u>	<u><u>1,277,212</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and Diluted (RMB)	8	<u><u>1.30 Yuan</u></u>	<u><u>1.69 Yuan</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>9</i>	<b>9,620,632</b>	5,775,059
Intangible assets		<b>516,553</b>	527,524
Right-of-use assets		<b>128,051</b>	99,301
Deferred tax assets		<b>66,552</b>	43,183
Interests in joint ventures		–	677
Interests in associates		<b>544,963</b>	581,878
Derivative financial instruments		<b>95,680</b>	–
Pledged deposits		–	40,633
Goodwill	<i>10</i>	<b>218,037</b>	218,037
Prepayments, other receivables and other assets		<b>825,404</b>	351,557
		<hr/>	<hr/>
Total non-current assets		<b>12,015,872</b>	7,637,849
<b>CURRENT ASSETS</b>			
Inventories		<b>1,150,638</b>	974,573
Trade and bills receivables	<i>11</i>	<b>1,141,923</b>	1,025,203
Prepayments, other receivables and other assets		<b>627,707</b>	528,601
Due from related parties		<b>1,143,516</b>	103,478
Financial assets at fair value through profit or loss		<b>12,183</b>	–
Pledged deposits		<b>313,850</b>	598,398
Cash and cash equivalents		<b>4,434,705</b>	1,413,298
		<hr/>	<hr/>
Total current assets		<b>8,824,522</b>	4,643,551
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>2,347,670</b>	1,155,912
Trade and bills payables	<i>12</i>	<b>965,245</b>	728,414
Lease liabilities		<b>11,849</b>	8,638
Derivative financial instruments		<b>42,686</b>	6,771
Other payables and accruals		<b>1,139,279</b>	836,247
Contract liabilities		<b>21,352</b>	296,921
Income tax payable		<b>193,015</b>	230,549
Due to related parties		<b>132,193</b>	232,728
		<hr/>	<hr/>
Total current liabilities		<b>4,853,289</b>	3,496,180

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

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

## 2.1 BASIS OF PREPARATION

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

### Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

##### (a) Revenue from external customers

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

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

##### (b) Non-current assets

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

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

## Information about major customers

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	<u>N/A*</u>	<u>1,545,269</u>

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

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers	<u>18,289,596</u>	<u>12,449,318</u>

### Revenue from contracts with customers

#### (a) *Disaggregated revenue information*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Types of goods or services</b>		
Sale of nickel products	17,378,249	11,219,560
Sale of equipment	655,933	1,003,392
Others	<u>255,414</u>	<u>226,366</u>

	<u>18,289,596</u>	<u>12,449,318</u>
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### Geographical markets

Mainland China	16,028,582	10,379,462
Others	<u>2,261,014</u>	<u>2,069,856</u>

	<u>18,289,596</u>	<u>12,449,318</u>
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### Timing of revenue recognition

Goods transferred at a point in time	16,743,081	10,704,552
Services transferred over time	<u>1,546,515</u>	<u>1,744,766</u>

	<u>18,289,596</u>	<u>12,449,318</u>
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The following table shows the amounts of revenue recognised in the current year that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of nickel products	<b>136,906</b>	43,921
Sale of equipment	<b>138,443</b>	271,182
Others	<b>21,572</b>	3,332
	<b>296,921</b>	318,435
	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of equipment not previously recognised due to constraints on variable consideration	<b>18,519</b>	–

**(b) Performance obligations**

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

*Sale of nickel products*

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

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

*Sale of equipment*

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

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

*Sale of others*

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

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

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b><u>1,367,211</u></b>	<u>1,231,899</u>

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

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

An analysis of other income and gains is as follows:

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

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

## 5. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Cost of inventories sold*		<b>12,259,921</b>	9,362,704
Depreciation of property, plant and equipment**		<b>355,955</b>	74,784
Depreciation of right-of-use assets***		<b>19,015</b>	6,794
Amortisation of intangible assets****		<b>76,457</b>	6,702
Government grants	4	<b>(100,643)</b>	(80,196)
Bank interest income	4	<b>(38,429)</b>	(14,786)
Loss on disposal of items of property, plant and equipment		<b>1,764</b>	9,020
Gain on step acquisition of Subsidiaries		–	(282,574)
Loss on debt restructuring		<b>1,840</b>	–
Impairment of financial assets, net:			
Impairment of trade receivables, net	11	<b>(1,907)</b>	4,267
Impairment of other receivables, net		<b>288</b>	(95)
		<b>(1,619)</b>	4,172
Lease payments not included in the measurement of lease liabilities		<b>25,672</b>	19,990
Foreign exchange differences, net		<b>63,232</b>	(40,627)
Auditor's remuneration		<b>5,328</b>	2,080
Listing expenses		<b>4,787</b>	1,083
Fair value (gains)/loss, net:			
Derivative financial instruments		<b>(50,146)</b>	6,771
Trade receivables containing provisional pricing features		<b>(1,661)</b>	–
Investment loss from financial assets at fair value through profit or loss, net:			
Derivative financial instruments		<b>218,312</b>	41,216
Other unlisted investments		–	(141)
		<b>218,312</b>	41,075
Employee benefit expense (excluding directors' and supervisors' remuneration):			
Wages and salaries		<b>547,321</b>	305,697
Pension scheme contributions*****		<b>28,065</b>	22,951
Staff welfare expenses		<b>95,311</b>	12,618
		<b>670,697</b>	341,266

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

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

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

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

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

## 6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

### PRC

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

### Indonesia

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

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
Charge for the period	180,079	200,921
Deferred tax	<u>(23,223)</u>	<u>(21,747)</u>
Total tax expense for the year	<u><u>156,856</u></u>	<u><u>179,174</u></u>

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

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

## 7. DIVIDENDS

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

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

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,337,550,135 (2021: 650,333,069) in issue during the year.

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

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

## 9. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

## 10. GOODWILL

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost and carrying amount at beginning of year	218,037	–
Acquisition of subsidiaries	–	218,037
	<hr/>	<hr/>
Cost and net carrying amount at end of year	<u>218,037</u>	<u>218,037</u>

### Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the HPL cash-generating unit mainly engaged in smelting and production for impairment testing.

The recoverable amount of HPL cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The budgeted gross margins applied to the cash flow projections, the terminal growth rate and pre-tax discount rate used to extrapolate the cash flows of HPL cash-generating units beyond the five-year period are as follows:

	As at 31 December 2022 %
Budgeted gross margin	37–40
Terminal growth rate	–
Pre-tax discount rate	20.76

The calculation of value in use is based on the following assumptions:

**Budgeted gross margin** – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, changed for expected market development.

**Pre-tax discount rate** – the rate reflects management's estimate of the risks specific to the unit.

**Terminal growth rate** – the rate is based on the historical data in the same industry and management's expectation of the future market.

The values assigned to the key assumptions on budgeted gross margin, pre-tax discount rate and terminal growth rate are consistent with management's past experience and external information sources.

## 11. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Financial assets at amortised cost:</b>		
Trade receivables	705,787	1,015,990
Bills receivable	705	11,199
	<hr/>	<hr/>
Impairment	(4,388)	(6,396)
	<hr/>	<hr/>
	702,104	1,020,793
<b>Financial assets at fair value through profit and loss:</b>		
Trade receivables containing provisional pricing features	439,819	–
	<hr/>	<hr/>
<b>Financial assets at fair value through other comprehensive income:</b>		
Bills receivable	–	4,410
	<hr/>	<hr/>
	<b>1,141,923</b>	<b>1,025,203</b>
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables containing provisional pricing features are exposed to future movements in market prices, which have contractual cash flow characteristics that are not solely payments of principal and interest and are therefore measured at fair value through profit or loss. This requires an assessment of the exposure of the underlying trade receivable to future movements in market prices at the date of initial recognition of such receivable. For those receivables that are not exposed to future movements in market prices, a further assessment of the business model for managing the receivables is required to determine the appropriate classification and measurement. The business model pertaining to those receivables that do not contain provisional pricing features is to hold the assets to collect the contractual cash flows and as such, these financial assets are classified as at “amortised cost”.

The Group usually considers upfront payments or use of letters of credit. The final payment is usually paid within one month to three months and sometimes extended to one year, when the final commercial invoices are issued. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	684,216	1,005,516
3 to 6 months	17,136	187
6 to 12 months	47	3,891
	<hr/>	<hr/>
	<b>701,399</b>	<b>1,009,594</b>
	<hr/> <hr/>	<hr/> <hr/>

The movements in the loss allowance for impairment of trade receivables are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of year	<b>6,396</b>	2,130
Impairment losses, net ( <i>note 5</i> )	<b>(1,907)</b>	4,267
Amount written off as uncollected	<b>(113)</b>	–
Exchange realignment	<b>12</b>	(1)
	<hr/>	<hr/>
At end of year	<b>4,388</b>	6,396
	<hr/> <hr/>	<hr/> <hr/>

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

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b> <i>RMB'000</i>
Current:	<b>684,626</b>	<b>0.26%</b>	<b>1,790</b>
Past due:			
Less than 3 months	<b>1,399</b>	<b>1.36%</b>	<b>19</b>
3 to 6 months	<b>17,705</b>	<b>3.21%</b>	<b>569</b>
6 to 12 months	<b>74</b>	<b>36.49%</b>	<b>27</b>
Over 1 year	<b>1,983</b>	<b>100.00%</b>	<b>1,983</b>
	<hr/>		<hr/>
	<b>705,787</b>	<b>0.62%</b>	<b>4,388</b>
	<hr/> <hr/>		<hr/> <hr/>

As at 31 December 2021

	<b>Gross carrying amount</b> <i>RMB'000</i>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b> <i>RMB'000</i>
Current:	902,918	0.29%	2,590
Past due:			
Less than 3 months	106,750	1.33%	1,423
3 to 6 months	116	3.45%	4
6 to 12 months	5,163	25.88%	1,336
1 to 2 years	1,043	100.00%	1,043
	<hr/>		<hr/>
	<b>1,015,990</b>	<b>0.63%</b>	<b>6,396</b>
	<hr/> <hr/>		<hr/> <hr/>

At 31 December 2022, bills receivable of nil (2021: RMB4,410,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, and the remaining bills receivable of RMB705,000 (2021: RMB11,199,000) were measured at amortised cost.

The Group's bills receivable were all aged within six months and were neither past due nor impaired.

## 12. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	945,984	725,434
Bills payable	19,261	2,980
	<u>965,245</u>	<u>728,414</u>

The trade payables are non-interest-bearing and are normally settled within 90 days.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	469,973	564,315
3 to 6 months	138,530	24,130
6 to 12 months	150,973	13,798
1 to 2 years	103,474	77,687
Over 2 years	83,034	45,504
	<u>945,984</u>	<u>725,434</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### *Overview*

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

In 2022, we led management and employees of the Company to adhere to our corporate philosophy of “From Diligence, Toward Excellence” (力致卓越, 勤無止境), and demonstrated robust resilience by steadily expanding our business while making notable accomplishments in our business. During the Reporting Period, the Company’s revenue and gross profit increased significantly. Our revenue increased from RMB12,449.3 million for the year ended 31 December 2021 to RMB18,289.6 million for the year ended 31 December 2022, representing an increase of 46.9%.

We also achieved the listing of the Company’s shares (the “**H Shares**”) on the Main Board of the Stock Exchange, and a gross profit of RMB4,493.8 million for the year ended 31 December 2022, compared with RMB1,515.9 million for the year ended 31 December 2021, representing an increase of 196.4%. Furthermore, we successfully achieved overfulfilment of the production target in phase I of the Company’s hydrometallurgy project in Indonesia. The official commencement of the operations of phase I of the Company’s pyrometallurgy project in Indonesia has also enabled us to achieve higher operational efficiency.

During the Reporting Period, the Company made the following main achievements by focusing on its business plan:

(i) *Steady improvement in the quality of our operations and significant growth in the Company’s performance*

During the Reporting Period, we focused on innovation-driven development, and continued to strengthen our leading position in the global nickel industry through our strong competitive strengths including the complete industrial chain ecosystem, the first-mover advantages in key processes and techniques, and our high-quality customer base. Our production and sales grew steadily, and the quality of our operations steadily improved. In the year ended 31 December 2022, the net profit attributable to the parent company reached RMB1,735.2 million, representing an increase of 57.8% from the year ended 31 December 2021.

*(ii) Improvement on our management and operations*

During the Reporting Period, we took the Listing as an opportunity to promote various management reforms, improve the composition of the management team, strengthen areas of weakness concerning management, and steadily improved the overall operations.

In 2022, the Company was included in the lists of the 2022 Ningbo's Top 100 Companies in Terms of Comprehensive Strength, the 2022 Ningbo's Top 100 Service Companies, and the 2022 Ningbo's Top 20 Local Private Companies in Terms of Multinational Operation. It also ranked fifth and won the "Hercules Tripod" Award in Yinzhou District, Ningbo City. Xi'an Pengyuan Metallurgical Equipment Co., Ltd., a subsidiary of the Company, was included in the lists of small and medium-sized enterprises in Shanxi Province for its application of special, sophisticated techniques to produce unique and novel products.

*(iii) Overcoming challenges and ensuring acceleration of construction activities*

As at the date of this announcement, with respect to our Obi projects in Indonesia, two production lines for the phase I of the hydrometallurgy project have reached full capacity. The utilisation rates of these production lines exceeded 100%. One production line for the phase II of the hydrometallurgy project was put into operation in January 2023 and has reached target output in February 2023. The production line for the phase I of the pyrometallurgy project was put into operation in October 2022. All eight production lines for the phrase I will be put into operation in 2023.

As at the date of this announcement, we have made initial progress in the construction of the industrial park on the Obi Island. While building the production line, we have been continuously improving the road surface hardening and ecological restoration projects in the park to create a more comfortable living and working environment for the employees. The Company has also been continuously improving the construction of other supporting infrastructure, including wharves, power plants, and coal sheds.

*(iv) Fulfillment of our corporate and social responsibility*

During the Reporting Period, we focused on helping the vulnerable groups and donated more than RMB26.3 million.

In September 2022, we donated RMB20 million to the Ningbo Charity Federation for the establishment of the "Ciji Siming Medical Development Charity Trust". All relevant donations will be used to promote the industrial development of community medicine and medical services at the county (district) level or below in Ningbo City, for the purpose of working together to build Ningbo into a pilot city in terms of the common service demonstration zone. In addition, Jiangsu Huiran Industrial Co., Ltd., a subsidiary of the Company, also made multiple donations to the Suyu District Red Cross Society and the Suyu District Charity Federation in Suqian City, Jiangsu Province, for the purpose of, among other things, education, COVID-19 pandemic prevention and control, and repair of community facilities.

## ***Impact of the Russia-Ukraine conflict and LME Nickel Price Spike on the Group***

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

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

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

- For the procurement of nickel ore for our trading business and ferronickel production, although we have not entered into any long-term supply agreements with nickel ore suppliers in the Philippines, attributable to our stable, long-term relationships with the Filipino nickel mining companies and our large purchase volume, we have generally been able to procure laterite nickel ore from them at a discount of the prevailing market prices and in sufficient quantities.
- Pursuant to our shareholders agreements with our Indonesian Partner, our Indonesian Partner has agreed to give priority to supplying nickel ore to the three subsidiaries and an associate we have established together with our Indonesian Partner, including HPL, ONC, KPS and HJF. For the HPAL project, our supply agreements with our Indonesian Partner have set forth a minimum supply commitment (8 million metric tons per annum) as well as a price calculation formula for HPL's procurement of laterite nickel ore from our Indonesian Partner, which has enabled HPL to secure a stable supply of laterite nickel ore at competitive prices.
- We purchase futures products from licensed financial institutions to hedge against price fluctuations related risks for a portion of our ferronickel inventory. This enables us to generate income when the nickel price drops (which minimises our risk exposure to decrease in nickel prices), while incurring losses when the nickel price increases. We have a dedicated team in our sales and marketing department responsible for the purchase of futures products in a prudent manner.

## ***Outlook***

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

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

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

### ***Enhancing Research and Development Capabilities and Promoting Technological Innovation***

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

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

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

- With respect to the comprehensive utilisation of metal resources in laterite nickel ore, we are currently developing techniques to further explore the extraction of valuable metals from slags generated from the HPAL process, such as iron and scandium. We are also looking into the comprehensive utilisation of slags generated from the RKEF process;
- With respect to energy conservation, carbon emission reduction and intelligent control, we are optimising the techniques of the HPAL and RKEF processes, improving the degree of automation and intelligence of our production process, as well as the application of technologies and new equipment for the purposes of energy conservation and carbon emission reduction during the production process; and
- With respect to the development of downstream nickel-cobalt composite materials and lithium battery materials, we are developing nickel-cobalt composite products, ternary precursor materials and battery materials.

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

### **Creating a More Open and Robust Nickel Resource Ecosystem**

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

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

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

We also plan to expand our business into the field of new energy battery materials. As part of our initiative, we have formed CBL, CBL will focus on a variety of projects across the NEV industry value chain, from nickel mine exploration, production of nickel products and NEV battery materials, to the manufacturing and recycling of NEV batteries.

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

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

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

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

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

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

### **Gross Profit and Gross Profit Margin**

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

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

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

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

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

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

## **Sales and Distribution Expenses**

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

## **Administrative Expenses**

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

## **Other Operating Expenses**

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

## **Finance Costs**

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

## **Share of Profits and Losses of Associates**

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

## **Profit before tax**

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

## Income Tax Expenses

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

## Profit for the Year and Net Profit Margin

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

## Liquidity, Working Capital, Financial Resources and Capital Structure

### *Liquidity and Source of Funds*

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

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

### *Net cash from operating activities*

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

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

#### *Net cash used in investing activities*

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

#### *Net cash from financing activities*

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

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

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

### *Capital Expenditures*

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

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

### *Commitments*

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

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

### **Indebtedness**

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

### *Contingent liabilities*

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

### *Gearing ratio*

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

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

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

## **Financial Risks**

### *Foreign Exchange Risk*

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

## **Pledge of Assets**

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

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

## **Future Plans for Material Investments and Capital Assets**

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

## **Significant investments, material acquisitions and disposals of assets and equity**

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

## **MATERIAL EVENTS AFTER THE REPORTING PERIOD**

### **Declaration and Payment of Special Dividend**

On 3 January 2023, a special dividend of RMB466,779,405.00 (tax inclusive) was declared to be paid to the shareholders of the Company whose names appeared on the register of members of the Company on 22 January 2023. Holders of the Domestic Shares were paid in RMB and holders of the H Shares were paid in HKD (HKD0.3357 per H Share of the Company, at the exchange rate being the average benchmark exchange rate of HKD to RMB as published by the PRC during the five business days immediately before 3 January 2023, HKD1.0:RMB0.89364). For details of the declaration and payment of Special Dividend, please refer to the Company's announcement dated 3 January 2023.

## **Proposed Amendments to the Articles of Association**

On 3 January 2023, the Company announced its proposal in relation to the application of certain Shareholders holding Domestic Shares to apply for conversion to overseas listed shares and listing on the Main Board and its proposal to make certain amendments to the Articles of Association. Articles of Association have not been amended as at the date of this announcement and shall not take effect until the approval of the Company's shareholders' meeting as and when appropriate. Details of the proposed amendments Articles of Association can be referred to in the Company's announcement dated 3 January 2023.

## **Possible Connected Transactions**

Reference is made to the announcement of the Company dated 22 February 2023 and the circular of the Company dated 15 March 2023 in relation to, among other things, the provision of financial assistance to PT Halmahera Persada Lygend and PT OBI Nickel Cobalt, connected subsidiaries of the Company, and the receiving of financial assistance from connected persons of the Company (the "**Possible Connected Transactions**"). The Company is expected to enter into the agreements relevant to the Possible Connected Transactions and a further announcement will be made by the Company as soon as practicable when such agreements have been entered into.

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

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group had a total of 7,556 full-time employees.

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

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

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **FINAL DIVIDEND**

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

## USE OF PROCEEDS FROM THE LISTING

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

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

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

## **OTHER INFORMATION**

### **Compliance with the Corporate Governance Code**

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

Save as disclosed herein, the Group has complied with the applicable code provisions contained in the CG Code during the period from the Listing Date up to 31 December 2022.

Code provision C.5.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on 1 December 2022, the Company did not hold any Board meeting throughout the period from the Listing Date and up to 31 December 2022.

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

### **Compliance with the Model Code for Securities Transactions by Directors**

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

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the period from the Listing Date up to 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

## **Sufficiency of public float**

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

## **Audit Committee and Review of Financial Information**

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the CG Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee comprises two members, namely Dr. HE Wanpeng and Dr. WANG James Jixian, with Ms. ZHANG Zhengping (being our independent non-executive Director with the appropriate professional qualifications) as chair of the Audit Committee.

The Audit Committee has reviewed annual results and the consolidated financial statements of the Group for the year ended 31 December 2022 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Ernst & Young, the auditor of the Company (the “**Auditor**”).

## **SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS**

The financial information set out in this announcement does not constitute our Group’s audited accounts for the year ended 31 December 2022, but represents an extract from the consolidated financial statements for the year ended 31 December 2022 which have been audited by the Auditor of our Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

## **Annual General Meeting**

The annual general meeting is scheduled to be held on Thursday, 15 June 2023 (the “**AGM**”). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

## **Closure of Register of Members**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents of H shares accompanied by the relevant shares certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Friday, 9 June 2023.

## **PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.lygend.com](http://www.lygend.com). The annual report of the Group for the year ended 31 December 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders in due course.

## **APPRECIATION**

The Board would like to express its gratitude to all of our customers, suppliers and partners, and all shareholders for their understanding, support and trust, with which all employees of the Group, will continue to work diligently as one in the long run.

By order of the Board  
**Lygend Resources & Technology Co., Ltd.**  
**CAI Jianyong**  
*Chairman and Executive Director*

The PRC, 31 March 2023

*As at the date of this announcement, the executive directors are Mr. CAI Jianyong, Mr. JIANG Xinfang, Ms. FEI Feng, Mr. CAI Jianwei and Mr. YU Weijun; the non-executive director is Mr. Lawrence LUA Gek Pong; the independent non-executive directors are Dr. HE Wanpeng, Ms. ZHANG Zhengping and Dr. WANG James Jixian.*