Lygend Resources & Technology Co., Ltd.
宁波力勤资源科技股份有限公司

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

(Stock Code: 2245)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Lygend Resources & Technology Co., Ltd. (the "**Company**") hereby announces the results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 21 November 2022 issued by the Company (the "**Prospectus**").

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

FINANCIAL HIGHLIGHTS

- Our revenue increased from RMB18,289.6 million for the year ended 31 December 2022 to RMB21,059.3 million for the year ended 31 December 2023, representing an increase of 15.1%.

- Our gross profit decreased from RMB4,493.8 million for the year ended 31 December 2022 to RMB3,382.0 million for the year ended 31 December 2023, representing a decrease of 24.7%. Gross profit margin for the year ended 31 December 2023 was 16.1%, representing a decrease of 8.5 percentage points compared to the gross profit margin of 24.6% for the year ended 31 December 2022.

- Profit for the year ended 31 December 2023 was RMB1,721.5 million, representing a decrease of 43.1% compared with the profit of RMB3,028.1 million for the year ended 31 December 2022.

- Profit attributable to owners of the Company for the year ended 31 December 2023 was RMB1,051.4 million, representing a decrease of 39.4% as compared to RMB1,735.2 million for the year ended 31 December 2022.

- The Board has resolved to recommend the distribution of a final dividend for the year ended 31 December 2023 of RMB0.20 (before tax) per share, subject to approval in the AGM (2022: nil).

FINANCIAL INFORMATION

The consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR		**1,721,490**	3,028,114
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit in subsequent periods:			
Share of other comprehensive income of associates		**9,887**	52,607
Exchange differences on translation of foreign operations		**166,318**	487,347
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**176,205**	539,954
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,897,695**	3,568,068
Profit attributable to:			
Owners of the parent		**1,051,365**	1,735,238
Non-controlling interest		**670,125**	1,292,876
		1,721,490	3,028,114
Total comprehensive income for the year attributable to:			
Owners of the parent		**1,166,043**	2,052,377
Non-controlling interest		**731,652**	1,515,691
		1,897,695	3,568,068
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*8*	**0.68 Yuan**	1.30 Yuan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

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

31 December 2023

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

Information about major customers

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

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

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(a) Disaggregated revenue information

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

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

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

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

(b) Performance obligations

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

Sale of nickel products

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

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

Sale of equipment

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

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

Sale of others

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

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

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

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

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

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

An analysis of other income and gains is as follows:

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

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

5. PROFIT BEFORE TAX

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Cost of inventories sold*		**16,519,466**	12,259,921
Depreciation of property, plant and equipment**		**438,038**	355,955
Depreciation of right-of-use assets***		**17,885**	19,015
Amortisation of intangible assets****		**84,863**	76,457
Government grants	*4*	**(90,217)**	(100,643)
Bank interest income	*4*	**(66,913)**	(38,429)
Loss on disposal of items of property, plant and equipment		**5**	1,764
Write-down of inventories to net realisable value		**32,499**	–
Loss on debt restructuring		**–**	1,840
Impairment/(reversal of impairment) of financial assets, net			
Impairment/(reversal of impairment) of trade receivables, net	*11*	**14,119**	(1,907)
Impairment of other receivables, net		**4,827**	288
Total		**18,946**	(1,619)
Lease payments not included in the measurement of lease liabilities		**25,751**	25,672
Foreign exchange differences, net		**249,982**	63,232
Auditor's remuneration		**4,541**	5,328
Listing expenses		**–**	4,787
Fair value loss/(gains), net:			
Derivative financial instruments		**45,530**	(50,146)
Trade receivables containing provisional pricing features		**998**	(1,661)
Investment (income)/loss from financial assets at fair value through profit or loss, net:			
Derivative financial instruments		**(10,219)**	218,312
Other unlisted investments		**(380)**	–
Total		**(10,599)**	218,312
Employee benefit expense (excluding directors' and supervisors' remuneration):			
Wages and salaries		**837,525**	547,321
Pension scheme contributions		**37,576**	28,065
Staff welfare expenses		**14,500**	95,311
Total		**889,601**	670,697

* The cost of inventories sold includes RMB917,318,000 (2022: RMB697,316,000) relating to staff costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets during the year, which are also included in the respective total amounts disclosed above for each type of expenses.

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

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

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

6. INCOME TAX

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

PRC

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

Indonesia

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

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

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

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

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

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

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

7. DIVIDENDS

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

The proposed final dividend for the year ended 31 December 2023 of RMB0.20 (before tax) per share, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

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

	Buildings RMB'000	Plant and machinery RMB'000	Electronic and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022							
At 1 January 2022:							
Cost	2,373,358	2,806,604	26,806	161,189	726	887,509	6,256,192
Accumulated depreciation	(138,585)	(283,741)	(14,426)	(43,729)	(652)	–	(481,133)
Net carrying amount	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
At 1 January 2022, net of accumulated depreciation	2,234,773	2,522,863	12,380	117,460	74	887,509	5,775,059
Additions	133,566	82,436	19,295	186,215	16,988	3,307,190	3,745,690
Disposals	(1,674)	(1,363)	(3,430)	(378)	(4,181)	–	(11,026)
Acquisition of a subsidiary	–	–	7	–	–	–	7
Exchange realignment	195,209	210,272	456	9,273	–	77,531	492,741
Transfers	27,891	23,021	–	–	–	(50,912)	–
Depreciation provided during the year	(131,567)	(209,924)	(5,127)	(34,659)	(562)	–	(381,839)
At 31 December 2022, net of accumulated depreciation	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632
At 31 December 2022:							
Cost	2,737,717	3,131,432	41,840	360,418	12,882	4,221,318	10,505,607
Accumulated depreciation	(279,519)	(504,127)	(18,259)	(82,507)	(563)	–	(884,975)
Net carrying amount	2,458,198	2,627,305	23,581	277,911	12,319	4,221,318	9,620,632

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

At 31 December 2023, certain of the Group's plant and machinery, electronic and office equipment, motor vehicles and construction in progress with a net carrying amount of approximately RMB4,822,121,000 (2022: RMB2,427,480,000) as at 31 December 2023 were pledged to secure bank loans.

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

10. GOODWILL

	2023	2022
	RMB'000	*RMB'000*
Cost and net carrying amount at beginning and end of year	**218,037**	218,037

Impairment testing of goodwill

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

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

	As at 31 December 2023	As at 31 December 2022
	%	*%*
Budgeted gross margin	**38-39**	37-40
Terminal growth rate	**–**	–
Pre-tax discount rate	**16.58**	20.76

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

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

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

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

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

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Financial assets at amortised cost:		
Trade receivables	**363,888**	705,787
Bills receivable	**42,232**	705
Subtotal	**406,120**	706,492
Impairment	**(18,514)**	(4,388)
	387,606	702,104
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	**631,619**	439,819
Financial assets at fair value through other comprehensive income:		
Bills receivable	**3,726**	–
Net carrying amount	**1,022,951**	1,141,923

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

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**328,082**	684,216
3 to 6 months	**1,057**	17,136
6 to 12 months	**16,235**	47
Total	**345,374**	701,399

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**4,388**	6,396
Impairment losses, net *(note 5)*	**14,119**	(1,907)
Amount written off as uncollected	**–**	(113)
Exchange realignment	**7**	12
At end of year	**18,514**	4,388

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

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

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

As at 31 December 2023

	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000		***RMB'000***
Current:	**345,881**	**0.15%**	**507**
Past due:			
Less than 3 months	**–**	**–**	**–**
3 to 6 months	**–**	**–**	**–**
6 to 12 months	**–**	**–**	**–**
Over 1 year	**18,007**	**100.00%**	**18,007**
	363,888	**5.09%**	**18,514**

As at 31 December 2022

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

At 31 December 2023, bills receivable of RMB3,726,000 (2022: Nil), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income, and the remaining bills receivable of RMB42,232,000 (2022: RMB705,000) were measured at amortised cost.

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

12. TRADE AND BILLS PAYABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade payables	**1,249,276**	945,984
Bills payable	**–**	19,261
Total	**1,249,276**	965,245

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

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

	2023 *RMB'000*	2022 *RMB'000*
Within 3 months	**803,384**	469,973
3 to 6 months	**63,939**	138,530
6 to 12 months	**22,554**	150,973
1 to 2 years	**231,555**	103,474
Over 2 years	**127,844**	83,034
Total	**1,249,276**	945,984

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

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

Stainless steel

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

New energy

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

BUSINESS REVIEW

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

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

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

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

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

Nickel resources procurement and trading

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

Smelting and production of nickel products and equipment manufacturing

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

Hydrometallurgy project/HPAL project

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

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

Pyrometallurgy project/RKEF project

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

RISK ANALYSIS

Market Volatility Risk

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

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

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

Fluctuation in nickel metal price

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

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

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

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

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

CORE COMPETITIVENESS OF THE COMPANY

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

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

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

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

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

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

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

Hydrometallurgy

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

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

Pyrometallurgy

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

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

Continuous technique improvements and R&D

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

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

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

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

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

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

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

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

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

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

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

We adhere to the concept of ESG sustainable development

In the face of new challenges such as global sustainable development and climate change, the Company has formulated a well-established ESG operation mechanism, and adopted the concept of sustainability in every aspect of trading, production, equipment manufacturing and sales. The by-products generated during the production process will be recycled. We expect to continue building up a resource-saving, environmentally-friendly, intelligent and clustered industrial park, promote the construction of a green, ecological, safe and livable industrial city, and ultimately promote the green economy strategy of "carbon peak" and "carbon neutrality" to countries under China's "Belt and Road" initiative.

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

OUTLOOK

Completing the Construction of Existing Projects and Enriching Our Product Range

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

Enhancing Research and Development Capabilities and Promoting Technological Innovation

We intend to increase our investment in R&D, further upgrade our existing production techniques and equipment, continue to conduct R&D of new production techniques, expand our product portfolio, promote the sustainable development of each business segment, and look into ways to comprehensively develop and utilise our resources to improve production efficiency. The Company has technical reserves such as electrodeposited nickel, and electrodeposited cobalt production, and comprehensive utilization of slag resources from the hydrometallurgy process. In addition, we plan to further enhance our R&D capabilities through establishing a new R&D center, strengthening our cooperation with various universities and research institutions and establishing a high-quality research team. In the future, our main R&D activities will include the comprehensive utilisation of metal resources in laterite nickel ore, energy conservation and carbon emission reduction, intelligent control and technological upgrade of projects.

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

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

Creating a More Open and Robust Nickel Resource Ecosystem

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

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

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

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

FINANCIAL REVIEW

Revenue

The following table sets out the breakdown of total revenue by business segment in absolute amounts and as a percentage of total revenue for the years ended 31 December 2023 and 31 December 2022.

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

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

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

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

Other income and gains decreased by 30.6% from RMB265.4 million in the year ended 31 December 2022 to RMB184.2 million in the year ended 31 December 2023, mainly due to (i) a gain of RMB94.5 million from changes in fair value of derivative financial instruments recognised under our HPL interest rate swap agreement in the year ended 31 December 2022, compared to a loss of RMB46.5 million in the year ended 31 December 2023; and (ii) an increase in interest income of RMB33.2 million in the year ended 31 December 2022.

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Operating Expenses

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

Finance Costs

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

Share of Profits and Losses of Associates

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

Profit before tax

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

Income Tax Expenses

Income tax expense decreased significantly from RMB156.9 million in the year ended 31 December 2022 to RMB40.0 million in the year ended 31 December 2023, mainly due to the decrease in profit before tax of the domestic companies, while HPL with increased profit enjoys tax preferences in Indonesia.

Profit for the Year and Net Profit Margin

As a result of the foregoing, profit for the year decreased from RMB3,028.1 million in the year ended 31 December 2022 to RMB1,721.5 million in the year ended 31 December 2023. Net profit margin decreased from 16.6% in the year ended 31 December 2022 to 8.2% in the year ended 31 December 2023.

Liquidity, Financial Resources and Current Ratio

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

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

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

Capital Expenditures

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	***(%)***	*RMB'000*	*(%)*
Prepayments for property, plant and equipment	**6,202,403**	**82.4**	3,883,984	100
Land use right	**557,517**	**7.4**	–	–
Interest in an associate	**770,000**	**10.2**	677	–
Total	**7,529,920**	**100.0**	3,884,661	100.0

Commitments

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

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

Indebtedness

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

Contingent liabilities

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

Gearing ratio

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material investments, material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2023.

Financial Risks

Foreign Exchange Risk

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

Pledge of Assets

As at 31 December 2023, a portion of our loans are secured by (i) pledges of buildings and land located in the PRC and Indonesia with a carrying value of RMB1,535.9 million (as at 31 December 2022: RMB1,731.8 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB557.2 million (as at 31 December 2022: RMB84.5 million); (iii) pledges of plant and machinery, electronic and office equipment, motor vehicles and buildings under construction located in Indonesia with a carrying value of RMB4,822.1 million (as at 31 December 2022: RMB2,427.5 million); and (iv) pledge of deposits with a carrying value of RMB480.6 million (as at 31 December 2022: RMB313.9 million).

As at 31 December 2023, the Group had no other assets pledged to financial institutions other than those disclosed above.

Future Plans for Material Investments and Capital Assets

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

Significant investments, material acquisitions and disposals of assets and equity

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Completion of the H Share Full Circulation

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

FINAL DIVIDEND

The Board has resolved to recommend the distribution of a final dividend for the year ended 31 December 2023 of RMB0.20 per share (before tax) (for the year ended 31 December 2022: Nil), subject to approval in the AGM (as defined below), and payment will be made on or around Friday, June 14 2024.

USE OF PROCEEDS FROM THE LISTING

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

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

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Group has complied with the applicable code provisions contained in the CG Code during the Reporting Period.

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

Compliance with the Model Code for Securities Transactions by Directors

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Sufficiency of public float

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

Audit Committee and Review of Financial Information

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

The Audit Committee has reviewed annual results and the consolidated financial statements of the Group for the year ended 31 December 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and Ernst & Young, the auditor of the Company (the "**Auditor**").

Scope of Work of Auditor

The financial information set out in this announcement does not constitute our Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been audited by the Auditor, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

Annual General Meeting

The annual general meeting is scheduled to be held on Tuesday, May 21 2024 (the "**AGM**"). A notice convening the AGM will be published on the websites of the Company and the Stock Exchange in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, May 16 2024 to Tuesday, May 21 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents of H shares accompanied by the relevant shares certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Tuesday, May 14 2024.

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Saturday, May 25 2024 to Thursday, May 30 2024, both days inclusive. Shareholders whose name appear on the register of members of the Company on Thursday, May 30 2024 will be entitled to the final dividend. In order to be entitled to the final dividend, all transfer documents of H shares accompanied by the relevant shares certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Friday, May 24 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.lygend.com. The annual report of the Group for the year ended 31 December 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched (if requested) to the Company's shareholders in due course.

APPRECIATION

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

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

The PRC, 28 March 2024

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