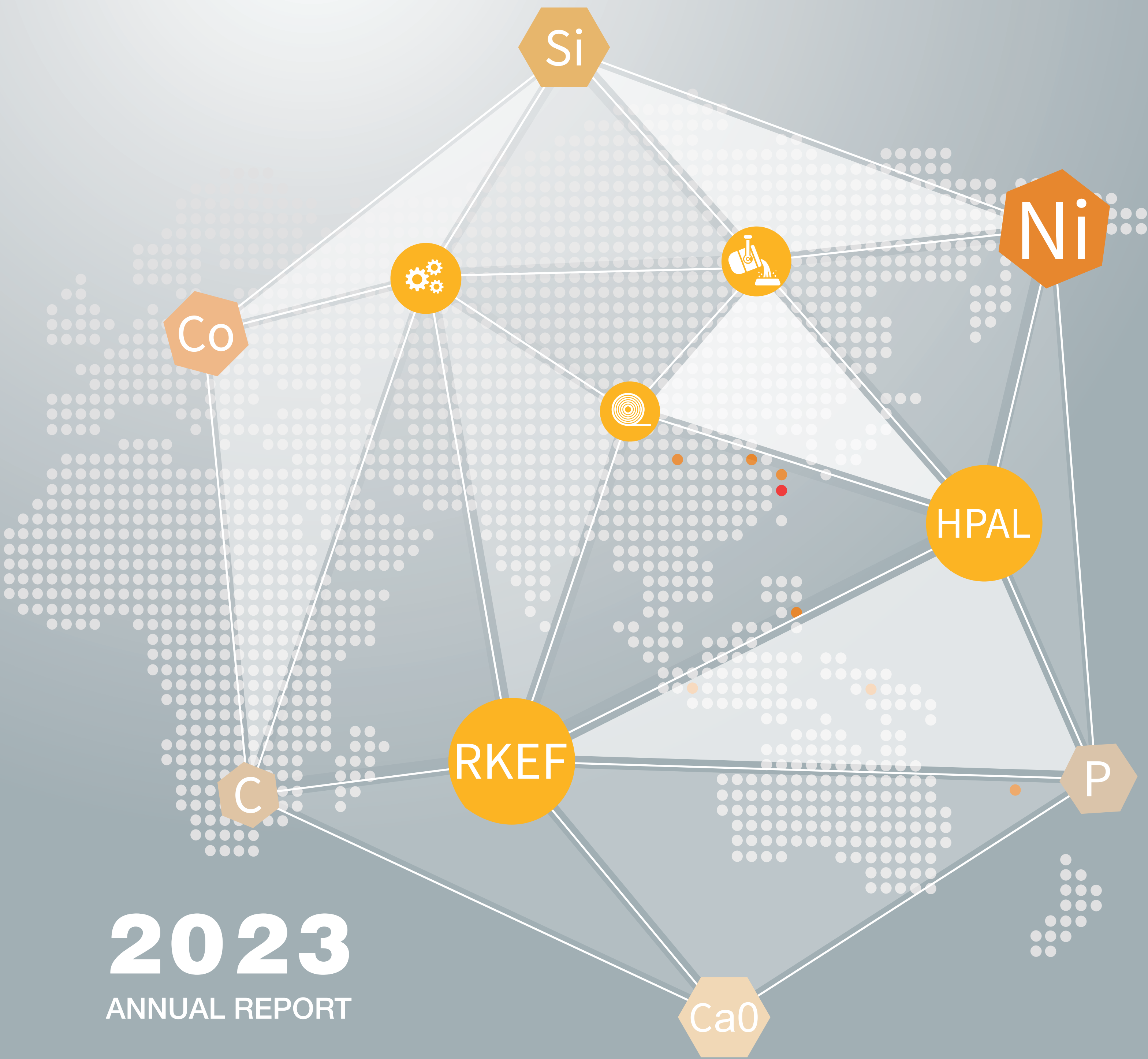
力勤资源
LYGEND RESOURCES

宁波力勤资源科技股份有限公司
LYGEND RESOURCES & TECHNOLOGY CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 2245



2023
ANNUAL REPORT

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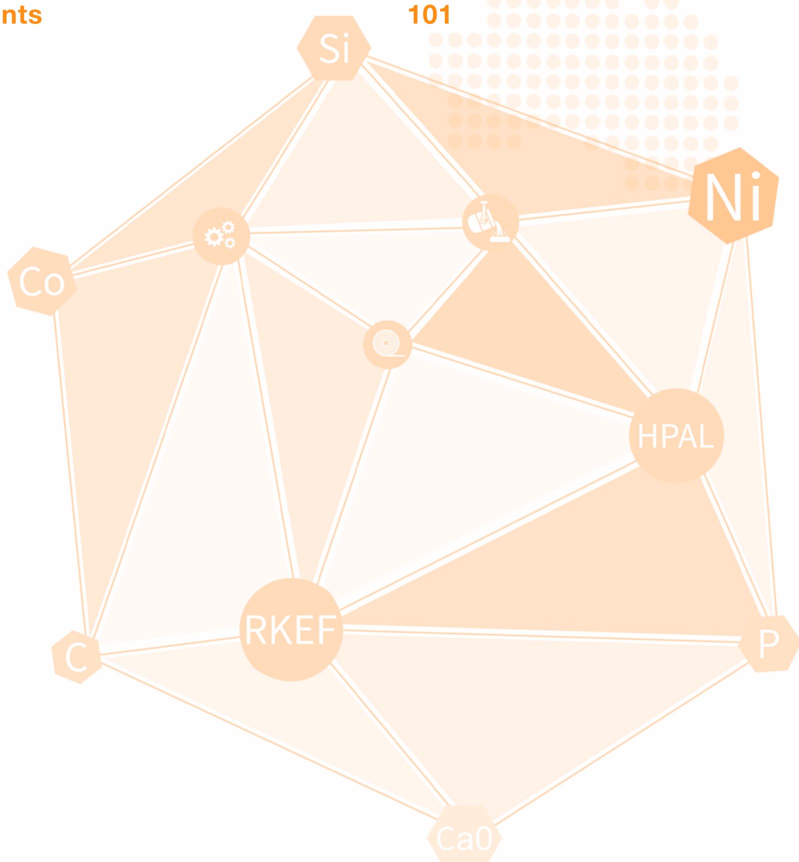

Company Profile

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.

Corporate Information

BOARD OF DIRECTORS

Chairman and executive Director

Mr. CAI Jianyong

Executive Directors

Mr. JIANG Xinfang *(resigned on 28 March 2024)*
Ms. FEI Feng
Mr. CAI Jianwei
Mr. YU Weijun

Non-executive Director

Mr. Lawrence LUA Gek Pong

Independent non-executive Directors

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

SUPERVISORS

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

BOARD COMMITTEE

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

ESG Committee

Mr. CAI Jianyong *(Chairperson)*
Mr. JIANG Xinfang *(resigned on 28 March 2024)*
Mr. QIAN Feng *(Non-Director)*
Mr. YUAN Shuangcheng *(Non-Director)*
Mr. ZHANG Baodong *(Non-Director)*
Mr. YU Hai *(Non-Director)*
Mr. LIAO Zhengquan *(Non-Director)*
Mr. LIU Xuanliang *(Non-Director)*
Mr. SONG Zhen *(Non-Director)*
(appointed on 28 March 2024)
Mr. WANG Duodong *(Non-Director)*
(appointed on 28 March 2024)
Mr. QI Hui *(Non-Director)*
(appointed on 28 March 2024)
Mr. SHI Wentang *(Non-Director)*
(appointed on 28 March 2024)

JOINT COMPANY SECRETARIES

Ms. FEI Feng *(resigned on 1 June 2023)*
Mr. CAO Zheng *(appointed on 1 June 2023)*
Ms. TANG Wing Shan Winza (ACG HKACG)
(resigned on 28 February 2024)
Ms. CHAN Yuen Mui (ACG HKACG)
(appointed on 28 February 2024)

AUTHORIZED REPRESENTATIVES (UNDER THE LISTING RULES)

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

Corporate Information

REGISTERED OFFICE

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

HEAD OFFICE

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

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

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

H SHARE REGISTRAR

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

PRINCIPAL BANKS

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

LEGAL ADVISORS

As to Hong Kong laws:
Herbert Smith Freehills

As to PRC laws:
Zhejiang T&C Law Firm

COMPLIANCE ADVISOR

Somerley Capital Limited

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

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

STOCK CODE

2245

COMPANY'S WEBSITE

www.lygend.com

DATE OF LISTING

1 December 2022

Financial Summary

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the years ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**21,059,316**	18,289,596	12,449,318	7,755,174	9,347,434
GROSS PROFIT	**3,381,965**	4,493,835	1,515,928	952,659	1,018,101
PROFIT BEFORE TAX	**1,761,514**	3,184,970	1,439,137	700,403	785,096
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,897,695**	3,568,068	1,277,212	443,465	580,503
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
OWNERS OF PARENT	**1,166,043**	2,052,377	1,117,740	445,283	579,361

Financial Summary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
NON-CURRENT ASSETS	20,400,855	12,015,872	7,637,849	1,679,358	1,324,981
CURRENT ASSETS	10,278,853	8,824,522	4,643,551	2,201,084	3,075,888
TOTAL ASSETS	30,679,708	20,840,394	12,281,400	3,880,442	4,400,869
LIABILITIES					
NON-CURRENT LIABILITIES	7,908,785	3,959,308	3,611,563	11,472	14,743
CURRENT LIABILITIES	9,285,573	4,853,289	3,496,180	2,476,915	3,239,237
TOTAL LIABILITIES	17,194,358	8,812,597	7,107,743	2,488,387	3,253,980
EQUITY					
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT	9,185,546	8,476,396	3,138,398	1,389,996	1,144,232
NON-CONTROLLING INTERESTS	4,299,804	3,551,401	2,035,259	2,059	2,657
TOTAL EQUITY	13,485,350	12,027,797	5,173,657	1,392,055	1,146,889
TOTAL EQUITY AND LIABILITIES	30,679,708	20,840,394	12,281,400	3,880,442	4,400,869

Chairman Statement

To Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), we are pleased to present to you the 2023 annual report of the Group for the year ended 31 December 2023 (the "Reporting Period").

2023 was a year full of opportunities and challenges for the Company. Amid the pressure of price fluctuations in the energy metal industry, the Company carried out the construction of its planned production projects steadily in the face of difficulties without external interference. Phase II of the laterite nickel ore hydrometallurgy project ("HPAL project") operated by PT Halmahera Persada Lygend ("HPL") has successfully commenced operation and reached full production capacity. At the same time, the phase I ancillary nickel sulfate production line has also been successfully put into operation. The loan for PT OBI Nickel Cobalt ("ONC") to operate the laterite nickel ore hydrometallurgy project was obtained successfully, and phase I of the laterite nickel ore pyrometallurgy project ("RKEF project", together with the HPAL project, the "Obi projects") operated by PT Halmahera Jaya Feronikel ("HJF") has been fully put into operation and reached full production capacity. In 2023, the Company has taken advantage of its professional technological strengths to progress the construction of the Obi projects. In active response to the significant fluctuations in the price of nickel products, the Company took the initiative to curb costs and increase efficiency, and enhanced its R&D and technological breakthroughs. It placed emphasis on production safety, occupational protection of employees and fulfilment of social responsibilities in order to achieve high-quality development of the enterprise.

In 2023, global energy metal prices fluctuated significantly. Against the backdrop of the intensive release of the newly added production capacity of nickel metal in the industry, coupled with the impacts of the successive interest rate hikes by the U.S. Federal Reserve Bank and U.S. debt overdue and other events in the financial and industrial sectors, nickel price movement in the futures market fell shockingly during the year. The future prices of nickel in both London Metal Exchange and Shanghai Future Exchange dropped by more than 40%.

Objectively speaking, the Company's revenue and profitability have been under pressure to a certain extent from the low nickel price. However, I believe that the markets in which the Company's major products are located have better development expectations and can bring a suitable environment for the Company's business development.

Looking forward, the Company will, as always, complete the construction of existing projects and enrich our product range, enhance research and development capabilities and promote technological innovation, expand upstream resource channels and seek high-quality nickel ore resources, and finally create a more open and robust nickel resource ecosystem.

APPRECIATION

On behalf of the Board, I would like to extend my sincere appreciation to the Group's management and staff for their commitment and dedication. I would also like to express my deep gratitude to all of our partners, customers, suppliers and the shareholders of the Company (the "Shareholders") for their continuous support.

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

People's Republic of China, 28 March 2024

Management Discussion and Analysis

OVERVIEW

2023 was a year full of opportunities and challenges for the Company. Amid the pressure of price fluctuations in the energy metal industry, the Company continued the construction of its planned production projects steadily in the face of difficulties. Phase II of the laterite nickel ore hydrometallurgy project (HPAL project) has successfully reached full production capacity, and the ancillary nickel sulfate production line of the HPAL project has also been successfully put into operation. Phase I of the laterite nickel ore pyrometallurgy project (RKEF project) has been fully put into operation and reached full production capacity as planned. In 2023, the Company has taken advantage of its professional technological strengths to progress the construction of the Obi projects. In response to the significant fluctuations in the price of nickel products, the Company took the initiative to curb costs and increase efficiency, and enhanced its R&D and technological breakthroughs. It placed emphasis on production safety, occupational protection of employees and fulfilment of social responsibilities in order to achieve high-quality development of the enterprise.

In 2023, global energy metal prices fluctuated significantly. Against the backdrop of the intensive release of the newly added production capacity of nickel metal in the industry, coupled with the impacts of the successive interest rate hikes by the U.S. Federal Reserve Bank and U.S. debt overdue and other events in the financial and industrial sectors, nickel price movement in the futures market fell shockingly during the year. In particular, the future prices of main contract of nickel in the Shanghai Future Exchange dropped from RMB0.2289 million at the beginning of the year to RMB0.1252 million at the end of the year, representing a decrease of 45.30%, while the future prices of nickel in the London Metal Exchange fell from US$29,920 at the beginning of the year to US$16,620 at the end of the year, representing a decrease of 44.45%.

Objectively speaking, the Company's revenue and profitability have been under pressure to a certain extent from the low nickel price. However, according to public data, the markets in which the Company's major products are located have better development expectations and can bring a suitable marco-environment for the Company's business development. The nickel product smelting business of the Company mainly comprises ferronickel, a pyrometallurgical product, and nickel-cobalt hydroxide and nickel sulphate, hydrometallurgical products, which are applied in the sectors of steel and new energy vehicles (NEV) respectively. The business development of the Company is also closely related to the above industries.

Stainless steel

As a fundamental industrial material, stainless steel has a wide range of applications in the sectors of, including transport, industrial, construction, consumer home electrical appliances and equipment manufacturing. In the sector of transport, stainless steel can be used in the manufacturing of buses, metro rail, automobile, vessels and aircrafts. In the construction industry, stainless steel can be used for decorative parts such as doors and windows, handrails, staircases and columns, as well as the building structure itself. In addition, stainless steel has good corrosion resistance and can be easily cleaned. It is widely used in food processing, medical equipment and laboratories as a result. In the industrial and energy sectors, stainless steel can be used in the manufacturing of various mechanical equipment and pipelines, as well as components for nuclear power stations. Despite the impact of fluctuations in real estate demand in 2023, the demand for stainless steel has maintained steady growth, with excellent performance in segments such as consumer home electrical appliances, transportation and equipment manufacturing. According to the statistics by the Stainless Steel Council of China Iron & Steel Association, China's crude steel production of stainless steel in 2023 amounted to 36.6759 million tons, representing a year-on-year increase of 12.59%, while apparent consumption amounted to 31.0822 million tons, representing a year-on-year increase of 10.56%.

Management Discussion and Analysis

New energy

In 2023, global sales of NEV increased steadily, the penetration rate continued to rise and market potential continued to expand. With the introduction of a series of promoting consumption policies such as policy to encourage the purchase of NEV by rural people and the extending tax exemption policy for the purchase of NEVs, the NEV market in China has maintained the development trend of robust production and sales. According to the data of China Association of Automobile Manufacturers, the production and sales of NEV amounted to 9.587 million and 9.495 million respectively in 2023, with a year-on-year growth of 35.8% and 37.9% respectively, and the market penetration rate reached 31.6%, representing an increase of 5.9 percentage points as compared with the same period last year. Among them, exports of NEV hit a new high with a cumulative annual export of 1.203 million vehicles, representing a year-on-year increase of 77.6%. Thanks to the global growth of NEV, the installed capacity of batteries maintained steady growth. According to SNE Research, the global installed capacity of batteries was 705.5Gwh in 2023, marking a year-on-year growth of 38.6%.

BUSINESS REVIEW

We are a company with business across the entire nickel industry value chain. Positioning in the "nickel" segment of the industry, the Company has established its presence across the entire nickel industry value chain and achieved a leading position in both trading and production of nickel products in the industry, including the integration and trading of nickel resources, trading and production of nickel products, equipment manufacturing and sales. Actively responding to the "Belt and Road" policy and pursuing the development model of mutual benefit and win-win situation, the Company and PT Trimegah Bangun Persada (the "Indonesian Partner", who is a substantial shareholder of certain non-wholly owned subsidiaries of our Company, together with its associates) have jointly invested in the construction of an industrial park on the Obi Island, in which hydrometallurgy and pyrometallurgy projects for nickel products were established with related production ancillary facilities being provided simultaneously. This ensured our autonomy in aspects such as smelting and production, raw material and energy supply, and public ancillary facilities, and has helped us achieve various breakthroughs and significant progress in the sector of smelting of nickel products.

Over the past fifteen years since its incorporation, the Company has commenced its development from nickel ore and ferronickel trading, and continued to devote efforts in the market and tap its potential, improve the quality of development and actively respond to market changes. The Company has intensively participated in the entire nickel industry chain, and built a comprehensive business portfolio oriented with the production, manufacturing and trading of nickel products. Currently, the main business covers the integration and trading of nickel resources, production, manufacturing and trading of nickel products as well as equipment manufacturing and sales. Adhering to the concept of integrating Chinese technology with global resources, the Company has fully taken advantage of its strengths to strive for the development and construction of the entire nickel industry chain. Headquartered in Ningbo, the Company initially completed its business layout with resources secured overseas, manufacturing and smelting in Indonesia and has established market presence globally, thereby developing an industrial pattern of "upstream nickel resource integration and trading, midstream smelting, production and equipment manufacturing and expansion of downstream application scenarios". During the Reporting Period, the Company stayed committed to the general principle of seeking progress while maintaining stability, promoted the development of various projects in an orderly manner, released its production capacity as scheduled, and achieved steady growth in production and sales volume of various businesses.

Management Discussion and Analysis

From January to December 2023, the Company realized a total operating revenue of RMB21,059.3 million, representing an increase of 15.1% as compared with the same period last year. The net profit attributable to shareholders of the Company was RMB1,051.4 million, representing a decrease of 39.4% as compared with the same period last year. The decline was mainly attributable to the higher base figure for the same period last year under the impact of the LME's nickel trade cancellation incident in March 2022. As nickel prices gradually returned to normal levels, the technology roadmaps of the industry have been further improved, and the production capacity of nickel products, such as hydrometallurgy reaction intermediates, was gradually released to align with downstream demands, which has in turn further driven the decline in prices of related nickel products. In addition, interest expenses increased due to the impact of continuous interest rate hikes overseas, which coupled with the rise in the exchange rate of the US dollar during the Reporting Period, resulted in exchange losses, leading to an increase in finance costs, further affecting the profit margin of the Company.

During the Reporting Period, the Company actively gave full play to its strengths, proactively controlled the pace of business development, positively responded to market challenges, capitalised on market development opportunities and expanded the ways of making breakthrough for the Company's high-quality development, which was recognised by the competent departments at all levels and associations among the industry. The Company won the "First Class Award of Science and Technology of Chinese Nonferrous Metals Industry", was honoured to be listed on the "Top 500 Manufacturing Enterprises in China in 2023", accredited as the "Top 100 Comprehensive Enterprises in Ningbo City in 2023", and approved as the "AEO Advanced Certified Enterprise of Customs", which facilitates the Company's further expansion to overseas markets. At the 6th Import Expo – Import Platform Promotional Fair of Zhejiang Province, the Company was approved as a provincial key import platform enterprise. Xi'an Pengyuan Equipment Co., Ltd, a subsidiary of the Company, was rated as a provincial "professional, specialised, special and new" enterprise in 2022-2024. Phase III of the hydrometallurgy project has become a contracted project at the Entrepreneurs' Conference of the Third "Belt and Road" Summit Co-operation Forum. Obi industrial park and phase II of the pyrometallurgy project were selected in the list of achievements of promoting the construction of "Belt and Road" initiative in Zhejiang Province.

During the Reporting Period, the Company actively constructed the Obi projects, carried out technological R&D and promoted the optimisation of the overall planning of the Obi industrial park. Through the introduction of the industry's latest improved technology and equipment for process control and plant management system, the facilities of the Obi projects with which production was currently underway has been able to realise production monitoring, testing, optimisation and management of almost the entire production process from input of raw materials to output of products, thereby ensuring stability and continuity of production and the production safety of the project personnel as much as possible. Through the all-round video surveillance system in the Obi industrial park, the Company has been able to achieve remote management and safety warning of production and daily life facilities in the park, effectively mitigating the pressure of on-site management of the projects.

Nickel resources procurement and trading

As the largest nickel ore trading company in China, the Company leveraged its ability in securing abundant nickel resources, actively explored domestic and overseas markets, maintained stable customer relationships and enhanced service quality. The Company optimized its sales strategy in a timely manner according to market conditions to ensure sales volume while enhancing the comprehensive benefits with a steady growth in nickel resources trading volume throughout the year. During the Reporting Period, the Company's nickel ore trading volume exceeded 10 million tons and continued to consolidate its existing market share.

Management Discussion and Analysis

Smelting and production of nickel products and equipment manufacturing

Giving full play to its synergistic advantages in equipment manufacturing with a focus on the smelting and production of nickel products, the Company adhered to the principle of openness and cooperation, and cooperated with the Indonesian Partner in an effort to optimize the allocation of resources, with a view of securing the Obi projects in Indonesia on all fronts.

Hydrometallurgy project/HPAL project

The Company has mastered the high-pressure acid leaching smelting process of laterite nickel ore, and continued to optimise the production process and increase production efficiency. Currently, the capacity utilization rate of the constructed HPAL project exceeds 100%. In addition, the Company closely followed the development trend and changes in demand of the NEV industry, and continued to improve its product structure while implementing the existing production capacity construction plan. The battery-grade nickel sulfate and cobalt sulfate were successfully put into production for the first time in Indonesia in order to meet market demand.

During the Reporting Period, phase II of the Company's hydrometallurgy project was successfully put into operation and reached full production capacity while phase I and phase II of the hydrometallurgy project achieved the annual design capacity of 55,000 metal tons of nickel ahead of schedule and exceeded the production capacity, producing a total of 62,000 metal tons of hydrometallurgical products for the year. The Company successfully obtained a syndicated loan of the RMB equivalent of US$780 million for phase III of the hydrometallurgy project. The high-pressure reactor, which is the core production equipment of phase III of the hydrometallurgy project, was successfully transported to the project site, and the production lines are under construction in an orderly manner. Currently, the construction and installation of the core production facilities and the key node of water intake have been successfully completed in accordance with the construction plan.

Pyrometallurgy project/RKEF project

The Company continued to strengthen the optimization and maintenance management of the pyrometallurgy process and enhance the production efficiency and product quality to achieve cost reduction and improvement in efficiency. The production lines of phase I of the pyrometallurgical project commenced operation successively in October 2022 and all eight production lines commenced operation and reached full production during the Reporting Period, with the indicators of unit consumption of roasted sand, consumption of nickel per unit of lanthanum and consumption of nickel per unit of lignite reaching the advanced level in the same industry. The annual cumulative ferronickel production of the RKEF project exceeded 70,000 metal tons of nickel. Phase II of the pyrometallurgy project continued to push forward its construction steadily in accordance with the scheduled plan. It is expected to have a design capacity of 185,000 metal tons of ferronickel per annum upon completion.

Management Discussion and Analysis

RISK ANALYSIS

Market Volatility Risk

Changes in supply and demand due to the continuous release of production capacity of nickel products in the industry

During the Reporting Period, the commissioning of a number of laterite nickel ore smelting projects in the industry resulted in a significant increase of the supply of nickel products in the market. The continuous supply of nickel products alleviated the shortage of raw materials for ferronickel and nickel sulfate, which further lowered production costs. The further optimization of the supply and demand structure of nickel products has also driven the market prices of nickel products to gradually return to a reasonable range from the abnormally high levels in the first half of 2022. The major customers of products produced by the Company's Obi projects, such as nickel-cobalt compounds (MHP) and nickel sulphate, are located in mainland China. As affected by the significant fluctuations in LME prices last year, the pricing of products between downstream customers and us have been gradually unpegged from the LME nickel prices, and the mainland market is more inclined to use the prices of nickel sulphate, which is regularly disclosed in the market, as the basis for price negotiation. However, with the fall of the LME price in the second half of the year, some of the customers have also proposed to make reference to the LME nickel price once again for pricing.

We believe that changes in the supply and demand structure may attract new production capacity to enter the nickel product smelting industry. Although indicators such as the investment cost and construction cycle of nickel product hydrometallurgy projects have witnessed significant optimization as compared with that in the past, the construction cycle of 2 to 3 years and the sustained high investment cost per tonne will be an obvious barrier in terms of time and capital. Being the first company to commence nickel product smelting in the industry in Indonesia, as well as the first company to put hydrometallurgy projects into operation and reach full production capacity in Indonesia, we enjoy a unique first-mover advantage to realize technological breakthroughs and improvements, production optimization, cost reduction and efficiency enhancement, and a positive cycle that ties production capacity expansion with customers' demand at certain earlier dates.

Fluctuation in nickel metal price

The Company is principally engaged in the production and trading of nickel products, thus its principal operating activities may be affected by fluctuations in nickel metal prices. The selling prices of nickel products produced by the Company were mainly affected by the demand and supply during the Reporting Period. Taking into consideration that the nickel metal price is susceptible to the global economy, global demand and supply, market expectations, speculation and other factors and subject to high volatility, and that fluctuations in nickel metal prices would also be affected by market conditions to a certain extent, the selling prices of our products were also affected by the fluctuations in nickel metal price to varying degrees accordingly.

After the fluctuation of nickel prices in the first half of 2023, a number of capacities for the production of electrodeposited nickel and registration for delivery of futures have also emerged in the industry. The rapid commencement of production of electrodeposited nickel and registration for delivery of futures have greatly increased the level of inventory of delivery items on the LME, which to a certain extent reduces the likelihood of the reoccurrence of significant fluctuations in nickel prices.

Management Discussion and Analysis

The Company has adopted relevant measures to reduce costs and improve efficiency, with a view to addressing market volatility risks.

Firstly, the Company has always insisted on adopting a diversified production approach for nickel products. The Company has fully mastered the third-generation HPAL process and mature nickel pyrometallurgy technology, and has accumulated rich experience in project design, construction, management and operation of supporting nickel product production projects, which is able to be standardized, processed and is replicable. Leveraging our extensive technical and operational experience, we jointly invested and operated the HPAL and RKEF projects with the Indonesian Partner on the Obi Island, Indonesia. At the same time, we fully capitalized on low-, medium- and high-grade laterite nickel ore in Indonesia to achieve profitability through synergistic production of nickel products of all grades. In addition, the capacity utilization rate of the Company's HPAL and RKEF projects were maintained at a high level, ensuring production continuity and stability.

Secondly, the Company has taken measures on the supply side of nickel ore to further stabilize the costs of raw materials. With respect to the supply of nickel ore for the production of nickel products, the Company has entered into a nickel ore guaranteed supply agreement with its Indonesian Partner, under which its Indonesian Partner will prioritize the supply of nickel ore of the quality and quantity required by the four project companies of the Obi projects, namely, PT Halmahera Persada Lygend ("HPL"), PT Halmahera Jaya Feronikel ("HJF"), PT OBI Nickel Cobalt ("ONC") and PT Karunia Permai Sentosa ("KPS"). In addition, the nickel ore used in the production of the Company's nickel products is of higher quality with lower concentration of magnesium, hence the costs generated from the consumption of sulfuric acid were under effective control.

CORE COMPETITIVENESS OF THE COMPANY

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

The Company's business spans across the entire nickel industry value chain, including upstream nickel resources integration, trading, smelting and production of nickel products, equipment manufacturing and sale. After 15 years of business development, the Company has accumulated industry knowledge and the ability to make strategic planning for our business on a global scale, enabling us to connect key areas across the nickel industry value chain, from upstream sourcing of nickel resources, trading and production of nickel products, to equipment manufacturing and sale.

With respect to the upstream sourcing and trading of nickel resources, the Company has established stable upstream supply channels in both Indonesia and the Philippines, the world's major exporters of nickel ore and ferronickel, and has been able to maintain adequate and stable supply of nickel resources. In addition, by conducting analysis on the grades, characteristics and associated metals of nickel ores from different countries and regions through its own nickel ore inspection department, the Company is able to procure nickel ore products that are most suitable for their business, and thus enhance production efficiency. The provision of these value added services also deepened our understanding of industry trends and customer demands, thereby enabling us to form our differentiated knowledge base.

Management Discussion and Analysis

In terms of smelting, production, manufacturing and sale of equipment, the Company has established its own production bases in China and Indonesia, serving as a linchpin between our upstream and downstream resources. The Company has established an independent industrial park on the Obi Island. In addition to making full use of local laterite nickel resources to produce nickel-cobalt compounds and ferronickel products, the Company adheres to the principles of green production and recycling economy, and plans to reuse the intermediaries generated during the production process, such as sulfuric acid, steam and coal gas, to the production of nickel-cobalt compounds and ferronickel, thereby realizing the comprehensive utilization of resources to the fullest extent. The Company is actively planning and promoting the construction of infrastructure including ports and airports on the Obi Island to integrate electricity, logistics, technology and resources in the same park, thereby bolstering the Company's intensive industrial advantage and further improving our operational efficiency throughout the entire industry value chain on the Obi Island while minimizing operation and production costs.

In addition, the Company's capabilities in the manufacturing and sales of professional nickel products production equipment provide additional technical support to further enhance its production processes and techniques.

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

Our technological innovation and extensive industry experience not only enables the Company to establish a product portfolio with different production paths, but also allows us to achieve first-mover advantages in terms of operational efficiency and profitability.

Hydrometallurgy

We have fully mastered one of the most advanced nickel hydrometallurgy processes and techniques in the industry. We have also accumulated extensive experience in the design, construction, management and operation of nickel hydrometallurgy projects. Compared with other nickel hydrometallurgy projects which failed to commence production or experienced long ramp-up time, both the phase I production lines and phase II of the HPAL project of the Company had successfully reached full production capacity within two months after commencement of operation, breaking multiple records in the industry. The Company's HPAL project has the lowest cash cost among all nickel-cobalt compound production projects.

The third-generation HPAL process adopted in the HPAL project is the mainstream nickel hydrometallurgy technique and currently the most cutting-edge process used to process low-to-medium-grade laterite nickel ore. The HPAL process is technically demanding and involves a complicated production process that needs to be carried out under a high-temperature and high-pressure environment using concentrated sulfuric acid. This process imposes high technical and operational requirements on the producer and has low fault tolerance. With industry-leading technological capabilities and technical personnel with extensive experience, coupled with the introduction of the industry's most recently improved process control and plant management system for technologies and equipment, the Company is able to realize monitoring, surveying, optimization and management of almost all processes from input of raw materials to output of products, thereby ensuring the stability and continuity of production and the production safety of the project personnel to the greatest extent. The HPAL project has implemented various enhancements and adjustments to the production process, techniques and production equipment of the third-generation HPAL process, which have further improved the project's production capacity while reducing its energy consumption and cost of production.

Management Discussion and Analysis

Pyrometallurgy

We have mastered mature nickel pyrometallurgy techniques and processes, and accumulated corresponding experiences in the design, construction, management and operation of nickel pyrometallurgy projects, thereby facilitating the deployment of domestic and overseas production capacity for laterite nickel ore pyrometallurgy projects.

We have applied the valuable experience we have accumulated from our Jiangsu Facilities in relation to technical upgrades and project operation and management to our RKEF project. In addition, we have made further innovations and upgrades to the RKEF process and production equipment used at our Jiangsu Facilities by taking into consideration the characteristics of laterite nickel ore and other raw materials in Indonesia, improving the utilization of thermal energy and reducing the repair and maintenance expenses for machine and equipment, which in turn reduces the energy consumption and production costs of the entire production process.

Continuous technique improvements and R&D

We continuously improved our techniques and conducted R&D innovations through our in-house R&D and technical team and collaborations with third-party organizations:

- Through the Obi projects, the Company acquired leading technology accumulation and extensive processing experiences. Through continuous research, and digestion, the Company applied for approximately 30 patents in 2023, the majority of which are application for invention patents. So far, the Company holds approximately 100 patents in total, and has set up a technology center and a technology expert committee, which laid a solid foundation for further innovation and technological breakthroughs in the future.

- To support the Company's in-house R&D initiatives, we collaborate with reputable educational and research institutions and engineering design institutions in China, including Beijing University of Technology, China ENFI Engineering Corporation and BGRIMM Technology Group (formerly known as Beijing General Research Institute of Mining and Metallurgy). These collaborations cover various aspects including improvements of processes and techniques and optimization of production costs. In December 2021, the "Key Technologies for Clean Extraction and Efficient Utilization of Nickel, Cobalt and Scandium" project, in which the Company also participated, was approved by the Ministry of Science and Technology. The project is committed to extracting valuable metals from different stages of hydrometallurgy of laterite nickel ores through efficient and clean technologies and processes, among which, the development of technologies related to tailings treatment of the HPAL project has almost been completed as at the year ended 31 December 2023. Through the tailings treatment technology and process, we are expected to be equipped with the ability to recover ferrous metal from the tailings of the HPAL project and hence create a new profit growth point. At the same time, we will be able to effectively solve the environmental pressure and treatment costs brought by the tailings of the hydrometallurgy project. Next, based on the progress of technical verification, the Company will prepare for the construction of a demonstration plant to realize the industrial application of this technology as soon as possible. With respect to equipment manufacturing, we have established a R&D center for ferroalloy engineering technology with Xi'an University of Architecture and Technology. Both parties have maintained close contacts and jointly carried out various activities such as discussions on technical and academic topics, and commencement of project guidances and trainings.

Management Discussion and Analysis

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

Due to the scarcity of global nickel resources as energy metal, securing a stable and sufficient supply of nickel ore is crucial for solidifying our industry position, expanding our business scale and achieving the sustainable development of our business. Indonesia and the Philippines are currently the world's top two countries in terms of production volume of nickel ore and are also our major sources of nickel resources. We have established long-term and stable supply channels with upstream mines located in these countries to ensure an uninterrupted access to nickel ore and ferronickel products which are also of high and consistent quality, thereby strengthening and solidifying our competitive position in the industry.

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

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

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

Leveraging the in-depth involvement across the nickel industry value chain for over 15 years, we have cultivated strong credibility and reputation in the industry, and established long-term and stable collaborative relationships with large-scale and leading domestic and foreign manufacturers:

Stainless steel industry. As the largest trading company of nickel ore in China, we are resourceful in securing nickel resources from Southeast Asia, and have maintained stable supply chain and competent quality control system. As a result, the Company has established long-term and stable relationships in supplying nickel ore and ferronickel to various large-scale and industry-leading companies.

NEV industry. As the production capacity of our HPAL project has gradually increased, we have entered into long-term cooperation agreements with multiple precursor/cathode enterprises, including GEM Co., Ltd. (002340.SZ), a subsidiary of Contemporary Amperex Technology Co., Limited (300750.SZ) and Ningbo Ronbay New Energy Technology Co., Ltd. (688005.SH). In addition, well-known domestic and overseas companies including Huayou Cobalt Co., Ltd. (603799.SH) and Jinchuan Group Co., Ltd. are also our major customers.

We adhere to the concept of ESG sustainable development

In the face of new challenges such as global sustainable development and climate change, the Company has formulated a well-established ESG operation mechanism, and adopted the concept of sustainability in every aspect of trading, production, equipment manufacturing and sales. The by-products generated during the production process will be recycled. 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 park, and ultimately promote the green economy strategy of "carbon peak" and "carbon neutrality" to countries under China's "Belt and Road" initiative.

Management Discussion and Analysis

During the Reporting Period, we honoured our commitment made prior to the listing of the Company's shares ("Shares" or "H Shares") on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") by formulating an ESG policy and establishing the ESG committee of the Board. The ESG committee is responsible for identifying ESG-related risks and opportunities, and reporting regularly to the Board on the management. The ESG committee also acts as an internal organization between the Board and the various business units and subsidiaries and is responsible for the communication between the upper and lower levels to coordinate the ESG issues. The Company applied for ISO9001 certification for its nickel-cobalt intermediaries, and ensured that the ISO14001 environmental management certification, ISO45001 occupational health and safety certification and ISO product quality management certification of the Group remained valid.

OUTLOOK

Completing the Construction of Existing Projects and Enriching Our Product Range

The Obi projects in Indonesia the Company currently invest in is pivotal for us to achieve profit growth in the future, and thus it is essential for our business development to put these production lines of the Obi projects into operation smoothly and efficiently as scheduled. We will focus on pushing ahead with the construction of phase III of the HPAL project, phase II of the RKEF project and the planned electrodeposited cobalt project in an orderly manner as planned with a view to achieving the gradual release of production capacity. At present, the design of the project production lines and procurement for phase III of the HPAL project have been initially completed. As such, the construction of the production lines is progressing smoothly. The water connection points of the water intake system have been completed, and the construction of the HPAL project's ancillary tailings pond and living areas is progressing orderly. On the other hand, phase II of the RKEF project is being pushed forward as planned in an orderly manner. Meanwhile, the Company will actively enhance its research and development capability to adapt to the production of a variety of downstream products to respond to the complicated and ever-changing market environment.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

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. The Company has technical reserves such as electrodeposited nickel, and electrodeposited cobalt production, and comprehensive utilization of slag resources from the hydrometallurgy process. In addition, we plan to further enhance our R&D capabilities through establishing a new R&D center, strengthening our cooperation with various universities and research institutions and establishing a high-quality research team. In the future, our main R&D activities will include the comprehensive utilisation of metal resources in laterite nickel ore, energy conservation and carbon emission reduction, intelligent control and technological upgrade of projects.

Management Discussion and Analysis

Expanding Upstream Resource Channels and Seeking High-quality Nickel Ore Investment Opportunities

As a fundamental component of our strategy to establish a comprehensive business coverage throughout the nickel industry value chain, nickel ore resources are key in supporting our overall business growth and our ability to meet the market demand. Securing high-quality and stable nickel ore resources is crucial to our sustainable development. As such, we plan to continuously expand our upstream resources channels and seek high-quality nickel ore investment opportunities to ensure we can consistently acquire nickel ore resources of high and consistent quality.

Creating a More Open and Robust Nickel Resource Ecosystem

The Company is dedicated to constructing a more open and robust nickel resource ecosystem centered around our core competitiveness by establishing independent industrial parks, constructing ancillary infrastructure for the parks, and introducing downstream producers to realize the export of its entire industrial park model.

The Company will actively drive the construction of infrastructure including power and water supply, living areas as well as waterway, road and air transportation on the Obi Island to integrate electricity, logistics, technology and resources in the same park. In terms of power supply, the Company plans to develop photovoltaic power generation to enhance the proportion of green power utilization. In terms of water supply, taking into consideration both the industrial and domestic water demand of the park, the Company will refine the regulation of water resources during rainy/dry seasons in order to satisfy the water demand of the park. In terms of the construction of living areas, the Company not only will build ecological villages for local villagers, but will also provide accommodation camps for the project companies. In terms of the construction of transportation infrastructure, the Company plans to construct infrastructure including ports and airports for the park so as to facilitate logistics and transportation as well as commuting of employees who work on the island.

The Company aspires to promote the synergistic development of the various projects in the industrial park on the Obi Island, and continuously improve the operational efficiency of Obi Island to minimize operation and production costs. The Company has established an independent industrial park on the Obi Island. In addition to making full use of local laterite nickel resources to produce nickel-cobalt compounds and ferronickel products, the Company adheres to the concepts of green production and recycling economy, and plans to reuse the intermediaries generated during the production process, such as sulfuric acid, steam and coal gas, to the production of nickel-cobalt compounds and ferronickel, thereby realizing the comprehensive utilization of resources to the fullest extent. The Company is actively planning and promoting the construction of infrastructure including ports and airports on the Obi Island to integrate electricity, logistics, technology and resources in the same park, thereby bolstering the Company's intensive industrial advantage and further improving our operational efficiency throughout the entire industry value chain on the Obi Island while minimizing operation and production costs.

Building on our successful experience in production, engineering design and industrial park operation and management in relation to Obi projects, the Company is capable of successfully replicating and exporting this model to other countries and regions similarly endowed with rich nickel resources, which will help further extending our business ecosystem throughout the nickel industry value chain.

Management Discussion and Analysis

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 2023 and 31 December 2022.

	For the years ended 31 December			
	2023		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*
Nickel Products Trading				
Laterite Nickel	3,174,286	15.1	4,234,542	23.2
Ferronickel	8,035,189	38.2	4,024,492	22.0
Nickel-cobalt compounds	414,790	2.0	–	–
Subtotal	11,624,265	55.3	8,259,034	45.2
Nickel Products Production				
Ferronickel	1,511,280	7.2	1,905,914	10.4
Nickel-cobalt compounds	7,241,258	34.4	7,213,301	39.4
Subtotal	8,752,538	41.6	9,119,215	49.8
Equipment manufacturing and sales	148,324	0.7	655,933	3.6
Others	534,189	2.4	255,414	1.4
Total	21,059,316	100.0	18,289,596	100.0

Our revenue increased by 15.1% from RMB18,289.6 million in the year ended 31 December 2022 to RMB21,059.3 million in the year ended 31 December 2023. The increase in revenue was mainly attributable to the increase in revenue generated from our nickel products trading business.

Revenue generated from the trading business increased by 40.7% from RMB8,259.0 million in the year ended 31 December 2022 to RMB11,624.3 million in the year ended 31 December 2023, mainly due to (i) the increase in revenue of RMB4,010.7 million from the trading of ferronickel as a result of the sales of ferronickel, which we procured from HJF, our associate, to third parties since the commencement of ferronickel production under the RKEF project; and (ii) our procurement and sales of nickel-cobalt compounds to meet the demand of the long-term agreement, resulting in additional revenue from the trading of nickel-cobalt compounds of RMB414.8 million, which was partially offset by a decrease in revenue from the trading of laterite nickel of RMB1,060.2 million as compared with the same period in 2022 as a result of the decline in market price of nickel ore in the trading business.

Management Discussion and Analysis

Revenue generated from the production business decreased by 4.0% from RMB9,119.2 million in the year ended 31 December 2022 to RMB8,752.5 million in the year ended 31 December 2023, mainly due to (i) the decrease in market prices of nickel, resulting in a decrease in revenue of RMB394.6 million from the ferronickel production business; and (ii) the increase in sales volume of nickel-cobalt compounds, which was offset by factors such as the decrease in market prices of both nickel and cobalt.

Revenue generated from the equipment manufacturing and sales business decreased by 77.4% from RMB655.9 million in the year ended 31 December 2022 to RMB148.3 million in the year ended 31 December 2023, primarily due to the completion of equipment installation and testing and the commencement of production of HJF's eight ferronickel production lines at the end of May 2023, resulting in a decrease in revenue from the sales of equipment to HJF by the Company.

Other revenue increased significantly from RMB255.4 million in the year ended 31 December 2022 to RMB534.2 million in the year ended 31 December 2023, mainly due to the increase in the sales of ancillary materials to HJF by the Company during the production ramp-up stage of the RKEF project.

Gross Profit and Gross Profit Margin

Gross profit decreased by 24.7% from RMB4,493.8 million in the year ended 31 December 2022 to RMB3,382.0 million in the year ended 31 December 2023, with a decrease in gross profit margin from 24.6% to 16.1%.

Gross profit from our trading business decreased by 36.7% from RMB662.8 million in the year ended 31 December 2022 to RMB419.8 million in the year ended 31 December 2023. Gross profit margin of the trading business decreased from 8.0% to 3.6%, mainly due to (i) the decline in market price; and (ii) an increase in proportion of sales of low-gross-profit-margin trading of ferronickel.

Gross profit from our production business decreased by 22.6% from RMB3,707.9 million in the year ended 31 December 2022 to RMB2,869.9 million in the year ended 31 December 2023. Gross profit margin of nickel product production business decreased from 40.7% to 32.8%, mainly due to (i) the decrease in gross profit margin of self-produced ferronickel from 8.5% in the year ended 31 December 2022 to 5.8% as a result of the decrease in market price; (ii) the decrease in gross profit of nickel-cobalt compounds by 21.5% from RMB3,546.2 million in the year ended 31 December 2022 to RMB2,783.0 million in the year ended 31 December 2023, with a decrease of gross profit margin from 49.2% to 38.4%, as a result of the decrease in market price of both cobalt and nickel.

Gross profit from the equipment manufacturing and sales business decreased significantly from RMB106.6 million in the year ended 31 December 2022 to RMB21.3 million in the year ended 31 December 2023. The gross profit margin of the equipment manufacturing and sales business decreased from 16.3% to 14.4%, mainly due to the higher gross profit margin of certain equipment sold to HJF in 2022.

Gross profit of other businesses increased from RMB16.4 million in the year ended 31 December 2022 to RMB71.0 million in the year ended 31 December 2023. Gross profit margin of other businesses increased from 6.4% to 13.3% in the same period.

Management Discussion and Analysis

Other income and gains decreased by 30.6% from RMB265.4 million in the year ended 31 December 2022 to RMB184.2 million in the year ended 31 December 2023, mainly due to (i) a gain of RMB94.5 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 a loss of RMB46.5 million in the year ended 31 December 2023; and (ii) offset by an increase in interest income of RMB33.2 million in the year ended 31 December 2022.

Selling and Distribution Expenses

Selling and distribution expenses increased by 4.2% from RMB96.2 million in the year ended 31 December 2022 to RMB100.2 million in the year ended 31 December 2023, mainly due to the increase in testing fees in response to the increase in sales volume.

Administrative Expenses

Administrative expenses increased 17.3% from RMB791.3 million in the year ended 31 December 2022 to RMB928.0 million in the year ended 31 December 2023, mainly due to (i) the increase in on-site management expenses for the Obi Island of RMB53.3 million; (ii) an increase in staff costs of RMB30.1 million as a result of business expansion; and (iii) an increase in insurance fees and professional service fees of RMB35.6 million.

Other Operating Expenses

Other operating expenses increased from RMB388.9 million in the year ended 31 December 2022 to RMB455.8 million in the year ended 31 December 2023, mainly due to (i) the increase in net foreign exchange loss of RMB186.8 million due to the upward trend of the US dollar and Hong Kong dollar against the RMB in the year ended 31 December 2023; (ii) the decrease in loss of futures products of RMB87.4 million; and (iii) the decrease in endowment expenses of RMB24.5 million.

Finance Costs

The significant increase in financing costs from RMB254.4 million in the year ended 31 December 2022 to RMB534.9 million in the year ended 31 December 2023 was mainly due to the increased bank borrowings and higher interest rates.

Share of Profits and Losses of Associates

The share of profit from our invested associates in the year ended 31 December 2023 was RMB233.2 million compared to losses of RMB45.2 million in the year ended 31 December 2022. This change is mainly due to the increase in profits generated by HJF as a result of the commencement of production of the RKEF project.

Profit before tax

As a result of the foregoing, profit before tax decreased by 44.7% from RMB3,185.0 million in the year ended 31 December 2022 to RMB1,761.5 million in the year ended 31 December 2023.

Management Discussion and Analysis

Income Tax Expenses

Income tax expense decreased significantly from RMB156.9 million in the year ended 31 December 2022 to RMB40.0 million in the year ended 31 December 2023, 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 decreased from RMB3,028.1 million in the year ended 31 December 2022 to RMB1,721.5 million in the year ended 31 December 2023. Net profit margin decreased from 16.6% in the year ended 31 December 2022 to 8.2% in the year ended 31 December 2023.

Liquidity, Financial Resources and Current Ratio

To safeguard the Group's ability to continue as a going concern, finance the Group's operations and maximise value for the shareholders, the Group adopted various funding and treasury measures during the year ended 31 December 2023. These include, but are not limited to (i) regularly managing the Company's capital structure by making relevant adjustments in light of both the prevailing economic conditions and any risk characteristics of underlying assets; (ii) using a recurring liquidity planning tool which considers the maturity of its financial instruments and financial assets, and projected cash flows from operations in order to continuously monitor the Company's risks to a potential shortage of funds; (iii) trading only with recognised and creditworthy third parties, who are subject to the Company's credit verification procedures; and (iv) using various financial instruments such as leases and interest-bearing loans as appropriate to maintain a balance between continuity of funding and flexibility. During the year ended 31 December 2023, the Group maintained a stable financial position.

As at 31 December 2023, current assets amounted to RMB10,278.9 million, representing an increase of 16.5% from RMB8,824.5 million as at 31 December 2022. As at 31 December 2023, cash and cash equivalents of the Group denominated in various currencies (RMB, USD, HKD, IDR and SGD) that amounted to RMB4,616.8 million, which increased by 4.1% as compared with that of RMB4,434.7 million as at 31 December 2022.

The Group's current ratio (current assets divided by current liabilities) dropped from 1.8 times as at 31 December 2022 to 1.1 times as at 31 December 2023.

Capital Expenditures

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Prepayments for property, plant and equipment	**6,202,403**	**82.4**	3,883,984	100.0
Land use right	**557,517**	**7.4**	–	–
Interest in an associate/joint venture	**770,000**	**10.2**	677	–
Total	**7,529,920**	**100.0**	3,884,661	100.0

Management Discussion and Analysis

Commitments

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**8,758,705**	6,633,055

Indebtedness

We recognised debts of RMB11,532.3 million as at 31 December 2023 (as at 31 December 2022: RMB6,291.4 million), which included interest-bearing bank and other borrowings denominated in RMB and USD that amounted to RMB3,976.4 million with fixed interest rates (as at 31 December 2022: RMB2,040.4 million) and RMB7,489.2 million with floating interest rates (as at 31 December 2022: RMB4,192.1 million) and lease liabilities of RMB66.7 million (as at 31 December 2022: RMB58.9 million).

Contingent liabilities

The Company is currently a defendant in a lawsuit brought by Anhui Pengtai Environment Protection Equipment Co., Ltd. (安徽鵬泰環保設備有限公司) ("PENGTAI") that the Company breached a contract of purchase extraction system device. PENGTAI claimed for extra costs incurred during the construction process in the amount of RMB8,216,000 and extra interest based on 1.5 times the interest rate for financial loans during the same period. The Directors, based on the advice from the Group's legal counsel as to such lawsuit, believe that the Company has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Gearing ratio

Gearing ratio is calculated as total interest-bearing bank borrowings divided by total equity. Our gearing ratio increased from 0.5 as at 31 December 2022 to 0.9 as at 31 December 2023 mainly due to the fact that ONC obtained a new loan for phase III of the hydrometallurgy project in 2023, resulting in a significant increase in debts.

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 2023.

Management Discussion and Analysis

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 2023, 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 RMB1,535.9 million (as at 31 December 2022: RMB1,731.8 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB557.2 million (as at 31 December 2022: RMB84.5 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 RMB4,822.1 million (as at 31 December 2022: RMB2,427.5 million); and (iv) pledge of deposits with a carrying value of RMB480.6 million (as at 31 December 2022: RMB313.9 million).

As at 31 December 2023, 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 2023, we did not have plans for material investments and capital assets.

Significant investments, material acquisitions and disposals of assets and equity

The Group had no significant investments, material acquisitions and disposals of assets and equity for the year ended 31 December 2023.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. CAI Jianyong (蔡建勇), aged 53, is our founder, chairman of the Board, general manager and an executive Director of our Company. He was first appointed as our Director on 5 January 2011 and was redesignated as our executive Director on 16 December 2021, and he was appointed as the general manager of the Company on 28 March 2024. Mr. Cai is primarily responsible for the overall management of the Group and in particular, on our resourcing, trading and investment business and the public relations department of our Company.

Prior to the establishment of our Company, Mr. Cai had nearly 10 years of experience in international commodity trade. He worked at Zhejiang Grand Resources Import and Export Co., Ltd. (浙江遠大進出口有限公司) (the predecessor of Grand Resources Group Co., Ltd. (遠大物產集團有限公司)) from April 2000 to December 2007, focusing on commodity export, import and domestic trade. He subsequently worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from January 2008 to December 2008, focusing on international commodity trade with experience in relation to ore trading activities. Since founding our Group, Mr. Cai has brought in industry expertise and leveraged his reputation and relationship from his previous experience in building our business.

Mr. Cai graduated from Shanghai Institute of Building Materials Industry (上海建築材料工業學院) (later merged into Tongji University) in May 1992 with a specialization in financial accounting.

Ms. FEI Feng (費鳳), aged 46, is an executive Director and a deputy general manager of our Company. She is primarily responsible for the coordination and management of our Company's day-to-day operation. Ms. Fei has been serving as a deputy general manager of our Company since she joined our Company in July 2009, and has been in charge of coordination and management of our Company's internal affairs across various departments such as finance, risk management, human resources and administrative affairs. She was appointed as the secretary to our Board in November 2021. Ms. Fei was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Prior to joining our Company, Ms. Fei worked at Zhejiang Grand Resources Import and Export Co., Ltd. (浙江遠大進出口有限公司) (the predecessor of Grand Resources Group Co., Ltd. (遠大物產集團有限公司)) from September 1999 to December 2007, and worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from January 2008 to June 2009.

Ms. Fei obtained a bachelor's degree in auditing from Zhengzhou University of Aeronautics in July 1999.

Biographies of Directors, Supervisors and Senior Management

Mr. CAI Jianwei (蔡建威), aged 52, is an executive Director and a deputy general manager of our Company. He joined our Company as a business officer in February 2009. He served as a sales manager from April 2009 to October 2011 and later as a sales director from October 2011 to September 2021. During this period, he was involved in the Company's trading activities, business development, personnel management, market penetration and other activities. In September 2021, he was appointed as a deputy general manager of our Company and has been primarily responsible for managing the trade affairs of our Company, which include the international trading and domestic sales of nickel ore and ferronickel products. Mr. Cai Jianwei was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Mr. YU Weijun (余衛軍), aged 55, is an executive Director and a deputy general manager of our Company. Mr. Yu is primarily responsible for managing the financial affairs of our Company and providing professional support to our day-to-day operation. He joined our Company in August 2011 and was responsible for financial, external and investigative affairs of our Company. Since 2015, Mr. Yu has been responsible for our projects in Suqian, Jiangsu Province, China as well as the financial planning and coordination of our projects on the Obi Island in Indonesia. Mr. Yu has been serving as a deputy general manager of our Company since August 2020. Mr. Yu was appointed as our Director on 16 September 2021 and was redesignated as our executive Director on 16 December 2021.

Mr. Yu has over 22 years of experience in financial accounting and management. From May 1999 to April 2006, he served as the chief financial officer of Ningbo Hualv Communications Co., Ltd. (寧波華旅通訊有限公司), a company focusing on telecommunications, television broadcast and satellite transmission services. Mr. Yu subsequently worked at Ningbo Tianhan Holding Group Co., Ltd. (寧波天漢控股集團股份有限公司) from September 2007 to February 2008, a company engaged in the real estate industry.

Mr. Yu graduated from Zhejiang Radio and TV University (currently known as Zhejiang Open University) in July 1988 with a specialization in financial accounting. He was qualified as an accountant specializing in enterprise accounting under the Ministry of Personnel (now Ministry of Human Resources and Social Security) of the PRC in May 1996. He further graduated from Hangzhou College of Commerce (currently known as Zhejiang Gongshang University) in June 1996 with a specialization in accountancy.

NON-EXECUTIVE DIRECTOR

Mr. Lawrence LUA Gek Pong, aged 66, was appointed as our Director on December 7, 2021 and was redesignated as a Non-executive Director on December 16, 2021. Mr. Lua is responsible for providing guidance and advice on corporate and business strategies.

Mr. Lua was a Managing Director (Investment) in Merrill Lynch International Bank Limited and a Managing Director and Senior Advisor of Bank Julius Baer & Co., Ltd. He served as a Managing Director, Group Head and Senior Advisor of DBS Private Bank from 2011 to December 2022, an Independent Director of Bumitama Agri Ltd (a company listed on the Singapore Stock Exchange (stock code: P8Z)) since January 2020, an Independent Director of SingHaiyi Group Ltd from August 2020 to January 2022 and the Chairman of Miclyn Express Offshore Ltd. since September 2023. He has served as a director of the issuer since December 2021.

Mr. Lua obtained a Bachelor of Social Science with Honors in Economics from the National University of Singapore in 1982. He was conferred a Fellow of Institute of Banking and Finance Singapore ("IBF") in 2014 and served as the Chairman of IBF Private Banking Industry Workgroup from February 2017 to March 2019.

Biographies of Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. HE Wanpeng (何萬篷), aged 50, was appointed as our Director on 7 December 2021 and was redesignated as an independent non-executive Director on 16 December 2021. Dr. He is responsible for providing independent advice to the Board.

Dr. He is a renowned policy researcher in China. He has served as the dean and chief researcher of Shanghai Research Center for Emerging Industries in the Foreshore (上海前灘新興產業研究院) since 2016, primarily engaged in providing solutions for government departments and enterprise groups.

Dr. He has also served as an independent director of Shanghai Shibei HI-Tech Co., Ltd. (上海市北高新股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600604)) since February 2019 and Shanghai Lujiazui Fin and Trade (上海陸家嘴金融貿易區開發股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600663)) since April 2021.

Ms. ZHANG Zhengping (張爭萍), aged 44, was appointed as our Director on 7 December 2021 and was redesignated as an independent non-executive Director on 16 December 2021. Ms. Zhang is responsible for providing independent advice to the Board.

Ms. Zhang is a notable individual in the field of tax. Since July 2000, Ms. Zhang has worked at Ningbo Zhengyuan Tax Agent Co., Ltd. (寧波正源稅務師事務所有限公司), focusing on providing tax advice, consulting, auditing, verification, training and due diligence and other intermediary services. She is currently a senior project manager and shareholder of Ningbo Zhengyuan Tax Agent Co., Ltd., a company based in Qinzhou, Ningbo and engaged in providing tax-related services. In 2014, she was nominated as one of the Leading Talents of the National Registered Tax Agent Industry (全國註冊稅務師行業高端人才).

Ms. Zhang completed undergraduate studies in accounting from Zhejiang College of Finance & Economics (currently known as Zhejiang University of Finance & Economics) in June 2002. She further obtained an executive master of professional accountancy degree from Chinese University of Hong Kong in November 2019. She has been a registered accountant with the Chinese Institute of Certified Public Accountants since December 2007 and has been a registered tax agent with the Ministry of Personnel and State Administration of Taxation since September 2004.

Biographies of Directors, Supervisors and Senior Management

Dr. WANG James Jixian (王緝憲), aged 70, was appointed as our Director on 7 December 2021 and was redesignated as an independent non-executive Director on 16 December 2021. Dr. Wang is responsible for providing independent advice to the Board.

Based in Hong Kong, Dr. Wang is a specialist in transport geography and has served as a research director of the Bay Area Hong Kong Centre and Belt & Road Hong Kong Centre since October 2019. He was also a member of the expert advisory panel of the "Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030" study conducted by the Planning Department of the Government of HKSAR, and was appointed as a member of the Lantau Development Advisory Committee by the HKSAR Government.

Dr. Wang was an assistant lecturer, assistant professor, associate professor and head of the department of geography of the University of Hong Kong from 1993 to 2017. He was also an adjunct professor of Peking University Shenzhen Graduate School and China Academy of Urban Planning and Design, and had 30 years of teaching and research experience. Dr. Wang specialized in transport geography with a research focus in port development, port-city relations, urban and regional transportation and e-commerce logistics in China. He published several books and more than 100 academic articles, and served as an editorial board member of five international academic journals. He has served as a steering committee member of the IGU Transport & Geography Commission since 2016.

Dr. Wang obtained a bachelor's degree in production allocation from Renmin University of China in July 1982. He obtained a doctor of philosophy degree in geography from University of Toronto in November 1994. He was conferred a fellow membership of the Chartered Institute of Logistics and Transport in Hong Kong in December 2008.

SUPERVISORS

Mr. GE Kaicai (葛凱財, formerly 葛凱才), aged 41, has been the chief Supervisor and a shareholder representative Supervisor of our Company since 16 September 2021. Mr. Ge is primarily responsible for the supervision of business unit relating to investment and development.

Mr. Ge has also been serving as a director of HPL and Kang Xuan Pte. Ltd. (both of which are subsidiaries of our Company) since July 2018 and November 2021, respectively.

Prior to joining our Company in January 2009, Mr. Ge worked at Ningbo Future Import and Export Co., Ltd. (寧波前程進出口有限公司) from June 2008 to December 2008. From 2009 to 2015, he was an assistant manager of our Company's business unit in Indonesia, where he further served as a manager from 2015 to September 2021 and was responsible for overseeing our business operations in Indonesia.

Mr. Ge obtained a bachelor of engineering degree in materials science and engineering and a master of engineering degree in materials science from Tongji University in July 2005 and May 2008, respectively.

Biographies of Directors, Supervisors and Senior Management

Mr. DONG Dong (董棟), aged 42, has been a shareholder representative Supervisor of our Company since 16 September 2021. He has also been a supervisor of Lygend Shanghai since June 2018. Mr. Dong is primarily responsible for overseeing the trade affairs department of our Company.

Since April 2009, Mr. Dong has been the manager of our Company's business unit in the Philippines and responsible for the nickel ore trading business, mining rights investment and other related business activities in the Philippines. He was also mainly responsible for managing overseas procurement activities in respect of our nickel ore trading business.

Mr. Dong obtained a bachelor's degree in building environment and equipment engineering from Wuhan University of Science and Technology in June 2005 and a master's degree in business management from University of Science and Technology Beijing in July 2007.

Ms. HU Zhinong (胡志濃), aged 44, has been an employee representative Supervisor of our Company since 16 September 2021 and the documentation supervisor of our Company since September 2010. Ms. Hu is primarily responsible for overseeing the documentation department.

Prior to joining our Company in 2010, Ms. Hu served as a documentation supervisor of Ningbo Joint International Trade Co., Ltd (寧波相與國際貿易有限公司) from January 2008 to September 2010, a company engaged in clothing export business.

Ms. Hu graduated from Zhejiang Business Technology Institute in July 2000 with a specialization in public relations secretarial studies. She further graduated from Central Radio and TV University (now the Open University of China) in March 2005 with a specialization in business English. She also holds a certificate in international commercial documents issued by the Ningbo Foreign Trade and Economic Cooperation Bureau in October 2006.

SENIOR MANAGEMENT

Mr. SONG Zhen (宋臻), aged 46, is a deputy general manager of our Company and is primarily responsible for the public relations aspects of our Company. He joined our Company in January 2009 and served as a manager of our Indonesian business unit until 2015, mainly responsible for the market development and business management in Indonesia. He then served as the chairman of the board of Jiangsu Wisdom, a wholly-owned subsidiary of our Company, from August 2015 to October 2020, focusing on the management of ferronickel production. He has also served as the director of Lygend Shanghai since April 2018 and was appointed as a deputy general manager of our Company in September 2021. Mr. Song was also a founding supervisor of our Company from December 2008 to September 2021.

Mr. Song obtained an executive MBA degree from Hong Kong Asia Business College (香港亞洲商學院) in July 2016.

Biographies of Directors, Supervisors and Senior Management

Mr. WANG Ling (王凌), aged 46, has been the person in charge of the Company's financial affairs since joining our Company in April 2018 and was appointed as a financial controller of our Company on 16 September 2021. He has been responsible for the financial accounting and management, tax management, capital allocation and approval, and building and maintenance of the enterprise resource planning system of our Company.

Mr. Wang has over 17 years of experience in financial accounting and management. He served as a consultant at Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Nanjing branch) and as a senior consultant at PricewaterhouseCoopers (Shenzhen) Co., Ltd. (Shanghai branch). From August 2008 to February 2012, he worked at the finance department of Youngor Group Co., Ltd. (雅戈爾集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600177), and was responsible for tax planning and financial management. He then served as a manager of the finance department of Grand Resources Group Co., Ltd. (遠大物產集團有限公司) from February 2012 to June 2014. Immediately prior to joining our Company, Mr. Wang was the general manager of the finance department of Grand Petrochemical Co., Ltd (遠大石化有限公司) (a major business unit of Grand Resources Group Co., Ltd.) from July 2014 to April 2018.

Mr. Wang obtained a bachelor of economics degree in accounting from East China Shipbuilding Institute (華東船舶工業學院) (now Jiangsu University of Science and Technology) in June 2000 and a master's degree in accounting from Zhejiang University in March 2004. Mr. Wang obtained a legal professional qualification after passing the national judicial examination of the Ministry of Justice of the PRC in February 2006. He was registered as a certified tax agent (non-practicing) with the Jiangsu Certified Tax Agents Association in December 2007 and a certified member (non-practicing) of the Zhejiang Institute of Certified Public Accountants in December 2009.

Corporate Governance Report

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the basis of the Company's corporate governance practices. Save as disclosed herein, the Group has complied with the applicable code provisions under the CG Code during the year ended 31 December 2023. The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code and maintain a high standard of corporate governance practices of the Company.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct and rules governing dealings by all the Directors and supervisors (the "Supervisors") of the Company in the securities of the Company. Having made specific enquiry of all the Directors and Supervisors, they have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2023.

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

CULTURE AND VALUE

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

Corporate Governance Report

BOARD OF DIRECTORS

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

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

BOARD COMPOSITION

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

Chairman and executive Director
Mr. CAI Jianyong[1]

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

Non-executive Director
Mr. Lawrence LUA Gek Pong

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

1 Brother of CAI Jianwei
2 Brother of CAI Jianyong

The biographical information of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" on pages 25 to 30 of this annual report.

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

Corporate Governance Report

BOARD AND BOARD COMMITTEES MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

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

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

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

- **Composition of the Board:** Throughout the year ended 31 December 2023, the Board had at all times complied with Rules 3.10 and 3.10A of the Listing Rules. The Company has three independent non-executive Directors, representing one-third of the Board. At least one of the independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

Corporate Governance Report

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

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

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

The implementation and effectiveness of the above mechanisms are reviewed on an annual basis. The Board considers that such mechanisms had been implemented properly and effectively in the year ended 31 December 2023.

Code provision C.2.1 of the CG Code provides that the roles of the Chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Throughout the year ended 31 December 2023, the Chairman is Mr. Cai Jianyong and the general manager of the Company (the "General Manager") is Mr. Jiang Xinfang who resigned on 28 March 2024, but the office of the chief executive officer of the Company is vacated. The Chairman is responsible for the overall management of the Group and in particular, on resourcing, trading and investment business and the public relations departments of the Company. The daily operation and management of the Company is monitored by the General Manager, the executive Directors as well as the senior management. The General Manager is also responsible for the Company's laterite nickel ore project. The Board is of the view that although there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company.

Code provision C.2.7 of the CG Code provides that the Chairman should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors. The Chairman held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended 31 December 2023.

Corporate Governance Report

Code provision C.5.1 of the CG Code provides that Board meetings should be held at least four times a year at approximately quarterly intervals. For the year ended 31 December 2023, the Company held 5 Board meetings. The table below sets out the details of attendance record of the Directors at Board and committee meetings, as well as at the general meeting of Shareholders held during the year:

	Attendance/Number of meetings				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meetings**
Executive Directors					
Mr. CAI Jianyong *(Chairman)*	5/5	N/A	N/A	1/1	4/4
Mr. JIANG Xinfang *(resigned on 28 March 2024)*	5/5	N/A	N/A	N/A	4/4
Ms. FEI Feng	5/5	N/A	N/A	N/A	4/4
Mr. CAI Jianwei	5/5	N/A	N/A	N/A	4/4
Mr. YU Weijun	5/5	N/A	1/1	N/A	4/4
Non-executive Director					
Mr. Lawrence LUA Gek Pong	5/5	N/A	N/A	N/A	4/4
Independent non-executive Directors					
Dr. HE Wanpeng	5/5	3/3	1/1	1/1	4/4
Ms. ZHANG Zhengping	5/5	3/3	1/1	1/1	4/4
Dr. WANG James Jixian	5/5	3/3	N/A	N/A	3/4 (Note)

Note: Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Dr. WANG James Jixian was unable to attend the extraordinary general meeting of the Company held on 28 April 2023 due to his other business engagements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the articles of association of the Company as amended from time to time (the "Articles of Association"), Directors shall be elected by general meeting and the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session. The term of each session of the Board is three years, and the Directors are eligible for re-election upon expiry of the term.

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

Corporate Governance Report

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

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

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

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

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

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

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

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

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

Corporate Governance Report

BOARD COMMITTEES

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

The written terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee are available on the Company's website (www.lygend.com) and the Stock Exchange's website (www.hkexnews.hk) and are available to Shareholders upon request. The chairman and members of each Board committee is set out under "Corporate Information" on page 3 of this annual report.

AUDIT COMMITTEE

The Audit Committee was established by the Board with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. During the year ended 31 December 2023 and as at the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Ms. Zhang Zhengping, Dr. He Wanpeng and Dr. Wang James Jixian. Ms. Zhang Zhengping is the chairperson of the Audit Committee.

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

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

For the year ended 31 December 2023, three Audit Committee meetings were held: (i) to consider the appointment of the auditor; (ii) to review the consolidated annual financial statement of the Group for the year ended 31 December 2022 and report of the independent auditor; (iii) to consider the independence and audit scope of the independent auditor; (iv) to review the consolidated interim financial statements of the Group for the six months ended 30 June 2023; and (v) to review and discuss the risk management, internal control system, financial information and policies and practices in relation to corporate governance of the Group.

For the year ended 31 December 2023, the Audit Committee also met twice with the external auditor without the presence of the executive Directors to discuss the Group's interim and annual financial results and annual audit plan.

The Company's annual results announcement for the year ended 31 December 2023 and this annual report have been reviewed by the Audit Committee.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code adopting the model to make recommendations to the Board on the remuneration packages, bonuses and other compensation payable of individual Directors and senior management. During the year ended 31 December 2023 and as at the date of this annual report, the Remuneration Committee consists of three members, being one executive Director and two independent non-executive Directors, namely Mr. Yu Weijun, Dr. He Wanpeng and Ms. Zhang Zhengping. The majority of the members are independent non-executive Directors. Dr. He Wanpeng is the chairperson of the Remuneration Committee.

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

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

For the year ended 31 December 2023, the Remuneration Committee held one meeting to review the remuneration policy and structure of the Directors and Senior Management and make recommendations to the Board on the remuneration of the Directors and senior management.

DIRECTORS' RETIREMENT AND TERMINATION BENEFITS

No retirement or termination benefits have been paid to the Company's Directors or Supervisors for the year ended 31 December 2023.

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

The remuneration paid/payable to the senior management of the Company by band for the year ended 31 December 2023 is set out below:

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

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee was established by the Board with its written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. During the year ended 31 December 2023 and as at the date of this annual report, the Nomination Committee consists of three members, being our Chairman and two independent non-executive Directors, namely Mr. Cai Jianyong, Dr. He Wanpeng and Ms. Zhang Zhengping. The majority of the members are independent non-executive Directors. Mr. Cai Jianyong is the chairperson of the Nomination Committee.

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

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

For the year ended 31 December 2023, the Nomination Committee held one meeting to review the existing structure, size and composition of the Board, consider the retirement and re-election of Directors and assess the independence of the independent non-executive Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

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

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

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

Corporate Governance Report

BOARD DIVERSITY POLICY

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

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

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

As at the date of this annual report, the Board comprises eight members, including two female Directors and six male Directors with a balanced mix of knowledge and skills, including in overall management and strategic development, finance and accounting, policy research and corporate governance, as well as industry experience in metals production and trading. The Company has three independent non-executive Directors who have different industry backgrounds, including accounting, economics, engineering and geography. Furthermore, the Board has a relatively wide range of ages, ranging from 44 to 70 years old.

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

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

Corporate Governance Report

DIVERSE WORKFORCE

Traditionally, the nickel industry has been short of female talent due to cultural influences. However, the Group maintained a workforce (including the senior management which comprised approximately 79% male and 21% female) of which approximately 90% were male and 10% were female as at 31 December 2023.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

The Board held a meeting on 28 March 2024 to review the Company's compliance with the CG Code, the Model Code and the disclosure requirements in the Corporate Governance Report during the year.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

The Board, as supported by the Audit Committee, and the management monitor the implementation of our risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2023. During the Reporting Period, the Audit Committee held three meetings on 15 March 2023, 25 August 2023 and 8 September 2023 respectively and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Corporate Governance Report

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2023.

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 86 to 91.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 amounted to RMB4,541,000 and RMB654,000 respectively. An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	**Fees Paid/Payable** *RMB'000*
Audit services:	
Annual audit	4,541
Non-audit services:	
Transfer pricing advisory service	606
Tax advisory service	48

Corporate Governance Report

JOINT COMPANY SECRETARIES

On 1 June 2023, Ms. Fei Feng has resigned as a joint company secretary of the Company (the "Joint Company Secretary") and the secretary to the Board of the Company (the "Board Secretary"). Following her resignations, Ms. Fei continued to serve as an executive Director and a deputy general manager of the Company. Mr. Cao Zheng has been appointed as a Joint Company Secretary and the Board Secretary in replacement of Ms. Fei on 1 June 2023.

On 28 February 2024, Ms. Tang Wing Shan Winza has resigned as a Joint Company Secretary. Ms. Chan Yuen Mui has been appointed as a Joint Company Secretary in replacement of Ms. Tang Wing Shan Winza on 28 February 2024. Ms. Chan Yuen Mui is a manager of the governance services department of Computershare Hong Kong Development Limited.

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

For the year ended 31 December 2023, Mr. Cao Zheng and Ms. Tang Wing Shan Winza have taken not less than 15 hours of relevant professional training respectively in compliance with the requirements of Rule 3.29 of the Listing Rules.

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

CONSTITUTIONAL DOCUMENTS

At the extraordinary general meeting held on 28 April 2023, a special resolution was passed regarding the amendments to the Articles of Association of the Company. Summary of the key amendments to the Articles of Association are set out in the circular of the Company dated 12 April 2023.

The Articles of Association of the Company are available on the websites of the Company (www.lygend.com) and the Stock Exchange (www.hkexnews.hk). Save as disclosed in this annual report, there is no other change in constitutional documents of the Company for the year ended 31 December 2023.

DIVIDEND POLICY

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

CONVENING AN EXTRAORDINARY GENERAL MEETING AT THE REQUEST OF SHAREHOLDERS

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

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

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

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

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

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

Corporate Governance Report

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

According to the Articles of Association, when the Company convenes a Shareholders' general meeting, the Shareholders, individually or in aggregate, holding 3% or more of the voting rights attached to the Company's share capital shall have the right to propose provisional proposals and submit it the provisional proposals in writing to the convener 10 business days prior to the Shareholders' general meeting using the contact details set out in the section "Putting Forward Enquiries to the Board". The convener of the Shareholders' general meeting shall dispatch a supplementary notice of the Shareholders' general meeting and announce the contents of such provisional proposal within 2 days upon the receipt of the proposal.

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

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

Email: ir@lygend.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

ENGAGEMENT WITH SHAREHOLDERS

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

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

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

The Board regularly reviews existing channels of communication with Shareholders and investors to make sure that they remain effective and provides recommendations for improvements when needed. The Board has reviewed the engagement with Shareholders during the year ended 31 December 2023 and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

Report of Directors

The Board is pleased to present this report and the audited financial statements of the Group for the year ended 31 December 2023.

The biographical details of the Directors, Supervisors and Senior Management of the Group are set out on pages 25 to 30 of this annual report.

GLOBAL OFFERING

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

PRINCIPAL BUSINESS

We started as a nickel product trading company, focusing on the import and domestic trade of nickel ore and ferronickel. We have deployed the nickel product production sector and acquired a majority equity interest in Jiangsu Wisdom since 2017. In 2018, we jointly invested in the nickel product production project on Obi Island in Indonesia with our Indonesian Partner. Since 2019, we have further expanded our business to the nickel product production equipment manufacturing sector. We have formed a comprehensive product service system in the nickel industry chain, and our business covers (1) upstream procurement of nickel resources, (2) nickel product trade, (3) smelting production and (4) equipment manufacturing and sales.

There were no significant changes in the nature of the principal activities of the Group for the year ended 31 December 2023.

An analysis of the Group's revenue and operating profit for the year ended 31 December 2023 by principal activities is set out in the section headed "Management Discussion and Analysis" on pages 8 to 24 in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of the aforesaid key risks and risk mitigation measures are elaborated in note 39 to the consolidated financial statements.

BUSINESS REVIEW

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

OPERATING SEGMENT INFORMATION

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

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 92 to 93.

Report of Directors

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in "Management Discussion and Analysis" of this annual report on pages 8 to 24.

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2023, the Company had not entered into any off-balance sheet arrangements.

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend for the year ended 31 December 2023 of RMB0.25 (before tax) per share, subject to approval in the forthcoming annual general meeting.

EQUITY FUND RAISING ACTIVITIES

Details of equity fund raising activities of the Group are set out in note 41 to the consolidated financial statements and the paragraph headed "Use of Proceeds from the Listing" below. Save as disclosed therein, there was no other equity fund raising activity of the Company since the Listing Date and up to 31 December 2023.

USE OF PROCEEDS FROM THE LISTING

Our H Shares were listed on the Main Board of the Stock Exchange on 1 December 2022. 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 (as defined in the Prospectus)) 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:

Purpose	**Net proceeds from the Listing available** *(HK$ million)*	**Actual net amount utilised as at 31 December 2022** *(HK$ million)*	**Actual net amount utilised during the Reporting Period** *(HK$ million)*	**Actual net amount utilised up to 31 December 2023** *(HK$ million)*	**Unused net proceeds up to 31 December 2023** *(HK$ million)*	**Expected timeline for utilizing unutilized net amount**
Development and construction of our nickel product production projects on the Obi Island	2,030.7	0	2,030.7	2,030.7	0	
Contribute additional capital to CBL	864.1	0	864.1	864.1	0	
Making potential minority investments in nickel mines in Indonesia	345.6	0	0	0	345.6	by the end of 2025
Working capital and general corporate purposes	360.0	360.0	0	360.0	0	
Total	3,600.4	360.0	2,894.8	3,254.8	345.6	

Report of Directors

Since the Listing Date and as at 31 December 2023, the Group has utilised approximately HK$3,254.8 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 90.4% of all raised funds, and the remaining unutilised proceeds is approximately HK$345.6 million. The balance of the proceeds from the Listing will continue to be utilised according to the intended purposes as mentioned above.

COMPLIANCE WITH LAWS AND REGULATIONS AND LEGAL PROCEEDINGS

The Group is up to date with the requirements under the relevant laws and regulations in jurisdictions in which it operates, particularly in the PRC and Indonesia, applicable to it to ensure compliance. Relevant laws and regulations include environmental, chemical manufacturing, health and safety and employment-related laws and regulations. The Group has allocated abundant resources to ensure ongoing compliance with applicable laws and regulations and to maintain healthy relationships with regulators through effective communications.

Between July 2021 and May 2023, subsidiaries of the Group had entered into the BTG Construction Agreements and Yongcheng Construction Agreement (collectively the "Construction Agreements"), the details of which have been set out in the sections headed "BTG Construction Agreements" and "Yongcheng Construction Agreement" of this annual report. On 21 July 2023 and 27 October 2023, Lygend Investment, a controlling shareholder of the Company, completed the acquisition of 51% equity interest in Yongcheng Construction and a 51% shareholding interest in BTG, respectively. Upon completion of the acquisitions, Yongcheng Construction and BTG became associates of Lygend Investment and hence connected persons of the Company. Prior to the completion of the acquisitions, BTG and Yongcheng Constructions had been acting as contractors for provision of certain construction services and materials to the Group, and had entered into a series of Construction Agreements with subsidiaries of the Company. Hence, following the completion of the acquisitions, the transactions under the Construction Agreements have become continuing connected transactions of the Company. As soon as practicable after the non-timely disclosure due to inadvertent oversight was discovered, the Group immediately published an announcement, initiated the suspension of all transactions under the Construction Agreements, and has taken several remedial measures to any recurrence of similar incidents in the future, including but not limited to: (i) instructing all subsidiaries of the Company to carry out a detailed review of all historical, current and future continuing connected transactions between the Group and Lygend Investment and/or its subsidiaries; (ii) reinforcing the Group's internal control system; (iii) arranging dedicated personnel to communicate with business departments on compliance matters related to connected transactions; (iv) arranging trainings on the Listing Rules and applicable laws and regulations; and (v) improving the coordination and communication among various departments. For details, please refer to the announcement of the Company dated 20 March 2024.

Save as disclosed herein, during the Reporting Period, to the best knowledge of the Directors, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that had a significant impact on the business operations of the Group.

Report of Directors

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this report were:

Chairman and Executive Director

Mr. Cai Jianyong[1]

Executive Directors

Mr. Jiang Xinfang *(resigned on 28 March 2024)*
Ms. Fei Feng
Mr. Cai Jianwei[2]
Mr. Yu Weijun

Non-executive Director

Mr. Lawrence LUA Gek Pong

Independent Non-executive Directors

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

SUPERVISORS

The Supervisors during the year ended 31 December 2023 and up to the date of this report were:

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

The Board of Supervisors held 3 meetings during 2023. Details of the events conducted by the Board of Supervisors during 2023 are set out in the section headed "Report of Supervisors" of this annual report.

Report of Directors

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors entered into a contract with our Company in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration, which became effective on 1 December 2022.

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

Save as disclosed above and the respective contracts entered into by our Directors and Supervisors in respect of other management roles in the Group, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

MATERIAL TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

The Directors and Supervisors have confirmed that other than the business of the Group, none of the Directors and Supervisors had a material interest, directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACT

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

DIRECTORS' EMOLUMENTS

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

PERMITTED INDEMNITY PROVISION

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CONNECTED TRANSACTIONS

One-off Connected Transactions

During the year ended 31 December 2023, the Group conducted the following one-off connected transactions:

(1) KPS, a non-wholly owned subsidiary of the Company, entered into the equipment purchase agreement with Ningbo Lihua Port Machinery Heavy Industry Co., Ltd. (寧波力華港機重工有限公司) ("Ningbo Lihua") on 10 August 2023 pursuant to which KPS agreed to purchase and Ningbo Lihua agreed to sell an equipment which comprises six sets of 40t-37/38m portal cranes for a consideration of US$13,518,100 in order to, among others, promote the Group's business development and operational efficiency. Given that the family members of Ms. Lim Shu Hua Cheryl ("Ms. Lim"), who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi Pte. Ltd. ("Feng Yi") which is a substantial shareholder of the Company, are collectively entitled to control the exercise of 10% or more of the votes attaching to the shares of KPS, KPS is a connected subsidiary of the Company. Ningbo Lihua is an associate of Zhejiang Lygend Investment Co., Ltd. (浙江力勤投資有限公司) ("Lygend Investment"), a controlling shareholder of the Company, and thus a connected person of the Company. As such, the transaction contemplated under the equipment purchase agreement constituted a connected transaction. For details, please refer to the announcement of the Company dated 10 August 2023;

(2) KPS International Trading (Ningbo) Co., Ltd. (凱帕斯國際貿易(寧波)有限公司) ("KPS International") entered into a loan agreement with the Company on 17 November 2023, pursuant to which the Company agreed to provide KPS International a loan facility in the principal amount of not exceeding RMB65,000,000. KPS International is a wholly-owned subsidiary of KPS, which is a non-wholly owned subsidiary and a connected person of the Company as explained above, and thus KPS International is also a connected subsidiary of the Company. Accordingly, the provision of financial assistance by the Company to KPS International constituted a connected transaction of the Company. KPS entered into various loan agreements with PT Obi Stainless Steel ("OSS") on 15 November 2023, 16 November 2023 and 17 November 2023 pursuant to which KPS agreed to provide OSS with a loan facility in the total principal amount of USD750,000 for a term of one year. OSS is a non-wholly owned subsidiary of the Company and is a connected subsidiary of the Company for the same reasons as KPS as set out above. Accordingly, the provision of financial assistance by KPS to OSS constituted a connected transaction of the Company. These loan agreements have been aggregated and treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82(1) of the Listing Rules, and were entered into by the Company as the Company was of the view that such loan agreements would improve the cashflow situation of KPS International and OSS and strengthen the collaboration between the Company, KPS International and OSS, which will in turn contribute to the overall business development and financial results of the Company. For details, please refer to the announcement of the Company dated 17 November 2023;

Report of Directors

(3) the Company has obtained a syndicated loan of US$780 million from a bank consortium for ONC on 25 May 2023 for the purpose of developing phase III of the HPAL project. As required by the bank consortium, various agreements were entered into on 11 May 2023, whereby (i) the Company provided a 100% guarantee in respect of the US$780 million loan; (ii) Lygend New Power (Hong Kong) Limited ("Lygend New Power"), a wholly owned subsidiary of the Company, provided a pledge in respect of the 60% of the shares in ONC directly held by it; (iii) HJR, the parent entity of the Indonesian Partner, provided a 100% guarantee in respect of the loan of US$780 million; (iv) the Indonesian Partner provided a pledge in respect of 10% of the shares in ONC directly held by it; and (v) Li Yuen Pte. Ltd. ("Li Yuen"), provided a pledge in respect of 30% of the shares in ONC directly held by it, as security in favour of the certain representatives of the bank consortium for the consortium loan. ONC, HJR, the Indonesian Partner, and Li Yuen are all associates of Ms. Lim, who is a substantial shareholder and a connected person of the Company by virtue of being the de facto controller of Feng Yi which is a substantial shareholder of the Company, and hence ONC, HJR, the Indonesian Partner, and Li Yuen are all connected persons of the Company. Specifically, (a) ONC, a non-wholly owned subsidiary of the Company, is a connected subsidiary of the Company as Ms. Lim's family members are collectively entitled to control the exercise of 10% or more of the votes attaching to the shares of ONC, (b) HJR as the parent entity of the Indonesian Partner is ultimately controlled by family members of Ms. Lim, and (c) Li Yuen is indirectly solely held by Ms. Lim. Accordingly, the provision of financial assistance by the Company and Lygend New Power to ONC, and ONC's receiving of financial assistance from HJR, the Indonesian Partner, and Li Yuen constituted connected transactions of the Company. For details, please refer to the Company's announcements dated 29 May 2023 and 22 February 2023, and the Company's circular dated 15 March 2023; and

(4) Hong Kong Blue Whale International Ltd ("HBW") and PT Gunung Rimba Makmur ("GRM") entered into a shareholders' agreement with PT Lima Srikandi Jaya ("LSJ") and PT Teratai Kemakmuran Jayaraya ("TKJ") on 15 December 2023, pursuant to which the contracting parties agreed to increase the authorised capital of a joint venture company from IDR5,000,000,000 to IDR270,000,000,000 (of which 25% of the increased authorised capital would be paid up by the contracting parties) in order to, among others, strengthen the collaboration between the Company and its business partner, PT Harita Jayaraya ("HJR"). HBW is a wholly-owned subsidiary of the Company. LSJ is a subsidiary of HJR, which is ultimately controlled by the family members of Ms. Lim, who is a substantial shareholder and connected person of the Company by virtue of being the de facto controller of Feng Yi which in turn is a substantial shareholder of the Company. LSJ as an associate of Ms. Lim is a connected person of the Company and therefore the transactions contemplated under the shareholders' agreement constituted a connected transaction. For details, please refer to the Company's announcements dated 15 December 2023 and 22 December 2023.

Report of Directors

Continuing Connected Transactions

During the year ended 31 December 2023, the Group conducted the following continuing connected transactions:

Continuing connected transactions	Connected parties	Transaction value for the year ended 31 December 2023 *(US$ million)*	Annual cap amount *(US$ million)*
1. GSP Stevedoring Framework Agreement	GSP Group		
Expense-based			
Provision of stevedoring services to our Group		0.5	2.1
2. Mutual Supply Framework Agreement	PT Harita Guna Dharma Bhakti ("HG", together with its subsidiaries, the "HG Group") and/or associates of HG		
Expense-based			
(a) Supply of nickel ore to our Group		203.2	423.7
(b) Supply of nickel products to our Group		2,180.6	6,336.4
(c) Supply of coal to our Group		12.5	109.6
(d) Lease of construction equipment to our Group		2.3	25.9
(e) Provision of administrative services to our Group		6.9	124.2
Revenue-based			
(f) Supply of production equipment, repair materials and raw and auxiliary materials to our Group		430.0	2,377.1
3. BTG Construction Agreements	BTG	17.4	–
4. Yongcheng Construction Agreement	Yongcheng Construction	9.2	–

Report of Directors

1. GSP Stevedoring Framework Agreement

Background and reasons for the transactions

Prior to the Reporting Period, PT Gema Selaras Perkasa ("GSP" together with its subsidiaries the "GSP Group"), one of the entities of our Indonesian Partner and controlled by the family members of Ms. Lim, the de facto controller of Feng Yi, a substantial shareholder of the Company, has provided stevedoring services to our Group in connection with the operation of our Obi projects. During the Reporting Period, the Group and GSP entered into a framework agreement on 31 May 2022 (the "GSP Stevedoring Framework Agreement"), effective upon 1 December 2022 until 31 December 2024 in respect of the continued provision of such services to our Group.

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

Principal terms

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

Report of Directors

Pricing

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

Annual caps

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

	For the years ending 31 December[1]		
	2022 *(US$ million)*	**2023** *(US$ million)*	**2024** *(US$ million)*
Provision of stevedoring services to our Group (Expense based)	1.5	2.1	2.2

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

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

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

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

Report of Directors

2. Mutual Supply Framework Agreement

Background and reasons for the transactions

Prior to the Reporting Period, the HG Group and/or associates of HG (including certain subsidiaries of the Company from time to time which have PT Trimegah Bangun Persada ("TBP") as a substantial shareholder, including HPL, KPS, ONC, OSS and PT Dharma Cipta Mulia ("DCM") (collectively referred to as the "Indonesian Entities") have supplied nickel ore, nickel products and coal to our Group, and provided equipment rental and certain administrative services to our Group. In addition, our Group (excluding the Indonesian Entities) has supplied production equipment and supplies, repair materials and raw and auxiliary materials to the HG Group and/or associates of HG (including certain Indonesian Entities).

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

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

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

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

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

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

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

Report of Directors

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

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

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

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

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

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

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

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

Principal terms

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

Report of Directors

Pricing

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

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

Report of Directors

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

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

Report of Directors

Annual caps

The proposed annual caps for the aggregate payments to be made by our Group, or to our Group, under the Mutual Supply Framework Agreement for each of the years ending 31 December 2022, 2023 and 2024 are as follows:

		For the years ending 31 December[1]		
		2022	**2023**	**2024**
		(US$ million)	*(US$ million)*	*(US$ million)*
Expense-based				
(a)	Supply of nickel ore to our Group	261.8	423.7	1,026.7
(b)	Supply of nickel products to our Group[1]	2,882.5	6,336.4	8,843.3
(c)	Supply of coal to our Group	46.7	109.6	251.1
(d)	Lease of Construction Equipment to our Group	14.8	25.9	39.6
(e)	Provision of administrative services to our Group	67.8	124.2	185.6
Revenue-based				
(f)	Supply of production equipment and supplies, repair materials and raw and auxiliary materials by our Group[1]	626.7	2,377.1	350.1

Notes:

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

Basis of significant increase in annual caps

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

Report of Directors

3. BTG Construction Agreement

Background and reasons for the transactions

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

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

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

Principal terms

In respect of the agreements entered into by KPS and BTG:

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

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

Report of Directors

As to the agreements entered into by ONC and BTG:

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

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

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

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

- BTG shall provide construction services for public roads in the industrial area of the Central Zone of Obi Island for a total service fee of approximately RMB65.1 million (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of works and the price of procured materials, under the agreement dated 27 February 2023.

- Pursuant to the agreement dated 15 May 2023, BTG shall provide construction services for the tailing storage facilities for phase III of the RKEF project. The total service fee is approximately RMB246.0 million (subject to adjustments based on audit results), calculated based on the unit price and quantity of each type of works involved in each type of facilities.

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

Report of Directors

4. Yongcheng Construction Agreement

Background and reasons for the transactions

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

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

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

Principal terms

In relation to the agreement entered into between ONC and Yongcheng Construction on 11 May 2022, Yongcheng Construction as the supplier shall supply construction materials based on the requirements of phase III of the HPAL project and the total purchase price is approximately RMB40.7 million (subject to adjustments based on difference in quantity of materials), calculated based on the unit price and quantity of each type of materials demanded under each sub-project. For details, please refer to the Company's announcement dated 20 March 2024.

In respect of the agreement entered into between Lida Logistics and Yongcheng Construction on 5 July 2021, Yongcheng Construction as the service provider shall provide construction services for a total service fee of approximately RMB255.0 million (after tax), calculated based on the unit price and quantity of each type of works, the cost of labour, materials and construction equipment. As of 20 March 2024, the provision of services under this agreement has been completed. For details, please refer to the Company's announcement dated 20 March 2024.

Report of Directors

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

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

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

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

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

During the year ended 31 December 2023, save as disclosed in the section headed "Connected Transactions" of this annual report, no related party transactions as disclosed in note 35 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

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

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

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

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

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

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

Report of Directors

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

Save for the non-timely disclosure of the Construction Agreements, the details of which are set out in the section headed "Compliance with Laws and Regulations", the Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

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

- The largest customer 12.71%

- The five largest customers 34.17%

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

- The largest supplier 40.50%

- The five largest suppliers 50.46%

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

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

As at 31 December 2023, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying Shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Report of Directors

Directors', Supervisors' and Chief Executives' Interests in the Company

Name of Director, Supervisor or Chief Executive	Class of Shares	Capacity and nature of interest	Number of Shares held[1]	Percentage of Relevant Class of Shares[2]	Percentage of Total Shares[3]
Mr. Cai Jianyong[4]	Domestic Shares and unlisted foreign Shares ("Unlisted Shares")	Beneficial owner, interest held by controlled corporations and interest of spouse	955,581,000 (L)	72.52%	61.42%
Mr. Cai Jianwei	Unlisted Shares	Beneficial owner	10,406,000 (L)	0.79%	0.67%
Ms. Fei Feng[5]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	33,719,500 (L)	2.56%	2.17%

Note:

1. The letter "L" denotes the person's long position in the shares.
2. The calculation is based on 1,317,768,750 Unlisted Shares or 238,162,600 H Shares issued by the Company as of 31 December 2023.
3. The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as of 31 December 2023.
4. (i) Mr. Cai Jianyong, one of our executive Directors and the chairman of the Board, directly held 416,732,000 Unlisted Shares; (ii) Zhejiang Lygend Investment Co., Ltd. (浙江力勤投資有限公司) ("Lygend Investment"), 88% of the equity interest of which was held by Mr. Cai Jianyong, directly held 507,000,000 Unlisted Shares; (iii) Ningbo Lizhan Trade Co., Ltd. (寧波勵展貿易有限公司) ("Ningbo Lizhan"), a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares; and (iv) Ms. Xie Wen (謝雯), the spouse of Mr. Cai Jianyong, directly held 30,849,000 Unlisted Shares. Therefore by virtue of the SFO, (i) Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan; (ii) Mr. Cai Jianyong is deemed to be interested in the aggregate number of Shares held by Lygend Investment, Ningbo Lizhan and Ms. Xie Wen; and (iii) Ms. Xie Wen is deemed to be interested in the Shares in which Mr. Cai has an interest.
5. Ms. Fei Feng directly held 7,804,500 Unlisted Shares, and was the general partner of each of our Employee Incentive Platforms (as defined in the Prospectus). Therefore by virtue of the SFO, Ms. Fei Feng is deemed to be interested in the aggregate number of 25,915,000 Unlisted Shares held by our Employee Incentive Platforms (as defined in the Prospectus).

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

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

Notes:

(1) Lygend Investment, one of our controlling shareholders, is a limited liability company established in the PRC and did not issue any shares. As at 31 December 2023, Mr. Cai directly held 88% equity interest in Lygend Investment.

(2) Ningbo Lizhan, one of our controlling shareholders and a wholly-owned subsidiary of Lygend Investment, is a limited liability company established in the PRC and did not issue any shares. As at 31 December 2023, Mr. Cai is deemed to be interested in the 100% equity interest in Ningbo Lizhan held by Lygend Investment.

Save as disclosed above, as at 31 December 2023, none of the Directors, Supervisors and chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors

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

So far as is known to any Directors or chief executives of the Company, as at 31 December 2023, other than the interests and short positions of the Directors, Supervisors or chief executives of the Company, in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares[2]	Approximate percentage of the interest in the Company's issued share capital[3]
Ms. Xie Wen (謝雯)[4]	Unlisted Shares	Beneficial owner and interest of spouse	955,581,000 (L)	90.64%	61.42%
Lygend Investment[4]	Unlisted Shares	Beneficial owner and interest held by controlled corporations	508,000,000 (L)	48.19%	32.65%
Feng Yi[5]	Unlisted Shares	Beneficial owner	263,553,750 (L)	20.00%	16.94%
Ms. Lim Shu Hua, Cheryl[5]	Unlisted Shares	Interest held by controlled	263,553,750 (L)	20.00%	16.94%
Oakswood Group Ltd[4]	Unlisted Shares	Interest held by controlled	263,553,750 (L)	20.00%	16.94%
GEM Co., Ltd. (格林美股份有限公司)[6]	H Shares	Interest held by controlled corporations	24,805,200 (L)	10.67%	1.59%
GEM Hong Kong International Co., Limited (格林美香港國際物流有限公司)[6]	H Shares	Beneficial owner	24,805,200 (L)	10.67%	1.59%
廣發資管容百電池單一資產管理計劃[7]	H Shares	Trustee	24,805,200 (L)	10.67%	1.59%
Ningbo Ronbay New Energy Technology Co., Ltd. (寧波容百新能源科技股份有限公司)[7]	H Shares	Interest held by controlled corporations	24,805,200 (L)	10.67%	1.59%

Report of Directors

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares[2]	Approximate percentage of the interest in the Company's issued share capital[3]
Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership) (湖北容百電池三角壹號股權投資基金合夥企業(有限合夥))[7]	H Shares	Beneficial owner	24,805,200 (L)	10.67%	1.59%
Xiantao High-tech Industry Investment Co., Ltd. (仙桃市高新技術產業投資有限公司)[7]	H Shares	Interest held by controlled corporations	24,805,200 (L)	10.42%	1.59%
Ningbo Yinzhou District Financial Holding Co., Ltd. (寧波市鄞州區金融控股有限公司)[8]	H Shares	Beneficiary of a trust (other than a discretionary interest)	27,052,600 (L)	11.63%	1.74%
HWABAO TRUST CO., LTD[8]	H Shares	Trustee	27,052,600 (L)	11.63%	1.74%
ICBC Credit Suisse Asset Management Co., Ltd. (工銀瑞信基金管理有限公司)(代工銀瑞信泰宏61號QDII單一資產管理計劃) [9]	H Shares	Investment manager	34,810,000 (L)	14.97%	2.24%
China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司)[9]	H Shares	Interest held by controlled corporations	34,810,000 (L)	14.97%	2.24%
The China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)[9]	H Shares	Beneficial owner	34,810,000 (L)	14.97%	2.24%
China International Capital Corporation (International) Limited[10]	H Shares	Interest held by controlled corporations	42,900,600 (L) 42,248,400 (S)	18.45% 18.17%	2.76% 2.72%

Report of Directors

Name of Shareholder	Class of Shares	Capacity and nature of interest	Number of Shares held	Percentage of Relevant Class of Shares[2]	Approximate percentage of the interest in the Company's issued share capital[3]
China International Capital Corporation Hong Kong Securities Limited[10]	H Shares	Underwriter	35,534,200 (L) 34,882,000 (S)	15.28% 15.00%	2.28% 2.24%
Guangdong Brunp Recycling Technology Co., Ltd. (廣東邦普迴圈科技有限公司)[11]	H Shares	Interest held by controlled corporations	49,610,600 (L)	21.33%	3.19%
Hongkong Brunp and Catl Co., Limited (香港邦普時代新能源有限公司)[11]	H Shares	Beneficial owner	49,610,600 (L)	21.33%	3.19%
Ningbo Brunp Contemporary New Energy Co., Ltd (寧波邦普時代新能源有限公司)[11]	H Shares	Interest held by controlled corporations	49,610,600 (L)	21.33%	3.19%

Notes:

1. The letter "L" denotes the person's long position in the Shares, and the letter "S" denotes the person's short position in the Shares.
2. The calculation is based on 1,317,768,750 Unlisted Shares or 238,162,600 H Shares issued by the Company as of 31 December 2023.
3. The calculation is based on the total number of 1,555,931,350 Shares issued by the Company as of 31 December 2023.
4. (i) Mr. Cai Jianyong, one of our executive Directors and the chairman of the Board, directly held 416,732,000 Unlisted Shares; (ii) Lygend Investment, 88% of the equity interest of which was held by Mr. Cai Jianyong, directly held 507,000,000 Unlisted Shares; (iii) Ningbo Lizhan Trade Co., Ltd. (寧波勵展貿易有限公司) ("Ningbo Lizhan"), a wholly-owned subsidiary of Lygend Investment, directly held 1,000,000 Unlisted Shares; and (iv) Ms. Xie Wen (謝雯), the spouse of Mr. Cai Jianyong, directly held 30,849,000 Unlisted Shares. Therefore by virtue of the SFO, (i) Lygend Investment is deemed to be interested in the Shares held by Ningbo Lizhan; (ii) Mr. Cai Jianyong is deemed to be interested in the aggregate number of Shares held by Lygend Investment, Ningbo Lizhan and Ms. Xie Wen; and (iii) Ms. Xie Wen is deemed to be interested in the Shares in which Mr. Cai has an interest.
5. Feng Yi was wholly-owned by Oakswood Group Ltd, and Ms. Lim Shu Hua, Cheryl is its de factor controller. Therefore by virtue of the SFO, each of Oakswood Group Ltd and Ms. Lim Shu Hua, Cheryl are deemed to be interested in the Shares held by Feng Yi.
6. GEM Co., Ltd. (格林美股份有限公司) ("GEM China") was established in 2001 and listed on the Shenzhen Stock Exchange since 2010 (stock code: 002340), as well as the Swiss Stock Exchange since 2022 (symbol: GEM). GEM Hong Kong International Co., Limited (格林美香港國際物流有限公司) ("GEM Hong Kong"), incorporated in Hong Kong, is wholly-owned by GEM China.

Report of Directors

7. Hubei Ronbay Battery Triangle No. 1 Equity Investment Fund Partnership (Limited Partnership) (湖北容百電池三角壹號股權投資基金合夥企業(有限合夥)) ("Battery Triangle Fund") was established in Hubei, PRC in April 2022. The executive partner and general partner of Battery Triangle Fund is Beijing Ronbay New Energy Investment Management Co., Ltd. (北京容百新能源投資管理有限公司), which held 0.8% fund interests and is ultimately controlled by Mr. Bai Houshan (白厚善), the founder of Ningbo Ronbay New Energy Technology Co., Ltd. (寧波容百新能源科技股份有限公司) ("Ronbay Technology"). The limited partners of the Battery Triangle Fund are Ronbay Technology and Xiantao High-tech Industry Investment Co., Ltd. (仙桃市高新技術產業投資有限公司) (a company controlled by the Stateowned Assets Supervision and Administration Commission of the Xiantao People's Government (仙桃市人民政府國有資產監督管理委員會)), which held 51.2% and 48.0% fund interests, respectively. For the purpose of the cornerstone investment, Battery Triangle Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd. (廣發證券資產管理(廣東)有限公司) a QDII as approved by the relevant PRC authority, to subscribe for and hold the H Shares on a discretionary basis on its behalf under the name 廣發資管容百電池單一資產管理計劃.
8. Ningbo Yinzhou District Financial Holding Co., Ltd. (寧波市鄞州區金融控股有限公司) ("Yinzhou Financial Holding") is a SOE directly under the People's Government of Ningbo City (寧波市人民政府), and ultimately controlled by Ningbo City Yinzhou District State-owned Assets Supervision and Administration Commission (寧波市鄞州區國有資產管理委員會). For the purpose of the cornerstone investment, Yinzhou Financial Holding has engaged Hwabao Trust Co., Ltd. (華寶信託有限責任公司), a trust company that is a QDII as approved by the relevant PRC authority, to subscribe for and hold the H Shares on a discretionary basis on its behalf.
9. China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) ("China Chengtong") initiated the China State-Owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) ("Mixed-ownership Reform Fund"), which is a national fund approved by the State Council, entrusted by the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). The Mixed-Ownership Reform Fund has engaged ICBC Credit Suisse Asset Management Co., Ltd. (工銀瑞信基金管理有限公司), an asset manager that is a QDII as approved by the relevant PRC authority to subscribe for and hold the H Shares on its behalf.
10. Based on the disclosure of interests form submitted by China International Capital Corporation (International) Limited on 6 December 2022 (the date of the relevant event set out in the form was 1 December 2022, these shares comprised (i) 35,534,200 shares (long position) and 34,882,000 (short position) held through China International Capital Corporation Hong Kong Securities Limited; (ii) 4,216,400 shares (long position) and 4,216,400 shares (short position) held through CICC Financial Trading Limited; and (iii) 3,150,000 shares (long position) and 3,150,000 shares (short position) held through CICC Wealth Investment Limited.
11. Hongkong Brunp and Catl Co., Limited (香港邦普時代新能源有限公司) ("Hong Kong CATL") hold the H Shares of the Company and is a direct Shareholder of the Company. Hong Kong CATL is an indirectly controlled subsidiary of Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司) ("CATL"), a company established in 2011 and listed on the Shenzhen Stock Exchange since 2018 (stock code: 300750). The Company jointly established CBL with a subsidiary of CATL, Ningbo Brunp Contemporary New Energy Co., Ltd (寧波邦普時代新能源有限公司) ("Ningbo Brunp"), and Ningbo Ruiting Investment (the largest shareholder of CATL as of December 31, 2021).

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any entities/persons (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Report of Directors

PRE-IPO SHARE INCENTIVE SCHEME

On 20 October 2021, the Board passed a resolution in relation to a pre-IPO share incentive scheme (the "Scheme"), to issue 25,915,000 domestic shares ("Restricted Domestic Shares") to eligible employees (including directors and supervisors) in order to provide incentives and rewards to participants for the business development of the Group. The terms of the Scheme are not subject to the provisions of Chapter 17 of Listing Rules when it was adopted, as the Scheme does not involve the grant of options or share awards by our Company after the Listing. Given the underlying Shares under the Scheme have already been issued, there will not be any dilution effect to the issued Shares as a result of the operation of the Scheme. No further awards will be granted after Listing under the Scheme. The Restricted Domestic Shares were subscribed at the price of RMB3.02 per share by the four Employee Incentive Platforms (as defined in the Prospectus). The aggregate amount of five highest paid individuals during the financial year is 8,600,000 Restricted Domestic Shares. The aggregate number of grants of shares of other grantees is 17,315,000 Restricted Domestic Shares.

Purpose

The purpose of the Scheme is to build an incentive mechanism for management and core employees of our Company, attract, retain and motivate the talent necessary for our Company's strategic goals, and to promote the long-term success of our Company and the interests of our Shareholders.

Administration

The Scheme shall be subject to the administration of our Board and the supervision of the Supervisors of our Company. Our Shareholders in general meeting will be of the highest authority regarding administration of the Scheme. Our Board is responsible for determining and revising the terms of the Scheme, and reporting to our Shareholders in general meeting. Our Board is also entitled to authorize a management committee (the "Management Committee") to administrate and implement the specific terms of the Scheme.

Eligibility of Participants

Participants must continuously meet the following criteria to be, or to remain, eligible under the Scheme:

- an employee of our Company or its subsidiaries who has signed an employment contract, and who aligns with our Company's corporate culture;
- (i) an employee who has been working for our Company for more than five years, or management staff who has been working for our Company for more than two years; (ii) an employee who have been introduced into our Company by the Management Committee as being essential to our development; or (iii) a core technology-related employee or key management staff working in one of our subsidiaries; and
- an employee who has abided by our Company's rules and regulations, and who has demonstrated good work performance during his/her period of employment.

Maximum entitlement of each participant under the Scheme

There is no limit on the entitlement of each participant under the Scheme.

Report of Directors

Term of the Scheme

The Scheme commenced on 20 October 2021 and shall continue to be in effect unless terminated earlier in accordance with applicable laws and provisions of the Scheme or otherwise approved by the Board.

No further awards will be granted under the Scheme, as the right to do so has been terminated upon Listing.

Details of the awarded Shares during the Reporting Period are set out below:–

Name/category of grantees	Date of grant	Vesting period	Purchase price	Closing price immediately before the date of grant	Fair value of awards on the date of grant(3)	Unvested awards as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Weighted average closing price of the shares immediately before the vesting date	Cancelled/ forfeited during the Reporting Period	Lapsed during the year	Unvested awards as at 31 December 2023
Directors (including the five highest paid individuals)(6)												
Jiang Xinfang *(resigned on 28 March 2024)*	15 December 2021	1 December 2023(1)- 15 December 2026(1)	RMB3.02 per share	N/A(2)	RMB3.02 per share	3,000,000	0	0	N/A(4)	0	0	3,000,000
Fei Feng	15 December 2021	1 December 2023(1)- 15 December 2026(1)	RMB3.02 per share	N/A(2)	RMB3.02 per share	70,000	600,000(5)	0	N/A(4)	0	0	670,000
Yu Weijun	15 December 2021	1 December 2023(1)- 15 December 2026(1)	RMB3.02 per share	N/A(2)	RMB3.02 per share	1,500,000	0	0	N/A(4)	0	0	1,500,000
Other grantees(6)												
Employees of the Group	15 December 2021	1 December 2023(1)- 15 December 2026(1)	RMB3.02 per share	N/A(2)	RMB3.02 per share	21,345,000	0	0	N/A(4)	0	600,000	20,745,000

Note:

(1) Granted Restricted Domestic Shares will be unlocked over a four-year period, with up to 25% of the awards unlocking on each of the first, second, third, fourth anniversary of the Listing Date.

(2) The grant was made prior to the Company's listing on the Stock Exchange on 1 December 2022.

(3) The Scheme was adopted and approved by resolutions of the Board on 20 October 2021, before the Company's listing in December 2022. Accordingly, the purchase price of the awards was determined at the fair value determined by an external valuer by the discounted cash flow method.

(4) The awards were vested prior to the Company's listing on the Stock Exchange on 1 December 2022.

(5) These awards represented awards previously held by employees of the Group, who had left the employment of the Group and withdrew from the Scheme. As such, these awards were transferred to Fei Feng as the general partner and executive partner of the relevant employee incentive platform pursuant to the applicable rules.

(6) Among the five highest paid individuals during the financial year, only two have participated in the Scheme and both of them are Directors. Details relating to the grant of awards to the Directors are disclosed in the table.

Report of Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

PRINCIPAL SUBSIDIARIES

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2023 are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to shareholders, calculated in accordance with the provisions of the Companies Law in the Company's place of incorporation, were retained profits amounted to RMB586.5 million (as at 31 December 2022: RMB595.3 million).

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

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

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders of the Company, as at 31 December 2023, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

PRE-EMPTIVE RIGHTS

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

Report of Directors

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules, such that the minimum percentage of the Shares from time to time held by the public will be the higher of (a) 15% and (b) such percentage of H Shares to be held by the public upon any exercise of the Over-allotment Option (as defined in the Prospectus) of the enlarged issued share capital of the Company. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date and up to 31 December 2023.

TAX RELIEF

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to implementing good corporate governance practices. Information on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 31 to 49 of this annual report.

ENVIRONMENTAL POLICY AND PERFORMANCE

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

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

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

Report of Directors

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

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

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Completion of the H Share Full Circulation

On 15 January 2024, the conversion of 265,453,750 unlisted shares of the Company into H shares of the Company was completed, and listing of the converted H Shares commenced at 9:00 a.m. on 16 January 2024 on the Stock Exchange. Please refer to the Company’s announcement dated 15 January 2024 for further details.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 9,176 employees (as at 31 December 2022: 6,694).

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.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young, who will retire and being eligible, offer themselves for re-appointment. A resolution will be proposed in the forthcoming annual general meeting to re-appoint Ernst & Young as the auditor of the Company.

On behalf of the Board
CAI Jianyong
Chairman, General Manager and Executive Director

28 March 2024

Report of Supervisors

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

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

WORKS OF THE BOARD OF SUPERVISORS DURING THE REPORTING PERIOD

During the Reporting Period, the Board of Supervisors of the Company organized and convened 4 meetings in accordance with relevant rules:

(1) On 4 January 2023, an online meeting was convened by the Board of Supervisors of the Company to consider and approve:

(i) Proposal on the Proposed Application of the Conversion of Domestic Unlisted Shares into Overseas Listed Shares by the Company (《關於本公司擬申請將境內未上市股份轉換為境外上市股份的議案》);

(ii) Proposal on the Consideration of Profit Distribution Plan (Special Dividend) for the First Half of 2022 (《關於審議2022年度上半年利潤分配方案(特別股息)的議案》);

(iii) Proposal on the Provision of Guarantee and Pledge of Equity by Lygend Resources in respect of the Syndicated Loan for HPL, a Joint Venture Company (《關於力勤資源為合資公司HPL銀團貸款提供保證及股權質押的議案》);

(iv) Proposal on the Provision of Guarantee and Pledge of Equity by Lygend Resources in respect of the Syndicated Loan for ONC, a Joint Venture Company (《關於力勤資源為合資公司ONC銀團貸款提供保證及股權質押的議案》).

(2) On 30 March 2023, the second online meeting was convened by the Board of Supervisors of the Company to consider and approve:

(i) Proposal on the Remuneration of the Directors, Supervisors and Senior Management of the Company for the year of 2022 (《關於2022年度公司董事、監事及高級管理人員薪酬的議案》);

(ii) Proposal on the Cap of the Aggregate Amount of the Proposed Application of Integrated Bank Credit Facilities to the Financial Institution by the Company for the year of 2023 (《關於2023年度公司擬向金融機構申請綜合授信額度總額上限的議案》);

(iii) Proposal on the Establishment of a New Subsidiary by the Company (《關於公司擬新設立子公司的議案》);

Report of Supervisors

(iv) Resolution on the Cap of the Aggregate Amount of External Guarantees given by the Company for the year of 2023《關於2023年度公司對外擔保事項總額上限的議案》;

(v) Annual Report and Audited Financial Report of the Company for 2022《公司2022年度報告及經審計財務報告》;

(vi) Report of the Supervisors of the Company for 2022《公司2022年度監事會報告》;

(vii) Work Report of General Manager (President) of the Company for 2022《公司2022年度總經理(總裁)工作報告》;

(viii) Resolution on the Company's Plan of no Distribution of Profits《公司擬不分配利潤的議案》.

(3) On 25 August 2023, the third online meeting was convened by the Board of Supervisors of the Company to consider and approve:

(i) Preliminary Announcement of Interim Results for 2023 of Lygend Resources & Technology Co., Ltd.《寧波力勤資源科技股份有限公司2023年中期業績初步公告》;

(ii) Interim Report for 2023 of Lygend Resources & Technology Co., Ltd.《寧波力勤資源科技股份有限公司2023年中期報告》;

(iii) Resolution on the Company's Plan of no Distribution of Profits for the Interim Period of 2023 of Lygend Resources & Technology Co., Ltd.《寧波力勤資源科技股份有限公司2023年中期擬不分配利潤的議案》.

(4) On 8 September 2023, the fourth online meeting was convened by the Board of Supervisors of the Company to consider and approve:

(i) Proposal on the Buy-back of a Portion of H Shares in the Open Market《擬公開市場回購部分H股股份的議案》;

(ii) Resolution on the Proposed Provision of Loans to its Specific Subsidiaries;《關於擬向特定子公司提供借款的議案》.

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

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

Report of Supervisors

COMMENTS OF THE BOARD OF SUPERVISORS ON CERTAIN MATTERS OF THE COMPANY IN 2023

Lawful Operation of the Company

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

Financial Position of the Group

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

USE OF PROCEEDS FROM IPO

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

CONNECTED TRANSACTIONS

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

Report of Supervisors

2024 OUTLOOK

In 2024, the Board of Supervisors will continue to abide by the principle of being responsible to all the Shareholders, and perform its supervisory duties in strict accordance with relevant laws and regulations and the requirements of the Articles of Association, so as to safeguard the legitimate rights and interests of the Group and its shareholders, and play a positive role in achieving the standardized operation and development of the Group.

By order of the Board of Supervisors

GE Kaicai
Chairman of the Board of Supervisors
27 March 2024

Independent Auditor's Report

EY 安永

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

OPINION

We have audited the consolidated financial statements of Lygend Resources & Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 92 to 208, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

EY 安永

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue	
The Group generates revenues primarily from the trading and production of nickel products, equipment sale, and other businesses. The Group's revenue for the year ended 31 December 2023 amounted to RMB21,059,316,000. The Group has certain provisionally priced sales where the contract terms for the Group's nickel products sales allow for a price adjustment based on a final assay of the goods determined after discharge. The Group assesses such provisional pricing to be a variable consideration and recognises revenue at a most likely amount. For certain contracts, the sales price is determined on a provisional basis at the date of sale as the final sales price is often based on the average quoted market prices during a subsequent period (the "QP") which normally is the next month after the month of shipment on board (provisionally priced sales). Revenue on such provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable. The QP pricing exposures embedded within such provisionally priced sales arrangements are accounted for as embedded derivatives. Revenue as an important key performance indicator of how the Group measures its performance creates financial incentives and pressures that entice management to falsify accounting records.	Our audit procedures included, but not limited to, the following: – reviewing the Group's accounting policies on revenue recognition to assess the compliance with the requirements of IFRSs; – reviewing the key terms of major contracts with customers and assessed the accounting policy applied by the Group; – Obtaining an understanding of the revenue cycle and performing walkthroughs for all significant streams and tested controls in revenue recognition; – performing confirmation procedures to confirm revenue and balances of trade receivables from certain customers; – evaluating management's assumptions adopted in estimating variable consideration by analysing contract terms, historical information and commercial practice; – performing substantive analytical reviews to understand how the revenue has trended over the year and detailed testing on transactions during the year by tracing to agreements, invoices and shipment records; – testing revenue transactions close to the year end to verify whether they were recorded in the correct periods;

Independent Auditor's Report

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue (continued)	
The Group's disclosures about revenue recognition are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 5 *Revenue, other income and gains* to the financial statements.	– testing the journal entries related to revenue recognition focusing on unusual or irregular transactions; and – evaluating the adequacy of the related disclosures about revenue in the financial statements.
Impairment testing of goodwill	
The carrying amount of goodwill at 31 December 2023 was RMB218,037,000. The Group performs its impairment test of goodwill at least on an annual basis. Management's annual impairment test is important to our audit because the assessment process is complex and requires significant judgement and estimates including allocation of goodwill to cash-generating unit, annual revenue growth rate, pre-tax discount rate and terminal growth rate. The Group's disclosures about impairment testing of goodwill are included in note 2.4 *Material accounting policies*, note 3 *Significant accounting judgements and estimates* and note 16 *Goodwill* to the financial statements.	Our audit procedures included, but not limited to, the following: – evaluating management's allocation of goodwill to cash-generating units within the Group; – reviewing and testing management's future forecasted cash flows and key assumptions by comparing to the Group's development plan, budget and financial projections and analysis of the industry; – involving our valuation specialist to assist us in evaluating the key valuation parameters such as the pre-tax discount rate, the terminal growth rate applied and the valuation model with forecasted cash flows; and – evaluating the adequacy of the related disclosures about impairment testing of goodwill in the financial statements.

Independent Auditor's Report

EY 安永

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report

EY 安永

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

EY 安永

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	5	21,059,316	18,289,596
Cost of sales		(17,677,351)	(13,795,761)
Gross profit		3,381,965	4,493,835
Other income and gains	5	184,197	265,412
Selling and distribution expenses		(100,235)	(96,156)
Administrative expenses		(928,014)	(791,266)
(Impairment)/reversal of impairment losses on financial assets, net		(18,946)	1,619
Other operating expenses		(455,840)	(388,884)
Finance costs	7	(534,853)	(254,425)
Share of profits and losses of associates		233,240	(45,165)
PROFIT BEFORE TAX	6	1,761,514	3,184,970
Income tax expense	10	(40,024)	(156,856)
PROFIT FOR THE YEAR		1,721,490	3,028,114

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 *RMB'000*	2022 *RMB'000*
PROFIT FOR THE YEAR		**1,721,490**	3,028,114
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit in subsequent periods:			
Share of other comprehensive income of associates		**9,887**	52,607
Exchange differences on translation of foreign operations		**166,318**	487,347
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**176,205**	539,954
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,897,695**	3,568,068
Profit attributable to:			
Owners of the parent		**1,051,365**	1,735,238
Non-controlling interest		**670,125**	1,292,876
		1,721,490	3,028,114
Total comprehensive income for the year attributable to:			
Owners of the parent		**1,166,043**	2,052,377
Non-controlling interest		**731,652**	1,515,691
		1,897,695	3,568,068
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*12*	**0.68 Yuan**	1.30 Yuan

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	16,970,830	9,620,632
Intangible assets	15	447,079	516,553
Right-of-use assets	14(a)	683,227	128,051
Deferred tax assets	28	96,665	66,552
Interests in associates	17	1,564,287	544,963
Derivative financial instruments	21	51,599	95,680
Goodwill	16	218,037	218,037
Prepayments, other receivables and other assets	20	369,131	825,404
Total non-current assets		20,400,855	12,015,872
CURRENT ASSETS			
Inventories	18	2,188,712	1,150,638
Trade and bills receivables	19	1,022,951	1,141,923
Prepayments, other receivables and other assets	20	1,145,178	627,707
Due from related parties	35	806,619	1,143,516
Financial assets at fair value through profit or loss	21	–	12,183
Pledged deposits	22	498,564	313,850
Cash and cash equivalents	22	4,616,829	4,434,705
Total current assets		10,278,853	8,824,522
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	4,692,395	2,347,670
Trade and bills payables	23	1,249,276	965,245
Lease liabilities	14(b)	18,221	11,849
Derivative financial instruments	27	–	42,686
Other payables and accruals	24	2,282,073	1,139,279
Contract liabilities	26	309,030	21,352
Income tax payable		71,577	193,015
Due to related parties	35	663,001	132,193
Total current liabilities		9,285,573	4,853,289

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Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NET CURRENT ASSETS		**993,280**	3,971,233
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,394,135**	15,987,105
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*25*	**6,773,170**	3,884,795
Due to related parties	*35*	**1,044,215**	–
Lease liabilities	*14(b)*	**48,494**	47,090
Other payables and accruals	*24*	**4,010**	4,572
Employee benefits liability	*29*	**34,868**	18,197
Deferred tax liabilities	*28*	**4,028**	4,654
Total non-current liabilities		**7,908,785**	3,959,308
NET ASSETS		**13,485,350**	12,027,797
EQUITY			
Equity attributable to owners of the parent			
Share capital	*30*	**1,555,931**	1,555,931
Reserves	*31*	**7,629,615**	6,920,465
Equity attributable to equity holders of the parent		**9,185,546**	8,476,396
Non-controlling interests		**4,299,804**	3,551,401
Total equity		**13,485,350**	12,027,797

Mr. Cai Jianyong
Director

Ms. Fei Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital *RMB'000* (note 30)	Share premium* *RMB'000* (note 31)	Statutory surplus reserve* *RMB'000* (note 31)	Exchange fluctuation reserve* *RMB'000* (note 31)	Safety production reserve* *RMB'000* (note 31)	Other reserves* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023	1,555,931	3,806,997	145,749	344,702	23,134	–	2,599,883	8,476,396	3,551,401	12,027,797
Profit for the year	–	–	–	–	–	–	1,051,365	1,051,365	670,125	1,721,490
Exchange differences on translation of foreign operations	–	–	–	104,791	–	–	–	104,791	61,527	166,318
Share of other comprehensive income of associates	–	–	–	9,887	–	–	–	9,887	–	9,887
Total comprehensive income for the year	–	–	–	114,678	–	–	1,051,365	1,166,043	731,652	1,897,695
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	15,436	15,436
Dividends declared	–	–	–	–	–	–	(466,779)	(466,779)	–	(466,779)
Capital injection from other shareholders of an associate	–	–	–	–	–	10,699	–	10,699	–	10,699
Transfer to statutory surplus reserves	–	–	50,885	–	–	–	(50,885)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	502	502
Safety production reserve	–	–	–	–	898	–	(1,711)	(813)	813	–
At 31 December 2023	1,555,931	3,806,997	196,634	459,380	24,032	10,699	3,131,873	9,185,546	4,299,804	13,485,350

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Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital *RMB'000* (note 30)	Share premium* *RMB'000* (note 31)	Statutory surplus reserve* *RMB'000* (note 31)	Exchange fluctuation reserve* *RMB'000* (note 31)	Safety production reserve* *RMB'000* (note 31)	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	1,317,769	759,538	89,792	27,563	16,193	927,543	3,138,398	2,035,259	5,173,657
Profit for the year	–	–	–	–	–	1,735,238	1,735,238	1,292,876	3,028,114
Exchange differences on translation of foreign operations	–	–	–	264,532	–	–	264,532	222,815	487,347
Share of other comprehensive income of associates	–	–	–	52,607	–	–	52,607	–	52,607
Total comprehensive income for the year	–	–	–	317,139	–	1,735,238	2,052,377	1,515,691	3,568,068
Issue of shares from initial public offering	232,547	3,122,192	–	–	–	–	3,354,739	–	3,354,739
Exercise of the over-allotment option	5,615	73,633	–	–	–	–	79,248	–	79,248
Share issue expenses	–	(148,366)	–	–	–	–	(148,366)	–	(148,366)
Transfer to statutory surplus reserves	–	–	55,957	–	–	(55,957)	–	–	–
Acquisition of a subsidiary (note 32)	–	–	–	–	–	–	–	451	451
Safety production reserve	–	–	–	–	6,941	(6,941)	–	–	–
At 31 December 2022	1,555,931	3,806,997	145,749	344,702	23,134	2,599,883	8,476,396	3,551,401	12,027,797

* As at 31 December 2023, these reserve accounts comprise the consolidated reserves of RMB7,629,615,000 (2022: RMB6,920,465,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 *RMB'000*	2022 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,761,514**	3,184,970
Adjustments for:			
Finance costs	*7*	**534,853**	254,425
Share of profits and losses of associates		**(218,622)**	89,522
Bank interest income		**(21,707)**	(20,913)
Investment (gains)/loss from derivative financial instruments, net		**(10,599)**	87,398
Fair value loss/(gain) on derivative financial instruments, net		**46,527**	(51,807)
Loss on disposal of items of property, plant and equipment		**916**	8,269
Gain on a finance lease as a sublease lessor		**(1,190)**	(6,498)
Loss/(gain) on early termination of leases		**279**	(7)
Depreciation of property, plant and equipment		**561,613**	377,552
Depreciation of right-of-use assets		**18,279**	19,015
Amortisation of intangible assets	*15*	**84,863**	76,457
Impairment/(reversal of impairment) of financial assets, net	*6*	**18,946**	(1,619)
Write-down of inventories to net realisable value	*6*	**32,499**	–
Foreign exchange differences, net		**26,280**	103,304
		2,834,451	4,120,068
Increase in inventories		**(1,080,690)**	(176,065)
Decrease/(Increase) in trade and bills receivables		**103,848**	(586,632)
Increase in prepayments, other receivables and other assets		**(436,673)**	(64,509)
(Increase)/decrease in pledged deposits		**(224,755)**	65,222
Decrease/(increase) in amounts due from related parties		**356,795**	(1,040,880)
Increase in trade and bills payables		**284,031**	236,831
Increase/(decrease) in other payables and accruals		**262,197**	(28,102)
Increase/(decrease) in amounts due to related parties		**375,903**	(33,440)
Increase/(decrease) in contract liabilities		**287,678**	(275,569)
Cash generated from operations		**2,762,785**	2,216,924
Income tax paid		**(192,199)**	(217,613)
Net cash flows from operating activities		**2,570,586**	1,999,311

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Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from a finance lease as a sublease lessor		3,430	773
Purchases of items of property, plant and equipment		(6,202,403)	(3,883,984)
Proceeds from disposal of property, plant and equipment		3,057	2,757
Prepayment for land use right		(557,517)	–
Purchases of intangible assets		(7,300)	(19,509)
Purchases of financial assets at fair value through profit or loss		(4,500)	(34,183)
Deposits for purchases of futures		(36,592)	(131,007)
Payment for purchase of a shareholding in an associate		(770,000)	–
Repayment of pledged time deposits		40,000	260,000
Payment for previous purchase of a shareholding in a joint venture		–	(677)
Proceeds from acquisition of a subsidiary, net of cash acquired		16	848
Proceeds from disposal of financial assets at fair value through profit or loss		16,600	22,000
Repayment of deposits for purchases of futures		84,575	70,000
Investment income/(loss) from derivatives		4,473	(80,068)
Interest received		30,283	12,337
Net cash flows used in investing activities		(7,395,878)	(3,780,713)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	3,433,987
Advanced capital injection from non-controlling shareholders		1,044,215	–
Proceeds from bank borrowings		20,335,907	6,824,703
Proceeds from other borrowings		–	448,394
Repayment of bank borrowings		(15,176,470)	(5,718,001)
Repayment of other borrowings		–	(5,360)
Repayment to a related party		–	(34)
Principal portion of lease payments		(19,088)	(14,914)
Interest paid		(715,573)	(221,938)
Dividend paid		(466,779)	(67,061)
Listing expenses		(47,799)	(96,142)
Net cash flows from financing activities		4,954,413	4,583,634

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Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**129,121**	2,802,232
Cash and cash equivalents at beginning of year		**4,426,170**	1,413,298
Effect of foreign exchange rate changes, net		**61,538**	210,640
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,616,829**	4,426,170
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**4,616,829**	4,434,705
Cash and cash equivalents as stated in the consolidated statement of financial position	*22*	**4,616,829**	4,434,705
Accrued interest income from non-pledged time deposits with original maturity of less than three months when acquired		**–**	(8,535)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**4,616,829**	4,426,170

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Ningbo Yiwei Mining Co., Ltd. 寧波毅威礦業有限公司*	PRC/ Chinese Mainland 15 October 2015	RMB 2,000,000	100	–	Export of machinery and equipment
Ningbo Lygend Wisdom Co., Ltd. ("Ningbo Huiran") 寧波力勤惠然貿易有限公司*	PRC/ Chinese Mainland 7 June 2017	RMB 1,000,000	100	–	Trading of laterite nickel ore and ferronickel
Shanghai Lygend International Trade Co., Ltd. 上海力勤國際貿易有限公司*	PRC/ Chinese Mainland 11 June 2018	RMB 20,000,000	100	–	Project management
Jiangsu Wisdom Industrial Co., Ltd. ("Jiangsu Wisdom") 江蘇惠然實業有限公司*	PRC/ Chinese Mainland 21 March 2011	RMB 120,000,000	100	–	Smelting and production
Xi'an Pengyuan Metallurgical Equipment Co., Ltd. ("Xi'an Pengyuan") 西安鵬遠冶金設備有限公司*	PRC/ Chinese Mainland 20 February 2017	RMB 50,000,000	70	–	Manufacture and sale of machinery and equipment
Lygend Resources Pte., Ltd. ("Lygend Singapore") 新加坡力勤資源有限公司	Singapore 16 August 2018	USD 2,000,000	100	–	Trading of laterite nickel ore and ferronickel
Ningbo Lygend New Energy Co., Ltd.* ("Lygend New Energy") 寧波力勤新能源有限公司*	PRC/ Chinese Mainland 30 September 2020	RMB 200,000,000	100	–	New energy technological development

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Ningbo Leda International Logistics Co., Ltd.* ("Lida Logistics") 寧波勵達國際物流有限公司*	PRC/ Chinese Mainland 17 March 2021	RMB 100,000,000	100	–	Logistics services
Hong Kong Blue Whale International Limited ("Hong Kong Bwhale")	Hong Kong 29 March 2016	USD 1,000,000	100	–	Investment holding and shipping
Kang Xuan PTE. LTD. ("Kang Xuan")	Singapore 14 June 2021	USD 66,062,412	100	–	Investment holding
PT. Halmahera Persada Lygend ("HPL")	Indonesia 27 July 2018	Rp 5,030,000,000,000	36.9	18	Smelting and production
PT. OBI Nickel Cobalt ("ONC")	Indonesia 26 August 2021	Rp 4,350,000,000,000	–	60	Smelting and production
PT. Karunia Permai Sentosa ("KPS")	Indonesia 26 November 2021	Rp 809,400,000,000	–	65	Smelting and production
PT. Dharma Cipta Mulia ("DCM")	Indonesia 5 November 2007	Rp 10,100,000,000,000	–	60	Industrial estate business
HPAL International Trading (Ningbo) Co., Ltd. ("趣柏")趣柏國際貿易(寧波)有限公司*	PRC/ Chinese Mainland 20 September 2022	USD 1,000,000	–	54.9	Business management services
ONC International Trading (Ningbo) Co., Ltd. ("歐恩司")歐恩司國際貿易(寧波)有限公司*	PRC/ Chinese Mainland 24 August 2022	USD 1,000,000	–	60	Business management services
KPS International Trading (Ningbo) Co., Ltd. ("凱帕斯")凱帕斯國際貿易(寧波)有限公司*	PRC/ Chinese Mainland 24 August 2022	USD 1,000,000	–	65	Business management services
PT Makmur Jaya Maritimindo ("MJM")**	Indonesia 9 March 2023	Rp 67,500,000,000	–	49	Shipping
Ningbo Lygend Headquarter Management Co., Ltd. ("總部管理")寧波力勤總部管理有限公司*	PRC/ Chinese Mainland 10 April 2023	RMB 200,000,000	100	–	Headquarters management

Notes to Financial Statements

31 December 2023

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Notes:

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

** On 15 December 2023, Hong Kong Bwhale together with PT Gunung Rimba Makmur ("GRM") entered into the shareholders agreement with PT Lima Srikandi Jaya ("LSJ") and PT Teratai Kemakmuran Jayaray ("TKJ"), both being the existing shareholders of MJM. Hong Kong Bwhale, GRM, LSJ and TKJ (collectively "Parties") agreed to increase the authorised capital of MJM from Rp5,000,000,000 to Rp270,000,000,000 of which Rp66,250,000,000 representing 25% of the increased authorised capital of MJM, shall be paid up by the Parties and the Parties shall subscribe for 662,500 new shares to be issued by MJM pursuant to the increase in authorised capital.

After the capital increase was completed, LSJ, TKJ, GRM and Hong Kong Bwhale hold 31%, 10%, 10%, and 49% of the shares in MJM, respectively. On the same day of entering into the shareholders agreement, Hong Kong Bwhale and TKJ further entered into the power of attorney, where TKJ appointed Hong Kong Bwhale 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 so that MJM became a subsidiary of Hong Kong BWhale based on who actually holds 59% of the voting rights.

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

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain trade and bills receivables, derivative financial instruments 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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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.

Notes to Financial Statements

31 December 2023

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

Notes to Financial Statements

31 December 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below: (Continued)

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy aligns with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group has applied the amendments on the treatment of temporary differences arising from leases from the beginning, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

Notes to Financial Statements

31 December 2023

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] No mandatory effective date yet determined but available for adoption

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

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

Notes to Financial Statements

31 December 2023

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 MATERIAL ACCOUNTING POLICIES

Investments in subsidiaries

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

Investments in associates and joint ventures

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

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

Notes to Financial Statements

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

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

Business combinations and goodwill

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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

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

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

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

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

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

Notes to Financial Statements

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

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

Related parties

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

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

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

or

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

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

Intangible assets (other than goodwill)

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

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31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (Continued)

Software

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

Customer relationship

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

Research and development costs

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

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

Leases

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

Group as a lessee

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

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

Leasehold land	50 years
Office premises and warehouses	1 to 7 years
Vessels	2 years

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

(b) Lease liabilities

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

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

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

Group as a lessor

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

General approach

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Notes to Financial Statements

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

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

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

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31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

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

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Sale of nickel products

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

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

Variable consideration

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

Contracts with quotational period pricing exposures

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

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) Sale of equipment

Revenue from the sale of equipment without installation services is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment on board.

In some instances, the sale of equipment includes installation services. The sale of equipment and installation services are considered as one performance obligation since the promises to transfer the equipment and the provision of installation services are not capable of being distinct and separately identifiable. Revenue from the sale of equipment with installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the services, because the assets generated during the Group's performance have irreplaceable utilisation, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the performance obligation. In addition to the terms of the contract, the promised consideration is variable and has been partially constrained when the Group intend to offer a price concession to the customer. Such promised consideration is accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of variable consideration because this method best predicts the amount of variable consideration to which the Group will be entitled.

(c) Sale of others

Others include the sale of wastes and shipping services to customers. Revenue from the sale of wastes is recognised at the point in time when control of the asset is transferred to the customer. Revenue related to the provision of shipping services is recognised over time as the services are rendered.

Revenue from other sources

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

Other income

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

Notes to Financial Statements

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2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension schemes

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

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

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

Post-employment benefits

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

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

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

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

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

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

ii) Net interest expense or income.

Notes to Financial Statements

31 December 2023

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

Notes to Financial Statements

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

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

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

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

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

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables are disclosed in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was approximately RMB218,037,000 (2022: RMB218,037,000) during the year. Further details are included in note 16 to the financial statements.

Recognition of deferred tax assets

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

Notes to Financial Statements

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than net realisable value. The assessment of the provision required involves management's judgement and estimates on which are influenced by assumptions concerning future sales and usage and judgements in determining the appropriate level of inventory provisions against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying amounts of inventories and the write-down/write-back of inventories in the period in which such estimate has been changed. As at 31 December 2023, the carrying amount of inventories was RMB2,188,712,000 (2022: RMB1,150,638,000).

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2023 ***RMB'000***	2022 *RMB'000*
Chinese Mainland	**20,224,678**	16,028,582
Others	**834,638**	2,261,014
Total revenue	**21,059,316**	18,289,596

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.

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	2023 *RMB'000*	2022 *RMB'000*
Chinese Mainland	**2,894,776**	1,213,647
Indonesia	**17,357,815**	10,639,993
Total non-current assets	**20,252,591**	11,853,640

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

Information about major customers

Revenue from a major customer which accounted for 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022 is set out below:

	2023 *RMB'000*	2022 *RMB'000*
Customer A	**2,677,292**	N/A*

* 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.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	21,059,316	18,289,596

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Sale of nickel products	20,376,803	17,378,249
Sale of equipment	148,324	655,933
Others	534,189	255,414
Total	21,059,316	18,289,596
Geographical markets		
Chinese Mainland	20,224,678	16,028,582
Others	834,638	2,261,014
Total	21,059,316	18,289,596
Timing of revenue recognition		
Goods transferred at a point in time	19,920,304	16,743,081
Services transferred over time	1,139,012	1,546,515
Total	21,059,316	18,289,596

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

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

	2023 *RMB'000*	2022 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of nickel products	**20,752**	136,906
Sale of equipment	**53**	138,443
Others	**350**	21,572
Total	**21,155**	296,921

	2023 *RMB'000*	2022 *RMB'000*
Revenue recognised from performance obligations satisfied in previous periods:		
Sale of equipment not previously recognised due to constraints on variable consideration	**–**	18,519

(b) Performance obligations

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

Sale of nickel products

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

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

Notes to Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

Sale of equipment

For the sale of equipment, the performance obligation is satisfied upon shipment on board. For some items of 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. For the overseas sale of auxiliary materials, the performance obligation is also satisfied upon shipment on board.

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

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**4,439,850**	1,367,211

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

Notes to Financial Statements

31 December 2023

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

An analysis of revenue is as follows: (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

Sale of others (Continued)

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

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

An analysis of other income and gains is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Other income		
Government grants*	90,217	100,643
Bank interest income	66,913	38,429
Other interest income	4,740	–
Sales of raw materials	–	15,932
Investment income from financial assets at fair value through profit or loss	10,599	–
Others	11,728	15,915
Total other income	184,197	170,919
Gains		
Fair value gains, net:		
Derivative financial instruments	–	92,832
Trade receivables containing provisional pricing features	–	1,661
Total gains	–	94,493
Total other income and gains	184,197	265,412

* 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.

Notes to Financial Statements

31 December 2023

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold*		16,519,466	12,259,921
Depreciation of property, plant and equipment**		438,038	355,955
Depreciation of right-of-use assets***	14(c)	17,885	19,015
Amortisation of intangible assets****	15	84,863	76,457
Government grants	5	(90,217)	(100,643)
Bank interest income	5	(66,913)	(38,429)
Loss on disposal of items of property, plant and equipment		5	1,764
Write-down of inventories to net realisable value	18	32,499	–
Loss on debt restructuring		–	1,840
Impairment/(reversal of impairment) of financial assets, net			
Impairment/(reversal of impairment) of trade receivables, net	19	14,119	(1,907)
Impairment of other receivables, net	20	4,827	288
Total		18,946	(1,619)
Lease payments not included in the measurement of lease liabilities	14(c)	25,751	25,672
Foreign exchange differences, net		249,982	63,232
Auditor's remuneration		4,541	5,328
Listing expenses		–	4,787
Fair value loss/(gains), net:			
Derivative financial instruments		45,530	(50,146)
Trade receivables containing provisional pricing features		998	(1,661)
Investment (income)/loss from financial assets at fair value through profit or loss, net:			
Derivative financial instruments		(10,219)	218,312
Other unlisted investments		(380)	–
Total		(10,599)	218,312
Employee benefit expense (excluding directors' and supervisors' remuneration (note 8)):			
Wages and salaries		837,525	547,321
Pension scheme contributions		37,576	28,065
Staff welfare expenses		14,500	95,311
Total		889,601	670,697

Notes to Financial Statements
31 December 2023

6. PROFIT BEFORE TAX (CONTINUED)

* The cost of inventories sold includes RMB917,318,000 (2022: RMB697,316,000) 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Interest on bank borrowings	**670,461**	326,664
Interest on other borrowings	**362**	2,642
Interest on lease liabilities (note 14(c))	**3,318**	2,876
Total interest expense on financial liabilities not at fair value through profit or loss	**674,141**	332,182
Less: interest capitalised	**(139,288)**	(77,757)
Total	**534,853**	254,425

Notes to Financial Statements

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Certain of the directors received remuneration from subsidiaries for their appointment as directors of the subsidiaries. The remuneration of the directors and supervisors as recorded is set out below:

	2023	2022
	RMB'000	*RMB'000*
Fees	**1,200**	1,200
Other emoluments:		
Salaries, allowances and benefits in kind	**30,289**	30,320
Performance related bonuses*	**44,219**	41,349
Pension scheme contributions	**221**	196
Subtotal	**74,729**	71,865
Total fees and other emolument	**75,929**	73,065

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	2023	2022
	RMB'000	*RMB'000*
Dr. HE Wanpeng	**300**	300
Ms. ZHANG Zhengping	**300**	300
Dr. WANG James Jixian	**300**	300
Total	**900**	900

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2023 (2022: Nil).

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and supervisors

2023

	Fees *RMB'000*	Salaries, bonuses, allowances and benefits in kind *RMB'000*	Performance related bonuses* *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Executive directors					
Mr. CAI Jianyong	–	8,056	4,961	30	13,047
Mr. JIANG Xinfang	–	6,969	4,520	21	11,510
Ms. FEI Feng	–	2,966	7,614	30	10,610
Mr. CAI Jianwei	–	2,982	14,184	30	17,196
Mr. YU Weijun	–	2,255	264	30	2,549
Subtotal	–	23,228	31,543	141	54,912
Non-executive director					
Mr. Lawrence Lua Gek Pong	300	–	–	–	300
Supervisors					
Mr. GE Kaicai	–	3,310	631	30	3,971
Mr. DONG Dong	–	3,310	11,660	30	15,000
Ms. HU Zhinong	–	441	385	20	846
Subtotal	–	7,061	12,676	80	19,817
Total	300	30,289	44,219	221	75,029

Notes to Financial Statements

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8. DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and supervisors (Continued)

2022

	Fees	Salaries, bonuses, allowances and benefits in kind	Performance related bonuses*	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. CAI Jianyong	–	8,167	6,995	27	15,189
Mr. JIANG Xinfang	–	6,964	4,445	21	11,430
Ms. FEI Feng	–	2,949	7,416	27	10,392
Mr. CAI Jianwei	–	2,953	11,381	27	14,361
Mr. YU Weijun	–	2,248	182	26	2,456
Subtotal	–	23,281	30,419	128	53,828
Non-executive director					
Mr. Lawrence Lua Gek Pong	300	–	–	–	300
Supervisors					
Mr. GE Kaicai	–	3,302	1,200	25	4,527
Mr. DONG Dong	–	3,302	9,484	25	12,811
Ms. HU Zhinong	–	435	246	18	699
Subtotal	–	7.039	10,930	68	18,037
Total	300	30,320	41,349	196	72,165

* The Company does not have a position of chief executive during the year.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2022: four) directors and one (2022: one) supervisor, details of whose remuneration are set out in note 8 above. During the year, there are no remaining highest paid employees who are neither a director nor a supervisor of the Company.

10. INCOME TAX

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

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the companies which operate in Chinese Mainland are subject to CIT at a rate of 25% (2022: 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% (2022: 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.

Based on the Decree of the Minister of Finance of the Republic of Indonesia number NOMOR 33/THIPMA/2021 concerning Corporate Income Tax Reduction Facility to ONC dated 3 December 2021 and the number NOMOR 4/TH/PMA/2022 concerning Corporate Income Tax Reduction Facility to KPS dated 17 January 2022, where both ONC and KPS were granted a 100% corporate income tax reduction for 15 fiscal years and an additional 50% corporate income tax reduction for the following 2 fiscal years.

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10. INCOME TAX (CONTINUED)

Indonesia (Continued)

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

	2023 *RMB'000*	2022 *RMB'000*
Current tax:		
Charge for the period	**70,807**	180,079
Deferred tax (note 28)	**(30,783)**	(23,223)
Total tax charge for the year	**40,024**	156,856

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:

	2023 *RMB'000*	2022 *RMB'000*
Profit before tax	**1,761,514**	3,184,970
Tax at the statutory tax rate of 25%	**440,379**	796,243
Preferential tax rates enacted by local authority	**(332,795)**	(674,209)
Expenses not deductible for tax	**7,665**	6,810
Additional deductible allowance for research and development costs	**(820)**	(668)
Adjustments in respect of current tax of previous periods	**(852)**	(4,782)
Tax losses utilised from previous periods	**(19,167)**	(108)
Profits and losses attributable to associates	**(58,310)**	11,291
Income not subject to tax	**(147)**	(2,842)
Effect of withholding tax on the distributable profit of foreign subsidiaries of the Company	**360**	441
Tax losses not recognised	**3,711**	26,388
Environmental protection input to deduct tax	**–**	(1,708)
Tax charge at the Group's effective tax rate	**40,024**	156,856

11. DIVIDENDS

On 3 January 2023, a special dividend of RMB466,779,000 (tax inclusive) was declared to the shareholders of the Company whose names appeared on the register of members of the Company on 22 January 2023, which was fully paid as at 31 December 2023.

The proposed final dividend for the year ended 31 December 2023 of RMB0.2 (before tax) per share, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,555,931,350 (2022: 1,337,550,135) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Electronic and office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	2,737,717	3,131,432	41,840	360,418	12,882	4,221,318	10,505,607
Accumulated depreciation	(279,519)	(504,127)	(18,259)	(82,507)	(563)	–	(884,975)
Net carrying amount	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
At 1 January 2023, net of accumulated depreciation	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
Additions	385	29,719	14,892	180,179	4,359	7,561,119	7,790,653
Disposals	(64)	(138)	(3,706)	(65)	–	–	(3,973)
Exchange realignment	39,346	40,298	191	4,405	–	71,506	155,746
Transfers	1,480,681	2,314,341	–	–	–	(3,795,022)	–
Depreciation provided during the year	(191,602)	(332,572)	(6,808)	(60,575)	(671)	–	(592,228)
At 31 December 2023, net of accumulated depreciation	3,786,944	4,678,953	28,150	401,855	16,007	8,058,921	16,970,830
At 31 December 2023:							
Cost	4,262,113	5,514,723	53,801	545,095	17,241	8,058,921	18,451,894
Accumulated depreciation	(475,169)	(835,770)	(25,651)	(143,240)	(1,234)	–	(1,481,064)
Net carrying amount	3,786,944	4,678,953	28,150	401,855	16,007	8,058,921	16,970,830

Notes to Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	2,373,358	2,806,604	26,806	161,189	726	887,509	6,256,192
Accumulated depreciation	(138,585)	(283,741)	(14,426)	(43,729)	(652)	–	(481,133)
Net carrying amount	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
At 1 January 2022, net of accumulated depreciation	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
Additions	133,566	82,436	19,295	186,215	16,988	3,307,190	3,745,690
Disposals	(1,674)	(1,363)	(3,430)	(378)	(4,181)	–	(11,026)
Acquisition of a subsidiary (note 32)	–	–	7	–	–	–	7
Exchange realignment	195,209	210,272	456	9,273	–	77,531	492,741
Transfers	27,891	23,021	–	–	–	(50,912)	–
Depreciation provided during the year	(131,567)	(209,924)	(5,127)	(34,659)	(562)	–	(381,839)
At 31 December 2022, net of accumulated depreciation	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
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	(279,519)	(504,127)	(18,259)	(82,507)	(563)	–	(884,975)
Net carrying amount	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632

At 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB1,535,922,000 (2022: RMB1,731,773,000) as at 31 December 2023 were pledged to secure bank loans (note 25).

At 31 December 2023, 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 RMB4,822,121,000 (2022: RMB2,427,480,000) as at 31 December 2023 were pledged to secure bank loans (note 25).

At 31 December 2023, certain of the Group's buildings have not obtained the relevant building ownership certificates.

Notes to Financial Statements

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14. LEASES

The Group as a lessee

The Group has lease contracts for office premises, warehouses and vessels used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises, warehouses and vessels generally have lease terms between 1 and 7 years. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Vessels *RMB'000*	Leasehold land *RMB'000*	Office premises and warehouses *RMB'000*	Total *RMB'000*
As at 1 January 2022	2,734	87,372	9,195	99,301
Additions	–	–	63,780	63,780
A finance lease as a sublease lessor	–	–	(13,700)	(13,700)
Early termination	–	–	(1,056)	(1,056)
Exchange realignment	163	–	–	163
Depreciation charge	(2,897)	(1,830)	(15,710)	(20,437)
As at 31 December 2022 and 1 January 2023	–	85,542	42,509	128,051
Additions	–	557,517	27,332	584,849
A finance lease as a sublease lessor	–	–	(2,257)	(2,257)
Early termination	–	–	(765)	(765)
Exchange realignment	–	–	18	18
Depreciation charge	–	(11,122)	(15,547)	(26,669)
As at 31 December 2023	**–**	**631,937**	**51,290**	**683,227**

14. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	58,939	10,867
New leases	27,332	63,780
Accretion of interest recognised during the year	3,318	2,876
Early termination	(486)	(1,063)
Exchange realignment	18	269
Payments	(22,406)	(17,790)
Carrying amount at 31 December	66,715	58,939
Analysed into:		
Current portion	18,221	11,849
Non-current portion	48,494	47,090

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities (note 7)	3,318	2,876
Depreciation charge of right-of-use assets	17,885	19,015
Expense relating to short-term leases (included in cost of sales, administrative expenses and selling expenses) (note 6)	25,751	25,672
Total amount recognised in profit or loss	46,954	47,563

(d) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

As at 31 December 2023, certain pieces of the Group's leasehold land with a net carrying amount of approximately RMB557,174,000 (2022: RMB84,488,000) were pledged to secure bank loans (note 25).

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14. LEASES (CONTINUED)

The Group as a lessor

The Group subleases certain of its right-of-use assets (note 14(a)) to an associate and the holding company, which are office premises in Chinese Mainland under financial lease arrangements in 2022 and 2023, which is considered as a finance lease. Finance income recognised by the Group during the year was RMB879,000 (2022: RMB231,000).

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable financial lease arrangements with its tenants and the reconciliation of the unearned finance income relating to the lease payments receivable are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	4,813	4,014
After one year but within two years	4,802	4,014
After two years but within three years	4,802	4,014
After three years but within four years	4,802	4,014
After four years but within five years	2,401	4,014
After five years	–	2,009
Unearned finance income	(2,178)	(2,654)
Total	19,442	19,425
Analysed into:		
Current portion (note 20)	3,993	3,180
Non-current portion (note 20)	15,449	16,245

At 31 December 2023, lease payments receivable included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB19,442,000(2022: RMB19,425,000).

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15. INTANGIBLE ASSETS

	Customer relationship* *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	578,062	24,768	602,830
Accumulated amortisation	(83,498)	(2,779)	(86,277)
Net carrying amount	494,564	21,989	516,553
Cost at 1 January 2023, net of accumulated amortisation	494,564	21,989	516,553
Additions	–	7,300	7,300
Amortisation provided during the year (note 6)	(78,084)	(6,779)	(84,863)
Exchange realignment	8,089	–	8,089
At 31 December 2023, net of accumulated amortisation	424,569	22,510	447,079
At 31 December 2023:			
Cost	587,865	31,714	619,578
Accumulated amortisation	(163,296)	(9,204)	(172,499)
Net carrying amount	424,569	22,510	447,079
31 December 2022			
At 1 January 2022:			
Cost	529,183	5,324	534,507
Accumulated amortisation	(5,880)	(1,103)	(6,983)
Net carrying amount	523,303	4,221	527,524
Cost at 1 January 2022, net of accumulated amortisation	523,303	4,221	527,524
Additions	–	19,444	19,444
Amortisation provided during the year (note 6)	(74,781)	(1,676)	(76,457)
Exchange realignment	46,042	–	46,042
At 31 December 2022, net of accumulated amortisation	494,564	21,989	516,553
At 31 December 2022:			
Cost	578,062	24,768	602,830
Accumulated amortisation	(83,498)	(2,779)	(86,277)
Net carrying amount	494,564	21,989	516,553

* Customer relationship represents eight-year long-term offtake agreements with customers upon nickel-cobalt compounds.

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16. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost and net carrying amount at beginning and end of year	218,037	218,037

Impairment testing of goodwill

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

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

	As at 31 December 2023 %	As at 31 December 2022 %
Budgeted gross margin	38 – 39	37 – 40
Terminal growth rate	–	–
Pre-tax discount rate	16.58	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.

Notes to Financial Statements

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17. INTERESTS IN ASSOCIATES

	2023 *RMB'000*	2022 *RMB'000*
Share of net assets	**1,564,287**	544,963

The Group's trade receivables from associates and amounts due to an associate are disclosed in note 35 to the financial statements.

Particulars of the Group's material associates are as follows:

Company	**Place of incorporation/ registration and business**	**Nominal value of issued/ registered share capital**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
PT Halmahera Jaya Feronickel ("HJF")	Indonesia	Rp. 4,000,000,000,000	36.9%	Smelting and processing sales of nickel compounds

The Group's shareholdings in the associates all comprise equity shares held by the Company, except for Contemporary Brunp Lygend Co., Ltd.("CBL"), which is an immaterial associate of the Group, the shareholding in which is held through a wholly-owned subsidiary of the Company.

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17. INTERESTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of HJF and CBL adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

(a) HJF

	2023	2022
	RMB'000	*RMB'000*
Current assets	**2,515,197**	1,193,938
Non-current assets	**8,138,538**	7,010,582
Current liabilities	**3,089,271**	1,796,420
Non-current liabilities	**5,269,252**	4,809,356
Net assets	**2,295,212**	1,598,744
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**36.9%**	36.9%
Group's share of net assets of the associate	**846,933**	589,937
Accumulated unrealised gain	**(70,179)**	(58,504)
Carrying amount of the investment	**776,754**	531,433
Revenue	**6,951,856**	–
Profit/(loss) for the year	**668,150**	(93,584)
Other comprehensive income	**28,317**	142,361
Total comprehensive income for the year	**696,467**	48,777

The following table illustrates the financial information of the Group's associate that is not individually material:

	2023	2022
	RMB'000	*RMB'000*
Share of the associate's loss for the year	**(49,674)**	(35,441)
Share of the associate's other comprehensive (loss)/income	**(3,480)**	295
Total comprehensive income for the year	**(53,154)**	(35,146)
Aggregate carrying amount of the Group's investment in the associate	**787,533**	13,530

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18. INVENTORIES

	2023 *RMB'000*	2022 *RMB'000*
Raw materials	**896,253**	880,928
Work in progress	**162,325**	94,974
Finished goods	**1,162,633**	174,736
	2,221,211	1,150,638
Impairment	**(32,499)**	–
Total	**2,188,712**	1,150,638

The movements in provision for impairment of inventories are as follows:

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	**–**	–
Impairment losses recognised	**(32,499)**	–
At end of year	**(32,499)**	–

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19. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Financial assets at amortised cost:		
Trade receivables	363,888	705,787
Bills receivable	42,232	705
	406,120	706,492
Impairment	(18,514)	(4,388)
	387,606	702,104
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	631,619	439,819
Financial assets at fair value through other comprehensive income:		
Bills receivable	3,726	–
Net carrying amount	1,022,951	1,141,923

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".

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

	2023 *RMB'000*	2022 *RMB'000*
Within 3 months	328,082	684,216
3 to 6 months	1,057	17,136
6 to 12 months	16,235	47
Total	345,374	701,399

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

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	4,388	6,396
Impairment losses, net (note 6)	14,119	(1,907)
Amount written off as uncollected	–	(113)
Exchange realignment	7	12
At end of year	18,514	4,388

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

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

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19. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

As at 31 December 2023

	Gross carrying amount *RMB'000*	**Expected credit loss rate**	**Expected credit losses** *RMB'000*
Current:	**345,881**	**0.15%**	**507**
Past due:			
Less than 3 months	**–**	**–**	**–**
3 to 6 months	**–**	**–**	**–**
6 to 12 months	**–**	**–**	**–**
Over 1 year	**18,007**	**100.00%**	**18,007**
	363,888	**5.09%**	**18,514**

As at 31 December 2022

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

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19. TRADE AND BILLS RECEIVABLES (CONTINUED)

At 31 December 2023, bills receivable of RMB3,726,000 (2022: Nil), 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 RMB42,232,000 (2022: RMB705,000) were measured at amortised cost.

As at 31 December 2023, the Group endorsed certain bills receivable accepted by certain banks in the PRC (the "Endorsed Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB57,878,000 (2022: RMB16,161,000) (the "Endorsement"). In addition, the Group discounted certain bills receivable accepted by certain banks in the PRC (the "Discounted Bills") with a carrying amount in aggregate of RMB2,384,947,000 (2022: RMB181,900,000) (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and the Discounted Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, as at 31 December 2023, the Group has transferred substantially all the risks and rewards relating to certain of the Endorsed Bills with amounts of RMB53,694,000 (2022: RMB15,616,000) and Discounted Bills with amounts of RMB2,346,899,000 (2022: RMB181,900,000) accepted by large and reputable banks (the "Derecognised Bills"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Bills and the associated trade payables settled by the Endorsed Bills.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

The Group continued to recognise the full carrying amounts of the remaining Endorsed Bills and the associated trade payables settled with an amount of RMB4,184,000 as at 31 December 2023 (2022: RMB545,000). The Group recognised the proceeds received from the discount of the remaining Discounted Bills with an amount of RMB38,048,000 as short-term loans as at 31 December 2023 (2022: Nil) because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Bills and Discounted Bills.

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

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20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Current		
Prepayments	530,098	324,167
Other receivables	355,420	197,290
Lease payments receivable (note 14)	3,993	3,180
Other current assets	261,133	103,943
	1,150,644	628,580
Impairment allowance	(5,466)	(873)
Total – current	1,145,178	627,707
Non-current		
Lease payments receivable (note 14)	15,449	16,245
Prepayments for property, plant and equipment	348,974	809,159
Other non-current assets	4,708	–
Total – non-current	369,131	825,404
Total	1,514,309	1,453,111

An impairment analysis is performed at the end of each reporting period. The Group has applied the general approach to provide for expected credit losses for non-trade other receivables and lease payments receivable under IFRS 9. The Group considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate.

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31 December 2023

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

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

	Expected credit losses			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	585	–	–	585
Impairment losses, net (note 6)	288	–	–	288
At 31 December 2022 and 1 January 2023	873	–	–	873
Impairment losses, net (note 6)	794	–	4,033	4,827
Amount written off as uncollectible	(247)	–	–	(247)
Exchange realignment	–	–	13	13
At 31 December 2023	**1,420**	**–**	**4,046**	**5,466**

At 31 December 2023, included in the Group's prepayments, other receivables and other assets were amounts due from the Group's related parties of RMB208,656,000 (2022: RMB21,661,000).

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21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS INCLUDING DERIVATIVE FINANCIAL INSTRUMENTS

	2023 *RMB'000*	2022 *RMB'000*
Current		
Unlisted investments, at fair value	–	12,183
Non-current		
Derivative financial instruments		
– interest rate swaps, at fair value	51,599	95,680
Total	51,599	107,863

The unlisted investments were wealth management products issued by commercial banks and financial institutions in Chinese Mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The non-current derivative financial instruments were interest rate swap agreements with ending dates varying from January 2026 until March 2026.

The interest rate swaps are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps with losses amounting to RMB45,530,000 (2022: with gains amounting to RMB92,832,000) were recognised in profit or loss during the year. For information about the methods and assumptions used in determining the fair value, please refer to note 38 to the financial statements.

Notes to Financial Statements

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22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	4,616,829	4,434,705
Time deposits	498,564	313,850
Subtotal	5,115,393	4,748,555
Less:		
Restricted deposits*	(17,963)	–
Pledged deposits for bank loans	–	(78,288)
Pledged deposits for bills payable	(4)	(45,826)
Pledged deposits for letters of credit and letters of guarantee	(480,597)	(189,736)
Cash and cash equivalents	4,616,829	4,434,705
Denominated in:		
RMB	2,118,492	258,625
United States dollar ("USD")	1,706,850	978,948
Hong Kong dollar ("HKD")	404	2,998,746
Indonesian rupiah ("IDR")	788,951	196,025
Singapore dollar ("SGD")	2,132	2,361
Total cash and cash equivalents	4,616,829	4,434,705

* The Group's deposits with net carrying amounts of RMB17,874,000 and RMB87,000 (2022: Nil) were frozen to secure the property preservation applied by Anhui Pengtai Environment protection Equipment Co., Ltd. ("PENGTAI") and Suqian Tianhe Electromechanical Equipment Co., Ltd. who have legal disputes with the Group, respectively, the remaining RMB2,000 is restricted due to a dormant bank account.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and one year depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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23. TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	1,249,276	945,984
Bills payable	–	19,261
Total	1,249,276	965,245

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:

	2023 RMB'000	2022 RMB'000
Within 3 months	803,384	469,973
3 to 6 months	63,939	138,530
6 to 12 months	22,554	150,973
1 to 2 years	231,555	103,474
Over 2 years	127,844	83,034
Total	1,249,276	945,984

24. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Current		
Taxes payable other than corporate income tax	51,093	88,395
Accrued payroll	112,140	12,397
Advance from customers	17,397	886
Other accruals	26,057	25,622
Other payables	2,070,945	1,007,706
Deferred revenue	4,441	4,273
Total – current	2,282,073	1,139,279
Non-current		
Deferred revenue	4,010	4,572
Total	2,286,083	1,143,851

Other payables are non-interest-bearing and repayable on demand.

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25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – secured	2.4-6.6	2024	2,904,189
Other borrowing	1.10-6.81	2024	1,072,149
Current portion of long term bank borrowings – secured	SOFR+0.26161+ 3.75 & LPR	2024	716,057
Total – current			4,692,395
Non-current			
Bank borrowings – secured	SOFR+0.26161+3.75 & LPR & LPR+0.05	2025-2034	6,773,170
Total			11,465,565

	As at 31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – secured	3.1-5.65	2023	1,289,794
Other borrowing	2.35-5.8	2023	750,602
Current portion of long term bank borrowings – secured	LIBOR+3.75 & 4.45	2023	307,274
Total – current			2,347,670
Non-current			
Bank borrowings – secured	LIBOR+3.00 & 4.45	2024-2034	3,884,795
Total			6,232,465

Notes to Financial Statements

31 December 2023

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	2023 *RMB'000*	2022 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,692,395**	2,347,670
In the second year	**1,232,730**	676,384
In the third year	**1,633,282**	908,640
In the fourth year	**1,828,833**	1,017,077
In the fifth year	**622,246**	1,200,766
Beyond five years	**1,456,079**	81,928
Total	**11,465,565**	6,232,465

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's buildings situated in Chinese Mainland and Indonesia, which had an aggregate net carrying value of RMB1,535,922,000 (2022: RMB1,731,773,000) (note 13);

(ii) mortgages over the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress situated in Indonesia with an aggregate net carrying value of approximately RMB4,822,121,000 (2022 RMB2,427,480,000) (note 13);

(iii) mortgages over the Group's leasehold lands situated in Chinese Mainland, which had an aggregate net carrying value of RMB557,174,000 (2022: RMB84,488,000) (note 14);

(b) The Group's pledged time deposits, which had an aggregate net carrying value of approximately RMB480,601,000 (2022: RMB313,850,000), were pledged to secure the Group's bank loans (note 22).

(c) PT. Harita Jayaraya ("HJR"), a related party of the Group, has guaranteed the Group's the long-term bank borrowings of up to RMB7,331,319,000 as at 31 December 2023 (2022: RMB4,100,017,000).

(d) PT Trimegah Bangun Persada ("TBP"), a related party of the Group, pledged its holding shares of subsidiaries of the Group to secure the Group's long-term bank borrowings of up to RMB7,331,319,000 as at 31 December 2023 (2022: RMB4,100,017,000).

(e) Li Yuen Pte. Ltd, a related party of the Group, pledged its holding shares of a subsidiary of the Group to secure the Group's long-term bank borrowings of up to RMB3,460,612,000 as at 31 December 2023 (2022: Nil).

Notes to Financial Statements

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26. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2023 *RMB'000*	2022 *RMB'000*
Sale of nickel products	**290,077**	20,752
Sale of equipment	**4,308**	53
Others	**14,645**	547
Total	**309,030**	21,352

Contract liabilities include short-term advances received to deliver nickel products, equipment and others, and to provide shipping services. The increase in contract liabilities in 2023 was mainly due to the fluctuation in advances received from customers in relation to the provision of nickel products and shipping services during the year.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 *RMB'000*	2022 *RMB'000*
Derivative financial instruments, at fair value		
Foreign currency forward contracts	**–**	31,202
Futures	**–**	11,484
Total	**–**	42,686

Foreign currency forward contracts and futures are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging derivative financial instruments amounting to nil (2022: RMB42,686,000) were charged to profit or loss during the year. For information about the methods and assumptions used in determining the fair value, please refer to note 38 to the financial statements.

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28. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Accrued expenses *RMB'000*	Impairment of trade receivables *RMB'000*	Impairment of other receivables *RMB'000*	Unrealised profit attributable to the intra-group transactions *RMB'000*	Payroll payable *RMB'000*	Lease liabilities *RMB'000*	Provision *RMB'000*	Changes in fair value of financial liabilities at fair value through profit or loss *RMB'000*	Estimated liabilities for employees' benefits *RMB'000*	Tax loss *RMB'000*	Deferred income *RMB'000*	Impairment of inventories *RMB'000*	Total *RMB'000*
At 1 January 2022	1,340	1,336	88	23,249	9,540	1,511	3,988	1,693	1,947	–	–	–	44,692
Deferred tax credited/ (charged)to profit or loss during the year (note 10)	(600)	(423)	67	(3,117)	(9,540)	12,373	(4,356)	9,821	2,037	26,858	2,211	–	35,331
Exchange realignment	–	–	–	–	–	–	368	–	45	–	–	–	413
At 31 December 2022 and 1 January 2023	740	913	155	20,132	–	13,884	–	11,514	4,029	26,858	2,211	–	80,436
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	(740)	2,010	937	9,381	–	22,863	–	(11,323)	3,655	18,210	(98)	8,125	53,020
Exchange realignment	–	(57)	–	–	–	–	–	–	13	–	–	–	(44)
Gross deferred tax assets at 31 December 2023	–	2,866	1,092	29,513	–	36,747	–	191	7,697	45,068	2,113	8,125	133,412

Notes to Financial Statements

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28. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	Finance lease receivables *RMB'000*	Right-of-use assets *RMB'000*	Withholding tax *RMB'000*	Revaluation of property, plant and equipment *RMB'000*	Total *RMB'000*
At 1 January 2022	–	1,721	1,759	2,950	6,430
Deferred tax charged/(credited) to profit or loss during the year (note 10)	4,856	8,109	441	(1,298)	12,108
At 31 December 2022 and 1 January 2023	**4,856**	**9,830**	**2,200**	**1,652**	**18,538**
Deferred tax charged/(credited) to profit or loss during the year (note 10)	**22,773**	**387**	**360**	**(1,283)**	**22,237**
Gross deferred tax liabilities at 31 December 2023	**27,629**	**10,217**	**2,560**	**369**	**40,775**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 *RMB'000*	2022 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**96,665**	66,552
Net deferred tax liabilities recognised in the consolidated statement of financial position	**4,028**	4,654

Notes to Financial Statements

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28. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (Continued)

At 31 December 2023, the Group has tax losses arising in Chinese Mainland of RMB90,554,000 (2022: RMB159,681,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised except the Company.

At the end of year, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Indonesia. In the opinion of the directors, it is not probable that these companies will distribute such earnings generated before the end of year 2023 in the foreseeable future. As at 31 December 2023, the aggregate amount of temporary differences associated with investments in subsidiaries in Indonesia for which deferred tax liabilities have not been recognised totalled approximately RMB5,047,301,000 (2022: RMB3,481,617,000).

29. EMPLOYEE BENEFITS LIABILITY

HPL, ONC and KPS, subsidiaries of the Group, provide post-employment benefits to their employees in conformity with the requirements of Indonesia's Labor Law No. 13/2003 dated 25 March 2003. HPL, ONC and KPS recorded the estimated liabilities for employees' benefits as at 31 December 2023 based on the actuarial calculation prepared by Kantor Konsultan Aktuaria Tubagus Syafrial & Amran Nangasan, an independent actuary, which applied the "Projected Unit Credit" method.

Key assumptions used for actuarial calculation are as follows:

	2023	2022
	RMB'000	*RMB'000*
Discount rate	**6.96%-7.03%**	7.25%-7.27%
Mortality table	**TMI-IV 2019**	TMI-IV 2019
Retirement age	**55 years**	55 years
Annual salary increase rate	**10.00%**	10.00%

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29. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the post-employment benefits to the employees is as follows:

a. Estimated liabilities for employees' benefits

	2023 *RMB'000*	2022 *RMB'000*
Present value of employees' benefit obligation	**34,868**	18,197
Net liabilities recognised in the statement of financial position	**34,868**	18,197

b. Employee benefit expense

	2023 *RMB'000*	2022 *RMB'000*
Current service cost	**15,010**	9,751
Interest costs	**1,378**	628
Past service cost	**–**	415
Actuarial losses/(gains) on obligations	**710**	(865)
Employee benefit expense for the year	**17,098**	9,929

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29. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

Analysis of estimated liabilities for employees' benefits and the total expenses recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the post-employment benefits to the employees is as follows: (Continued)

c. Change in liabilities of employees' benefits

	2023 *RMB'000*	2022 *RMB'000*
Beginning balance	**18,197**	8,731
Employee benefit expense for the year	**17,098**	9,929
Benefits paid	**(517)**	–
Foreign exchange difference	**90**	(463)
Ending balance	**34,868**	18,197

Sensitivity analysis to the key assumptions used in determining employee benefit obligations is as follows:

	Discount rate			
	2022 1% increase *RMB'000*	2022 1% decrease *RMB'000*	**2023 1% increase** ***RMB'000***	**2023 1% decrease** ***RMB'000***
Impact on the defined benefit obligations	1,052	1,207	**424**	**301**

The sensitivity analysis above has been determined based on a deterministic method to value the impact on the benefit obligations as a result of reasonable changes in key assumptions occurring at 31 December 2022 and 2023.

29. EMPLOYEE BENEFITS LIABILITY (CONTINUED)

c. Change in liabilities of employees' benefits (Continued)

The following payments are expected contributions to the benefit obligations in future years:

	2023 *RMB'000*	2022 *RMB'000*
Within the next 12 months	–	135
Between 1 and 2 years	334	484
Between 3 and 5 years	5,752	6,322
Between 6 and 10 years	32,707	23,964
Beyond 10 years	2,367,338	843,021
Total	2,406,131	873,926

At 31 December 2023, the average duration of the benefit obligations of HPL was 21.75 years (2022: 21.20 years); the average duration of the benefit obligations of ONC was 24.50 years (2021: 27.24 years); and the average duration of the benefit obligations of KPS was 27.67 years.

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30. SHARE CAPITAL

Share capital

	Number of ordinary shares	Total *RMB'000*
Issued and fully paid as at 1 January 2022	1,317,768,750	1,317,769
Issue of shares from initial public offering (note a)	232,547,600	232,547
Exercise of the over-allotment option (note b)	5,615,000	5,615
Issued and fully paid as at 31 December 2022, 1 January 2023 and 31 December 2023	**1,555,931,350**	**1,555,931**

Notes:

(a) On 1 December 2022, 232,547,600 ordinary shares of par value of RMB1.00 each were issued at a price of HKD15.8 per share in connection with the Company's initial public offering. The proceeds of HKD254,696,000 (equivalent to RMB232,547,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD3,419,556,000 (equivalent to RMB3,122,192,000) before issuing expenses were credited to the share premium account.

(b) On 30 December 2022, 5,615,000 ordinary shares of par value of RMB1.00 each were issued at a price of HKD15.8 per share in connection with the Company's over-allotment option. The proceeds of HKD6,286,000 (equivalent to RMB5,615,000), representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD82,431,000 (equivalent to RMB73,633,000) before issuing expenses were credited to the share premium account.

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31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium

The share premium of the Group represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company in September 2021 and the share premium raised from the Company's initial public offering and over-allotment option in December 2022.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

Statutory surplus reserves

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

Other reserves

Other reserves of the Group mainly arose from the capital injection.

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31 December 2023

32. BUSINESS COMBINATION

DCM was incorporated on 5 November 2007, which has not commenced any business or operation since its incorporation. A subsidiary of the Company acquired 60% of its shareholdings in July 2021 and recognised it as a joint venture considering that the decisions about the key operating activities require the unanimous consent of all of its investors. DCM has become a subsidiary of the Group since 4 April 2022.

The fair values of the identifiable assets of DCM as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	7
Prepayments, other receivables and other assets	280
Cash and cash equivalents	848
Other payables and accruals	(7)
Total identifiable net assets at fair value	1,128
Non-controlling interests	(451)
Goodwill on acquisition	–
Cash consideration	–
Fair value of shareholding interest previously held	677
Total consideration	677

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2022 *RMB'000*
Cash consideration	
Cash and cash equivalents acquired	848
Net inflow of cash and cash equivalents included in cash flows from investing activities	848

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32. BUSINESS COMBINATION (CONTINUED)

Since the acquisition, DCM contributed nil to the Group's revenue and a loss of RMB526,000 to the Group's loss for the year of 2022.

Had the combination taken place at the beginning of the year of 2022, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB18,289,596,000 and RMB3,184,970,000, respectively.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB27,332,000 (2022: RMB63,780,000) and RMB27,332,000 (2022: RMB63,780,000), respectively, in respect of lease arrangements for office premises.

The Company records payments received from certain financiers (the "Lender") as loans, which amounts are determined based on certain future trade receivables from customers (the "Customer") for the provision of sale of nickel products, and recognises trade receivables when delivering products to the Customer. Such loans and trade receivables are offset when all of the following steps are completed: (i) the Lender makes payment to the Company, (ii) the Company delivers products to the Customer, and (iii) the Customer makes repayment to the Lender. During the year, the aggregate amount of such non-cash settlement was nil (2022: RMB473,468,000).

During the year, HPL had non-cash additions of construction in progress from capitalisation of depreciation of fixed assets of RMB30,615,000 (2022: RMB4,287,000).

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31 December 2023

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing bank and other borrowings *RMB'000*	**Lease liabilities** *RMB'000*	**Due to the holding company** *RMB'000*
At 1 January 2023	**6,232,465**	**58,939**	**–**
Changes from financing cash flows	**4,447,182**	**(22,406)**	**–**
New leases	**–**	**27,332**	**–**
Interest accrued	**697,955**	**3,318**	**–**
Early termination	**–**	**(486)**	**–**
Exchange realignment	**87,963**	**18**	**–**
At 31 December 2023	**11,465,565**	**66,715**	**–**

2022

	Interest-bearing bank and other borrowings *RMB'000*	Lease liabilities *RMB'000*	Due to the holding company *RMB'000*
At 1 January 2022	4,751,594	10,867	67,095
Changes from financing cash flows	1,330,674	(17,790)	(67,095)
Non-cash settlement	(473,468)	–	–
New leases	–	63,780	–
Interest accrued	251,549	2,876	–
Early termination	–	(1,063)	–
Exchange realignment	372,116	269	–
At 31 December 2022	6,232,465	58,939	–

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within operating activities	**25,751**	25,672
Within financing activities	**22,406**	17,790
Total	**48,157**	43,462

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**8,758,705**	6,633,055

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35. RELATED PARTY TRANSACTIONS

Name	Relationship
HJF	An associate
Lygend Investment	The holding company
TBP	Shareholder of HPL which has significant influence
PT. Megah Surya Pertiwi ("MSP")	Entity under common control of TBP
HJR	Parent entity of TBP
PT. Gane Permai Sentosa ("GPS")	Entity under common control of HJR
PT. Antar Sarana Rekas ("ASR")	Entity under common control of HJR's ultimate beneficial owner
PT Gema Selaras Perkasa ("GSP")	Entity under common control of HJR's ultimate beneficial owner
PT OBI SINAR TIMUR ("OST")	Entity under common control of HJR
LSJ	Entity under common control of HJR
PT. Pesona Khatulistiwa Nusantara ("PKN")	Entity under common control of HJR
PT. Mitra Kemakmuran Line ("MKL")	Entity under common control of HJR
Feng Yi Pte. Ltd. ("Feng Yi")	Shareholder of the Company which has significant influence
Zhejiang Yongcheng Construction Co., Ltd ("Yongcheng")*	Subsidiary of the holding company
Ningbo Lihua Port Machinery Heavy Industry Co., Ltd. ("Lihua")	Subsidiary of the holding company
PT. Hasta Panca Mandiri Utama ("HPMU")	Entity under common control of HJR
TKJ	Shareholder of MJM which has significant influence
GRM	Shareholder of MJM which has significant influence
PT. Bangunan Teknik Group ("BTG")**	Subsidiary of the holding company

* Yongcheng became a subsidiary of the holding company on 1 July 2023.

** BTG became a subsidiary of the holding company on 27 October 2023.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 14, 20 and 25, the Group had the following transactions with related parties during the year:

	Note	2023 *RMB'000*	2022 *RMB'000*
Sale of services to:			
HJF	*(i)*	**1,334**	508
Lygend Investment	*(i)*	**56**	–
		1,390	508
Rental income recognised relating to finance lease:			
HJF	*(i)*	**3,908**	1,004
Lygend Investment	*(i)*	**401**	–
		4,309	1,004
Finance income recognised relating to finance lease:			
HJF	*(i)*	**826**	231
Lygend Investment	*(i)*	**53**	-
		879	231
Sale of equipment to:			
HJF	*(i)*	**130,696**	557,483
Sale of materials to:			
HJF	*(i)*	**419,941**	118,725
Purchase of equipment from:			
Lihua	*(i)*	**83**	–
Yongcheng	*(i)*	**34,949**	–
TBP	*(i)*	**1,241**	–
Total		**36,273**	–

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 14, 20 and 25, the Group had the following transactions with related parties during the year: (Continued)

	Note	2023 *RMB'000*	2022 *RMB'000*
Purchase of nickel products from:			
HJF	*(i)*	**6,730,068**	–
MSP	*(i)*	**1,499,660**	2,440,732
GPS	*(i)*	**696,087**	316,453
TBP	*(i)*	**737,658**	804,495
PKN	*(i)*	**87,992**	118,223
Total		**9,751,465**	3,679,903
Purchase of services from:			
TBP	*(i)*	**20,651**	29,309
LSJ	*(i)*	**–**	2,878
MSP	*(i)*	**98**	1,915
ASR	*(i)*	**19,456**	10,971
MKL	*(i)*	**21,841**	6,610
GPS	*(i)*	**1,888**	53
GSP	*(i)*	**3,310**	1,643
Yongcheng	*(i)*	**30,801**	–
BTG	*(i)*	**124,128**	–
HPMU	*(i)*	**16**	–
Total		**222,189**	53,379

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) In addition to the transactions detailed elsewhere in the financial statements as stated in notes 11, 14, 20 and 25, the Group had the following transactions with related parties during the year: (Continued)

	Note	2023 *RMB'000*	2022 *RMB'000*
Payment on behalf of by:			
TBP	*(ii)*	–	3,287
MSP	*(ii)*	538	–
HJF	*(ii)*	–	14,337
Total		538	17,624
Payment on behalf of:			
MSP	*(ii)*	–	84
OST	*(ii)*	–	103
HJF	*(ii)*	25	59,334
Total		25	59,521

Notes:

(i) The purchases from and sales to the related parties were made according to the published prices and conditions between the Group and its major customers and suppliers.

(ii) The payment on behalf of and on behalf of by the related parties were reimbursements for miscellaneous site expenses.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other transactions with related parties:

As at 31 December 2023, the Company has guaranteed certain of the bank borrowings made to its associate, HJF, amounting to RMB3,926,012,000 (2022: RMB3,652,095,000). The above bank borrowings were also jointly guaranteed by HJR. The Company's shareholdings in HJF have also been pledged to secure the above bank borrowings.

In the opinion of the directors of the Company, the fair values of these financial guarantee contracts of the Company are insignificant at initial recognition as at 31 December 2023 and 2022, accordingly, no value has been recognised at the inception of the guarantee contracts and on the consolidated statement of financial position as at 31 December 2023 and 2022. The directors of the Company consider that the loss rate of these guarantees is low.

HPL entered into agreements which are effective from 12 April 2021 to 31 December 2030 with GPS and TBP to purchase nickel ore for HPL's production. HPL expects total purchases from GPS and TBP from 2023 to 2030 to be approximately USD145,225,000 and USD67,109,000, respectively. In 2022, HPL made a payment of USD100,000,000 to TBP as a refundable security deposit for the purchase of nickel products according to a purchase agreement entered into between HPL and TBP at the end of December 2022. As at 31 December 2023, the whole of the security deposit has been settled.

HPL entered into an agreement with TBP for the payment of levy related to the use of certain land located on the Obi Island, Indonesia, which includes the license (IPPKH – Izin Pinjam Pakai Kawasan Hutan) obtained by TBP from the government to permit TBP to operate in OBI Island. The payment is calculated with reference to the area of land used by HPL and the rate of fees charged by the relevant local government authority in Indonesia.

As at 31 December 2023, advanced capital injections of RMB158,157,000 and RMB886,058,000 from TBP have been paid to increase the share capital of ONC and KPS, respectively.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties:

	Notes	2023 RMB'000	2022 RMB'000
Due from the holding company:			
Lygend Investment	(i)	3	–
Due from associates:			
HJF	(i)	692,946	352,508
Due from related parties:			
TBP	(ii)	97,720	93,518
TBP		–	794
TBP	(iii)	–	696,460
MSP	(i)	89	123
OST		–	106
LSJ		–	7
LSJ	(ii)	9,641	–
TKJ	(ii)	3,110	–
GRM	(ii)	3,110	–
Total		113,670	791,008
Due to an associate:			
HJF		1,069	14
HJF	(i)	275,173	–
		276,242	14

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties: (Continued)

	Note	2023 RMB'000	2022 RMB'000
Due to related parties:			
TBP	*(i)*	**91,443**	84,411
TBP	*(iv)*	**1,044,215**	–
GSP	*(i)*	**2,291**	–
MSP	*(i)*	**92,525**	597
PKN	*(i)*	**–**	14,406
ASR	*(i)*	**4,062**	1,446
GPS	*(i)*	**38,543**	30,136
LSJ	*(i)*	**259**	–
MKL	*(i)*	**3,175**	1,035
HPMU	*(i)*	**55**	–
Yongcheng	*(i)*	**69,307**	–
BTG	*(i)*	**85,099**	–
Feng Yi		**–**	34
OST		**–**	114
Total		**1,430,974**	132,179

Notes:

(i) The balances with related parties are trade in nature.

(ii) The balance represents a capital contribution receivable for 25% of the authorised capital of subsidiaries of the Group under the laws of Indonesia, which is non-trade in nature.

(iii) The balance represents deposits for other receivables by the subsidiaries, which are trade in nature.

(iv) The balance represents an advanced capital injection from non-controlling shareholders.

Other outstanding balances with related parties were non-trade in nature.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel of the Group:

	2023 *RMB'000*	2022 *RMB'000*
Salaries, allowances and benefits in kind	**34,529**	36,392
Performance related bonuses	**48,680**	43,762
Pension scheme contributions	**280**	260
Total compensation paid to key management personnel	**83,489**	80,414

Further details of directors' emoluments are included in note 8 to the financial statements.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2023 *RMB'000*	2022 *RMB'000*
Percentage of equity interest held by non-controlling interests:		
HPL	**45.1%**	45.1%
Accumulated balances of non-controlling interests:		
HPL	**3,866,945**	3,115,481

	2023 *RMB'000*	2022 *RMB'000*
Profit for the year allocated to non-controlling interests:		
HPL	**696,913**	1,317,739

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36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2023 *RMB'000*	2022 *RMB'000*
Current assets	**4,039,882**	2,535,892
Non-current assets	**9,517,140**	9,590,803
Current liabilities	**1,767,253**	1,401,775
Non-current liabilities	**3,215,612**	3,816,978

	2023 *RMB'000*	2022 *RMB'000*
Revenue	**6,970,826**	6,940,197
Other income	**27,928**	29,970
Total expenses	**(5,453,493)**	(4,048,351)
Profit for the year	**1,545,261**	2,921,816
Other comprehensive income for the year	**120,955**	419,704
Net cash flows from operating activities	**2,900,149**	2,662,154
Net cash flows used in investing activities	**(471,103)**	(2,577,619)
Net cash flows used in financing activities	**(674,864)**	(169,869)
Net increase/(decrease) in cash and cash equivalents	**1,754,182**	(85,334)

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2023

	Financial assets at fair value through profit or loss			
	Designated as such upon initial recognition *RMB'000*	Financial assets at amortised cost *RMB'000*	Financial assets at fair value other comprehensive income *RMB'000*	Total *RMB'000*
Trade receivables	631,619	345,374	–	976,993
Bills receivable	–	42,232	3,726	45,958
Financial assets included in prepayments, other receivables and other assets	–	346,571	–	346,571
Due from related parties	–	806,619	–	806,619
Derivative financial instruments	51,599	–	–	51,599
Pledged deposits	–	498,564	–	498,564
Cash and cash equivalents	–	4,616,829	–	4,616,829
Total	683,218	6,656,189	3,726	7,343,133

Notes to Financial Statements

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37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial assets (Continued)

2022

	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Trade receivables	439,819	701,399	1,141,218
Bills receivable	–	705	705
Financial assets included in prepayments, other receivables and other assets	–	215,842	215,842
Due from related parties	–	1,143,516	1,143,516
Derivative financial instruments	95,680	–	95,680
Financial assets at fair value through profit or loss	12,183	–	12,183
Pledged deposits	–	313,850	313,850
Cash and cash equivalents	–	4,434,705	4,434,705
Total	547,682	6,810,017	7,357,699

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37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial liabilities

2023

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	–	1,249,276	1,249,276
Financial liabilities included in other payables and accruals	–	2,070,945	2,070,945
Interest-bearing bank and other borrowings	–	11,465,565	11,465,565
Due to related parties	–	663,001	663,001
Total	–	15,448,787	15,448,787

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31 December 2023

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (Continued)

Financial liabilities (Continued)

2022

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	965,245	965,245
Financial liabilities included in other payables and accruals	–	1,033,328	1,033,328
Derivative financial instruments	42,686	–	42,686
Interest-bearing bank and other borrowings	–	6,232,465	6,232,465
Due to related parties	–	132,193	132,193
Total	42,686	8,363,231	8,405,917

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade receivables, pledged deposits, trade and bills payables, the current portion of interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2023 were assessed to be insignificant. All the carrying amounts of the Group's non-current portion of interest-bearing bank borrowings approximate to their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Trade receivables containing provisional pricing features	–	631,619	–	631,619
Bills receivable measure at fair value	–	3,726	–	3,726
Derivative financial instruments	–	51,599	–	51,599
Total	–	686,944	–	686,944

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Trade receivables containing provisional pricing features	–	439,819	–	439,819
Derivative financial instruments	–	95,680	–	95,680
Financial assets at fair value through profit or loss	–	12,183	–	12,183
Total	–	547,682	–	547,682

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Derivative financial instruments	–	42,686	–	42,686

As at 31 December 2023, there is no financial liabilities measured at fair value. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are Interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage the mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2023, after taking into account the effect of the interest rate swaps, approximately 68% (2022: 99%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**(Decrease)/ increase in profit before tax** *RMB'000*	**(Decrease)/ increase in equity** *RMB'000*
31 December 2023			
RMB	5	(1,086)	(1,069)
RMB	(5)	1,086	1,069

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 37.6% (2022: 63.4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 81.77% (2022: 80.2%) of costs were denominated in the units' functional currencies.

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at the end of reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
31 December 2023			
If the RMB weakens against the USD	**5**	**58,089**	**35,120**
If the RMB strengthens against the USD	**(5)**	**(58,089)**	**(35,120)**
If the RMB weakens against the HKD	**5**	**29,019**	**6,050**
If the RMB strengthens against the HKD	**(5)**	**(29,019)**	**(6,050)**
If the RMB weakens against the IDR	**5**	**20**	**15**
If the RMB strengthens against the IDR	**(5)**	**(20)**	**(15)**
If the RMB weakens against the SGD	**5**	**107**	**80**
If the RMB strengthens against the SGD	**(5)**	**(107)**	**(80)**
31 December 2022			
If the RMB weakens against the USD	5	64,910	48,738
If the RMB strengthens against the USD	(5)	(64,910)	(48,738)
If the RMB weakens against the HKD	5	149,937	112,453
If the RMB strengthens against the HKD	(5)	(149,937)	(112,453)
If the RMB weakens against the IDR	5	4,148	3,115
If the RMB strengthens against the IDR	(5)	(4,148)	(3,115)
If the RMB weakens against the SGD	5	118	89
If the RMB strengthens against the SGD	(5)	(118)	(89)

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	–	–	–	995,507	995,507
Bills receivable**	45,958	–	–	–	45,958
Financial assets included in prepayments, other receivables and other assets					
– Normal**	352,037	–	–	–	352,037
Due from related parties					
– Normal**	806,619	–	–	–	806,619
Pledged deposits					
– Normal**	498,564	–	–	–	498,564
Cash and cash equivalents					
– Not yet past due	4,616,829	–	–	–	4,616,829
Total	6,320,007	–	–	995,507	7,315,514

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (Continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total RMB'000
Trade receivables*	–	–	–	1,145,606	1,145,606
Bills receivable**	705	–	–	–	705
Financial assets included in prepayments, other receivables and other assets					
– Normal**	216,715	–	–	–	216,715
Due from related parties					
– Normal**	1,143,516	–	–	–	1,143,516
Pledged deposits					
– Normal**	313,850	–	–	–	313,850
Cash and cash equivalents					
– Not yet past due	4,434,705	–	–	–	4,434,705
Total	6,109,491	–	–	1,145,606	7,255,097

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the bills receivable, financial assets included in prepayments, other receivables and other assets, pledged deposits and amounts due from related parties are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing loans.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023				
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	More than 1 years *RMB'000*	Total *RMB'000*
Trade and bills payables	889,876	359,400	–	–	1,249,276
Financial liabilities included in other payables and accruals	2,070,945	–	–	–	2,070,945
Lease liabilities	2,332	3,493	14,473	52,093	72,391
Due to related parties	663,001	–	–	–	663,001
Financial guarantee contracts	–	–	824,388	3,101,624	3,926,012
Interest-bearing bank and other borrowings	–	3,238,677	1,998,771	7,909,150	13,146,598
Total	3,626,154	3,601,570	2,837,632	11,062,867	21,128,223

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	As at 31 December 2022				
	On demand	Less than 3 months	3 to 12 months	More than 1 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	759,476	186,508	19,261	–	965,245
Financial liabilities included in other payables and accruals	1,033,328	–	–	–	1,033,328
Lease liabilities	–	3,632	10,886	51,808	66,326
Due to related parties	132,193	–	–	–	132,193
Financial guarantee contracts	–	–	626,814	3,025,281	3,652,095
Interest-bearing bank and other borrowings	–	1,318,285	1,054,776	4,068,786	6,441,847
Total	1,924,997	1,508,425	1,711,737	7,145,875	12,291,034

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

Notes to Financial Statements

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

	2023 *RMB'000*	2022 *RMB'000*
Interest-bearing bank and other borrowings	**11,465,565**	6,232,465
Trade and bills payables	**1,249,276**	965,245
Lease liabilities	**66,715**	58,939
Other payables and accruals	**2,282,073**	1,139,279
Due to related parties	**1,707,216**	132,193
Less: Cash and cash equivalents	**4,616,829**	4,434,705
Pledged deposits	**498,564**	313,850
Net debt	**11,655,452**	3,779,566
Equity attributable to owners of the parent	**9,185,546**	8,476,396
Capital and net debt	**20,840,998**	12,255,962
Gearing ratio	**56%**	31%

40. CONTINGENT LIABILITY

The Company is currently a defendant in a lawsuit brought by PENGTAI that the Company breached a contract of purchase extraction system device. PENGTAI claimed for extra costs incurred during the construction process in the amount of RMB8,216,000 and extra interest based on 1.5 times of the interest rate for financial loans during the same period. The directors, based on the advice from the Group's legal counsel, believe that the Company has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

Notes to Financial Statements

31 December 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	23,926	26,300
Intangible assets	21,698	21,271
Right-of-use assets	13,341	873
Deferred tax assets	46,376	35,849
Interests in associates	785,813	537,499
Prepayments, other receivables and other assets	1,548	–
Investments in subsidiaries	5,433,803	3,384,365
Total non-current assets	6,326,505	4,006,157
CURRENT ASSETS		
Inventories	579,735	97,775
Trade and bills receivables	639,860	173,075
Prepayments, other receivables and other assets	149,117	236,438
Due from subsidiaries	2,124,623	1,185,192
Pledged deposits	268,147	111,361
Cash and cash equivalents	1,119,034	3,079,579
Total current assets	4,880,516	4,883,420
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,894,723	1,554,465
Trade and bills payables	530,947	386,632
Lease liabilities	3,923	355
Derivative financial instruments	–	31,202
Other payables and accruals	46,035	78,986
Contract liabilities	122,586	6,760
Income tax payable	2,632	2,632
Due to related parties	367,621	–
Due to subsidiaries	2,046,404	696,679
Total current liabilities	5,014,871	2,757,711
NET CURRENT (LIABILITIES)/ASSETS	(134,355)	2,125,709
TOTAL ASSETS LESS CURRENT LIABILITIES	6,192,150	6,131,866

Notes to Financial Statements

31 December 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	7,750	370
Deferred tax liabilities	417	37
Total non-current liabilities	8,167	407
Net assets	6,183,983	6,131,459
EQUITY		
Share capital	1,555,931	1,555,931
Reserves (note)	4,628,052	4,575,528
Total equity	6,183,983	6,131,459

Note:

A summary of the Company's reserves is as follows:

	Share premium account *RMB'000*	Exchange fluctuation reserves *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2022	759,538	(7,625)	72,331	91,709	915,953
Profit for the year	–	–	–	559,584	559,584
Share of other comprehensive income of associates	–	52,532	–	–	52,532
Total comprehensive income for the year	–	52,532	–	559,584	612,116
Initial public offering and over-allotment option	3,195,825	–	–	–	3,195,825
Share issue expenses	(148,366)	–	–	–	(148,366)
Transfer to statutory reserves	–	–	55,957	(55,957)	–
At 31 December 2022	3,806,997	44,907	128,288	595,336	4,575,528

Notes to Financial Statements

31 December 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: (Continued)

A summary of the Company's reserves is as follows: (Continued)

	Share premium account RMB'000	Exchange fluctuation reserves RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2022 and 1 January 2023	3,806,997	44,907	128,288	595,336	4,575,528
Profit for the year	–	–	–	508,854	508,854
Share of other comprehensive income of associates	–	10,449	–	–	10,449
Total comprehensive income for the year	–	10,449	–	508,854	519,303
Dividends declared	–	–	–	(466,779)	(466,779)
Transfer to statutory reserves	–	–	50,885	(50,885)	–
At 31 December 2023	3,806,997	55,356	179,173	586,526	4,628,052

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.