The following is the text of a report received from the HPL reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF PT HALMAHERA PERSADA LYGEND TO THE DIRECTORS OF LYGEND RESOURCES AND TECHNOLOGY CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of PT Halmahera Persada Lygend ("HPL") set out on pages IB-4 to IB-61, which comprises the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of HPL for each of the years ended December 31, 2019 and 2020 and the eleven months ended November 30, 2021 (the "Relevant Periods"), and the statements of financial position of HPL as at December 31, 2019 and 2020 and November 30, 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-4 to IB-61 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Lygend Resources and Technology Co., Ltd. dated November 21, 2022 (the "Prospectus") in connection with the initial listing of the shares of Lygend Resources and Technology Co., Ltd. on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of HPL are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants

("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of HPL as at December 31, 2019 and 2020 and November 30, 2021 and of the financial performance and cash flows of HPL for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of HPL which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of HPL for the eleven months ended November 30, 2020 and other explanatory information (the "Interim Comparative Financial Information").

The directors of HPL are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by HPL in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
November 21, 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of HPL for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("USD") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,		Eleven months ended November 30,	
		2019	2020	2020	2021
		USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
REVENUE	5	—	—	—	187,816
Cost of sales		—	—	—	(78,529)
Gross profit		—	—	—	109,287
Other income and gains	6	184	2,918	4,347	246
Selling and distribution expenses		—	—	—	(55)
Administrative expenses		(7,580)	(18,129)	(16,131)	(33,922)
Other operating expenses		(723)	—	—	(2,687)
Finance costs	8	—	—	—	(10,076)
PROFIT/(LOSS) BEFORE TAX		(8,119)	(15,211)	(11,784)	62,793
Income tax credit	11	39	34	34	219
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(8,080)	(15,177)	(11,750)	63,012
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) on a defined benefit plan, net of tax		(3)	(11)	(11)	119
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		(3)	(11)	(11)	119
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(8,083)	(15,188)	(11,761)	63,131

STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2019	As at December 31, 2020	As at November 30, 2021
		USD'000	*USD'000*	*USD'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	209,881	658,502	822,115
Prepayments for property, plant and equipment	17	138,507	34,230	57,057
Right-of-use assets	14	—	—	464
Deferred tax assets	25	45	82	271
Other non-current assets	18	254	74	99
Total non-current assets		348,687	692,888	880,006
CURRENT ASSETS				
Inventories	15	—	—	68,424
Trade receivables	16	—	—	65,358
Prepayments, other receivables and other assets	19	13,587	20,738	23,077
Due from related parties	28	27	574	934
Pledged deposits	20	4,733	—	18,880
Cash and cash equivalents	20	50,691	8,948	62,179
Total current assets		69,038	30,260	238,852
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	24	—	—	573,996
Employee benefits liability	21	182	412	1,333
Lease liabilities	14	—	—	39
Total non-current liabilities		182	412	575,368
CURRENT LIABILITIES				
Interest-bearing bank borrowings	24	170,693	331,763	27,152
Trade payables	22	—	—	23,065
Lease liabilities	15	—	—	445
Other payables and accruals	23	28,336	82,460	80,095
Due to related parties	28	2,648	32,633	23,720
Total current liabilities		201,677	446,856	154,477
Total liabilities		201,859	447,268	729,845
NET CURRENT ASSETS/(LIABILITIES)		(132,639)	(416,596)	84,375
TOTAL ASSETS LESS CURRENT LIABILITIES		216,048	276,292	964,381
Net assets		215,866	275,880	389,013
EQUITY				
Share capital	26	224,986	300,188	348,709
Reserves		(9,120)	(24,308)	40,304
Total equity		215,866	275,880	389,013

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2019

	Share capital	Advance for future stock subscription	Reserves	Total equity
	USD'000 (note 26)	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2019	28,884	22,048	(1,037)	49,895
Loss for the year	—	—	(8,080)	(8,080)
Other comprehensive loss	—	—	(3)	(3)
Total comprehensive loss for the year	—	—	(8,083)	(8,083)
Issue of shares	196,102	(22,048)	—	174,054
At December 31, 2019	224,986	—	(9,120)	215,866

Year ended December 31, 2020

	Share capital	Advance for future stock subscription	Reserves	Total equity
	USD'000 (note 26)	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2020	224,986	—	(9,120)	215,866
Loss for the year	—	—	(15,177)	(15,177)
Other comprehensive loss	—	—	(11)	(11)
Total comprehensive loss for the year	—	—	(15,188)	(15,188)
Advance for future stock subscription	—	75,202	—	75,202
Issue of shares	75,202	(75,202)	—	—
At December 31, 2020	300,188	—	(24,308)	275,880

STATEMENTS OF CHANGES IN EQUITY (continued)

Eleven months ended November 30, 2021

	Share capital	Share premium	Reserves	Total equity
	USD'000 (note 26)	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2021	300,188	—	(24,308)	275,880
Profit for the period	—	—	63,012	63,012
Other comprehensive income	—	—	119	119
Total comprehensive income for the period	—	—	63,131	63,131
Issue of shares	48,521	1,481	—	50,002
At November 30, 2021	348,709	1,481	38,823	389,013

Eleven months ended November 30, 2020 (Unaudited)

	Share capital	Advance for future stock subscription	Reserves	Total equity
	USD'000	*USD'000* (note 26)	*USD'000*	*USD'000*
At January 1, 2020 (audited)	224,986	—	(9,120)	215,866
Loss for the period (unaudited)	—	—	(11,750)	(11,750)
Other comprehensive loss (unaudited)	—	—	(11)	(11)
Total comprehensive loss for the period	—	—	(11,761)	(11,761)
Advance for future stock subscription (unaudited)	—	75,202	—	75,202
At November 30, 2020 (unaudited)	224,986	75,202	(20,881)	279,307

STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2019	Year ended December 31, 2020	Eleven months ended November 30, 2020	Eleven months ended November 30, 2021
		USD'000	USD'000	USD'000 (Unaudited)	USD'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		(8,119)	(15,211)	(11,784)	62,793
Adjustments for:					
Finance costs	8	—	—	—	10,076
Depreciation of property, plant and equipment		223	462	408	20,358
Depreciation of right-of-use assets	14	—	—	—	393
		(7,896)	(14,749)	(11,376)	93,620
Increase in inventories		—	—	—	47,674
Increase in prepayments, other receivables and other assets		(12,807)	(7,151)	(11,246)	(2,339)
Increase in trade receivables		—	—	—	(65,358)
Increase in amounts due from related parties		(27)	(547)	(547)	(360)
Decrease/(increase) in other non-current assets		(198)	180	90	(25)
Increase in trade payables		—	—	—	23,065
Increase in amounts due to related parties		—	—	—	2,388
Increase/(decrease) in other payables and accruals		320	348	(239)	315
Increase/(decrease) in employee benefits liability		156	216	216	1,070
Net cash flows used in/(from) operating activities		(20,452)	(21,703)	(23,102)	4,702
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(264,077)	(254,986)	(241,154)	(231,195)
(Increase)/decrease in pledged deposits		(4,733)	4,733	4,733	(18,880)
Net cash used in investing activities		(268,810)	(250,253)	(236,421)	(250,075)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank borrowings		164,518	155,011	153,738	583,544
Repayment of bank borrowings		—	—	—	(344,948)
Proceeds of other borrowing from a related party		—	—	—	12,134
Proceeds from issue of shares	26	174,054	75,202	75,202	50,002
Principal portion of lease payments	14	—	—	—	(433)
Interest paid		—	—	—	(1,695)
Net cash flows from financing activities		338,572	230,213	228,940	298,604
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		49,310	(41,743)	(30,583)	53,231
Cash and cash equivalents at beginning of year/period		1,381	50,691	50,691	8,948
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		50,691	8,948	20,108	62,179
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the statements of financial position	20	50,691	8,948	20,108	62,179
Cash and cash equivalents as stated in the statements of cash flows		50,691	8,948	20,108	62,179

1. CORPORATE INFORMATION

Establishment of HPL

HPL was established on July 24, 2018 under its original name PT Halmahera Persada Lygend based on Notarial Deed No. 9 of Ida Waty Salim, S.H., M.Kn., Notary in Jakarta and was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on its Decision Letter No. AHU-0035192.AH.01.01 Tahun 2018 dated July 27, 2018.

HPL is engaged in the nickel industry and trading. HPL is domiciled in Jakarta, Indonesia with the location of a plant in North Maluku.

On January 17, 2019, HPL obtained a Special Mining Business Permit Special Production Operations for Processing and Refining *("Izin Usaha Pertambangan Operasi Produksi Khusus Pengolahan Pemurnian"/"IUPOPK"*) of nickel number 6/I/IUP/PMA/2019, which is valid for 30 years.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions, have been consistently applied by HPL in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

HPL has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,3]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9-Comparative Information*[1]

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[4]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[5]

1 Effective for annual periods beginning on or after January 1, 2023

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

4 Effective for annual periods beginning on or after January 1, 2024.

5 An entity shall apply (a) the amendment to paragraph 139U of IAS 1 immediately on issue of *Non-current Liabilities with Covenants*, and (b) all other amendments for annual periods beginning on or after January 1, 2024 retrospectively.

HPL is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, HPL considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on HPL's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

A party is considered to be related to HPL if:

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

   i. has control or joint control over HPL;

   ii. has significant influence over HPL; or

   iii. is a member of the key management personnel of HPL or of a parent of HPL.

   or

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

   i. the entity and HPL are members of the same group;

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

   iii. the entity and HPL are joint ventures of the same third party;

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

v. the entity is a post-employment benefit plan for the benefit of employees of either HPL or an entity related to HPL;

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	5.0% to 12.5%
Plant and machinery	6.3% to 25.0%
Electronic and office equipment	12.5% to 25.0%
Motor vehicles	12.5%

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

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

Construction in progress represents a building under construction and machinery, equipment and office equipment under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

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

HPL as a lessee

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

(a) Right-of-use assets

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

Vessels	2 years

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

(b) Lease liabilities

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

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

(c) Short-term leases

HPL applies the short-term lease recognition exemption to its short-term leases of warehouses and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that HPL commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At the end of each of the Relevant Periods, HPL assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, HPL compares the risk of a default occurring on the financial instrument as at the end of each of the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

HPL considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, HPL may also consider a financial asset to be in default when internal or external information indicates that HPL is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by HPL. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

Stage 3 — Financial assets that are credit-impaired at the end of each of the Relevant Periods (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when HPL applies the practical expedient of not adjusting the effect of a significant financing component, HPL applies the simplified approach in calculating ECLs. Under the simplified approach, HPL does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. HPL considers the expected credit losses based on days past due of the trade receivables and the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at amortized cost (loans and borrowings and payables)

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

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

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of HPL's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if HPL has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of mixed hydroxide precipitate ("MHP")

Revenue from the sale of MHP is recognized at the point in time when control of the asset is transferred to the customer, generally on shipment on board incoterms.

Variable consideration

HPL has certain provisionally priced sales where the contract terms for HPL's products sales allow for a price adjustment based on a final assay of the goods determined after discharge. HPL assesses such provisional pricing to be a variable consideration and recognizes revenue at an amount representing HPL's estimate for the expected final consideration. This amount is based on the most recently determined estimate of product assays. HPL applies judgement regarding the likelihood of significant reversals to ensure that revenue is only recognized to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognized as revenue.

Other income

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If HPL performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

Employee benefits

Short-term employee benefits

HPL recognized short-term employee benefits liability when services are rendered and the compensation for such services is to be paid within twelve months after the rendering of such services.

Post-employment benefits

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

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

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

ii) The date of HPL recognizes restructuring-related costs.

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

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

ii) Net interest expense or income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Foreign currencies

The Historical Financial Information is presented in USD, which is HPL's functional currency. Foreign currency transactions are translated into the functional currency of HPL using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

In the process of applying HPL's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information.

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

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

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

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

Estimation uncertainty

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

Impairment of non-financial assets

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

Recognition of deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets have not been recognized in respect of these losses as they have arisen in companies that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized. Further details are included in note 25 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	Year ended December 31,		Eleven months ended November 30,	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Mainland China	—	—	—	187,816

The revenue information above is based on the locations of the customers.

(b) Non-current assets

HPL's non-current assets are all located in Indonesia.

Information about a major customer

Revenue from a major customer which accounted for 10% or more of HPL's revenue during the Relevant Periods and the eleven months ended November 30, 2020 is set out below:

	Year ended December 31,		Eleven months ended November 30,	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Ningbo Lygend Wisdom Co., Ltd. ("Ningbo Huiran")	—	—	—	187,816

5. REVENUE

An analysis of revenue is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Revenue from contracts with customers	—	—	—	187,816

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Type of goods				
Sale of MHP	—	—	—	187,816
Geographical market				
Mainland China	—	—	—	187,816
Timing of revenue recognition				
Goods transferred at a point in time	—	—	—	187,816

(b) Performance obligations

Information about HPL's performance obligations is summarized below:

Sales of MHP

The performance obligation is satisfied upon shipment on board and payment is generally due within 1 month.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Bank interest income	184	579	550	246
Foreign exchange gains, net	—	2,339	3,797	—
Total	**184**	**2,918**	**4,347**	**246**

7. PROFIT/(LOSS) BEFORE TAX

HPL's profit/(loss) before tax is arrived at after charging/(crediting):

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Cost of inventories sold*	—	—	—	58,057
Depreciation of property, plant and equipment**	223	462	408	20,358
Foreign exchange differences, net	723	(2,339)	(3,797)	2,548
Lease payments not included in the measurement of lease liabilities	497	808	719	513
Bank interest income	(184)	(579)	(550)	(246)
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):				
Wages and salaries	898	3,479	3,136	16,300
Pension scheme contribution	167	229	229	1,070
	1,065	**3,708**	**3,365**	**17,370**

* The cost of inventories sold include US$7,091,000 and US$17,620,000 relating to employee benefit expense and depreciation for the eleven months ended November 30, 2021 which are also included in the respective total amounts disclosed above for each type of expenses.

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Interest on bank borrowings	3,206	17,688	15,082	22,595
Interest on lease liabilities	—	—	—	60
	3,206	17,688	15,082	22,655
Less: interest capitalized	(3,206)	(17,688)	(15,082)	(12,579)
Total	—	—	—	**10,076**

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of HPL's directors and chief executive is set out below:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Fees	—	—	—	—
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	196	441	410	622
Total	**196**	**441**	**410**	**622**

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration for the five highest paid employees who are neither a director nor chief executive of HPL during the Relevant Periods and the eleven months ended November 30, 2020 are as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Salaries, bonuses, allowances and benefits in kind	151	210	188	206

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020 (Unaudited)	2021
Nil to HK$1,000,000	5	5	5	5

11. INCOME TAX CREDIT

HPL is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which HPL is domiciled and operate.

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

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

The income tax credit of HPL during the Relevant Periods and the eleven months ended November 30, 2020 is analyzed as follows:

	Year ended December 31,		**Eleven months ended November 30,**	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Current tax:				
Charge for the year/period	—	—	—	—
Deferred tax	(39)	(34)	(34)	(219)
Income tax credit for the year/period	(39)	(34)	(34)	(219)

A reconciliation of the tax credit applicable to profit/(loss) before tax at the statutory rate to the tax credit at the effective tax rate is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Profit/(loss) before tax	(8,119)	(15,211)	(11,784)	62,793
Tax at the statutory tax rate of 25% for 2019 and 22% for 2020 and 2021 in Indonesia	(2,030)	(3,346)	(2,592)	13,815
Expenses not deductible for tax	119	330	284	541
Adjustment on deferred tax due to change in tax rate	—	13	13	(8)
Income already subject to final tax	(60)	(160)	(152)	(54)
Tax losses not recognized	1,932	3,129	2,413	—
Tax losses utilized from previous periods	—	—	—	(5,066)
Effect of tax holiday	—	—	—	(9,447)
Tax credit at HPL's effective tax rate	**(39)**	**(34)**	**(34)**	**(219)**

HPL had tax losses arising in Indonesia of US$8,806,000, US$23,029,000 and nil as at December 31, 2019, December 31, 2020 and November 30, 2021, respectively. The tax losses will expire in the following years:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
2023	1,078	1,078	—
2024	7,728	7,728	—
2025	—	14,223	—
Total	**8,806**	**23,029**	**—**

Deferred tax assets have not been recognized in respect of these tax losses as HPL obtained a tax holiday facility. Based on the Decree of the Minister of Finance of the Republic of Indonesia number 721/KMK.03/2018 concerning Corporate Income Tax Reduction Facility to PT Halmahera Persada Lygend dated November 1, 2018, HPL was granted a 100% corporate income tax reduction for 10 fiscal years and an additional 50% corporate income tax reduction for the following 2 fiscal years.

12. DIVIDENDS

No dividend has been paid or declared by HPL in respect of the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
December 31, 2019						
At January 1, 2019:						
Cost	102	382	117	1,243	4,021	5,865
Accumulated depreciation	(2)	(8)	(2)	(21)	—	(33)
Net carrying amount	100	374	115	1,222	4,021	5,832
At January 1, 2019, net of accumulated depreciation	100	374	115	1,222	4,021	5,832
Additions	906	3,571	309	15,513	184,870	205,169
Depreciation provided during the year	(35)	(298)	(57)	(730)	—	(1,120)
At December 31, 2019, net of accumulated depreciation	971	3,647	367	16,005	188,891	209,881
At December 31, 2019:						
Cost	1,008	3,953	426	16,756	188,891	211,034
Accumulated depreciation	(37)	(306)	(59)	(751)	—	(1,153)
Net carrying amount	**971**	**3,647**	**367**	**16,005**	**188,891**	**209,881**

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
December 31, 2020						
At January 1, 2020:						
Cost	1,008	3,953	426	16,756	188,891	211,034
Accumulated depreciation	(37)	(306)	(59)	(751)	—	(1,153)
Net carrying amount	971	3,647	367	16,005	188,891	209,881
At January 1, 2020, net of accumulated depreciation	971	3,647	367	16,005	188,891	209,881
Additions	1,005	1,186	159	1,702	447,692	451,744
Depreciation provided during the year	(107)	(686)	(77)	(2,253)	—	(3,123)
At December 31, 2020, net of accumulated depreciation	1,869	4,147	449	15,454	636,583	658,502
At December 31, 2020:						
Cost	2,013	5,139	585	18,458	636,583	662,778
Accumulated depreciation	(144)	(992)	(136)	(3,004)	—	(4,276)
Net carrying amount	**1,869**	**4,147**	**449**	**15,454**	**636,583**	**658,502**

	Buildings	Plant and machinery	Electronic and office equipment	Motor vehicles	Construction in progress	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
November 30, 2021						
At January 1, 2021:						
Cost	2,013	5,139	585	18,458	636,583	662,778
Accumulated depreciation	(144)	(992)	(136)	(3,004)	—	(4,276)
Net carrying amount	1,869	4,147	449	15,454	636,583	658,502
At January 1, 2021, net of accumulated depreciation	1,869	4,147	449	15,454	636,583	658,502
Additions	—	1,354	588	3,234	181,497	186,673
Transfer	343,708	373,428	—	—	(717,136)	—
Depreciation provided during the period	(9,264)	(11,374)	(176)	(2,246)	—	(23,060)
At November 30, 2021, net of accumulated depreciation	336,313	367,555	861	16,442	100,944	822,115
At November 30, 2021:						
Cost	345,721	379,921	1,173	21,692	100,944	849,451
Accumulated depreciation	(9,408)	(12,366)	(312)	(5,250)	—	(27,336)
Net carrying amount	**336,313**	**367,555**	**861**	**16,442**	**100,944**	**822,115**

14. LEASES

HPL as a lessee

HPL has lease contracts for vessels used in its operations. Leases of vessels generally have lease terms between 1 and 3 years. Generally, HPL is restricted from assigning and subleasing the leased assets outside HPL. There are no lease contracts that include termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of HPL's right-of-use assets and the movements during the Relevant Periods are as follows:

	Vessels
	USD'000
As at January 1, 2019, December 31, 2019, December 31, 2020 and January 1, 2021	—
Additions	857
Depreciation charge	(393)
As at November 30, 2021	**464**

(b) Lease liabilities

HPL does not have lease liabilities as at December 31, 2019 and December 31, 2020. The carrying amounts of lease liabilities and the movements during the eleven months ended November 30, 2021 are as follows:

	As at November 30, 2021
	USD'000
Carrying amount at January 1,	—
New leases	857
Accretion of interest recognized during the period	60
Payments	(433)
Carrying amount at the end of period	**484**
analyzed into:	
Current portion	445
Non-current portion	39

The maturity analysis of lease liabilities is disclosed in note 31 to the Historical Financial Information.

(c) The amounts recognized in profit or loss in relation to leases

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Interest on lease liabilities (note 8)	—	—	—	60
Depreciation charge of right-of-use assets	—	—	—	393
Expense relating to short-term leases (included in cost of sales, administrative expenses and selling expenses) (note 6)	497	808	719	513
Total amount recognized in profit or loss	**497**	**808**	**719**	**966**

(d) The total cash outflow for leases is disclosed in note 27(c) to the Historical Financial Information.

15. INVENTORIES

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Raw materials	—	—	35,981
Finished goods	—	—	27,419
Work in progress	—	—	5,024
Total	—	—	**68,424**

16. TRADE RECEIVABLES

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Trade receivables - a related party	—	—	65,358
Allowance for expected credit losses ("ECLs")	—	—	—
Net	—	—	**65,358**

The sales are all made to Ningbo Huiran, a related party, and the credit period is generally within one month. HPL does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of HPL as at the end of each of the Relevant Periods (based on the invoice date and net of loss allowance) is as follows:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Within 1 month	—	—	65,358

As the sales are all made to Ningbo Huiran, and based on the review of the possibility of uncollectible of the receivables, the management believes that all receivables are collectible. Accordingly, no allowance for expected credit losses was made as at November 30, 2021.

17. PREPAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Project - Nickel Cobalt Smelter High Pressure Acid Leaching	138,507	34,230	57,057

18. OTHER NON-CURRENT ASSETS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Non-current			
Security deposit	217	74	99
Claim for tax refund	37	—	—
Total	**254**	**74**	**99**

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Prepayments	—	—	6,029
Prepaid value added taxes	13,577	20,487	16,046
Prepaid expenses	10	31	826
Other receivables - third parties	—	220	176
	13,587	**20,738**	**23,077**

An impairment analysis was performed at the end of each of the Relevant Periods. HPL has applied the general approach to provide for expected credit losses for non-trade other receivables under IFRS 9. HPL considered the historical loss rate and adjusted it for forward-looking macroeconomic data in calculating the expected credit loss rate. At the end of each of the Relevant Periods, HPL estimated the expected credit loss rate was close to zero on other receivables.

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Cash and bank balances	50,691	8,948	62,179
Restricted cash	4,733	—	18,880
Less:			
Pledged deposits for letters of credit (note 24)	(4,733)	—	(18,880)
Cash and cash equivalents	**50,691**	**8,948**	**62,179**
Denominated in:			
USD	47,506	5,520	56,942
IDR	3,182	3,425	5,235
RMB	2	2	2
EUR	1	1	—
Total	**50,691**	**8,948**	**62,179**

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited in creditworthy banks with no recent history of default.

21. EMPLOYEE BENEFITS LIABILITY

HPL recorded the estimated liabilities for employees' benefits as of December 31, 2019, December 31, 2020 and November 30, 2021 based on the actuarial calculation prepared by Kantor Konsultan Aktuaria Tubagus Syafrial & Amran Nangasan, an independent actuary, which applied the "Projected Unit Credit" method.

Key assumptions used for actuarial calculation are as follows:

	As at December 31,		As at November 30,
	2019	2020	2021
Discount rate	7.80%	6.89%	7.03%
Mortality table	TMI-III 2011	TMI-IV 2019	TMI-IV 2019
Retirement age	55 years	55 years	55 years
Annual salary increase rate	10.00%	10.00%	10.00%

Analysis of estimated liabilities for employees' benefits which is presented as "employee benefits liability" in the statements of financial position and "employee benefit expense" as recorded in the statements of profit or loss and other comprehensive income is as follows:

a. Estimated liabilities for employees' benefits

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Present value of employees' benefit obligation	182	412	1,333
Net liabilities recognized in the statement of financial position	**182**	**412**	**1,333**

b. Employee benefit expense

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Current service cost	60	130	564
Interest costs	10	20	17
Curtailment effect	97	79	489
Employee benefit expense for the year/period	**167**	**229**	**1,070**

c. Change in liabilities of employees' benefits

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Beginning balance	22	182	412
Employee benefit expense for the year/period	167	229	1,070
Payment of employees' benefits for current year/period	(11)	(13)	—
Other comprehensive loss/(income)	4	14	(149)
Ending balance	**182**	**412**	**1,333**

Sensitivity analysis to the key assumptions used in determining employee benefit obligations are as follows:

	Discount rate			
	As at December 31,			
	2019		2020	
	1% increase	1% decrease	1% increase	1% decrease
	USD'000	*USD'000*	*USD'000*	*USD'000*
Impact on the defined benefit obligations	(21)	25	(50)	59

	Discount rate	
	As at November 30,	
	2021	
	1% increase	1% decrease
	USD'000	*USD'000*
Impact on the defined benefit obligations	(73)	85

The sensitivity analysis above has been determined based on a deterministic method to value the impact on the benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the benefit obligations in future years:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Within the next 12 months	—	—	—
Between 1 and 2 years	—	—	8
Between 3 and 5 years	—	168	218
Between 6 and 10 years	670	721	2,949
Beyond 10 years	14,567	23,995	38,212
Total	**15,237**	**24,884**	**41,387**

The average duration of the benefit obligations at December 31, 2019, December 31, 2020 and November 30, 2021 was 23.28 years, 20.14 years and 18.77 years.

22. TRADE PAYABLES

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Trade payables	—	—	23,065

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Within 1 month	—	—	23,065
Total	**—**	**—**	**23,065**

Trade payables are non-interest-bearing and are normally settled on 30-90 days terms.

23. OTHER PAYABLES AND ACCRUALS

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Other payables	**27,919**	**81,695**	**79,015**
Taxes payable other than corporate income tax	417	269	771
Accrued expense	—	496	309
	28,336	**82,460**	**80,095**

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	As at December 31, 2019	As at December 31, 2020	As at November 30, 2021
			USD'000	*USD'000*	*USD'000*
Current					
Bank loans — secured (a)	LIBOR + 3.00%	2020,2021	4,733	—	20,750
Bank loans — secured (b)	LIBOR + 3.00% - 4.00%	2020,2021	165,960	331,763	6,402
			170,693	331,763	27,152
Non-current					
Bank loans — secured (c)	LIBOR + 3.00% - 3.75%	2027	—	—	573,996
			—	—	573,996
			170,693	**331,763**	**601,148**
Analyzed into:					
Within one year or on demand			170,693	331,763	27,152
In the second year			—	—	32,734
In the third year			—	—	83,675
In the fourth year			—	—	118,064
In the fifth year			—	—	136,998
Beyond five years			—	—	202,525

Notes:

(a) As of December 31, 2019, HPL obtained a letter of credit facility from PT Bank OCBC NISP Tbk ("OCBC NISP") amounting to USD4,733,000, which is pledged with restricted cash in OCBC's bank account with the same balance (note 20). This letter of credit facility was fully settled in March 2020.

As of November 30, 2021, HPL obtained a letter of credit facility from PT Bank OCBC NISP based on an agreement in May 2021 (point (b)) and is pledged with LC margin deposit amounting to US$18,880,000 (note 20).

(b) Based on a bank facility agreement dated July 31, 2019 ("Bank Facility Agreement"), HPL obtained a term loan facility ("Term Loan Facility") for financing the project cost from BNP Paribas ("BNP"), DBS Bank Ltd., Singapore ("DBS"), Oversea-Chinese Banking Corporation ("OCBC"), OCBC NISP and PT Bank Mandiri (Persero) Tbk ("MANDIRI") with a maximum facility amounting to US$250,000,000, which will mature in 15 months until October 31, 2020 and bears an annual interest rate of LIBOR plus a margin of 3.75%. This facility is pledged with corporate guarantees from Lygend Resources and Technology Co., Ltd. ("Lygend Resources", formerly named as "Ningbo Lygend Mining Co., Ltd."), PT Harita Jayaraya ("HJR") and Zhejiang Lygend Investment Co., Ltd. (collectively referred to as the "Corporate Guarantor") and share pledges of PT Trimegah Bangun Persada, PT Gema Kreasi Perdana and Lygend Resources.

Based on an amendment to the Bank Facility Agreement dated June 19, 2020 ("Amendment Bank Facility Agreement"), HPL obtained Term Loan Facility A and Term Loan Facility B for financing the project cost in USD from BNP, DBS, OCBC, OCBC NISP and MANDIRI with maximum facilities of US$250,000,000 and US$80,000,000, respectively, which bear annual interest rate of LIBOR plus a margin of 3.75% and LIBOR plus a margin of 4.00%, respectively. The latest loan terms of Term Loan Facility A and Term Loan Facility B have been extended up to March 31, 2021 and the collateral was amended to become corporate guarantees from Lygend Resources, HJR and Zhejiang Lygend Investment Co., Ltd. and share pledges of PT Trimegah Bangun Persada and Lygend Resources.

Based on these loan agreements, the Corporate Guarantor is required to maintain some financial covenants as follows:

- Lygend Resources and Zhejiang Lygend Investment Co., Ltd. shall maintain a positive net worth.
- HJR shall maintain a positive net worth of no less than Rp3,450,000,000,000 and the consolidated debt to equity ratio at a maximum of 1.25:1.

As of December 31, 2019 and 2020, the Corporate Guarantor complied with the loan covenants. This facility was fully settled and refinanced on March 31, 2021 with a term and revolving loan facility.

In May 2021, HPL entered into a revolving loan agreement with OCBC NISP, where HPL obtained several credit facilities for its working capital which will end on December 31, 2027, as follows:

- A demand loan facility, with a maximum credit limit of US$5,000,000, which bears interest rate of LIBOR plus a margin of 3.00%
- An omnibus trade facility, which consist of a letter of credit facility, *Surat Kredit Berdokumen Dalam Negeri* facility, a trust receipt facility, a trade purchase financing facility and a bill purchase facility. Each facility has a maximum credit limit of US$10,000,000 but all outstanding omnibus trade facility shall not be more than US$10,000,000.

(c) On February 22, 2021, HPL entered into a term and revolving loan facility ("Term Loan") with DBS, United Overseas Bank Limited ("UOB"), BNP, MANDIRI, PT Bank Negara Indonesia (Persero) Tbk ("BNI"), OCBC NISP, Malayan Banking Berhad ("Maybank"), OCBC, and PT Bank Central Asia, Tbk ("BCA"), with the facility limit amounting to US$605,000,000 and an option to increase the limit to US$625,000,000. This agreement will mature on December 31, 2027 and bears an annual interest rate of LIBOR plus a margin of 3.75%.

On June 25, 2021, BNP and Lembaga Pembiayaan Ekspor Indonesia ("LPEI") entered into a transfer certificate agreement, where BNP transfers some portion of its commitment to LPEI and starting from June 30, 2021, LPEI shall be a lender.

Based on this agreement, HPL obtained 3 (three) facilities as follows:

- Term Loan A, which is to be utilized for refinancing the term loan facility amounting to US$330,000,000 and project financing with a total credit limit of US$425,000,000, which bears interest of LIBOR plus a margin of 3.75%

- Term Loan B, which is to be utilized for project financing with a total credit limit of US$175,000,000, which bears interest of LIBOR plus a margin of 3.75%

- Term Loan C, which is to be utilized for general working capital with a total credit limit of US$25,000,000, which bears interest of LIBOR plus a margin of 3.00%

This agreement is pledged with HPL's certain fixed assets and certain receivables, corporate guarantee from Lygend Resources (HPL's shareholders) and HJR and share pledges of PT Trimegah Bangun Persada and Lygend Resources. Based on this loan agreement, HPL shall maintain several financial covenants which will be effective in 2022.

In addition, the Corporate Guarantor also entered into an equity support and retention deed dated March 4, 2021, where based on this agreement, the Corporate Guarantor is required to maintain some financial covenants as follows:

- Lygend Resources and Zhejiang Lygend Investment Co., Ltd. shall maintain a positive net worth.

- HJR shall maintain a positive net worth of no less than US$400,000,000, the consolidated debt to equity ratio at a maximum of 1.25:1 and the non-consolidated net borrowings not exceeding US$120,000,000.

25. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Year ended December 31, 2019			
		Charged to		
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
	USD'000	*USD'000*	*USD'000*	*USD'000*
Estimated liabilities for employees' benefits	5	39	1	45

	Year ended December 31, 2020			
		Charged to		
	Beginning balance	Profit or loss	Other comprehensive income	Ending balance
	USD'000	*USD'000*	*USD'000*	*USD'000*
Estimated liabilities for employees' benefits	45	34	3	82

	Eleven months ended November 30, 2021			
		Charged to		
	Beginning balance	Profit or loss	Other Comprehensive loss	Ending balance
	USD'000	*USD'000*	*USD'000*	*USD'000*
Estimated liabilities for employees' benefits	82	214	(30)	266
Right-of-use assets	—	5	—	5
	82	219	(30)	271

26. SHARE CAPITAL/SHARE PREMIUM

Shares

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Issued and fully paid:			
Ordinary shares	224,986	300,188	348,709

A summary of movements in the HPL's share capital is as follows:

	Number of shares	Nominal value of shares
		USD'000
Issued and fully paid as at January 1, 2019	420,000	28,884
Issue of ordinary shares (note a)	2,780,000	196,102
As at December 31, 2019 and January 1, 2020	3,200,000	224,986
Issue of ordinary shares (note b)	1,130,000	75,202
As at December 31, 2020 and January 1, 2021	4,330,000	300,188
Issue of ordinary shares (note c)	700,000	48,521
As at November 30, 2021	5,030,000	348,709

Share premium

	Total
	USD'000
As at January 1, 2019, December 31, 2019, December 31, 2020 and January 1, 2021	—
Capital contribution by shareholders (note c)	1,481
At November 30, 2021	1,481

Notes:

(a) As of January 1, 2019, advances for future stock subscription represent advances received from PT Trimegah Bangun Persada, PT Gema Kreasi Perdana and Lygend Resources, HPL's shareholders, amounting to US$7,642,000, US$6,640,000 and US$7,766,000, respectively, related to the increase of share capital of HPL, which have not yet been ratified through the statement of shareholders' resolution.

In December 2019, based on the statement of shareholders' resolution which had been notarized by the Notarial Deed of Ida Waty Salim, S.H., M.Kn., No 6 dated December 9, 2019, the shareholders agreed to increase the authorised capital from

Rp1,680,000,000,000 to Rp5,000,000,000,000 and increase the issued and fully paid share capital from Rp420,000,000,000 (equivalent to US$28,884,000) to Rp3,200,000,000,000 (equivalent to US$224,986,000). Accordingly, advances for future stock subscription were reclassified to share capital.

(b) As of November 30, 2020, advances for future stock subscription represent balances from PT Trimegah Bangun Persada and Lygend Resources, HPL's shareholders, amounting to US$47,452,000 and US$27,750,000, respectively, related to the increase of share capital of HPL, which have not yet been ratified through the statement of shareholders' resolution.

In December 2020, based on the statement of shareholders' resolution which had been notarized by the Notarial Deed of Ida Waty Salim, S.H., M.Kn., No. 23 dated December 28, 2020, the shareholders agreed to increase the authorised capital from Rp5,000,000,000,000 to Rp6,000,000,000,000 and increase the issued and fully paid share capital from Rp3,200,000,000,000 (equivalent to US$224,986,000) to Rp4,330,000,000,000 (equivalent to US$300,188,000).

(c) In September 2021, based on the statement of shareholders' resolution which had been notarized by the Notarial Deed of Ida Waty Salim, S.H., M.Kn., No. 8 dated September 17, 2021, the shareholders agreed to increase the issued and fully paid share capital from Rp4,330,000,000,000 (equivalent to US$300,188,000) to Rp5,030,000,000,000 (equivalent to US$348,709,000). This increase was taken by Kang Xuan Pte. Ltd. and Lygend Resources by 441,700 shares and 258,300 shares, respectively, with total cash consideration amounting to US$50,002,000. The difference between the amount paid and the par value of shares amounting to US$1,481,000 was recorded as share premium.

27. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

HPL had non-cash additions to right-of-use assets and lease liabilities of nil, nil and USD857,000 during the Relevant Periods, respectively, in respect of lease arrangements for a unit of vessel.

In addition, HPL had other major non-cash transactions as follows:

	Year ended December 31,		**Eleven months ended November 30,**	
	2019	**2020**	**2020**	**2021**
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Additions of property, plant and equipment from amortization of transaction costs	400	4,700	4,700	1,624
Additions of inventories through letter of credit	—	—	—	20,750
Additions of property, plant and equipment from capitalization of depreciation of fixed assets	897	2,661	2,442	2,702
	1,297	7,361	7,142	25,076

(b) Changes in liabilities arising from financing activities

	Amounts due to related parties	Lease liabilities	Interest-bearing bank borrowings
	USD'000	*USD'000*	*USD'000*
At 1 January, 2019	—	—	—
Changes from operating and investing activities	2,648	—	—
Changes from financing cash flows	—	—	164,518
Capitalization of interest	—	—	1,442
Letter of credit	—	—	4,733
At December 31, 2019 and January 1, 2020	2,648	—	170,693
Changes from operating and investing activities	29,985	—	—
Changes from financing cash flows	—	—	155,011
Capitalization of interest	—	—	6,059
At December 31, 2020 and January 1, 2021	32,633	—	331,763
Changes from operating and investing activities	(21,047)		
Addition of right-of-use assets	—	857	—
Interest expenses	—	60	10,016
Changes from financing cash flows	12,134	(433)	236,901
Letter of credit	—	—	20,750
Capitalization of interest	—	—	1,718
At November 30, 2021	23,720	484	601,148

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Within operating activities	497	808	719	513
Within financing activities	—	—	—	433
Total	**497**	**808**	**719**	**946**

28. RELATED PARTY TRANSACTIONS

Name	Relationship
Lygend Resources *	Parent entity
PT. Harita Jayaraya ("HJR")	Parent entity of TBP
PT. Trimegah Bangun Persada ("TBP") **	Shareholder of HPL which has significant influence
PT. Megah Surya Pertiwi ("MSP")	Entity under common control of TBP
PT. Halmahera Jaya Feronikel ("HJF")	Entity under common control of TBP
PT. Antar Sarana Rekasa ("ASR")	Entity under common control of HJR
PT. Gema Selaras Perkasa ("GSP")	Entity under common control of HJR
PT. Pesona Khatulistiwa Nusantara ("PKN")	Entity under common control of HJR
PT. Gane Permai Sentosa ("GPS")	Entity under common control of HJR
Ningbo Huiran	Entity under common control of Lygend Resources
Ningbo Yiwei Mining Co., Ltd. ("Ningbo Yiwei")	Entity under common control of Lygend Resources

Notes:

* Shareholder which has significant influence until November 29, 2021.

** Parent entity until November 29, 2021.

(a) In addition to the transactions detailed in the Historical Financial Information as stated in notes 16 and 24, HPL had the following transactions with related parties during the Relevant Periods and the eleven months ended November 30, 2020:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Services from: (note i)				
GSP	—	—	—	212
HJF	—	—	—	111
	—	—	—	**323**

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Purchase of inventories from: (note i)				
HJF	—	—	—	4,882
TBP	—	—	—	32,473
PKN	—	745	633	4,506
GPS	—	—	—	1,543
	—	**745**	**633**	**43,404**
Purchase of fixed assets from: (note i)				
Ningbo Yiwei	55,608	131,758	127,919	70,532
TBP	—	34	—	—
	55,608	**131,792**	**127,919**	**70,532**
Loan from: (note ii)				
TBP	—	—	—	12,134
Sales to: (note iii)				
Ningbo Huiran	—	—	—	187,816
Payment on behalf:				
TBP	101	50	50	184
MSP	185	62	17	397
HJF	—	4,011	2,267	1,744
GSP	—	283	283	—
	286	4,406	2,617	2,325
Leases from: (note iv)				
TBP	11,340	3,492	2,710	1,679
ASR	—	1,027	939	1,856
MSP	2,375	118	114	366
	13,715	4,637	3,763	3,901

Notes:

(i) The purchases and services from the related parties were made according to the mutually agreed prices between HPL and the related parties.

(ii) The loan from the related party is unsecured, interest-free and has no fixed terms of repayment.

(iii) The sales to the related parties were made according to the market prices.

(iv) The leases from the related parties were made according to the mutually agreed prices.

(b) Commitments with related parties

On March 5, 2021, HPL entered agreements ending December 31, 2030 with GPS and TBP to purchase nickel ore for HPL's production. The amounts of total purchases from GPS and TBP for the eleven months ended November 30, 2021 are included in note 28(a) to the Historical Financial Information. HPL expects total purchases from GPS and TBP from 2022 to 2030 to be approximately USD290,711,000 and USD290,711,000, respectively.

HPL entered an agreement with TBP for the payment of levy related to the use of certain land located on the Obi Island, Indonesia, which includes in the license (IPPKH — Izin Pinjam Pakai Kawasan Hutan) obtained by TBP from the government to permit TBP to operate in OBI Island. The payment is calculated with reference to the area of land used by HPL and the rate of fees charged by the relevant local government authority in Indonesia.

(c) Outstanding balances with related parties:

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	USD'000	USD'000
Prepayments for property, plant and equipment (non-trade in nature):			
Ningbo Yiwei	24,892	—	8,375
Trade receivables:			
Ningbo Lygend	—	—	65,358
Amounts due from related parties:			
Other receivables (non-trade in nature):			
HJF	—	570	745
TBP	27	—	159
MSP	—	4	30
	27	**574**	**934**

	As at December 31,		As at November 30,
	2019	2020	2021
	USD'000	*USD'000*	*USD'000*
Amounts due to related parties:			
Trade payables (trade in nature):			
TBP	2,623	1,034	22,086
HJF	—	—	1,225
PKN	—	—	360
ASR	—	165	—
MSP	25	90	49
Ningbo Yiwei	—	31,344	—
	2,648	**32,633**	**23,720**
Lease liabilities (non-trade in nature):			
ASR	—	—	484

(d) Compensation of key management personnel of HPL:

	Year ended December 31,		Eleven months ended November 30,	
	2019	2020	2020	2021
	USD'000	*USD'000*	*USD'000* (Unaudited)	*USD'000*
Salaries, bonuses, allowances and benefits in kind	196	441	410	622
Total compensation paid to key management personnel	196	441	410	622

29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

As at December 31, 2019

	Financial assets at amortized cost
	USD'000
Financial assets included in other non-current assets	217
Amounts due from related parties	27
Pledged deposits	4,733
Cash and cash equivalents	50,691
Total	**55,668**

As at December 31, 2020

	Financial assets at amortized cost
	USD'000
Financial assets included in other non-current assets	74
Financial assets included in prepayments, other receivables and other assets	220
Amounts due from related parties	574
Cash and cash equivalents	8,948
Total	**9,816**

As at November 30, 2021

	Financial assets at amortized cost
	USD'000
Financial assets included in other non-current assets	99
Trade receivables	65,358
Financial assets included in prepayments, other receivables and other assets	176
Amounts due from related parties	934
Pledged deposits	18,880
Cash and cash equivalents	62,179
Total	**147,626**

Financial liabilities

As at December 31, 2019

	Financial liabilities at amortized cost
	USD'000
Financial liabilities included in other payables and accruals	27,919
Amounts due to related parties	2,648
Interest-bearing bank borrowings	170,693
Total	**201,260**

As at December 31, 2020

	Financial liabilities at amortized cost
	USD'000
Financial liabilities included in other payables and accruals	82,191
Amounts due to related parties	32,633
Interest-bearing bank borrowings	331,763
Total	**446,587**

As at November 30, 2021

	Financial liabilities at amortized cost
	USD'000
Trade payables	23,065
Financial liabilities included in other payables and accruals	79,324
Amounts due to related parties	23,720
Interest-bearing bank borrowings	601,148
Total	**727,257**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash on hand and in banks, financial assets included in other current assets, other non-current assets, other receivables and trade receivables, financial liabilities included in other payables and accruals, trade payables and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments. All the carrying amounts of HPL's financial liabilities approximate to their fair values.

HPL's finance department which is headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of HPL periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. HPL's own non-performance risk for interest-bearing bank borrowings as at November 30, 2021 was assessed to be insignificant.

HPL did not have any financial assets and financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

HPL's principal financial instruments comprise interest-bearing bank borrowings and cash on hand and in banks. The main purpose of these financial instruments is to raise finance for HPL's operations. HPL has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from HPL's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between US$ and other currencies in which HPL conducts business may affect HPL's financial condition and results of operations. HPL seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of HPL's profit/(loss) before tax (due to translation of monetary assets and liabilities) and HPL's equity.

	Increase/ (decrease) in rate of foreign currency	(Increase)/ decrease in profit/(loss) before tax	Increase/ (decrease) in equity
	%	*USD'000*	*USD'000*
December 31, 2019			
If the USD weakens against the IDR	5	1,514	1,514
If the USD strengthens against the IDR	(5)	(1,514)	(1,514)
December 31, 2020			
If the USD weakens against the IDR	5	2,803	2,803
If the USD strengthens against the IDR	(5)	(2,803)	(2,803)
If the USD weakens against the RMB	5	2,435	2,435
If the USD strengthens against the RMB	(5)	(2,435)	(2,435)
November 30, 2021			
If the USD weakens against the IDR	5	2,597	2,597
If the USD strengthens against the IDR	(5)	(2,597)	(2,597)
If the USD weakens against the RMB	5	3,746	3,746
If the USD strengthens against the RMB	(5)	(3,746)	(3,746)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. HPL's exposure to the risk of changes in market interest rates relates primarily to HPL's bank loans with floating interest rates.

To manage this, in 2021, HPL enters into interest rate swap agreements, to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Although not designated and qualified for hedge accounting, such agreements enable HPL to mitigate the risk of changing interest rates on the cash flow exposures on issued floating rate debt. The floating rate on the interest rate swaps is the London interbank offered rate ("LIBOR").

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, HPL's profit/(loss) before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/ (decrease) in rate of interest rate	(Increase)/ decrease in profit/(loss) before tax
	%	*USD'000*
December 31, 2019		
LIBOR	0.5	175
LIBOR	(0.5)	(175)
December 31, 2020		
LIBOR	0.5	1,298
LIBOR	(0.5)	(1,298)
November 30, 2021		
LIBOR	0.5	2,211
LIBOR	(0.5)	(2,211)

Credit risk

HPL is exposed to credit risk in relation to its cash on hand and in banks, trade receivables and financial assets included in prepayments, other receivables and other assets. The carrying amounts of each class of the above financial assets represent HPL's maximum exposure to credit risk in relation to financial assets.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on HPL's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year/period-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial assets included in other non-current assets**	217	—	—	—	217
Amounts due from related parties	27	—	—	—	27
Pledged deposits	4,733	—	—	—	4,733
Cash and cash equivalents - Not yet past due	50,691	—	—	—	50,691
Total	**55,668**	**—**	**—**	**—**	**55,668**

As at December 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial assets included in other non-current assets**	74	—	—	—	74
Financial assets included in prepayments, other receivables and other assets**	220	—	—	—	220
Amounts due from related parties	574	—	—	—	574
Cash and cash equivalents — Not yet past due	8,948	—	—	—	8,948
Total	**9,816**	—	**—**	**—**	**9,816**

As at November 30, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial assets included in other non-current assets**	99	—	—	—	99
Financial assets included in prepayments, other receivables and other assets**	176	—	—	—	176
Trade receivables — a related party*	—	—	—	65,358	65,358
Amounts due from related parties	934	—	—	—	934
Pledged deposits	18,880	—	—	—	18,880
Cash and cash equivalents — Not yet past due	62,179	—	—	—	62,179
Total	**82,268**	**—**	**—**	**65,358**	**147,626**

* For trade receivables to which HPL applies the simplified approach for impairment, which is disclosed in note 16 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and financial assets included in other non-current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The maturity profile of HPL's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at December 31, 2019				
	On demand	Less than 3 months	3 to 12 months	1 to 6 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial liabilities included in other payables and accruals	27,919	—	—	—	27,919
Amounts due to related parties	2,648	—	—	—	2,648
Interest-bearing bank borrowings	—	5,775	167,500	—	173,275
Total	**30,567**	**5,775**	**167,500**	**—**	**203,842**
Unamortized transaction cost					(2,582)
Net					**201,260**

	As at December 31, 2020				
	On demand	Less than 3 months	3 to 12 months	1 to 6 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Financial liabilities included in others payables and accruals	82,191	—	—	—	82,191
Amounts due to related parties	32,633	—	—	—	32,633
Interest-bearing bank borrowings	—	2,401	331,137	—	333,538
Total	**114,824**	**2,401**	**331,137**	—	**448,362**
Unamortized transaction cost					(638)
Net					**447,724**

	As at November 30, 2021				
	On demand	Less than 3 months	3 to 12 months	1 to 6 years	Total
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*
Trade payables	—	23,065	—	—	23,065
Financial liabilities included in other payables and accruals	79,324	—	—	—	79,324
Amounts due to related parties	23,720	—	—	—	23,720
Interest-bearing bank borrowings — current	—	17,215	10,169	—	27,384
Interest-bearing bank borrowings — non-current	—	13,440	20,589	646,795	680,824
Total	**103,044**	**53,720**	**30,758**	**646,795**	**834,317**
Unamortized transaction cost					(10,574)
Net					**823,743**

Capital management

The primary objectives of HPL's capital management are to safeguard HPL's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

HPL monitors capital by regularly reviewing the capital structure. As a part of this review, HPL considers the cost of capital and the risks associated with the issued share capital. HPL may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or repurchase HPL's shares.

32. EVENTS AFTER THE RELEVANT PERIODS

No other significant events that require additional disclosures or adjustments occurred after the Relevant Periods.