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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)

CONNECTED TRANSACTION CAPITAL CONTRIBUTION TO THE JV COMPANY

INTRODUCTION

The Board is pleased to announce that on 15 December 2023, HBW and GRM entered into the Shareholders Agreement with LSJ and TKJ, both being the existing shareholders of the JV Company. Pursuant to the Shareholders Agreement, the Parties (as defined below) agreed to increase the authorized capital of the JV Company from IDR5,000,000,000 to IDR270,000,000,000, of which IDR66,250,000,000, representing 25% of the increased authorized capital of the JV Company, shall be paid up by the Parties and the Parties shall subscribe for 662,500 new shares to be issued by the JV Company pursuant to the increase in authorized capital.

LISTING RULES IMPLICATIONS

As at the date of this announcement, LSJ is owned as to 99.915% by HJR, and HJR is ultimately controlled by family members of Ms. Lim. Ms. Lim is the de facto controller of Feng Yi Pte. Ltd., a 17% Shareholder of the Company. As such, Ms. Lim is indirectly interested in 17% of the shares of the Company and is a substantial Shareholder and connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Ms. Lim's family members are deemed connected persons of the Company pursuant to Rule 14A.21 of the Listing Rules. Accordingly, HJR is an associate of Ms. Lim and is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules, and LSJ, being a subsidiary of HJR, is a connected person of the Company.

Accordingly, the transaction contemplated under the Shareholders Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the consideration for the transaction contemplated under the Shareholders Agreement is higher than 0.1% but less than 5%, the transaction thereunder is subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 December 2023, HBW and GRM entered into the Shareholders Agreement with LSJ and TKJ, both being the existing shareholders of the JV Company. Pursuant to the Shareholders Agreement, the Parties (as defined below) agreed to increase the authorized capital of the JV Company from IDR5,000,000,000 to IDR270,000,000,000, of which IDR66,250,000,000, representing 25% of the increased authorized capital of the JV Company, shall be paid up by the Parties and the Parties shall subscribe for 662,500 new shares to be issued by the JV Company pursuant to the increase in authorized capital.

PRINCIPAL TERMS OF THE SHAREHOLDERS AGREEMENT

The principal terms of the Shareholders Agreement are set out below:–

Date

15 December 2023

Parties

- (i) HBW;
- (ii) LSJ;
- (iii) TKJ; and
- (iv) GRM (each a “Party”, and collectively “Parties”).

Capital increase and shareholding structure

Before entering into the Shareholders Agreement, the JV Company had an authorized capital of IDR5,000,000,000, of which IDR1,250,000,000, representing 25% of the authorized capital, had been paid up by the existing shareholders, LSJ and TKJ. LSJ and TKJ held 6,375 and 6,125 shares in the JV Company, representing 51% and 49% of the equity interests in the JV Company, respectively.

Pursuant to the Shareholders Agreement, the Parties agreed to increase the authorized capital of the JV Company from IDR5,000,000,000 to IDR270,000,000,000, of which IDR66,250,000,000, representing 25% of the increased authorized capital of the JV Company, shall be paid up by the Parties and the Parties shall subscribe for 662,500 new shares to be issued by the JV Company pursuant to the increase in authorized capital. The remaining non-paid-up authorized capital of IDR202,500,000,000 will be subscribed by the Parties according to the actual operational activities of the JV Company and the applicable laws in Indonesia.

The shareholding structure of the JV Company immediately before and after the completion of the Capital Contribution is set out as below:

JV Shareholders	Immediately before the completion of the Capital Contribution		Immediately after the completion of the Capital Contribution	
	Amount of contribution (IDR)	Shareholding percentage	Amount of contribution (IDR)	Shareholding percentage
LSJ	637,500,000	51%	20,925,000,000	31%
TKJ	612,500,000	49%	6,750,000,000	10%
GRM	N/A	N/A	6,750,000,000	10%
HBW	N/A	N/A	33,075,000,000	49%
Total	<u>1,250,000,000</u>	<u>100%</u>	<u>67,500,000,000</u>	<u>100%</u>

The amount of capital increase and the amount of total capital commitment were determined by the Parties after arm's length negotiation with reference to, among other things, the funding requirements of the JV Company and the Parties' respective interests in the JV Company. The capital contribution by HBW will be funded by the internal resources of the Group.

On the same day of entering into the Shareholders Agreement, HBW and TKJ further entered into the Power of Attorney to reflect a negotiated business arrangement. Pursuant to the Power of Attorney, TKJ appointed HBW as its attorney to act for and exercise all powers and rights of TKJ in all General Meetings, including but not limited to voting in the General Meetings.

Future funding

If the JV Company requires additional capital to maintain or expand its business, future funding of the JV Company shall be met by:

- (i) borrowings from financial institutions;
- (ii) borrowings from the JV Shareholders pro rata to their shareholdings in the JV Company;
- (iii) additional equity injection from the JV Shareholders by issuance of new shares, and the Parties must subscribe to the new shares pro rata to their shareholdings in the JV Company; or
- (iv) bank financing or seller's credit, with corporate guarantee from the JV Shareholders to the banks in the same proportion as their respective shareholdings in the JV Company if necessary.

Board of directors

The board of directors of the JV Company shall consist of three members of whom one shall be the President Director. HBW has the right to appoint two JV Directors, where one of them will be appointed as the President Director. LSJ, TKJ, and GRM mutually has the right to appoint one JV Director.

If there shall exist a vacancy on the board of directors of the JV Company, the Parties shall procure that a General Meeting shall be held within 30 days after the vacancy arises. Subject to the requirement on the composition of the board of directors as mentioned above, the Party(ies) entitled may nominate another individual to fill such vacancy, and each Party entitled to vote shall attend the relevant General Meeting and vote to ensure that such vacancy is filled.

Board of Commissioners

The board of Commissioners of the JV Company shall consist of three members. HBW has the right to appoint two Commissioners, where one of them will be appointed as the President Commissioner. LSJ, TKJ, and GRM mutually has the right to appoint one Commissioner.

Each Party agrees it will not vote in favor of the removal of any Commissioner unless the Party entitled to nominate such Commissioner requested or consented to such removal in writing.

If there shall exist a vacancy on the board of Commissioners, the Parties shall procure that a General Meeting shall be held within 30 days after the vacancy arises. Subject to the requirement on the composition of the board of Commissioners as mentioned above, the Party(ies) may nominate another individual to fill such vacancy, and each Party entitled to vote shall attend the relevant General Meeting and vote to ensure that such vacancy is filled.

Commissioners' reserved matters

The following actions are subject to the approval from the board of Commissioners:

- (i) borrowing or lending money on behalf of the JV Company for an amount exceeding USD50,000 or its equivalent and less than USD100,000 or its equivalent;
- (ii) purchasing immovable assets; and
- (iii) selling, transferring, releasing rights, or giving warrants on movable assets owned by the JV Company which are equal to or less than 50% of the JV Company's assets.

JV Shareholders' reserved matters

Approval of the JV Shareholders from the General Meeting attended by all JV Shareholders or JV Shareholders representing 50% of the issued shares of the JV Company with voting rights shall be obtained for the following actions:

- (i) increasing or reducing the share capital of the JV Company or issuing or allotting any or repurchasing, reducing, redeeming, converting, canceling or otherwise reorganizing any share or other securities;
- (ii) selling and/or transferring and/or releasing of rights or granting a right of security over assets or properties of the JV Company, whether fixed assets or movable assets, in one accounting year, under one or several transactions (stand-alone or related transactions);
- (iii) conducting a merger, acquisition, or consolidation;
- (iv) authorization or payment of, or assumption of the obligation to pay or make, any dividends or distributions by the JV Company including the determination of the JV Company's dividend policy;
- (v) establishing a company or participating in other companies inside or outside of Indonesia;
- (vi) amending the JV Company's articles of association;
- (vii) making any material change in relation to the nature or scope of business of the JV Company, including introducing or discontinuing any field of activity, ceasing to conduct its business;
- (viii) proposing or resolving to dissolve and liquidate the JV Company or the filing of a petition for dissolution and liquidation of the JV Company or the making of any arrangement by the JV Company with creditors generally or any application for voluntary bankruptcy or suspension of payment in respect of the JV Company;
- (ix) creating any Encumbrance over the JV Company's assets or property outside of the ordinary course of day-to-day business;
- (x) appointing an auditor and approving the audited financial statements and annual report of the JV Company, its financial year, or principal accounting policies used;
- (xi) JV Company's initial public offering and registration to any stock exchange;
- (xii) conducting an action to create new Debt on behalf of the JV Company, including but not limited to obtaining new Debt facility from any Party, conducting a Debt restructuring, and/or issuing a Debt instrument in any kind or form;
- (xiii) entering into any agreement not on bona fide arm's length terms or any related party dealings of the JV Company, including transactions between the JV Company with any of the following entities: (1) the JV Shareholders; (2) the JV Directors or Commissioners; and/or (3) their Affiliates; and/or
- (xiv) granting or varying (1) any share option or right to subscribe, acquire or convert into shares; and (2) issuance of management or employees stock ownership plan.

Transfer of shares

If a JV Shareholder (the “**Selling Shareholder**”) intends to sell any or all of its shares to a third party, the other JV Shareholders (the “**Remaining Shareholders**”) have a right of first refusal over the shares proposed to be sold by the Selling Shareholder (the “**Sale Shares**”). If the Remaining Shareholders do not exercise the right of first refusal within 60 days from the transfer notice made by the Selling Shareholder (the “**Transfer Notice**”), the Selling Shareholder may sell the Sale Shares to a third party with the same terms and conditions on the Transfer Notice. The third party must enter into a deed of adherence, agreeing to be bound by the provisions of the Shareholders Agreement.

Issuance of new shares

If the JV Company proposes to issue any new shares, the new shares shall be offered for subscription in the first instance to the JV Shareholders in proportion as nearly as practicable to their respective shareholding percentages in the JV Company. Each JV Shareholder shall have a minimum of 14 calendar days (the “**Acceptance Period**”) from the date of the JV Shareholders’ resolutions approving the issuance of such new shares, to agree in writing to accept the subscription of such new shares (the “**Acceptance Notice**”).

In the event any of the JV Shareholders fail to give the Acceptance Notice or notified their decision not to exercise their rights, the JV Company shall have such period of time thereafter as stipulated by the board of directors, but in any event no later than 60 days after the expiry of the Acceptance Period, to offer such new shares to a third party.

REASONS FOR AND BENEFITS OF THE SHAREHOLDERS AGREEMENT

The JV Company was set up to run the sea freight activities sector business. The Company is of the view that the cooperation between the Parties under the Shareholders Agreement presents a good opportunity for HBW to capitalize on its knowledge in the vessel subleasing business, and strengthens the collaboration between the Company and its business partner, HJR. The capital contribution to the JV Company will mainly be used to supplement its working capital and promote its daily investment and operation activities, which will in turn contribute to the overall business development and financial results of the Company.

The Directors (including the independent non-executive Directors) believe that the terms of the Shareholders Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, have been entered into in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

DIRECTORS’ CONFIRMATION

None of the Directors has any material interest in the Shareholders Agreement and the transaction contemplated thereunder and hence no Director was required to abstain from voting on the relevant Board resolutions.

INFORMATION ON THE GROUP

The Group is principally engaged in business across the entire nickel industry value chain.

INFORMATION ON THE JV COMPANY

The JV Company is a company incorporated under the laws of Indonesia with limited liability on 9 March 2023, and was owned as to 51% by LSJ and 49% by TKJ prior to the completion of the Capital Contribution. The JV Company has not commenced material business operations since its incorporation and is proposed to principally engage in sea freight activities sector business after the completion of the Capital Contribution.

Set out below is the consolidated financial information of the JV Company for the period between 9 March 2023 and 31 October 2023:

**For the
period between
9 March 2023
and 31 October 2023
(IDR)**

Net profit (loss) before tax	(166,171,757)
Net profit (loss) after tax	(166,171,757)

As of 31 October 2023, the unaudited total assets and net assets of the JV Company were IDR1,646,328,243 and IDR1,083,828,243, respectively.

INFORMATION ON THE PARTIES

HBW is a company incorporated under the laws of Hong Kong with limited liability and is principally engaged in the business of vessel subleasing. As at the date of this announcement, HBW is a wholly-owned subsidiary of the Company.

LSJ is a company established under the laws of Indonesia and is principally engaged in the business of domestic sea transportation for specific goods. As at the date of the announcement, LSJ is held as to 0.085% by Mr. Lim Gunardi Hariyanto and as to 99.915% by HJR. HJR is ultimately controlled by family members of Ms. Lim.

TKJ is a company established under the laws of Indonesia and is principally engaged in the business of wholesale trade in metal and construction materials. As at the date of the announcement, the ultimate beneficial owners of TKJ are Sudriman Utomo, Melina Utomo and Citro Utomo.

GRM is a company established under the laws of Indonesia and is principally engaged in the business of wholesale trade in metal and construction materials. As at the date of the announcement, the ultimate beneficial owners of GRM are Edison Santoso, Hartono Santoso and Juliana Santoso.

To the best of the Directors' knowledge, information and belief, and after making all reasonable enquiries, TKJ, GRM and the ultimate beneficial owners of TKJ and GRM are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, LSJ is owned as to 99.915% by HJR, and HJR is ultimately controlled by family members of Ms. Lim. Ms. Lim is the de facto controller of Feng Yi Pte. Ltd., a 17% Shareholder of the Company. As such, Ms. Lim is indirectly interested in 17% of the shares of the Company and is a substantial Shareholder and connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Ms. Lim's family members are deemed connected persons of the Company pursuant to Rule 14A.21 of the Listing Rules. Accordingly, HJR is an associate of Ms. Lim and is a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules, and LSJ, being a subsidiary of HJR, is a connected person of the Company.

Accordingly, the transaction contemplated under the Shareholders Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated with reference to Rule 14.07 of the Listing Rules in respect of the consideration for the transaction contemplated under the Shareholders Agreement is higher than 0.1% but less than 5%, the transaction thereunder is subject to reporting, annual review and announcement requirements but exempt from circular (including independent financial advice) and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Affiliates”	any entity which controls the Party, is controlled by the Party or is under the control of a person or entity which also ultimately controls the Party
“Board”	the board of Directors
“Capital Contribution”	IDR66,250,000,000 to be paid up by the Parties pursuant to the Shareholders Agreement
“Commissioner(s)”	the commissioner(s) of the JV Company from time to time
“Company”	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 PRC with limited liability, the H Shares of which are listed on the Stock Exchange (Stock Code: 2245)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Debt”	any loans, borrowings, or indebtedness (together with any accrued interest)
“Director(s)”	the director(s) of the Company
“Encumbrance”	any interest or equity of any person (including without prejudice to the generality of the foregoing, any right to acquire an option or right of pre-emption) or any mortgage, charge, pledge, lien or assignment or any other encumbrance, priority or security interest or arrangement of whatsoever nature over or in the relevant property

“General Meeting(s)”	the general meetings of the JV Shareholders
“GRM”	PT Gunung Rimba Makmur, a limited liability company incorporated under the laws of Indonesia
“Group”	the Company and its subsidiaries
“HBW”	Hong Kong Blue Whale International Ltd (香港藍鯨國際有限公司), a limited liability company incorporated under the laws of the Hong Kong and a wholly-owned subsidiary of the Company
“HJR”	PT Harita Jayaraya, a limited liability company established under the laws of Indonesia and ultimately controlled by family members of Ms. Lim
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDR”	Indonesian rupiah, the lawful currency of Indonesia
“Indonesia”	The Republic of Indonesia
“JV Company”	PT Makmur Jaya Maritimindo, a limited liability company established under the laws of Indonesia on 9 March 2023
“JV Director(s)”	the director(s) of the JV Company from time to time
“JV Shareholder(s)”	holder(s) of the share(s) of the JV Company from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LSJ”	PT Lima Srikandi Jaya, a limited liability company incorporated under the laws of Indonesia and ultimately controlled by family members of Ms. Lim
“Ms. Lim”	Ms. Lim Shu Hua, Cheryl, the de facto controller of Feng Yi Pte. Ltd., a 17% Shareholder of the Company
“Power of Attorney”	the power of attorney entered into between HBW and TKJ on 15 December 2023, whereby TKJ granted HBW the power to act as its attorney to exercise its powers at General Meetings
“PRC”	the People’s Republic of China
“President Commissioner”	has the meaning ascribed to it under the articles of association of the JV Company
“President Director”	has the meaning ascribed to it under the articles of association of the JV Company

“Shareholder(s)”	holder(s) of the share(s) of the Company from time to time
“Shareholders Agreement”	the shareholders’ agreement entered into among HBW, LSJ, TKJ and GRM on 15 December 2023, in relation to the proposed increase in authorized capital and capital contribution to the JV Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“TKJ”	PT Teratai Kemakmuran Jayaraya, a limited liability company established under the laws of Indonesia
“USD”	United States Dollar, the lawful currency of the United States
“%”	per cent.

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

The PRC, 15 December 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.