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## 2. Responsive audit procedures

Our main audit procedures for revenue recognition are as follows:

As the amount of inventories is significant and determination of net realizable value involves significant judgment of the Management, we have identified net realizable value of inventories as a key audit matter.

## 2. Responsive audit procedures

Our main audit procedures for net realizable value of inventories are as follows:

- (1) We obtained understandings of key internal controls related to net realizable value of inventories, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We reviewed the net realizable value estimated by the Management in previous years and the actual operating results, and assessed the accuracy of the Management's historical estimations;
- (3) We assessed the reasonableness of estimation on cost to be incurred upon completion, selling expenses and relevant taxes and surcharges made by the Management;
- (4) We tested whether the calculation of net realizable value of inventories made by the Management was accurate;
- (5) We checked whether there existed situations such as inventories with long stock age, fluctuation of production cost or selling price, and assessed whether the net realizable value of inventories was reasonably estimated by the Management; and
- (6) We checked whether information related to net realizable value of inventories had been presented appropriately in the financial statements.

## IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially

## **V. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists.

to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- (V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated balance sheet as at December 31, 2022**

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated balance sheet as at December 31, 2022 (continued)**  
(Expressed in Renminbi Yuan)

<u>Liabilities &amp; Equity</u>	<u>Note No.</u>	<u>Closing balance</u>	<u>December 31, 2021</u>
Current liabilities:			
Short-term borrowings . . . . .	22	12,019,822,703.67	8,083,779,844.70
Central bank loans . . . . .			
Loans from other banks . . . . .			
Held-for-trading financial liabilities . . . . .	23	40,024,798.40	360,612.00
Derivative financial liabilities . . . . .	24		104,821,710.25
Notes payable . . . . .	25	10,782,231,308.54	4,810,797,623.12
Accounts payable . . . . .	26	14,610,891,201.30	6,233,172,410.76
Advances received . . . . .	27	492,117,670.03	644,739,400.90
Contract liabilities . . . . .	28	2,359,463,860.52	78,968,534.53
Financial liabilities under repo . . . . .			
Absorbing deposit and interbank deposit . . . . .			
Deposit for agency security transaction . . . . .			
Deposit for agency security underwriting . . . . .			
Employee benefits payable . . . . .	29	685,740,642.95	477,791,587.03
Taxes and rates payable . . . . .	30	542,406,489.43	1,053,002,433.60
Other payables . . . . .	31	4,612,710,195.77	1,434,593,185.87
Handling fee and commission payable . . . . .			
Reinsurance accounts payable . . . . .			
Liabilities held for sale . . . . .			
Non-current liabilities due within one year . . . . .	32	5,757,928,311.87	2,635,957,985.64
Other current liabilities . . . . .	33	1,546,983,360.95	4,147,523.95
Total current liabilities . . . . .		53,450,320,543.43	25,562,132,852.35
current liabilities			





**Zhejiang Huayou Cobalt Co., Ltd.**  
**Parent company balance sheet as at December 31, 2022 (continued)**  
(Expressed in Renminbi Yuan)

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated income statement for the year ended December 31, 2022**  
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue . . . . .		63,033,785,499.49	35,316,548,999.96
Including: Operating revenue . . . . .	1	63,033,785,499.49	35,316,548,999.96
Interest income . . . . .			
Premiums earned . . . . .			
Revenue from handling charges and commission . . . . .			
II. Total operating cost . . . . .		56,862,716,414.21	30,953,241,744.70
Including: Operating cost . . . . .	1	51,313,704,226.23	28,131,068,440.83
Interest expenses . . . . .			
Handling charges and commission expenditures . . . . .			
Surrender value . . . . .			
Net payment of insurance claims . . . . .			
Net provision of insurance policy reserve . . . . .			
Premium bonus expenditures . . . . .			
Reinsurance expenses . . . . .			
Taxes and surcharges . . . . .	2	475,540,906.77	303,960,188.10
Selling expenses . . . . .	3	76,361,160.93	37,945,024.34u7.....

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated income statement for the year ended December 31, 2022 (continued)**  
(Expressed in Renminbi Yuan)

<u>Items</u>	<u>Note No.</u>
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**Zhejiang Huayou Cobalt Co., Ltd.**  
**Parent company income statement for the year ended December 31, 2022**  
(Expressed in Renminbi Yuan)

<u>Items</u>	<u>Note No.</u>	<u>Current period cumulative</u>	<u>Preceding period comparative</u>
I. Operating revenue . . . . .	1	4,775,026,473.57	3,336,415,796.19
Less: Operating cost . . . . .	1	3,304,387,733.40	2,024,129,134.26

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated cash flow statement for the year ended December 31, 2022**  
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services . . . . .		59,250,550,743.04	33,881,429,836.01
Net increase of client deposit and interbank deposit . . . . .			
Net increase of central bank loans . . . . .			
Net increase of loans from other financial institutions . . . . .			
Cash receipts from original insurance contract premium . . . . .			
Net cash receipts from reinsurance . . . . .			
Net increase of policy-holder deposit and investment . . . . .			
Cash receipts from interest, handling charges and commission . . . . .			
Net increase of loans from others . . . . .			
Net increase of repurchase . . . . .			
Net cash receipts from agency security transaction . . . . .			
Receipts of tax refund . . . . .		2,440,500,274.64	716,467,651.26
Other cash receipts related to operating activities . . . . .	1	2,838,108,536.23	567,993,256.40
Subtotal of cash inflows from operating activities . . . . .		64,529,159,553.91	35,165,890,743.67
Cash payments for goods purchased and services received . . . . .		49,035,585,922.21	30,666,445,867.15
Net increase of loans and advances to clients . . . . .			
Net increase of central bank deposit and interbank deposit . . . . .			
Cash payments for insurance indemnities of original insurance contracts . . . . .			
Net increase of loans to others . . . . .			
Cash payments for interest, handling charges and commission . . . . .			
Cash payments for policy bonus . . . . .			
Cash paid to and on behalf of employees . . . . .		2,834,160,956.23	1,368,459,638.39
Cash payments for taxes and rates . . . . .		2,431,898,257.15	913,510,701.74
Other cash payments related to operating activities . . . . .	2	7,313,708,042.94	2,279,183,126.07
Subtotal of cash outflows from operating activities . . . . .		61,615,353,178.53	35,227,599,333.35
Net cash flows from operating activities . . . . .		2,913,806,375.38	-61,708,589.68
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments . . . . .		1,345,286,800.00	1,347,806,343.53
Cash receipts from investment income . . . . .		14,198,714.73	391,832,308.50
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets . . . . .		16,547,428.23	2,278,141.40
Net cash receipts from the disposal of subsidiaries & other business units . . . . .			219,898,356.92
Other cash receipts related to investing activities . . . . .	3	704,849,558.71	1,144,868,360.92
Subtotal of cash inflows from investing activities . . . . .		2,080,882,501.67	3,106,683,511.27
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets . . . . .		16,215,038,027.52	6,847,230,648.34
Cash payments for investments . . . . .		5,291,281,780.13	2,748,614,889.83
Net increase of pledged borrowings . . . . .			
Net cash payments for the acquisition of subsidiaries & other business units . . . . .		2,477,026,170.18	680,207,424.28
Other cash payments related to investing activities . . . . .	4	2,453,474,013.04	1,591,192,031.65
Subtotal of cash outflows from investing activities . . . . .		26,436,819,990.87	11,867,244,994.10
Net cash flows from investing activities . . . . .		-24,355,937,489.20	-8,760,561,482.83

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated cash flow statement for the year ended December 31, 2022**  
**(continued)**  
**(Expressed in Renminbi Yuan)**

<u>Items</u>	<u>Note No.</u>	<u>Current period cumulative</u>	<u>Preceding period comparative</u>
III. Cash flows from financing activities:			
Cash receipts from absorbing investments . . . . .		1,582,691,238.50	6,596,635,884.32
Including: Cash received by subsidiaries from non-controlling shareholders as investments . . . . .		1,169,311,889.50	298,609,257.76
Cash receipts from borrowings . . . . .		30,290,869,269.93	14,585,409,166.59
Other cash receipts related to financing activities . . .	5	11,777,863,550.41	3,126,476,739.88
Subtotal of cash inflows from financing activities . .		43,651,424,058.84	24,308,521,790.79
Cash payments for the repayment of borrowings . . .		10,729,529,235.27	7,061,305,981.48
Cash payments for distribution of dividends or profits and for interest expenses . . . . .		1,306,820,515.42	775,505,700.11
Including: Cash paid by subsidiaries to non- controlling shareholders as dividend or profit . . . .			
Other cash payments related to financing activities . .	6	7,913,286,944.09	3,193,246,446.60
Subtotal of cash outflows from financing activities . .		19,949,636,694.78	11,030,058,128.19
Net cash flows from financing activities . . . . .		23,701,787,364.06	13,278,463,662.60
IV. Effect of foreign exchange rate changes on cash & cash equivalents . . . . .		211,593,968.60	162,720,298.96
V. Net increase in cash and cash equivalents . . . . .		2,471,250,218.84	4,618,913,889.05
Add: Opening balance of cash and cash equivalents . . . . .		6,108,393,395.75	1,489,479,506.70
VI. Closing balance of cash and cash equivalents . . . . .		8,579,643,614.59	6,108,393,395.75

Legal representative:

Officer in charge of  
accounting:

Head of accounting  
department:

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Parent company cash flow statement for the year ended December 31, 2022**  
(Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services . . .	5,498,202,255.38	2,923,758,364.85
Receipts of tax refund . . . . .	19,051,865.29	820,908.58
Other cash receipts related to operating activities . . . . .	84,931,014.76	99,572,443.46
Subtotal of cash inflows from operating activities . . . . .	5,602,185,135.43	3,024,151,716.89
Cash payments for goods purchased and services received . . . .	5,696,334,942.23	2,932,882,430.46
Cash paid to and on behalf of employees . . . . .	339,945,583.54	209,351,045.00
Cash payments for taxes and rates . . . . .	257,687,704.02	86,337,100.72
Other cash payments related to operating activities . . . . .	228,958,239.66	183,077,128.98
Subtotal of cash outflows from operating activities . . . . .	6,522,926,469.45	3,411,647,705.16
Net cash flows from operating activities . . . . .	-920,741,334.02	-387,495,988.27
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments . . . . .	34,627,200.00	1,016,306,343.53
Cash receipts from investment income . . . . .	12,244,956.26	279,400,408.01
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets . . . . .	50,278,992.05	16,295,053.73
Net cash receipts from the disposal of subsidiaries & other business units . . . . .		
Other cash receipts related to investing activities . . . . .	2,397,947,287.12	13,147,440.89
Subtotal of cash inflows from investing activities . . . . .	2,495,098,435.43	1,325,149,246.16
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets . . . . .	152,154,569.44	96,189,296.82
Cash payments for investments . . . . .	10,169,117,691.00	5,876,244,293.92
Net cash payments for the acquisition of subsidiaries & other business units . . . . .		
Other cash payments related to investing activities . . . . .	4,432,245,186.01	2,710,098,444.61
Subtotal of cash outflows from investing activities . . . . .	14,753,517,446.45	8,682,532,035.35
Net cash flows from investing activities . . . . .	-12,258,419,011.02	-7,357,382,789.19
III. Cash flows from financing activities:		
Cash receipts from absorbing investments . . . . .	413,379,349.00	6,298,026,626.56
Cash receipts from borrowings . . . . .	15,950,217,448.05	5,363,137,898.51
Other cash receipts related to financing activities . . . . .	3,976,587,527.96	2,289,101,342.07
Subtotal of cash inflows from financing activities . . . . .	20,340,184,325.01	13,950,265,867.14
Cash payments for the repayment of borrowings . . . . .	4,556,966,024.97	3,339,664,360.99
Cash payments for distribution of dividends or profits and for interest expenses . . . . .	572,663,261.18	381,653,218.14
Other cash payments related to financing activities . . . . .	2,603,458,512.96	1,037,648,020.89
Subtotal of cash outflows from financing activities . . . . .	7,733,087,799.11	4,758,965,600.02
Net cash flows from financing activities . . . . .	12,607,096,525.90	9,191,300,267.12
IV. Effect of foreign exchange rate changes on cash and cash equivalents . . . . .	-29,390,713.31	31,396,598.09
V. Net increase in cash and cash equivalents . . . . .	-601,454,532.45	1,477,818,087.75
Add: Opening balance of cash and cash equivalents . . . . .	1,570,250,951.45	92,432,863.70
VI. Closing balance of cash and cash equivalents . . . . .	968,796,419.00	1,570,250,951.45

Legal representative:

Officer in charge of  
accounting:

Head of accounting  
department:



**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated statement of changes in equity**  
**(Expressed in Renminbi Yuan)**

Current period cumulative

Items	Equity attributable to parent company										Total equity		
	Other equity instruments			Less: Treasury shares			Other comprehensive income			Undistributed profit		Non-controlling interest	
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve				
I. Balance at the end of prior year . . . . .	1,221,228,483.00				10,218,296,584.42	339,232,639.00	-419,363,343.56	16,648,561.11	309,732,264.90		8,376,281,013.68	4,517,086,195.80	23,900,677,120.35
Add: Cumulative changes of accounting policies . . . . .													
Error correction of prior period . . . . .													
Business combination under common control . . . . .													
Others . . . . .													
II. Balance at the beginning of current year . . . . .	1,221,228,483.00				10,218,296,584.42	339,232,639.00	-419,363,343.56	16,648,561.11	309,732,264.90		8,376,281,013.68	4,517,086,195.80	23,900,677,120.35



**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated statement of changes in equity (continued)**  
(Expressed in Renminbi Yuan)

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**Zhejiang Huayou Cobalt Co., Ltd.**  
**Consolidated statement of changes in equity (continued)**  
**(Expressed in Renminbi Yuan)**

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Items

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Parent company statement of changes in equity**  
 (Expressed in Renminbi Yuan)

Current period cumulative

Items	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
	Share capital	Preferred shares	Perpetual bonds							

I. Balance at the end of prior year

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Parent company statement of changes in equity (continued)**  
(Expressed in Renminbi Yuan)

Preceding period comparative

Items	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
	Share capital	Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	1,141,261,526.00				3,619,336,124.36		-35,896,425.00	6,938,266.87	223,433,020.86	1,566,813,803.32	6,521,886,316.41
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	1,141,261,526.00				3,619,336,124.36		-35,896,425.00	6,938,266.87	223,433,020.86	1,566,813,803.32	6,521,886,316.41
III. Current period increase (or: less: decrease)	79,966,957.00				6,334,802,874.63	339,232,639.00	-4,103,575.00	-6,915,639.74	86,299,244.04	534,112,319.71	6,684,929,541.64
(I) Total comprehensive income							-4,103,575.00			862,992,440.35	858,888,865.35
(II) Capital contributed or withdrawn by owners	79,966,957.00				6,334,802,874.63	339,232,639.00					6,075,537,192.63
1. Ordinary shares contributed by owners	79,966,957.00				6,214,269,336.14	339,232,639.00					5,955,003,654.14
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve									86,299,244.04	-328,880,120.64	113,786,486.15
2. Appropriation of profit to owners									86,299,244.04	-86,299,244.04	6,747,052.34
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Current period appropriation											
2. Current period use											
(VI) Others											
IV. Balance at the end of current period	1,221,228,483.00				9,954,138,998.99	339,232,639.00	-40,000,000.00	22,627.13	309,732,264.90	2,100,926,123.03	13,206,815,858.05

Legal representative:

Officer in charge of accounting:

Head of accounting department:

**Zhejiang Huayou Cobalt Co., Ltd.**  
**Notes to Financial Statements**  
For the year ended December 31, 2022

Monetary unit: RMB Yuan

## **I. Company profile**

Zhejiang Huayou Cobalt Co., Ltd. (the “Company”) was established by Great Mountain Enterprise Pte. Ltd. (the “Great Mountain Company”), Huayou Holding Group Co., Ltd. (formerly known as Zhejiang Huayou Holding Group Co., Ltd., hereinafter referred to as “Huayou Holding”), etc. under the approval from the Ministry of Commerce of the People’s Republic of China. The Company was registered at Zhejiang Administration for Industry and Commerce on April 14, 2008 and headquartered in Jiaxing City, Zhejiang Province. The Company currently holds a business license with unified social credit code of 913300007368873961, with registered capital of 1,599,678,228.00 yuan, total share of 1,599,678,228 shares (each with par value of one yuan), of which, 19,757,139 shares are restricted outstanding A shares, and 1,579,921,089 shares are unrestricted outstanding A shares. The Company’s shares were listed on the Shanghai Stock Exchange on January 29, 2015.

The Company belongs to non-ferrous metal smelting and rolling processing industry and is mainly engaged in R&D, production and sales of cobalt, copper, nickel, lithium, ternary precursors, cathode materials, nickel intermediates and other products. The Company’s main products are cobalt products, copper products, nickel products, lithium products, ternary precursors, cathode materials, nickel intermediates, etc.

The financial statements were approved and authorized for issue by the 56th meeting of the fifth session of the Board of Directors dated April 26, 2023.

The Company has brought subsidiaries including the first-tier subsidiaries Zhejiang Like Cobalt Nickel Co., Ltd. (the “Like Cobalt”), Zhejiang Huayou Import & Export Co., Ltd. (the “Huayou Import & Export”), Quzhou Huayou Cobalt New Material Co., Ltd. (the “Huayou Quzhou”), Huayou (Hong Kong) Co., Limited (the “Huayou Hong Kong”), Orient International Minerals & Resource (Proprietary) Limited (the “OIM Company”), Congo Dongfang International Mining SAS (the “CDM Company”), La Miniere de Kasombo SAS (the “MIKAS Company”), Sino-Congo Hiag Development SAS (the “SHAD Company”), Huayou International Mining (Hong Kong) Limited (the “Huayou Mining Hong Kong”), Huayou New Energy Technology (Quzhou) Co., Ltd. (the “New Energy Quzhou”), Zhejiang Huayou Recycling Technology Co., Ltd. (the “Huayou Recycling”), Zhejiang Huayou New Energy Technology Co., Ltd. (the “Huayou New Energy”), Zhejiang Youqing Trading Co., Ltd. (the “Youqing Trading”), Tongxiang Huashi Import & Export Co., Ltd. (the “Tongxiang Huashi”), Tongxiang Hua’ang Trading Co., Ltd. (the “Tongxiang Hua’ang”), Beijing Youhong Yongsheng Technology Co., Ltd. (the “Beijing Youhong”), Guangxi Huayou Engineering Project Management Co., Ltd. (the “Guangxi Huayou Engineering”), Huashan Import & Export (Tongxiang) Co., Ltd. (the “Tongxiang Huashan”), Beijing Huashan Yongsheng Technology Co., Ltd. (the “Beijing Huashan”), Huashan Import & Export (Wenzhou) Co., Ltd. (the “Wenzhou Huashan”), Huake Import & Export (Wenzhou) Co., Ltd. (the “Wenzhou Huake”), Guangxi B&M Science and Technology Co., Ltd. (the “Guangxi B&M”), Tianjin B&M Science and Technology Co., Ltd. (the “Tianjin B&M”), Huaxun Import & Export (Tongxiang) Co., Ltd. (the “Tongxiang Huaxun”), Guangxi Huayou New Material Co., Ltd. (the “Guangxi Huayou New Material”), Guangxi Huayou New Energy Technology Co., Ltd. (the “Guangxi Huayou New Energy”), Huawang Import & Export (Tongxiang) Co., Ltd. (the

“Tongxiang Huawang”), Hualing Import & Export (Tongxiang) Co., Ltd. (the “Tongxiang Hualing”), Guangxi Huayou Lithium Industry Co., Ltd. (the “Guangxi Lithium”), Huazheng Import & Export (Tongxiang) Co., Ltd. (the “Tongxiang Huazheng”), Huajian Import & Export (Wenzhou) Co., Ltd. (the “Wenzhou Huajian”), Hubei Youxing New Energy Technology Co., Ltd. (the “Hubei Youxing”), Shanghai Huayou Xinsheng Metal Co., Ltd. (the “Shanghai Xinsheng”), Guangxi Huayou Industrial Investment Co., Ltd. (the “Guangxi Huayou Industrial Investment”), and Guangxi Huayou Enterprise Investment Management Co., Ltd. (the “Guangxi Huayou Enterprise Investment”), the second-tier subsidiaries Feza Mining SAS (the “Feza Mining”), Quzhou Huayou Resource Recycling Technology Co., Ltd. (the “Resource Recycling”), Huayou International Recycling Resources Co., Ltd. (the “Huayou International Recycling”), Huayou America, Inc. (the



## **II. Preparation basis of the financial statements**

### **(I) Preparation basis**

The financial statements have been prepared on the basis of going concern.

### **(II) Assessment of the ability to continue as a going concern**

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

## **III. Significant accounting policies and estimates**

Important note:

The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, depreciation of right-of-use assets, amortization of intangible assets, revenue recognition, etc., based on the Company's actual production and operation features.

### **(I) Statement of compliance**

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, financial performance and cash flows of the Company.

### **(II) Accounting period**

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

### **(III) Operating cycle**

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

## 2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

### (VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into the consolidation scope. The consolidated financial statements are compiled by the parent company according to “CASBE 33—Consolidated Financial Statements”, based on relevant information and the financial statements of the parent company and its subsidiaries.

### (VII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.
2. When the Company is a joint operator of a joint operation, it recognizes the following items in relation to its interest in a joint operation:
  - (1) its assets, including its share of any assets held jointly;
  - (2) its liabilities, including its share of any liabilities incurred jointly;
  - (3) its revenue from the sale of its share of the output arising from the joint operation;
  - (4) its share of the revenue from the sale of the assets by the joint operation; and
  - (5) its expenses, including its share of any expenses incurred jointly.

### (VIII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

### (IX) Foreign currency translation

#### 1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the approximate exchange rate similar to the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the approximate exchange rate similar to the spot exchange rate at the

transaction date, with the RMB amounts unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

## 2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot exchange rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot exchange rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the approximate exchange rate similar to the spot exchange rate at the transaction date. The difference arising from the aforementioned foreign currency translation is included in other comprehensive income.

### (X) Financial instruments

#### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

#### 2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

##### (1) Recognition criteria and measurement method of financial assets and financial liabilities

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(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest

- 2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with “CASBE 23—Transfer of Financial Assets”.

- 3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall

accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items is included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

#### 4. Fair value determination method of financial assets and liabilities

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and information are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date;
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data and quoted prices in inactive markets for identical or similar assets or liabilities.



- (2) Financial instruments with expected credit risk assessed on a collective basis and expected credit losses measured using three-stage model

<u>Items</u>	<u>Basis for determination of portfolio</u>	<u>Method for measuring expected credit loss</u>
Other receivables—Portfolio grouped with government funds receivable . . . . .	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables—Portfolio grouped with balances due from related parties within the consolidation scope . . . .		
Other receivables—Portfolio grouped with interest receivable . . . . .		
Other receivables—Portfolio grouped with dividend receivable . . . . .		
Other receivables—Portfolio grouped with ages . . . . .	Ages	

- (3) Accounts receivable and contract assets with expected credit losses measured on a collective basis using simplified approach

1) Specific portfolios and method for measuring expected credit loss

<u>Items</u>	<u>Basis for determination of portfolio</u>	<u>Method for measuring expected credit loss</u>
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Items	Basis for determination of portfolio	Method for measuring expected credit loss
Accounts receivable—Portfolio grouped with balances due from related parties within the consolidation scope. . . . .	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.

2) Accounts receivable—comparison table of ages and lifetime expected credit loss rate of portfolio grouped with ages and trade acceptance receivable

Ages	Expected credit loss rate (%)
Within 1 year (inclusive, the same hereinafter) . . . . .	5.00
1-2 years . . . . .	20.00
2-3 years . . . . .	50.00
Over 3 years . . . . .	100.00

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (1) currently has a legally enforceable right to set off the recognized amounts; and (2) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

(XI) Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, materials, supplies, etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Inventories dispatched from storage are accounted for with weighted moving average method.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventories to be processed is determined based on the amount of the estimated selling

price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value are determined separately and are compared with their costs to set the provision for inventory write-down to be made or reversed.

#### 4. Inventory system

Perpetual inventory method is adopted.

#### 5. Amortization method of low-value consumables and packages

##### (1) Low-value consumables

Low-value consumables are amortized with one-off method.

##### (2) Packages

Packages are amortized with one-off method.

#### (XII) Contract costs

Assets related to contract costs include costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;
2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and
3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

### (XIII) Non-current assets or disposal groups held for sale

#### 1. Classification of non-current assets or disposal groups held for sale

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met: (1) the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; (2) its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of “expected to be completed within one year” is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: (1) a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and

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#### 1.ent of non-current assets or disposal groups held for sale

(2) Reversal of assets impairment loss

When there is a subsequent increase in fair value less costs to sell of a non-current asset held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

- (2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

#### 4. Disposal of a subsidiary in stages resulting in the Company's loss of control

##### (1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22—Financial Instruments: Recognition and Measurement".

##### (2) Consolidated financial statements

###### 1) Disposal of a subsidiary in stages not qualified as "bundled transaction" resulting in the Company's loss of control

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is remeasured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

###### 2) Disposal of a subsidiary in stages qualified as "bundled transaction" resulting in the Company's loss of control

In case of "bundled transaction", stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. However, before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

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## 2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures. . . . .	Straight-line method	10-35	0-10	10.00-2.57
Machinery. . . . .	Straight-line method	5-16	0-10	20.00-5.63
Transport facilities. . . . .	Straight-line method	5-10	0-10	20.00-9.00
Other equipment . . . . .	Straight-line method	5-10	0-10	20.00-9.00

### (XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

### (XVII) Borrowing costs

#### 1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

#### 2. Borrowing costs capitalization period

- (1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.
- (2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.
- (3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

### 3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings in the current period less the interest income on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements less the general borrowing by the capitalization rate of the general borrowing used.

#### (XVIII) Intangible assets

1. Intangible assets include land use right, mining right, software, pollution discharging right, patent right, software copyright, etc. The initial measurement of intangible assets is based on its cost.
2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method

Mining right is amortized using the units-of-production method, while other intangible assets are amortized using the straight-line method with details as follows:

Items	Amortization period (years)
Land use right . . . . .	25-99
Software . . . . .	2-10
Pollution discharging right . . . . .	5-20
Patent right and software copyright . . . . .	8-10

3. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Criteria for distinguishing the research phase from the development phase of an internal project to create an intangible asset: the planned investigation phase for acquiring new technology and knowledge should be defined as the research phase, which has the characteristics of planning and exploratory nature; before commercial production or use, when the research results or other knowledge are applied to a certain plan or design with the intention to produce new or substantially improved materials, devices, products, etc., such stage should be determined as the development phase, which has the characteristics of pertinence and greater possibility of forming results.





- (2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:
  - 1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

#### (XXIV) Share-based payment

##### 1. Types of share-based payment

Share-based payment consists of equity-settled share-based payment and cash-settled share-based payment.

##### 2. Accounting treatment for settlements, modifications and cancellations of share-based payment plans

###### (1) Equity-settled share-based payment

For equity-settled share-based payment transaction with employees, if the equity instruments granted vest immediately, the fair value of those equity instruments is measured at grant date and recognized as transaction cost or expense, with a corresponding adjustment in capital reserve; if the equity instruments granted do not vest until the counterparty completes a specified period of service or fulfills certain performance conditions, at the balance sheet date within the vesting period, the fair value of those equity instruments measured at grant date based on the best estimate of the number of equity instruments expected to vest is recognized as transaction cost or expense, with a corresponding adjustment in capital reserve.

For equity-settled share-based payment transaction with parties other than employees, if the fair value of the services received can be measured reliably, the fair value is measured at the date the Company receives the service; if the fair value of the services received cannot be measured reliably, but that of equity instruments can be measured reliably, the fair value of the equity instruments granted measured at the date the Company receives the service is referred to, and recognized as transaction cost or expense, with a corresponding increase in equity.

###### (2) Cash-settled share-based payment

For cash-settled share-based payment transactions with employees, if share appreciation rights vest immediately, the fair value of the liability incurred as the acquisition of services is measured at grant date and recognized as transaction cost or expense, with a corresponding increase in liabilities; if share appreciation rights do not vest until the employees have completed a specified period of service or fulfills certain performance conditions, the liability is measured, at each balance sheet date until settled, at the fair value of the share appreciation rights measured at grant date based on the best estimate of the number of share appreciation right expected to vest.

###### (3) Modifications and cancellations of share-based payment plan

If the modification increases the fair value of the equity instruments granted, the Company includes the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted; similarly, if the modification increases the number of equity instruments granted, the Company includes the fair value of the additional equity instruments granted, in the measurement of the

If the modification reduces the fair value of the equity instruments granted, the Company does not take into account that decrease in fair value and continue to measure the amount recognized for services received as consideration for the equity instruments based on the grant date fair value of the equity instruments granted; if the modification reduces the number of equity instruments granted to an employee, that reduction is accounted for as a cancellation of that portion of the grant; if the Company modifies the vesting conditions in a manner that is not beneficial to the employee, the Company does not take the modified vesting conditions into account.

If the Company cancels or settles a grant of equity instruments during the vesting period (other than that cancelled when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and therefore recognizes immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

(XXV) Revenue

## 2. Revenue measurement principle

- (1) Revenue is measured at the amount of the transaction price that is allocated to each



(XXVII) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

(1) Right-of-use assets

The right-of-use asset is measured at cost and the cost shall comprise: 1) the amount of the



## (2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

## 3. Sale and leaseback

### (1) The Company as the lessee

In accordance with the “CASBE 14—Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company measures the right-of-use asset arising from the leaseback at the proportion of the original carrying amount of the asset that relates to the right of use retained by the Company. Accordingly, the Company recognizes only the amount of any gain or loss that relates to the rights transferred to the lessor.

Otherwise, the Company continues the recognition of the transferred assets, and recognizes a financial liability equal to the amount of transfer income in accordance with the “CASBE 22—Financial Instruments: Recognition and Measurement” at the same time.

### (2) The Company as the lessor

In accordance with the “CASBE 14—Revenues”, the Company would assess and determine whether the transfer of an asset in the sale and leaseback transaction is accounted for as a sale of that asset.

If the transfer of an asset is accounted for as a sale of the asset, the Company accounts for the purchase of assets in accordance with other applicable standards, and accounts for the lease of assets in accordance with the “CASBE 21—Leases”.

Otherwise, the Company does not recognize the transferred asset, but recognizes a financial asset equal to the amount of transfer income in accordance with the “CASBE 22—Financial Instruments: Recognition and Measurement”.

related safety projects reach the designed useful conditions; meanwhile, the cost included in fixed assets is to offset “special reserve”, and accumulated depreciation shall be recognized at the same amount. Such fixed assets shall not be depreciated in future periods.

#### (XXXI) Segment reporting

Operating segments are determined based on the structure of the Company’s internal organization, management requirements and internal reporting system. An operating segment is a component of the Company:

1. that engages in business activities from which it may earn revenues and incur expenses;
2. whose financial performance is regularly reviewed by the Management to make decisions about resource to be allocated to the segment and to assess its performance; and
3. for which accounting information regarding financial position, financial performance and cash flows is available through analysis.

#### (XXXII) Other significant accounting policies and estimates

##### 1. Basis of the adoption of hedge accounting and its accounting treatment

- (1) Hedge includes fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation.
- (2) A hedging relationship qualifies for hedge accounting if all of the following conditions are met: 1) the hedging relationship consists only of eligible hedging instruments and eligible hedged instruments; 2) at the inception of the hedge there is formal designation of hedging instruments and hedged item, and documentation of the hedging relationship and the Company’s risk management objective and strategy for undertaking the hedge; 3) the hedging relationship meets the hedging effectiveness requirements.

The Company recognizes that the hedging relationship meets effectiveness requirements if the all of the followings are simultaneously satisfied: a. there is an economic relationship between the hedged item and the hedging instruments; b. the effect of credit risk does not dominate the value changes that result from that economic relationship between the hedged item and the hedging instruments; and c. the hedge ratio of the hedging relationship is the same as the ratio of the quantity of the hedged item that the Company actually hedges and the number of hedging instruments that the Company actually uses to hedge that quantity of hedged item, but does not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

(3) Hedge accounting

1) Fair value hedge

- a. Gain or loss on the hedging instrument shall be recognized in profit or loss (or other comprehensive income, if the hedging instrument hedges a non-trading equity instrument (or a component thereof) at fair value through other comprehensive income).
- b. The gain or loss on hedged item arising from risk exposure should be recognized in profit or loss, and meanwhile, the carrying amount of the hedged item which is not measured at fair value should be adjusted. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income in accordance with article XVIII in “CASBE 22—Financial Instruments: Recognition and Measurement”, the gain or loss arising from the risk exposure on the hedged item shall be recognized in profit or loss, with carrying amount unadjusted for it has already been measured at fair value; if the hedged item is a non-trading equity instrument (or a component thereof) for which the Company has elected to present changes at fair value through other comprehensive income, the gain or loss arising from the risk exposure on the hedged item shall be recognized in profit or loss, with carrying amount unadjusted for it has already been measured at fair value.

When a hedged item is an unrecognized firm commitment (or a component thereof), the cumulative change in fair value of the hedged item subsequent to its designation is recognized as an asset or a liability with a corresponding gain or loss recognized in profit or loss. When a firm commitment is performed to acquire an asset or assume a liability, the initial carrying amount of the asset or the liability is adjusted to include the cumulative change in fair value of the hedged item that was previously recognized.

For a hedged item that is a financial instrument (or a component thereof) measured at amortized cost, any adjustment on the carrying amount of the hedged item shall be amortized to profit or loss based on a recalculated effective interest rate at the date that amortization begins. In the case of a financial asset (or a component thereof) that is a hedged item and that is measured at fair value through other comprehensive income in accordance with article XVIII in “CASBE 22—Financial Instruments: Recognition and Measurement”, amortization applies in the same manner but to the amount that represents the cumulative gain or loss previously recognized, which shall be subsequently recognized in profit or loss, instead of by adjusting the carrying amount.

2) Cash flow hedges

- a. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income as cash flow hedge reserve, while the ineffective portion shall be recognized in profit or loss. The cash flow hedge reserve shall be recognized at the lower of the following (in absolute amounts): (i) the cumulative gain or loss on the hedging instrument from inception of the hedge; and (ii) the cumulative change in present value of the expected future cash flows of the hedged item from inception of the hedge.
- b. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which

fair value hedge accounting is applied, the Company shall transfer out the amount of cash flow hedge reserve previously recognized in other comprehensive income, and include it in the initial cost of the asset or the liability.

- c. For other cash flow hedges, the amount of cash flow hedge reserve previously recognized in other comprehensive income shall be transferred out into profit or loss in the same period the hedged forecast sale affects profit or loss.

3) Hedges of a net investment in a foreign operation

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income, and reclassified from other comprehensive income to profit or loss on the disposal of the foreign operation; and the ineffective portion is recognized in profit or loss.

2. Accounting treatment related to share repurchase

When the Company repurchases its shares for the purpose of reducing its registered capital or rewarding its employees, if the purchased shares are to be kept as treasury shares, the treasury shares are recorded at the cash distributed to existing shareholders for repurchase; if the purchased shares are to be retired, the difference between the total book value of shares retired and the cash distributed to existing shareholders for repurchase is to reduce capital reserve, or retained earnings when the capital reserve is not enough to reduce. If the Company repurchases vested equity instruments in equity-settled share-based payment transactions with employees, cost of treasury shares granted to employees and capital reserve (other capital reserve) accumulated within the vesting period are to be written off on the payment made to employees, with a corresponding adjustment in capital reserve (share premium).

(XXXIII) Significant changes in accounting policies and estimates

- (4) The Company has adopted the regulations about accounting for modifications of share-based payment transactions from cash-settled to equity-settled in the “Interpretation of China Accounting Standards for Business Enterprises No. 16” issued by the Ministry of Finance since November 30, 2022. Such change in accounting policies has no impact on the Company’s financial statements.

#### IV. Taxes

##### (I) Main taxes and tax rates

<u>Taxes</u>	<u>Tax bases</u>	<u>Tax rates</u>
Value-added tax (VAT) . . . . .	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	16%, 13%, 6%
Mineral tax . . . . .	Taxable revenue	3.5%, 10%
Housing property tax . . . . .	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting a certain percentage of the cost; for housing property levied on	

## (II) Tax preferential policies

### 1. VAT

#### (1) Domestic entities

Manufacturing enterprises including the Company and its subsidiary Huayou Quzhou enjoy the tax preferential policy of “exemption, credit and refund” for export goods, and tax fund rate is 0% and 13%; foreign trade enterprises including the subsidiary Huayou Import & Export enjoy the tax preferential policy of “exemption and refund” for export goods, and the tax fund rate ranges from 0% to 13%.

#### (2) Overseas entities

The tax rate for export goods of the subsidiaries CDM Company, MIKAS Company and OIM Company is 0%. If the deductible VAT is higher than the VAT payable, the surplus can be refunded or carried forward to offset future VAT payable.

Pursuant to the Decree of Minister of Finance of Indonesia, Huayue Company, Huake Indonesia, Huafei Indonesia and Huashan Indonesia enjoy the import duty exemption policy regarding part of taxable goods.

### 2. Enterprise income tax

#### (1) Domestic entities

Pursuant to the “High-tech Enterprise Certificate” jointly issued by Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, State Taxation Administration (STA) on December 1, 2020, the Company is accredited as a high-tech enterprise. Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China”, the Company is entitled to enjoy the preferential enterprise income tax policy as a high-tech enterprise and subject to a reduced rate of 15% in the current period.

Pursuant to the “High-tech Enterprise Certificate” jointly issued by Science and Technology Department of Zhejiang Province, Zhejiang Provincial Department of Finance and Zhejiang Provincial Tax Service, STA on December 16, 2021, New Energy Quzhou is accredited as a high-tech enterprise. Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China”, New Energy Quzhou is entitled to enjoy the preferential enterprise income tax policy as a high-tech enterprise and subject to a reduced rate of 15% in the current period.

Pursuant to the “High-tech Enterprise Certificate” jointly issued by Tianjin Municipal Science and Technology Bureau, Tianjin Finance Bureau and Tianjin Municipal Tax Service, STA on October 28, 2020, Tianjin B&M is accredited as a high-tech enterprise. Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China”, Tianjin B&M is entitled to enjoy the preferential enterprise income tax policy as a high-tech enterprise and subject to a reduced rate of 15% in the current period.

Pursuant to the “High-tech Enterprise Certificate” jointly issued by Science and Technology Department of Jiangsu Province, Jiangsu Provincial Department of Finance and Jiangsu Provincial Tax Service, STA on December 12, 2022, Jiangsu Huayou is accredited as a high-tech enterprise. Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China”, Jiangsu Huayou is entitled to enjoy the preferential enterprise income tax policy as a high-tech enterprise and subject to a reduced rate of 15% in the current period.

Pursuant to the “Announcement on Continuing the Enterprise Income Tax Policy for the Western Development” (Announcement of the Ministry of Finance [2020] No. 23), Chengdu B&M is entitled to enjoy the preferential enterprise income tax policy as an enterprise engaged in the encouraged industries in the western region and subject to a reduced rate of 15% in the current period.

Pursuant to the “Announcement of the State Taxation Administration on Matters Concerning the Implementation of Preferential Income Tax Policies for Supporting the Development of Small Enterprises with Meager Profit and Individually-Owned Businesses” (Announcement of the State Taxation Administration [2021] No. 8) and the “Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementation of Income Tax Preferential Policies for Small Enterprises with Meager Profit” (Announcement of the Ministry of Finance and the State Taxation Administration [2022] No. 13), for the subsidiaries Beijing Huashan, Wenzhou Huake, Guangxi Huayou New Energy, Guangxi Regeneration, which are qualified as small enterprises with meager profits, in 2022, their enterprise income tax for the portion of the taxable income within 1.00 million yuan is levied at 20% based on 12.5% of that portion of income, while the enterprise income tax for the portion of the taxable income exceeding 1.00 million yuan but within 3.00 million yuan is levied at 20% based on 50% of that portion of income.

Pursuant to the “Notice of the People’s Government of Guangxi Zhuang Autonomous Region on Several Policies for Promoting the High-level Opening and High-Quality Development of the Guangxi Beibu Gulf Economic Zone in the New Era” (Gui Zheng Fa [2020] No. 42), the subsidiary Guangxi B&M, as a new enterprise registered and established in the economic zone, is accredited as a high-tech enterprise or an enterprise entitled to enjoy the preferential enterprise income tax policy for the western development. It is exempted from enterprise income tax shared by local governments for 5 years since the first year in which the revenue from main operations is generated.

## (2) Overseas entities

Pursuant to the Decree of Minister of Finance of Indonesia Concerning Preferential Policies of Enterprise Income Tax Reduction and Exemption to Huayue Company, Huayue

### 3. Import duty

Pursuant to the Decree of Minister of Finance of Indonesia, Huayue Company, Huake Indonesia, Huafei Indonesia and Huashan Indonesia enjoy the import duty exemption policy on imported machinery.

## V. Notes to items of consolidated financial statements

### (I) Notes to items of the consolidated balance sheet

#### 1. Cash and bank balances

##### (1) Details

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Cash on hand . . . . .	25,777,978.79	30,717,041.97
Cash in bank. . . . .	8,030,335,929.04	6,028,851,637.85
Other cash and bank balances . . . . .	7,379,661,572.84	3,709,915,975.32
Total . . . . .	15,435,775,480.67	9,769,484,655.14
Including: Deposited overseas . . . . .	2,819,262,572.40	1,749,990,024.72

##### (2) Other remarks

At the balance sheet date, other cash and bank balances include deposits for bank



#### 4. Accounts receivable

##### (1) Details

##### 1) Details on categories

<u>Categories</u>	<u>Closing balance</u>				
	<u>Book balance</u>		<u>Provision for bad debts</u>		<u>Carrying amount</u>
	<u>Amount</u>	<u>% to total</u>	<u>Amount</u>	<u>Provision proportion</u>	
			<u>(%)</u>		
Receivables with provision made on an individual basis . . . . .	5,628,944.86	0.07	5,628,944.86	100.00	
Receivables with provision made					

(2) Age analysis

<u>Ages</u>	<u>Closing book balance</u>
Within 1 year . . . . .	8,453,890,322.09
1-2 years . . . . .	7,652,233.38
2-3 years . . . . .	1,302,003.32
Over 3 years . . . . .	19,923,360.35
Total . . . . .	8,482,767,919.14

(3) Changes in provision for bad debts

1) Details

<u>Items</u>	<u>Opening balance</u>	<u>Increase</u>			<u>Decrease</u>			<u>Closing balance</u>
		<u>Accrual</u>	<u>Recovery</u>	<u>Others [Note]</u>	<u>Reversal</u>	<u>Write-off</u>	<u>Others [Note]</u>	
Receivables with provision for bad debts made on an individual basis . . . . .	25,238,344.58	502,500.00				20,111,899.72		5,628,944.86
Receivables with provision for bad debts made on a collective basis . . . . .	244,107,681.70	196,105,511.77	200,824.70	8,935.09		195,580.00	36,868.33	440,190,504.93
Total . . . . .	269,346,026.28	196,608,011.77	200,824.70	8,935.09		20,307,479.72	36,868.33	445,819,449.79

**Note:** Other changes refer to changes in provision for bad debts due to changes of the consolidation scope.

(4) Accounts receivable written off in the current period

1) Accounts receivable actually written off in the current period totaled 20,307,479.72 yuan.

2) Significant accounts receivable written off in the current period

<u>Debtors</u>	<u>Nature of receivables</u>	<u>Amount written off</u>	<u>Reasons for write-off</u>	<u>Write-off procedures performed</u>	<u>Whether arising from related party transactions</u>
Ningxia King Lithium Cell Co., Ltd. . . . .	Payments for goods	9,209,380.00	Irrecoverable	Approval signed by the Chairman of the Board.	No

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(5) Details of the top 5 debtors with largest balances

Closing balance of top 5 debtors totaled 4,582,864,366.19 yuan, accounting for 54.03% of the total closing balance of accounts receivable, and provision for bad debts made thereon totaled 229,143,218.31 yuan.

5. Receivables financing

(1) Details

Items	Closing balance		Opening balance	
	Carrying amount	Accumulated provision for credit impairment	Carrying amount	Accumulated provision for credit impairment
Bank acceptance . . . . .	2,437,994,963.68		1,319,017,850.74	
Total . . . . .	2,437,994,963.68		1,319,017,850.74	

(2) No receivables financing written off in the current period.

(3) Pledged notes at the balance sheet date

Items	Closing balance of pledged notes
Bank acceptance . . . . .	1,058,742,915.84
Subtotal . . . . .	1,058,742,915.84

(4) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized
Bank acceptance . . . . .	13,879,870,204.22
Subtotal . . . . .	13,879,870,204.22

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

6. Advances paid

(1) Age analysis

1) Details

	Closing balance	Opening balance
Ages		



(Continued)

<u>Categories</u>	<u>Book balance</u>		<u>Opening balance</u>		<u>Carrying amount</u>
	<u>Amount</u>	<u>% to total</u>	<u>Provision for bad debts</u>		
			<u>Amount</u>	<u>Provision proportion</u>	
				(%)	
Receivables with provision					

Changes in provision for bad debts

Items	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance. . . . .	5,443,382.68	9,852,970.52	28,697,609.20	43,993,962.40
Opening balance in the current period . . . . .	—	—	—	
— Transferred to stage 2 . . . . .	-4,239,039.44	4,239,039.44		
— Transferred to stage 3 . . . . .		-11,757,011.76	11,757,011.76	
— Reversed to stage 2 . . . . .				

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables	Provision for bad debts
				(%)	
SINO IC Leasing Co., Ltd. . . . .	Security deposits	12,000,000.00	Within 1 year: 6,600,000.00 yuan; 1-2 years: 5,400,000.00 yuan	2.53	1,410,000.00
Subtotal . . . . .		340,931,678.48		71.93	18,575,000.00

## 8. Inventories

### (1) Details

Items	Closing balance [Note]			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials. . . . .	9,474,980,852.67	208,141,643.64	9,266,839,209.03	4,502,475,893.36	2,930,164.38	4,499,545,728.98
Work in process. . . . .	3,393,242,911.46	42,687,233.53	3,350,555,677.93	1,999,451,448.20	1,658,601.67	1,997,792,846.53
Goods on hand . . . . .	4,828,740,835.73	321,960,882.29	4,506,779,953.44	2,541,388,791.33	47,031,014.69	2,494,357,776.64
Materials on consignment for further processing. . . . .	571,492,339.50	3,644,503.40	567,847,836.10	43,260,608.84		43,260,608.84
Total . . . . .	18,268,456,939.36	576,434,262.86	17,692,022,676.50	9,086,576,741.73	51,619,780.74	9,034,956,960.99

Note: Closing balance includes gains or losses on changes in fair value of hedged inventories of 698,873,451.32 yuan. Please refer to section IX (II) of notes to the financial statements for details.

### (2) Provision for inventory write-down

#### 1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials . . . . .	2,930,164.38	220,344,768.29		15,133,289.03		208,141,643.64
Work in process . . . . .	1,658,601.67	106,358,056.28		65,329,424.42		42,687,233.53
Goods on hand . . . . .	47,031,014.69	959,888,729.48		684,958,861.88		321,960,882.29
Materials on consignment for further processing. . . . .		3,644,503.40				3,644,503.40
Total . . . . .	51,619,780.74	1,290,236,057.45		765,421,575.33		576,434,262.86

#### 2) Determination basis of net realizable value and reasons for the reversal or write-off of provision for inventory write-down

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, with provisions for inventory write-down made on the excess of its cost over the net realizable value on an individual basis. Net realizable value of goods on hand are measured based on estimated selling price less estimated selling expenses and relevant taxes and surcharges; net realizable value of raw materials, work in process and materials on consignment for further processing are measured based on estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges. Current decreases all refer to provision for inventory write-down made in the preceding period but written off in the current period due to sale or use of relevant inventories.

9. Other current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Input VAT to be credited or refunded . . . . .	2,721,895,467.94		2,721,895,467.94	861,711,599.53		861,711,599.53
Prepaid enterprise income tax . . . . .	169,242,349.00		169,242,349.00	4,763,559.99		4,763,559.99
Total . . . . .	2,891,137,816.94		2,891,137,816.94	866,475,159.52		866,475,159.52

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amount Book balance



2) La Province du Lualaba

Pursuant to the “Pre-financing Agreement on Restoration Engineering of Luena Road” and the “Concession Contract” entered into between the subsidiary CDM Company and La Province du Lualaba respectively in September 2017 and March 2018, the subsidiary CDM Company rendered borrowings of USD4.00 million to La Province du Lualaba for road restoration. La Province du Lualaba would repay the borrowings with taxes on proceedings from right-of-way of the road section. As of December 31, 2022, the subsidiary CDM Company has paid USD2,262,929.32 (equivalent to 15,760,397.55 yuan according to the exchange rate as at December 31, 2022).

3) IWIP Company

Pursuant to the “Shareholder Loan Agreement” entered into between the subsidiary Huachuang International and the associate IWIP Company in 2019, Huachuang International, as shareholder of IWIP Company, rendered shareholder borrowings of USD27,780,000.00 to IWIP Company (equivalent to 193,476,588.00 yuan according to the

(2) Details

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**Investees**

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Investees	Increase/Decrease				
	Opening balance	Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Quzhou Xinhua Equity Investment Partnership (LP) (the "Quzhou Xinhua") . . . . .		1,189,000,000.00		-6,164,904.72	
Zhejiang Power Investment Huayou Intelligent Energy Co., Ltd. (the "Zhejiang Power Investment") . . .		1,800,000.00			
Tongxiang Lithium Times Equity Investment Partnership (LP) (the "Tongxiang Lithium Times") . . . .				-19,474.44	
Subtotal . . . . .	3,421,447,138.87	2,980,418,575.00	26,080,597.80	1,652,152,747.50	147,732,282.12
Total . . . . .	3,427,752,883.98	2,980,418,575.00	26,080,597.80	1,651,624,362.96	147,709,606.08

(Continued)

Investees	Increase/Decrease					Closing balance of provision for impairment
	Changes in other equity	Cash dividend/Profit declared for distribution	Provision for impairment	Others	Closing balance	
Joint ventures . . . . .						
Alam Hijau . . . . .					5,754,684.53	
Subtotal . . . . .					5,754,684.53	
Associates . . . . .						
Newstride Technology . .		100,365,434.82			1,631,947,604.19	
Minfu Woneng . . . . .						1,161,307.33
Hanmo New Energy . . .						
AVZ Company . . . . .					61,498,188.69	
Puhua Company . . . . .					444,006,736.43	
Leyou Company . . . . .		163,980,830.12			1,791,301,622.91	
Ruiyou Company . . . . .					10,000,143.45	
Veinstone . . . . .					181,090,710.58	
IWIP Company . . . . .					295,819,375.50	
Indonesia Huatuo . . . .						3,479,194.09
Quzhou Anyou . . . . .					594,118,061.75	
PHC Company . . . . .					217,626,738.31	
				-1,500,000.00		
Shenzhen Phoenicia . . .				[Note]		
Huafei Indonesia . . . .						
Hunan Yacheng . . . . .	-953,746.85				130,099,919.36	
Hubei Xingyou . . . . .						
Guangxi Times Li-ion Investment Management Center . .					708,754,753.47	
Guangxi Times Li-ion Industry Fund . . . . .					657,990,658.42	
Quzhou Xinhua . . . . .						

## 12. Other equity instrument investments

### (1) Details

Items	Closing balance	Opening balance	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
Beijing Saidemei Resources Recycling Research Institute Co., Ltd. (the “Beijing Saidemei”). . .		1,550,000.00		2,513,800.00	Equity transfer
Inner Mongolia Sinuo New Material Technology Co., Ltd. (the “Inner Mongolia Sinuo”). . .	36,894,737.00	29,000,000.00			
HANAQ Company . . . . .	4,002,445.81	4,002,445.81			
Shenzhen Phoenicia. . . . .	1,750,000.00				
Total . . . . .	42,647,182.81	34,552,445.81		2,513,800.00	

### (2) Reasons for equity instrument investments designated as at fair value through other comprehensive income

Considering that the above investments are non-trading equity instrument investments, the Company designated them as equity instrument investments at fair value through other comprehensive income.

## 13. Other non-current financial assets

### (1) Details

Items	Closing balance	Opening balance
Financial assets classified as at fair value through profit or loss . . . . .	527,509,366.89	6,573,600.00
Including: Equity instrument investments . . . . .	527,509,366.89	6,573,600.00
Total . . . . .	527,509,366.89	6,573,600.00

### (2) Other remarks

Investees	Opening balance	Increase	Decrease	Closing balance
SGM . . . . .	6,573,600.00			6,573,600.00
HLN Company [Note]. . . . .		520,935,766.89		520,935,766.89
Subtotal . . . . .	6,573,600.00	520,935,766.89		527,509,366.89

Note: Pursuant to the “Agreement on Convertible Bonds” entered into between the subsidiary Huayong International and HLN Company in 2022, the subsidiary Huayong International subscribed convertible bonds corresponding to 10.00% of equity of HLN Company at a price of IDR 1.07 trillion (presented under non-current financial assets).

## 14. Fixed assets

### (1) Details

Items	Buildings and structures	Machinery	Transport facilities	Other equipment	Total
<b>Cost</b>					
Opening balance . . . . .	5,384,618,800.50	9,668,703,108.81	337,973,625.73	424,401,887.41	15,815,697,422.45
Increase. . . . .	4,097,414,617.67	11,342,822,997.74	429,970,702.33	229,886,369.77	16,100,094,687.51
1) Acquisition . . . . .	55,824,799.16	119,268,815.34	291,613,201.44	76,462,458.16	543,169,274.10
2) Transferred in from					
construction in progress . . .	3,790,436,363.27	10,625,929,114.40		148,801,804.29	14,565,167,281.96
3) Business combination . . . . .	188,291.53	16,009,607.12	97,191,877.84	2,046,602.65	115,436,379.14
4) Translation reserve . . . . .	250,965,163.71	581,615,460.88	41,165,623.05	2,575,504.67	876,321,752.31
Decrease . . . . .	63,092,781.92	49,500,609.12	5,420,476.85	14,224,510.92	132,238,378.81
1) Disposal/Scrapping . . . . .	21,481,271.55	42,469,237.23	3,606,433.87	13,692,692.16	81,249,634.81
2) Business combination . . . . .	41,611,510.37	7,031,371.89	1,814,042.98	531,818.76	50,988,744.00
Closing balance. . . . .	9,418,940,636.25	20,962,025,497.43	762,523,851.21	640,063,746.26	31,783,553,731.15
<b>Accumulated depreciation</b>					
Opening balance . . . . .	946,205,604.11	2,445,888,522.15	96,843,962.26	159,237,295.09	3,648,175,383.61
Increase. . . . .	369,856,144.59	1,428,974,253.10	78,881,510.37	89,342,577.06	1,967,054,485.12
1) Accrual . . . . .	319,413,713.98	1,305,277,101.30	65,022,812.07	86,851,312.16	1,776,564,939.51
2) Business combination . . . . .	7,523.80	4,713,170.55	4,852,261.58	1,308,805.56	10,881,761.49
3) Translation reserve . . . . .	50,434,906.81	118,983,981.25	9,006,436.72	1,182,459.34	179,607,784.12
Decrease . . . . .	28,233,592.65	36,559,929.04	4,312,421.18	4,984,493.33	74,090,436.20
1) Disposal/Scrapping . . . . .	3,129,220.98	30,426,651.23	2,734,116.83	4,630,702.10	40,920,691.14
2) Business combination . . . . .	25,104,371.67	6,133,277.81	1,578,304.35	353,791.23	33,169,745.06
Closing balance. . . . .	1,287,828,156.05	3,838,302,846.21	171,413,051.45	243,595,378.82	5,541,139,432.53
<b>Provision for impairment</b>					
Opening balance . . . . .	21,908,400.62	19,577,616.87	174,687.29	1,411,615.52	43,072,320.30
Increase. . . . .					
1) Accrual . . . . .					
2) Translation reserve . . . . .					
Decrease . . . . .	16,507,138.70	1,012,516.83	174,687.29	33,222.87	17,727,565.69
1) Disposal/Scrapping . . . . .		192,352.84		5,177.63	197,530.47
2) Business combination . . . . .	16,507,138.70	820,163.99	174,687.29	28,045.24	17,530,035.22
Closing balance. . . . .	5,401,261.92	18,565,100.04		1,378,392.65	25,344,754.61
<b>Carrying amount</b>					
Closing balance. . . . .	8,125,711,218.28	17,105,157,551.18	591,110,799.76	395,089,974.79	26,217,069,544.01
Opening balance . . . . .	4,416,504,795.77	7,203,236,969.79	240,954,976.18	263,752,976.80	12,124,449,718.54

### (2) Fixed assets temporarily idle

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Buildings and structures. . . . .	10,703,380.52	4,600,152.73	6,103,227.79		
Machinery . . . . .	42,759,143.34	31,451,272.59	10,823,071.60	484,799.15	
Other equipment. . . . .	293,467.24	221,584.58	8,630.74	63,251.92	
Subtotal . . . . .	53,755,991.10	36,273,009.90	16,934,930.13	548,051.07	

### (3) Fixed assets leased out under operating leases

Items	Closing carrying amount
Buildings and structures . . . . .	143,222.36
Other equipment . . . . .	9,258,001.05
Subtotal . . . . .	9,401,223.41

As the fixed assets leased out under operating leases were only part of the Company's buildings and structures for temporary lease, they were not accounted for as investment property.

(4) Fixed assets with certificate of titles being unsettled

<u>Items</u>	<u>Carrying amount</u>	<u>Reasons for unsettlement</u>
Buildings and structures . . . . .	1,463,072,992.15	In processing.
Subtotal . . . . .	1,463,072,992.15	

15. Construction in progress

(1) Details

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Construction in progress		

**Items**

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## 2) Changes in significant projects

<b>Projects</b>	<b>Budgets</b>	<b>Opening balance</b>	<b>Increase [Note]</b>	<b>Transferred to fixed assets</b>	<b>Other decreases</b>	<b>Closing balance</b>
	(0'000)					
Construction project of Cobalt and Nickel New Material Research Institute . . . . .	28,739.25	183,077,163.04	98,053,350.16	281,130,513.20		
Construction project of Huayou Technology Innovation Center . . . .	40,152.00	105,518,876.90	50,186,145.56	5,764,306.13		149,940,716.33
High-purity ternary power battery grade nickel sulfate project with an annual output of 30,000 tons (metal content) . . .	80,086.00	404,971,085.98	232,869,091.80	590,378,073.33		47,462,104.45
High-grade nickel power battery grade nickel sulfate project with an annual output of 50,000 tons (metal content) . . .	79,455.71	251,206,988.70	299,191,179.60	550,398,168.30		
Ternary precursor material project for high-grade nickel power battery with an annual output of 50,000 tons . . . . .	135,306.61	755,812,376.99	358,995,983.34	928,526,468.29		186,281,892.04
Ternary cathode material precursor project for high-performance power battery with an annual output of 50,000 tons . . .	124,479.00	101,095,586.82	676,069,823.93	372,643,434.20		404,521,976.55
Nickel cobalt hydroxide project with an annual output of 60,000 tons (nickel content) . . . . .	USD124,739.10	5,428,143,914.13	1,487,458,413.93	6,753,841,547.08		161,760,780.98
New energy precursor material project for lithium battery with an annual output of 30,000 tons . . . . .	98,226.00	75,436,129.06	695,527,026.21	424,085,553.47		346,877,601.80
High-grade nickel matte project with an annual output of 45,000 tons (nickel content) . . . . .	USD48,943.00	997,080,941.89	1,683,230,256.45	2,680,311,198.34		
High energy density li-ion battery materials industrialization project . . . . .	254,213.00	428,453,373.36	272,534,074.72	700,987,448.08		
Construction of Huayou Headquarters Research Institute . . . . .	35,000.00	120,658,315.19	445,713,270.64	563,263,930.12		3,107,655.71
High-purity nickel sulfate project with an annual output of 100,000 tons (metal) . . . . .	271,706.20		441,785,175.04			441,785,175.04



<u>Projects</u>	<u>Budgets</u>	<u>Opening balance</u>	<u>Increase [Note]</u>	<u>Transferred to fixed assets</u>	<u>Other decreases</u>	<u>Closing balance</u>
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(0'000)



<b>Projects</b>	<b>Accumulated input to budget</b>	<b>Completion percentage</b>	<b>Accumulated amount of borrowing cost capitalization</b>	<b>Amount of borrowing cost capitalization in the current period</b>	<b>Annual capitalization rate</b>	<b>Fund source</b>
	(%)	(%)			(%)	
The new generation of high specific capacity 3C cathode material project with an annual output of 50,000 tons. . . . .	19.80	20.00	4,875,544.61	4,875,544.61	4.69	financial institution loans and other sources
Nickel cobalt hydroxide project with an annual output of 120,000 tons (nickel content) . . . . .						

## 17. Intangible assets

### (1) Details

Items	Land use right	Software	Mining right	Patent right and software copyright	Pollution discharging right	Total
Cost						
Opening balance . . . . .	739,545,824.88	57,911,060.31	470,315,468.70	267,375,199.35	20,636,200.82	1,555,783,754.06
Increase . . . . .	114,841,425.90	11,060,771.83	2,879,944,599.27		4,135,142.00	3,009,981,939.00
1) Acquisition . . . . .	98,287,279.40	9,057,623.65			4,135,142.00	111,480,045.05
			2,677,232,468.22			
2) Business combination . . .		1,672,943.84	[Note]			2,678,905,412.06
3) Translation reserve . . . . .	16,554,146.50	330,204.34	202,712,131.05			219,596,481.89
Decrease . . . . .						
Closing balance . . . . .	854,387,250.78	68,971,832.14	3,350,260,067.97	267,375,199.35	24,771,342.82	4,565,765,693.06
Accumulated amortization						
Opening balance . . . . .	68,757,184.47	15,576,149.52	253,380,973.26	16,449,784.63	9,802,323.83	363,966,415.71
Increase . . . . .	21,586,708.82	6,205,186.67	76,266,470.61	26,769,543.74	4,170,101.71	134,998,011.55
1) Accrual . . . . .	19,327,681.24	5,873,224.44	50,627,670.54	26,769,543.74	4,170,101.71	106,768,221.67
2) Business combination . . .		232,199.87				232,199.87
3) Translation reserve . . . . .	2,259,027.58	99,762.36	25,638,800.07			27,997,590.01
Decrease . . . . .						
Closing balance . . . . .	90,343,893.29	21,781,336.19	329,647,443.87	43,219,328.37	13,972,425.54	498,964,427.26
Carrying amount						
Closing balance . . . . .	764,043,357.49	47,190,495.95	3,020,612,624.10	224,155,870.98	10,798,917.28	4,066,801,265.80
Opening balance . . . . .	670,788,640.41	42,334,910.79	216,934,495.44	250,925,414.72	10,833,876.99	1,191,817,338.35

Note: It refers to mining right increased due to business combination not under common control of Prospect Lithium.

### (2) Land use right with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Land use right of Huayue Company, Huake Indonesia, Guangxi Lithium and Quzhou Huayou Environmental Protection . . . . .	171,763,180.51	In processing.
Subtotal . . . . .	171,763,180.51	

## 18. Goodwill

### (1) Details

Investees or events resulting in goodwill	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Huahai New Energy . . . . .	95,136,198.86		95,136,198.86	95,136,198.86		95,136,198.86
Tianjin B&M . . . . .	366,245,456.38	2,965,735.57	363,279,720.81	366,245,456.38	901,194.16	365,344,262.22
Total . . . . .	461,381,655.24	2,965,735.57	458,415,919.67	461,381,655.24	901,194.16	460,480,461.08

### (2) Cost

Investees or events resulting in goodwill	Opening balance	Due to business combination in the current period	Decrease		Closing balance
			Disposal	Others	
Huahai New Energy . . . . .	95,136,198.86				95,136,198.86

Investees or events resulting in goodwill	Opening balance	Due to business combination in the current period	Decrease		Closing balance
			Disposal	Others	
Tianjin B&M . . . . .	366,245,456.38				366,245,456.38
Total . . . . .	461,381,655.24				461,381,655.24

(3) Provision for impairment

Investees or events resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Disposal	Others	
Tianjin B&M . . . . .	901,194.16	2,064,541.41				2,965,735.57
Total . . . . .	901,194.16	2,064,541.41				2,965,735.57

Goodwill of Tianjin B&M included: 1) the core goodwill of 336,004,594.11 yuan; and 2) the goodwill of 30,240,862.27 yuan arising from the recognition of deferred tax liabilities. For the latter, provision for impairment loss of goodwill was made based on corresponding holding proportion along with the reversal of deferred tax liabilities.

(4) Impairment test process

1) Huahai New Energy

a. Related information of asset group or asset group portfolios which include goodwill

Composition of asset group or asset group portfolios	Relevant asset group of Huahai New Energy
Carrying amount of asset group or asset group portfolios . . . . .	2,068,232,171.68
Carrying amount of goodwill allocated to the asset group or asset group portfolios. . . . .	95,136,198.86
Carrying amount of asset groups or asset group portfolios that include goodwill . . . . .	2,163,368,370.54
Whether asset group or asset group portfolios are consistent with those at acquisition date or at goodwill impairment testing date in previous years . . . . .	Yes

b. Impairment test process, method and conclusion

The recoverable amount of goodwill is computed based on the present value of estimated future cash flows, which is based on the 5-year estimated annual cash flows approved by the Company. The discount rate used in estimating the annual cash flows is 13.26% (before tax) (2021: 12.81%), and the cash flows subsequent to the estimated period are expected to be stable.

Other key data used in the impairment test include: the estimated selling price, sales amount, cost of product, and other relevant expenses. Such key data are determined by the Company based on its experience and its prediction towards market development. The discount rate used by the Company is the pre-tax interest rate that reveals the time value of currency under the current market situation and special risks of certain asset group.

The aforementioned estimation of the recoverable amount of goodwill suggests that the goodwill is not impaired.

2) Tianjin B&M

a. Related information of asset group or asset group portfolios which include goodwill

<u>Composition of asset group or asset group portfolios</u>	<u>Relevant asset group of Tianjin B&amp;M</u>
Carrying amount of asset group or asset group portfolios . . . . .	3,941,353,777.10
Carrying amount of goodwill allocated to the asset group or asset group portfolios. . . . .	870,084,521.17
Carrying amount of asset group or asset group portfolios that include goodwill . . . . .	4,811,438,298.27
Whether asset group or asset group portfolios are consistent with those at acquisition date or at goodwill impairment testing date in previous years . . . . .	Yes

b. Impairment test process, method and conclusion

The recoverable amount of goodwill is computed based on the present value of estimated future cash flows, which is based on the 5-year estimated annual cash flows approved by the Company.

The discount rate used in estimating the annual cash flows is 14.26% (2021: 13.89%), and the cash flows subsequent to the estimated period are expected to be stable.

## 20. Deferred tax assets and deferred tax liabilities

### (1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Uncovered losses . . . . .	883,309,333.15	162,234,731.96	288,626,080.46	72,156,520.12
Deferred income . . . . .	519,759,486.05	121,485,237.69	444,089,181.12	105,845,508.58
Provision for impairment of assets . .	937,156,608.98	183,840,564.82	291,806,406.80	51,279,014.30
Unrealized profit from inventories. . .	1,701,052,808.50	330,094,177.10	555,341,660.38	117,677,690.20
Gains or losses on changes in fair value. . . . .	33,679,150.31	4,690,307.75		
Expenses related to share-based payment . . . . .	188,939,313.96	28,340,897.09	158,766,835.07	23,815,025.26
Total. . . . .	4,263,896,700.95	830,685,916.41	1,738,630,163.83	370,773,758.46

### (2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Temporary difference of long-term assets . . . . .	425,474,971.83	55,518,755.37	497,855,156.20	69,896,630.79
Depreciation of fixed assets . . . . .	1,554,086,764.88	304,365,803.90	327,054,279.90	74,244,116.70
Gains or losses on changes in fair value. . . . .			25,920,305.01	4,188,247.13
Total. . . . .	1,979,561,736.71	359,884,559.27	850,829,741.11	148,328,994.62

### (3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Temporary difference of long-term assets . . . . .		

## 21. Other non-current assets

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayments for acquisition of land and engineering equipment . . . . .	4,933,960,087.63		4,933,960,087.63	2,934,461,836.89		2,934,461,836.89
Prepayments for equity investment [Note] . . . . .	1,061,032,701.24		1,061,032,701.24	127,514,040.64		127,514,040.64
Total . . . . .	5,994,992,788.87		5,994,992,788.87	3,061,975,877.53		3,061,975,877.53

Note: It mainly includes: (1) advances paid for the Company's acquisition of equity of Denway Development Limited of 50.00 million yuan; (2) advances paid for the subsidiary Huayou Mining Hong Kong's acquisition of equity of Chongjing Holding Limited of USD100.00 million; (3) advances paid for the subsidiary Huayou Mining Hong Kong's acquisition of equity of Dathomir International Corp. of USD25.00 million; (4) advances paid for the subsidiary Huacai Hong Kong's acquisition of equity of PT. Wana Kencana Mineral of USD20.00 million. The above-mentioned equities were temporarily presented under other non-current assets as the equity transfer was not yet completed.

## 22. Short-term borrowings

### (1) Details

Items	Closing balance	Opening balance
Guaranteed borrowings . . . . .	6,159,903,975.17	4,126,701,735.13
Credit borrowings . . . . .	1,659,470,318.56	1,166,549,556.40
Pledged borrowings . . . . .	4,128,113,282.24	2,410,825,955.03
Guaranteed and pledged borrowings . . . . .	50,000,000.00	50,000,000.00
Guaranteed and mortgaged borrowings . . . . .		316,751,400.00
Interest on short-term borrowings . . . . .	22,335,127.70	12,951,198.14
Total . . . . .	12,019,822,703.67	8,083,779,844.70

(2) No overdue and outstanding short-term borrowings at the balance sheet date.

## 23. Held-for-trading financial liabilities

Items	Closing balance	Opening balance
Held-for-trading financial liabilities . . . . .	40,024,798.40	360,612.00
Including: Derivative financial liabilities . . . . .	40,024,798.40	360,612.00
Total . . . . .	40,024,798.40	360,612.00

## 24. Derivative financial liabilities

Items	Closing balance	Opening balance
Hedged futures contracts . . . . .		104,821,710.25
Total . . . . .		104,821,710.25

## 25. Notes payable

### (1) Details

Items	Closing balance	Opening balance
Trade acceptance . . . . .	1,471,187,597.59	834,020,112.13
Bank acceptance . . . . .	9,311,043,710.95	3,976,777,510.99
Total . . . . .	10,782,231,308.54	4,810,797,623.12

(2) No overdue and outstanding notes payable at the balance sheet date.



## 26. Accounts payable

### (1) Details

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Payments for goods . . . . .	11,189,429,163.91	4,114,060,983.46
Payments for engineering and equipment . . . . .	3,373,461,269.89	2,089,527,914.24
Others . . . . .	48,000,767.50	29,583,513.06
Total . . . . .	14,610,891,201.30	6,233,172,410.76

(2) No material closing balance with age over one year.

## 27. Advances received

### (1) Details

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Payments for equipment received in advance . . . . .		641,739,400.77
Equity funds received in advance [Note] . . . . .	492,095,800.00	
Others . . . . .	21,870.03	3,000,000.13
Total . . . . .	492,117,670.03	644,739,400.90

Note: It refers to equity transfer fund of USD70.00 million received in advance for 10.00% of equity of Prospect Lithium, which was temporarily presented under advances received as the equity transfer was not yet completed.

(2) No material closing balance with age over one year.

## 28. Contract liabilities

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Payments for goods . . . . .	2,359,463,860.52	78,968,534.53
Total . . . . .	2,359,463,860.52	78,968,534.53

## 29. Employee benefits payable

### (1) Details

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(2) Details of short-term employee benefits

<u>Items</u>	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>
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(3) Other remarks

- 1) Call loans and interest mainly include: a. balance of 1,049,603,252.21 yuan due to Glaucous International Pte. Ltd.; b. balance of 796,174,113.24 yuan due to Eve Asia Co., Limited; c. balance of 161,828,380.65 yuan due to Tsingshan Holding Group Co., Ltd.; d. balance of 60,775,000.00 yuan due to Huayou Holding; and e. balance of 520,022,108.07 yuan due to Newstride Technology.
- 2) Please refer to section V (I) 42 of notes to the financial statements for details on repurchase obligation of restricted shares.

32. Non-current liabilities due within one year

(1) Details

Items	Closing balance	Opening balance
Long-term borrowings due within one year . . . . .	3,985,827,625.43	1,911,767,314.98
Call loans and interest . . . . .		18,477,837.35
Sale and leaseback payments due within one year . . .	1,722,020,059.88	679,795,502.76
Lease liabilities due within one year . . . . .	50,080,626.56	25,917,330.55
Total . . . . .	5,757,928,311.87	2,635,957,985.64

(2) Details of non-current liabilities due within one year

Items	Closing balance	Opening balance
Guaranteed borrowings . . . . .	1,464,821,176.89	1,160,122,228.30
Guaranteed and mortgaged borrowings . . . . .	2,412,029,199.34	524,552,687.31
Guaranteed and pledged borrowings . . . . .	100,000,000.00	100,000,000.00
Credit borrowings . . . . .		125,159,270.83
Interest on borrowings . . . . .	8,977,249.20	1,933,128.54
Total . . . . .	3,985,827,625.43	1,911,767,314.98

33. Other current liabilities

(1) Details

Items	Closing balance	Opening balance
Short-term bonds payable . . . . .	1,311,482,728.68	
Output VAT to be recognized . . . . .	235,500,632.27	4,147,523.95
Total . . . . .	1,546,983,360.95	4,147,523.95

(2) Current period movements

Bonds	Par value	Issuing date	Maturity	Amount outstanding	Opening balance	Current period issuance
22 Huayou Cobalt SCP001 (Science and Technology Notes) . . . . .	600,000,000.00	8/16/2022	267 days	600,000,000.00		600,000,000.00
22 Huayou Cobalt SCP002 (Science and Technology Notes) . . . . .	700,000,000.00	10/27/2022	270 days	700,000,000.00		700,000,000.00
Subtotal . . . . .	1,300,000,000.00			1,300,000,000.00		1,300,000,000.00

(Continued)

<b>Bonds</b>	<b>Par value interest</b>	<b>Premium/Discount amortization</b>	<b>Current period repayment</b>	<b>Closing balance</b>
22 Huayou Cobalt SCP001 (Science and Technology Notes) . . . . .	8,707,500.00	660,000.00		608,047,500.00
22 Huayou Cobalt SCP002 (Science and Technology Notes) . . . . .	4,637,694.44	1,202,465.76		703,435,228.68
Subtotal . . . . .	13,345,194.44	1,862,465.76		1,311,482,728.68

(3) Other remarks

1) 22 Huayou Cobalt SCP001 (Science and Technology Notes)

In August 2022, the Company publicly issued the phase I ultra-short-term financing bonds of Zhejiang Huayou Cobalt Co., Ltd. of 2022 (Science and Technology Notes) (the “22 Huayou Cobalt SCP001 (Science and Technology Notes)”) totaling 600.00 million yuan,

(Continued)

<u>Bonds</u>	<u>Par value interest</u>	<u>Premium/ Discount amortization</u>	<u>Current period repayment (conversion)</u>	<u>Closing balance</u>
Huayou Convertible Bonds . . . . .	12,908,889.52	1,288,156,475.64	952,581.46	6,323,799,832.42
Subtotal . . . . .	12,908,889.52	1,288,156,475.64	952,581.46	6,323,799,832.42

(3) Other remarks

1) Basic information of convertible corporate bonds

Pursuant to the “Approval of Zhejiang Huayou Cobalt Co., Ltd.’s Public Offering of Convertible Corporate Bonds” (Zheng Jian Xu Ke [2022] No. 209) by the China Securities Regulatory Commission, the Company publicly issued 76.00 million convertible corporate bonds on February 24, 2022 at par value of 100 yuan per share, totaling 7.60 billion yuan, with a term of 6 years.

Pursuant to the regulations in “CASBE 37—Presentation of Financial Instruments”, for convertible bonds that are non-derivative financial instruments containing both financial liability component and equity instrument component, financial liabilities and equity instruments shall be measured separately at initial recognition. Therefore, the fair value of the financial liability component was recognized as bonds payable at 6,063,498,791.20 yuan after deducting allocated issuance expenses, and the fair value of equity instrument component was recognized as other equity instruments at 1,490,340,831.42 yuan after deducting allocated issuance expenses.

2) Conversion of convertible corporate bonds

As of December 31, 2022, a total of 9,280 Huayou Convertible Bonds have been converted into A shares of the Company at a price of 84.24 yuan per share, and 2,340 Huayou Convertible Bonds have been converted into A shares of the Company at a price of 84.25 yuan per share, totaling 13,730 shares (each with par value of 1 yuan). Accordingly, the difference of 1,166,716.72 yuan, which equals to the sum of the balance of bonds payable of 951,307.18 yuan, interest payable of 1,274.28 yuan and other equity instruments of 227,865.26 yuan less the increased share capital of 13,730.00 yuan, is included in capital reserve (share premium).

36. Lease liabilities

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Unpaid lease payments . . . . .	60,294,665.46	34,289,431.32
Less: Unrecognized financing expenses . . . . .	3,224,063.65	1,501,176.18
Total . . . . .	57,070,601.81	32,788,255.14

37. Long-term payables

(1) Details

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
Funds from sale and leaseback. . . . .	2,503,237,492.47	741,232,347.77
Long-term call loans and interest thereon . . . . .	2,652,140,756.41	319,993,726.26
Total . . . . .	5,155,378,248.88	1,061,226,074.03

(2) Other remarks

- 1) Funds from sale and leaseback refer to funds from financial institutions such as Cinda Financial Leasing Co., Ltd., Industrial Bank Financial Leasing Co., Ltd., Everbright Financial Leasing Co., Ltd. through the sale and leaseback of fixed assets (of which, 1,722,020,059.88 yuan should be repaid in 2023 and has been transferred to non-current liabilities due within one year).
- 2) Long-term call loans and interest thereon mainly include: a. balance of 349,550,371.7 yuan due to Kaifei Investment (Hong Kong) Limited; b. balances of 599,162,779.65 yuan due to W-Source Holding Limited, Tsing Creation International Holding, Long Sincere Holding Limited; c. balance of 115,822,600.38 yuan due to Wintime Industrial Holding Limited; d. balance of 1,585,510,922.38 yuan due to Eve Asia Co., Limited.

38. Provisions

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>	<u>Reasons for balance</u>
Environment restoration expenses . . . . .	42,977,538.13	26,769,294.11	It is the environmental restoration costs accrued by the subsidiaries MIKAS Company, CDM Company and Prospect Lithium according to the Mining Code of the Democratic Republic of the Congo.
Total . . . . .	42,977,538.13	26,769,294.11	

39. Deferred income

(1) Details

<u>Items</u>	<u>I t e m s</u>	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>	<u>Reasons for balance</u>
Government grants . . . . .	518,873,112.92	108,445,400.00	34,590,851.99	592,727,660.93	Granted by the government free of charge.	
Total . . . . .						

<b>Items</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Amount included into profit or loss [Note]</b>	<b>Closing balance</b>	<b>Related to assets/income</b>
Fiscal subsidies for technological innovation . . . . .	48,565,002.24	24,740,000.00	3,782,850.44	69,522,151.80	Related to assets
Subsidies for life cycle green					

<b>Items</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Amount included into profit or loss [Note]</b>	<b>Closing balance</b>	<b>Related to assets/income</b>
Subsidies for innovation-driven funds projects . . . .	17,813,446.85		2,364,871.48	15,448,575.37	Related to assets
Subsidies for investment in fixed assets . . . . .	2,970,127.47	3,793,900.00	434,585.43	6,329,442.04	Related to assets
Special subsidies for technological transformation . . .	29,241,005.63	3,206,100.00	3,841,616.44	28,605,489.19	Related to assets
Industrial chain collaborative innovation project . . . . .	13,500,000.00			13,500,000.00	Related to assets
Other piecemeal subsidies . . . . .	1,355,306.85	760,016.13	436,383.76	1,678,939.22	Related to assets
Special funds for science and technology development . . . .		3,604,800.00		3,604,800.00	Related to income
Other piecemeal subsidies . . . . .	1,085,353.07	1,266,983.87	489,366.47	1,862,970.47	Related to income
Subtotal . . . . .	518,873,112.92	108,445,400.00	34,590,851.99	592,727,660.93	

**Note:** Please refer to section V (IV) 3 of notes to the financial statements for details on go/8ewnTq106s2504 for



## 42. Capital reserve

### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium . . . . .	9,686,588,328.31	683,648,569.98	758,333,707.38	9,611,903,190.91
Other capital reserve . .	531,708,256.11	385,245,312.46	130,351,394.89	786,602,173.68
Total. . . . .	10,218,296,584.42	1,068,893,882.44	888,685,102.27	10,398,505,364.59

### (2) Other remarks

#### 1) Movements of share premium

Current increase of 683,648,569.98 yuan was due to the following:

- a. Pursuant to the restricted share incentive plan approved by the 26th meeting of the fifth session of the Board of Directors and the first extraordinary shareholders' meeting of 2021, it is determined that December 29, 2021 would be the grant date, and a total of 167,800 restricted shares would be granted to 37 incentive targets at a grant price of 58.07 yuan per share, with 167,800.00 yuan included in share capital and 9,576,346.00 yuan included in capital reserve (share premium). Such issuance of restricted shares had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2022] 25 was issued thereon. Meanwhile, pursuant to the "Interpretation of China Accounting Standards for Business Enterprises No. 7", treasury shares were increased by 9,744,146.00 yuan and other payables were increased by 9,744,146.00 yuan based on the number of restricted shares issued and the corresponding repurchase obligations.
- b. Pursuant to the restricted share incentive plan approved by the 33rd meeting and 39th meeting of the fifth session of the Board of Directors and the second extraordinary shareholders' meeting of 2022, it is determined that June 23, 2022 would be the grant date, and a total of 10,487,900 restricted shares would be granted to 1,170 incentive targets at a grant price of 32.35 yuan per share, with 10,487,900.00 yuan included in share capital and 328,795,665.00 yuan included in capital reserve (share premium). Such issuance of restricted shares had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2022] 330 was issued thereon. Meanwhile, pursuant to the "Interpretation of China Accounting Standards for Business Enterprises No. 7", treasury shares were increased by 339,283,565.00 yuan and other payables were increased by 339,283,565.00 yuan based on the number of restricted shares issued and the corresponding repurchase obligations.
- c. Pursuant to the restricted share incentive plan deliberated and approved by the 45th meeting of the fifth session of the Board of Directors under the authorization of the second extraordinary shareholders' meeting of 2022, it is determined that November 18, 2022 would be the grant date, and a total of 2,035,800 restricted shares would be granted to 441 incentive targets at a grant price of 31.61 yuan per share, with 2,035,800.00 yuan included in share capital and 62,315,838.00 yuan included in capital reserve (share premium). Such issuance of restricted shares had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2023] 18 was issued thereon. Meanwhile, pursuant to the "Interpretation of China Accounting Standards for Business Enterprises No. 7", treasury shares were increased by 64,351,638.00 yuan and other payables were increased by 64,351,638.00 yuan based on the number of restricted shares issued and the corresponding repurchase obligations.

- d. In the current period, share capital was increased by 13,730.00 yuan and capital reserve (share premium) was increased by 1,166,716.72 yuan, which were due to conversion of convertible bonds into shares. Please refer to section V (I) 35 of notes to the financial statements for details.
- e. Under the authorization of the first extraordinary shareholders' meeting of 2021 and the resolution of the 40th meeting of the fifth session of the Board of Directors, the unlocking conditions for the first unlocking period of restricted shares initially granted under the restricted share incentive plan of 2021 were met, with 691 incentive objects and unlockable shares of 2,588,196 shares. As a result, expenses related to share-based payment of 101,158,645.20 yuan were transferred from capital reserve (other capital reserve) to capital reserve (share premium), with treasury shares decreased by 74,838,682.80 yuan and other payables decreased by 74,838,682.80 yuan accordingly.
- f. Under the authorization of the first extraordinary shareholders' meeting of 2021 and the resolution of the 43rd meeting of the fifth session of the Board of Directors, the unlocking conditions for the first unlocking period of reserved restricted shares granted for the first time under the restricted share incentive plan of 2021 were met, with 240 incentive objects and unlockable shares of 543,465 shares. As a result, expenses related to share-based payment of 21,491,950.50 yuan were transferred from capital reserve (other capital reserve) to capital reserve (share premium), with

payables decreased by 2,508,420.00 yuan accordingly due to equity distribution. Such capital increase had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2022] 327 was issued thereon.

- c. Under the authorization of the first extraordinary shareholders' meeting of 2021 and the resolution of the 40th meeting of the fifth session of the Board of the Directors, the Company repurchased and cancelled 223,795 shares granted to 28 incentive targets but not unlocked, with share capital decreased by 223,795.00 yuan and capital reserve (share premium) decreased by 7,731,025.50 yuan. Meanwhile, treasury shares were decreased by 7,903,175.50 yuan and capital reserve (share premium) were decreased by 7,903,175.50 yuan accordingly. Such capital decrease had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2022] 634 was issued thereon.
  - d. Under the authorization of the first extraordinary shareholders' meeting of 2021, the second extraordinary shareholders' meeting of 2022, and the resolution of the 43rd meeting of the fifth session of the Board of the Directors, the Company repurchased and cancelled 280,925 shares granted to 34 incentive targets but not unlocked, with share capital decreased by 280,925.00 yuan and capital reserve (share premium) decreased by 8,334,043.50 yuan. Meanwhile, treasury shares were decreased by 8,573,493.50 yuan and other payables were decreased by 8,573,493.50 yuan. Such capital decrease had been verified by Pan-China Certified Public Accountants LLP, and a Capital Verification Report numbered PCCPACVR [2022] 764 was issued thereon.
  - e. The Company acquired non-controlling interest of the subsidiary Huayou New Energy, and capital reserve (share premium) was decreased by 350,087,848.89 yuan based on the difference between the consideration paid and the proportionate share of net assets.
  - f. The Company acquired non-controlling interest of the subsidiary Feza Mining, and capital reserve (share premium) was decreased by 20,540,309.49 yuan based on the difference between the consideration paid and the proportionate share of net assets.
- 2) Movements of other capital reserve

- c. Capital reserve (other capital reserve) was decreased by 6,747,052.34 yuan based on the income tax effect on the excess of the pre-tax deductible amount of employee restricted shares over recognized related expenses.
- d. Capital reserve (other capital reserve) was decreased by 953,746.85 yuan based on the proportionate share in other changes in equity not belong to other comprehensive income in the equity of associates (other than net gains and losses) held by the Company.

#### 43. Treasury shares

##### (1) Details

<u>Items</u>	<u>Opening balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Closing balance</u>
Restricted shares . . . . .	339,232,639.00	413,379,349.00	121,597,413.80	631,014,574.20
Total . . . . .	339,232,639.00	413,379,349.00	121,597,413.80	631,014,574.20

##### (2) Other remarks

In the current period, treasury shares were increased by 291,781,935.20 yuan. Please refer to section V (I) 42 of notes to the financial statements for details.

#### 45. Special reserve

##### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Work safety fund . . . . .	22,627.13	64,860,001.79	64,882,628.92	
Mine development fund . . . . .	16,625,933.98	12,729,558.47	2,006,040.94	27,349,451.51
Total . . . . .	16,648,561.11	77,589,560.26	66,888,669.86	27,349,451.51

##### (2) Other remarks

Work safety fund was appropriated and used by the Company and its subsidiaries including Huayou Quzhou and New Energy Quzhou according to the document numbered Cai Qi [2012] 16 jointly issued by the Ministry of Finance and the State Administration of Work Safety. Mine development fund was appropriated by the subsidiaries CDM Company and MIKAS Company according to the Mining Code of the Democratic Republic of the Congo.

#### 46. Surplus reserve

##### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve . . . . .	309,732,264.90	18,466,340.44		328,198,605.34
Total . . . . .	309,732,264.90	18,466,340.44		328,198,605.34

##### (2) Other remarks

Current increase was due to the appropriation of statutory surplus reserve at 10% of net profit generated by the parent company in 2022.

#### 47. Undistributed profit

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Opening balance . . . . .	8,376,281,013.68	4,807,657,608.58
Add: Net profit attributable to owners of the parent company . . . . .	3,909,880,668.82	3,897,503,525.74
Derecognition of other equity instrument investments . . . . .	2,513,800.00	
Less: Appropriation of statutory surplus reserve . . . . .	18,466,340.44	86,299,244.04
Dividend payable on ordinary shares . . . . .	366,286,614.90	242,580,876.60
Closing balance . . . . .	11,903,922,527.16	8,376,281,013.68

##### (2) Other remarks

- 1) Pursuant to the profit distribution plan of 2021 approved by the shareholders' meeting of 2021, the Company distributed cash dividends of 3.00 yuan (tax inclusive) per 10 shares to all shareholders based on the total share capital of 1,221,265,783 shares.

Later, the Company repurchased and cancelled the restricted shares, with cash dividend of 93,120.00 yuan reversed. As a result, the Company shall pay dividend on ordinary shares of 366,286,614.90 yuan.

- 2) Please refer to section V (I) 12 of notes to the financial statements for details on the derecognition of other equity instrument investments.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations . . . . .	61,676,007,943.04	50,253,913,561.91	34,260,483,178.74	27,315,814,905.28
Other operations . . . . .	1,357,777,556.45	1,059,790,664.32	1,056,065,821.22	815,253,535.55
Total. . . . .	63,033,785,499.49	51,313,704,226.23	35,316,548,999.96	28,131,068,440.83
Including: Revenue from contracts with customers [Note] . . . . .	63,021,772,408.18	51,308,627,447.42	35,300,204,306.80	28,122,012,006.82

Note: The difference with the total operating revenue refers to the lease income in revenue from other operations.

(2) Breakdown of revenue from contracts with customers

1) Breakdown of revenue by goods or services

Items	Current period cumulative	
	Revenue	Cost
Cobalt products. . . . .	8,555,019,367.27	6,305,147,096.62
Copper products . . . . .	4,398,719,705.59	2,810,769,789.36
Nickel products. . . . .	2,746,313,568.09	2,251,925,426.80
Lithium products. . . . .	1,349,877,126.86	725,609,889.05
Ternary precursors. . . . .	9,929,126,975.61	7,884,161,258.87
Cathode materials . . . . .		

2) Breakdown of revenue by operating regions

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Domestic . . . . .	25,203,647,851.09	19,543,493,990.70	16,584,104,400.71	12,360,411,280.92
Overseas . . . . .	37,818,124,557.09	31,765,133,456.72	18,716,099,906.09	15,761,600,725.90
Subtotal . . . . .	63,021,772,408.18	51,308,627,447.42	35,300,204,306.80	28,122,012,006.82

3) Breakdown of revenue by time of transferring goods or rendering services

Items	Current period cumulative	Preceding period comparative
Recognized at a point in time . . . . .	63,021,772,408.18	35,300,204,306.80
Subtotal . . . . .	63,021,772,408.18	35,300,204,306.80

(3) Contract liabilities with opening balance of 76,792,630.01 yuan were carried over to revenue in the current period.

2. Items as at the end of the period  
 Tax on sales of goods and services  
 cumulative Preceding period comparative

## 5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits . . . . .	403,581,169.39	173,324,584.98
Materials consumption . . . . .	1,098,007,811.09	560,190,978.97
Depreciation and amortization . . . . .	78,961,772.79	45,312,627.31
Others . . . . .	128,063,489.34	37,442,016.10
Total . . . . .	1,708,614,242.61	816,270,207.36

## 6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses . . . . .	1,344,158,702.41	502,298,446.61
Interest income . . . . .	-117,648,467.64	-74,079,354.47
Gains or losses on foreign exchange . . . . .	-26,386,374.70	-30,173,497.39
Handling charges and others . . . . .	125,818,459.14	86,294,299.41
Total . . . . .	1,325,942,319.21	484,339,894.16

## 7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets [Note] . . . . .	34,101,485.52	18,563,114.54	34,101,485.52
Government grants related to income [Note] . . . . .	156,001,968.86	31,645,987.32	156,001,968.86
Refund of handling fees for withholding individual income tax . . . . .	1,116,810.46	572,918.39	
Total . . . . .	191,220,264.84	50,782,020.25	190,103,454.38

Note: Please refer to section V (IV) 3 of notes to the financial statements for details on government grants included into other income.

## 8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method . . . . .	1,639,775,853.19	599,789,831.39
Investment income from disposal of long-term equity investments . . . . .	-7,445,388.77	100,646,800.54
Investment income from disposal of held-for-trading financial assets . . . . .	-54,670,204.95	-7,324,184.23
Gains or losses on hedging . . . . .	-88,054,133.56	-5,626,825.16
Losses on discounting of receivables financing . . . . .	-126,054,122.99	-49,415,734.06
Losses on derecognition of accounts receivable . . . . .	-17,624,568.57	-2,570,177.84
Investment income from other debt investments [Note] . . . . .	13,744,035.66	9,742,561.82
Investment income from disposal of other debt investments . . . . .		-9,277,757.88
Total . . . . .	1,359,671,470.01	635,964,514.58

Note: It refers to interest income of 13,744,035.66 yuan on call loans provided by the subsidiary Huayou Mining Hong Kong to Veinstone.



## 9. Gains on changes in fair value

Items	Current period cumulative	Preceding period comparative
Held-for-trading financial assets . . . . .	-11,897,363.83	26,384,375.52
Including: Gains on changes in fair value of derivative financial instruments . . . . .	-14,270,651.50	26,144,786.48
Gains on changes in fair value of financial products . . . . .	2,373,287.67	239,589.04
Held-for-trading financial liabilities . . . . .	-40,024,798.40	4,045,551.54
Including: Gains on changes in fair value of derivative financial instruments . . . . .	-40,024,798.40	4,045,551.54
Gains or losses on hedging . . . . .	-95,578,759.53	-45,018,743.56
Total . . . . .	-147,500,921.76	-14,588,816.50

## 10. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts . . . . .	-209,807,487.97	-83,189,523.03
Total . . . . .	-209,807,487.97	-83,189,523.03

## 11. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss . . . . .	-1,290,236,057.45	-15,648,918.02
Impairment loss of fixed assets . . . . .		-31,303,698.33
Impairment loss of goodwill . . . . .	-2,064,541.41	-901,194.16
Total . . . . .	-1,292,300,598.86	-47,853,810.51

## 12. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets . . . . .	2,413,571.80	-5,822,487.58	2,413,571.80
Gains on disposal of intangible assets . . . . .		2,700,000.00	
Total . . . . .	2,413,571.80	-3,122,487.58	2,413,571.80

## 13. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on damage or retirement of non-current assets . . . . .	639,963.04	116,963.42	639,963.04
Including: Losses on damage or retirement of fixed assets . . .	639,963.04	116,963.42	639,963.04
Indemnity income . . . . .	7,030,758.43	2,106,593.67	7,030,758.43
Others . . . . .	1,261,704.10	336,696.23	1,261,704.10
Total . . . . .	8,932,425.57	2,560,253.32	8,932,425.57

#### 14. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or retirement of non-current assets . . . . .	32,427,540.13	62,969,804.49	32,427,540.13
Including: Losses on damage or retirement of fixed assets . . .	32,427,540.13	62,969,804.49	32,427,540.13
Donations to external parties. . .	14,970,469.76	7,501,230.16	14,970,469.76
Others . . . . .	5,104,642.99	5,109,508.19	5,104,642.99
Total . . . . .	52,502,652.88	75,580,542.84	52,502,652.88

#### 15. Income tax expenses

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses . . . . .	576,437,919.18	896,003,065.80
Deferred income tax expenses . . . . .	-252,053,244.58	-91,364,135.03
Total . . . . .	324,384,674.60	804,638,930.77

##### (2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
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## 2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Cash and bank balances not considered as cash and cash equivalents . . . . .	4,240,290,655.66	1,596,883,996.13
Expenses paid in cash . . . . .	1,133,437,282.37	596,247,488.76
Cost of holding position and losses on closing position in hedged futures contracts . . . . .	1,890,252,907.19	40,587,146.72
Others . . . . .	49,727,197.72	45,464,494.46
Total . . . . .	7,313,708,042.94	2,279,183,126.07

## 3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Cash and bank balances not considered as cash and cash equivalents . . . . .	581,423,112.40	325,750,397.20
Net cash receipts from acquisition of Huafei Indonesia . . . . .	76,809,320.82	
Receipt of equipment funds from Huafei Indonesia . . . . .	32,873,089.83	641,739,400.77
Receipt of funds for transfer of creditor's right from SESA Company . . . . .		167,636,001.13
Receipt of interest on call loans from IWIP Company . . . . .		9,742,561.82
Receipt of interest on call loans from Veinstone . . . . .	13,744,035.66	
Total . . . . .	704,849,558.71	1,144,868,360.92

## 4. Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Cash and bank balances not considered as cash and cash equivalents . . . . .	1,606,380,618.04	238,601,618.28
Payment of call loans to PT Alam Hijau Environmental Services . . . . .	7,661,060.00	
Payment of call loans to PPM Company . . . . .	118,815,888.59	
Net cash payments for disposal of HANARI Company . . . . .	168,995.28	
Net cash payments for disposal of Hubei Youxing . . . . .	2,173,349.69	
Net cash payments for disposal of SHAD Company . . . . .	1,016.55	
Payments for equipment to Huafei Indonesia . . . . .	638,573,248.02	1,352,590,413.37
Payment of related debt of former shareholders of Prospect Lithium . . . . .	79,699,836.87	
Total . . . . .	2,453,474,013.04	1,591,192,031.65

## 5. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Cash and bank balances not considered as cash and cash equivalents . . . . .	604,690,956.10	59,848,145.99
Receipts from repo transactions . . . . .	1,175,895,367.75	
Receipts from discounting of bank acceptance for financing purposes . . . . .	477,237,655.59	149,611,023.32
Receipts from sale and leaseback . . . . .	4,164,983,600.00	970,000,000.00
Receipt of call loans . . . . .	5,049,411,678.97	1,912,147,177.57
Recovery of deposits for sale and leaseback . . . . .	35,612,000.00	
Recovery of deposits for repo transactions . . . . .		21,370,393.00
Payments for transfer of partial equity of the subsidiary Wenzhou Huashan . . . . .		8,500,000.00

Items	Current period cumulative	Preceding period comparative
Payments for transfer of partial equity of the subsidiary Jiangsu Huayou . . . . .		5,000,000.00
Payments for transfer of partial equity of the subsidiary Prospect Lithium . . . . .	270,032,292.00	
Total . . . . .	11,777,863,550.41	3,126,476,739.88

6. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Cash and bank balances not considered as cash and cash equivalents . . . . .	858,267,753.46	620,221,956.10
Payments for sale and leaseback . . . . .	1,599,169,749.14	486,278,861.90
Payments of deposits for sale and leaseback		

<u>Supplementary information</u>	<u>Current period cumulative</u>	<u>Preceding period comparative</u>
Net cash flows from operating activities. . . . .	2,913,806,375.38	-61,708,589.68
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital . . . . .		
Convertible bonds due within one year. . . . .		
Fixed assets leased in under finance leases. . . . .		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period. . . . .	8,579,643,614.59	6,108,393,395.75
Less: Cash at the beginning of the period. . . . .	6,108,393,395.75	1,489,479,506.70
Add: Cash equivalents at the end of the period . . . . .		
Less: Cash equivalents at the beginning of the period. . . . .		
Net increase of cash and cash equivalents. . . . .	2,471,250,218.84	4,618,913,889.05

(2) Net cash payments for acquisition of subsidiaries in the current period

<u>Items</u>	<u>Prospect Lithium</u>	<u>Huafei Indonesia</u>
Cash and cash equivalents paid in the current period as consideration for business combination in the current period. . . . .	2,477,249,826.07	
Less: Cash and cash equivalents held by subsidiaries at the acquisition date . . . . .	223,655.89	76,809,320.82
Net cash payment for acquisition of subsidiaries in the current period . . . . .	2,477,026,170.18	-76,809,320.82 [Note]

Note: Net cash payments for acquisition of Huafei Indonesia in the current period are presented under the "Other cash receipts related to investing activities" in the cash flow statement.

(3) Net cash receipts from disposal of subsidiaries in the current period

<u>Items</u>	<u>HANARI Company</u>	<u>Hubei Youxing</u>	<u>SHAD Company</u>
Cash and cash equivalents received in the current period for subsidiary disposal in the current period. . . . .		1,000,000.00	
Less: Cash and cash equivalents held by subsidiaries at the loss-of-control date . . . . .	168,995.28	3,173,349.69	1,016.55
Net cash receipts from disposal of subsidiaries in the current period . . . . .	-168,995.28	-2,173,349.69	-1,016.55

Note: Net cash receipts from disposal of HANARI Company, Hubei Youxing, and SHAD Company in the current period are presented under the "Other cash payments related to investing activities" in the cash flow statement.

(4) Composition of cash and cash equivalents

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
1) Cash	8,579,643,614.59	6,108,393,395.78

<u>Items</u>	<u>Closing balance</u>	<u>Opening balance</u>
3) Cash and cash equivalents at the end of the period . . . . .	8,579,643,614.59	6,108,393,395.75



**Items**

**Closing balance in foreign**

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<u>Items</u>	<u>Opening balance of deferred income</u>	<u>Increase</u>	<u>Amortization</u>	<u>Closing balance of deferred income</u>	<u>Amortization presented under</u>	<u>Remarks</u>
Subsidies for life cycle green manufacturing projects . . . .	25,014,402.30		1,202,091.60	23,812,310.70	Other income	
Optimization and improvement of wastewater treatment and comprehensive utilization of renewable resources project . . . . .	11,288,492.88		623,016.96	10,665,475.92	Other income	
Special subsidies for energy conservation and industrial circular economy						

3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Tax refunds . . . . .	76,052,000.00	Other income	
Fiscal incentives . . . . .	36,722,086.00	Other income	
Subsidies from business polices . . .	23,198,400.00	Other income	
Subsidies for stabilizing employment . . . . .	7,752,361.00	Other income	
Extra deduction of input VAT . . . . .	1,679,718.42	Other income	
Other piecemeal subsidies . . . . .	10,108,036.97	Other income	
Subtotal . . . . .	155,512,602.39		

4) Fiscal interest subvention

Interest subvention directly obtained

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Fiscal interest subvention . . . . .		4,974,090.00	4,974,090.00		Financial expenses	
Subtotal . . . . .		4,974,090.00	4,974,090.00			

(2) In the current period, government grants included into profit or loss totaled 195,077,544.38 yuan.

4. Hedging

Fair value hedge

Financial information related to fair value hedge is as follows:

Hedged items	Hedging instruments	Closing fair value of hedging instruments	Profit or loss of hedging instruments in the current period	Profit or loss of hedged items due to hedging risks
Nickel-containing inventories . . . . .	Nickel futures contracts	-842,827,596.01	-1,281,541,295.51	1,097,908,402.42
Subtotal . . . . .		-842,827,596.01	-1,281,541,295.51	1,097,908,402.42

During the reporting period, the Company holds nickel-containing inventories and adopts nickel futures contracts of Shanghai Futures Exchange or London Metal Exchange to hedge risks from changes in price of nickel metal, which is accounted for with hedge accounting methods. As of the balance sheet date, losses on changes in fair value of nickel futures contracts were 842,827,596.01 yuan. In the current period, losses on nickel futures contracts totaled 1,281,541,295.51 yuan, gains on nickel-containing inventories due to hedging risks totaled 1,097,908,402.42 yuan, and losses on ineffective hedge totaled 183,632,893.09 yuan (including losses on closed position of 88,054,133.56 yuan and losses on unsettled position of 95,578,759.53 yuan).

## VI. Changes in the consolidation scope

(I) Business combination not under common control

1. Business combination not under common control in the current period

(1) Basic information

<u>Acquirees</u>	<u>Equity acquisition date</u>	<u>Equity acquisition cost</u>	<u>Proportion of equity acquired</u>	<u>Equity acquisition method</u>
			(%)	
Prospect Lithium . . . . . Huafei Indonesia	April 2022	USD409,940,803.70	100.00	Transfer

## 2. Combination costs and goodwill

### Details

Items	Prospect Lithium	Huafei Indonesia
Combination costs		
Cash . . . . .	2,604,763,866.71	5,128,717.50
Acquisition-date fair value of equity held before the acquisition date . . . . .		3,308,850.00
Total combination costs . . . . .	2,604,763,866.71	8,437,567.50
Less: Share of fair value of net identifiable assets acquired . . . . .	2,604,763,866.71	8,437,567.50
Goodwill/Balance of fair value of net identified assets acquired after deducting combination costs . . . . .		

## 3. Acquisition-date identifiable assets and liabilities of acquirees

### (1) Details

Items	Prospect Lithium		Huafei Indonesia	
	Acquisition-date fair value	Acquisition-date carrying amount	Acquisition-date fair value	Acquisition-date carrying amount
Assets . . . . .	2,691,709,453.30	14,476,985.08	2,560,224,929.06	2,532,502,699.35
Cash and bank balances . . . . .	223,655.89	223,655.89	172,614,839.10	172,614,839.10
Inventories . . . . .	178,677.90	178,677.90		
Other current assets . . . . .	2,200,574.85	2,200,574.85	100,460,326.68	72,738,096.97
Fixed assets . . . . .	10,433,332.47	10,433,332.47	93,299,131.30	93,299,131.30
Construction in progress . . . . .			765,447,655.06	765,447,655.06
Intangible assets . . . . .	2,678,673,212.19	1,440,743.97		
Other non-current assets . . . . .			1,428,402,976.92	1,428,402,976.92
Liabilities . . . . .	86,945,586.59	86,945,586.59	2,543,680,679.06	2,543,680,679.06
Payables . . . . .	3,569,389.64	3,569,389.64	57,214,089.16	57,214,089.16
Other liabilities . . . . .	83,376,196.95	83,376,196.95	2,486,466,589.90	2,486,466,589.90
Net assets . . . . .	2,604,763,866.71	-72,468,601.51	16,544,250.00	-11,177,979.71
Less: Non-controlling interest . . . . .			8,106,682.50	-5,477,210.06
Net assets acquired . . . . .	2,604,763,866.71	-72,468,601.51	8,437,567.50	-5,700,769.65

### (2) Fair value determination method on identifiable assets and liabilities

#### 1) Prospect Lithium

Pursuant to “Appraisal Report on Identifiable Assets, Liabilities and Contingent Liabilities of Prospect Lithium Zimbabwe (Pvt) Ltd. Related to Proposed Prepared Financial Report” (Zhong Lian Guo Ji Zi Zi [2022] No. TKMQB0828) issued by China United International Appraisal Consulting Co., Ltd., which took April 20, 2022 as the evaluation benchmark date, and in combination with appropriate reviews, the Company recognized the acquisition-date fair value of identifiable assets of Prospect Lithium at 2,691.71 million yuan and the acquisition-date fair value of identifiable liabilities at 86.95 million yuan.

#### 2) Huafei Indonesia

The Company recognized the acquisition-date fair value of identifiable assets and liabilities of Huafei Indonesia according to the consideration of equity and the status of assets and liabilities of the acquiree.

## (II) Disposal of subsidiaries

### One-time disposal leading to loss of control over a subsidiary

#### 1. Details

<u>Subsidiaries</u>	<u>Equity disposal consideration</u>	<u>Equity disposal proportion</u>	<u>Equity disposal method</u>	<u>Loss of control date</u>	<u>Determination basis for loss of control date</u>	<u>Difference between disposal consideration and net assets attributable to the Company at the consolidated financial statements level</u>
		(%)				
HANARI Company . . .	0.00	70.00	Transfer	May 2022	Please refer to section VI (II) 2 of notes to the financial statements for details.	-7,553,519.45
Hubei Youxing . . .	1,000,000.00	100.00	Transfer	August 2022	Please refer to section VI (II) 2 of notes to the financial statements for details.	7,824.10
SHAD Company . . .	0.00	82.00	Transfer	March 2022	Please refer to section VI (II) 2 of notes to the financial statements for details.	-259,473.95

(Continued)

<u>Subsidiaries</u>	<u>Proportion of remaining equity at the loss of control date</u>	<u>Carrying amount of remaining equity at the loss of control date</u>	<u>Fair value of remaining equity at the loss of control date</u>			
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- (2) The Company holds 100.00% of equity of Hubei Youxing. Pursuant to the Equity Transfer Agreement entered into between the two parties, the Company transferred 100.00% of equity of Hubei Youxing to Huayou Holding at the consideration of 1.00 million yuan. As of August 1, 2022, the Company has received the payments for equity transfer, completed hand-over procedures of relevant property rights. As the Company has lost actual control over Hubei Youxing, Hubei Youxing was excluded from the consolidation scope since then.
- (3) The Company holds 82.00% of equity of SHAD Company. Pursuant to the Equity Transfer Agreement entered into between the two parties, the Company transferred 82.00% of equity of SHAD Company to University of Lubumbashi free of charge. As of March 2022, the Company has completed hand-over procedures of relevant property rights. As the Company has lost actual control over SHAD Company, SHAD Company was excluded from the consolidation scope since then.

(III) Changes in the consolidation scope due to other reasons

Entities brought into the consolidation scope

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
Hubei Youxing . . . . .	Establishment	January 2022	1,000,000.00	100.00
Guangxi Regeneration . . .	Establishment	March 2022	Not paid yet.	100.00
Guangxi Lithium. . . . .	Establishment	April 2022	265,000,000.00	100.00
Tongxiang Huazheng . . . .	Establishment	June 2022	34,695,000.00	69.39
Huaxing Hong Kong . . . .	Establishment	January 2022	Not paid yet.	100.00
Huasheng Hong Kong . . . .	Establishment	January 2022	USD700,000.00	100.00
Huasheng Indonesia. . . . .	Establishment	May 2022	USD700,000.00	70.00
Wenzhou Huajian . . . . .	Establishment	June 2022	Not paid yet.	69.39
IPIP Company . . . . .	Establishment	July 2022	USD7,000,000.00	70.00
Huachang Trade . . . . .	Establishment	August 2022	Not paid yet.	70.00
Huayou International Resources . . . . .	Establishment	July 2022	Not paid yet.	100.00
Huaqi Hong Kong . . . . .	Establishment	August 2022	Not paid yet.	100.00
Huachi Hong Kong . . . . .	Establishment	April 2022	Not paid yet.	100.00
Huayou International Lithium . . . . .	Establishment	April 2022	Not paid yet.	100.00
Quzhou Huayou Environmental Protection. . . . .	Establishment	September 2022	14,000,000.00	70.00
Kolaka Port . . . . .	Establishment	December 2022	IDR51,078,650,000.00	95.00
Huashun Hong Kong . . . .	Establishment	September 2022	Not paid yet.	100.00
Shanghai Xinsheng . . . .	Establishment	January 2022	Not paid yet.	70.00
Huajin Hong Kong . . . . .	Establishment	September 2022	Not paid yet.	100.00
Huaming Hong Kong . . . .	Establishment	September 2022	Not paid yet.	100.00
Huaqun Hong Kong . . . . .	Establishment	September 2022	Not paid yet.	100.00
Huabin Hong Kong . . . . .	Establishment	September 2022	Not paid yet.	100.00
Huawu Hong Kong . . . . .	Establishment	September 2022	Not paid yet.	100.00
Huaqi Singapore . . . . .	Establishment	November 2022	Not paid yet.	100.00
Guangxi Huayou Industrial Investment . .	Establishment	November 2022	Not paid yet.	100.00
Guangxi Huayou Enterprise Investment . .	Establishment	December 2022	Not paid yet.	100.00
Huajun International Investment . . . . .	Establishment	December 2022	Not paid yet.	100.00
Huayao International Investment . . . . .	Establishment	December 2022	Not paid yet.	100.00
Huaze International Investment . . . . .	Establishment	December 2022	Not paid yet.	100.00

## VII. Interest in other entities

### (I) Interest in significant subsidiaries

#### 1. Significant subsidiaries

##### (1) Basic information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Huayou Quzhou . . .	Quzhou City, Zhejiang Province	Quzhou City, Zhejiang Province	Manufacturing	100.00		Establishment
Huayou Hong Kong . . . . .	Hong Kong, SAR	Hong Kong, SAR	Trade and wholesale	100.00		Establishment
CDM Company . . .	The Democratic Republic of the Congo	The Democratic Republic of the Congo	Manufacturing	100.00		Establishment
MIKAS Company . .	The Democratic Republic of the Congo	The Democratic Republic of the Congo	Mine development and sales of mineral products	100.00		Business combination not under common control
New Energy Quzhou . . . . .	Quzhou City, Zhejiang Province	Quzhou City, Zhejiang Province	Manufacturing	83.86		Establishment
Resource Recycling . . . . .	Quzhou City, Zhejiang Province	Quzhou City, Zhejiang Province	Technology promotion and application service industry	100.00		Establishment
Huajin Company . . .	Quzhou City, Zhejiang Province	Quzhou City, Zhejiang Province	Chemical raw materials and chemical products manufacturing	51.00		Establishment
Huayou-Posco . . . .	Tongxiang City, Zhejiang Province	Tongxiang City, Zhejiang Province	Wholesale	60.00		Establishment
Huayue Company . .	Republic of Indonesia	Republic of Indonesia	Manufacturing	57.00		Establishment
Tianjin B&M . . . . .	Tianjin City	Tianjin City	Manufacturing	Please refer to section VII (I) 1 (2) of notes to the financial statements for details.		Business combination not under common control

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Zhejiang

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(II) Transactions resulting in changes in subsidiaries' equity but without losing control

1. Changes in subsidiaries' equity

<u>Subsidiaries</u>	<u>Date of change</u>	<u>Holding proportion before change</u>	<u>Holding proportion after change</u>
		(%)	(%)
Feza Mining . . . . .	May 2022	75.00	100.00
Huayou New Energy . . . . .	June 2022	40.23	84.04
Prospect Lithium. . . . .	June 2022	100.00	90.00
New Energy Quzhou . . . . .	December 2022	100.00	83.86

2. Effect of transactions on non-controlling interest and equity attributable to parent company

<u>Items</u>	<u>Feza Mining</u>	<u>Huayou New Energy</u>	<u>Prospect Lithium</u>	<u>New Energy Quzhou</u>
Acquisition costs/Disposal considerations . . . .				
Cash . . . . .	4,429,719.00	1,240,248,109.00	270,032,292.00	700,000,000.00
Total acquisition costs/disposal considerations . . . .	4,429,719.00	1,240,248,109.00	270,032,292.00	700,000,000.00

Less: Share in  
subsidiaries' net  
assets based on

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## 2. Main financial information of significant associates

Items	Closing balance/Current period cumulative			
	Puhua Company	AVZ Company	Leyou Company	Veinstone
Current assets . . . . .	569,226,353.67	294,326,636.31	5,207,158,971.73	811,258,486.11
Non-current assets . . . . .	696,834,881.35	710,456,002.68	1,897,336,959.04	929,621,204.46
Total assets . . . . .	1,266,061,235.02	1,004,782,638.99	7,104,495,930.77	1,740,879,690.57
Current liabilities . . . . .	144,091,479.98	4,512,167.20	3,310,899,861.29	926,295,045.96
Non-current liabilities . . . . .	10,294,485.23	5,340,773.11	135,061,499.66	37,796.88
Total liabilities . . . . .	154,385,965.21	9,852,940.31	3,445,961,360.95	926,332,842.84
Non-controlling interest . . . . .				73,769,709.94
Equity attributable to owners of parent company . . . . .	1,111,675,269.81	994,929,698.68	3,658,534,569.82	740,777,137.79
Net profit . . . . .	112,799,220.68	-94,014,960.25	1,674,464,327.61	123,412,114.46
Total comprehensive income . . . . .	112,799,220.68	-84,592,421.68	1,674,464,327.61	180,531,804.50

(Continued)

Items	Closing balance/Current period cumulative			
	IWIP Company	Newstride Technology	Quzhou Anyou	PHC Company
Current assets . . . . .	863,567,872.55	6,237,448,115.60	19,717,797.37	102,924,422.61
Non-current assets . . . . .	1,749,054,916.21	5,292,504,382.43	1,173,288,352.20	996,655,924.01
Total assets . . . . .	2,612,622,788.76	11,529,952,498.03	1,193,006,149.57	1,099,580,346.62
Current liabilities . . . . .	575,066,451.81	2,237,259,136.82	2,786,326.37	139,580,858.10
Non-current liabilities . . . . .	873,497,137.92	46,563,344.90		341,296,167.64
Total liabilities . . . . .	1,448,563,589.73	2,283,822,481.72	2,786,326.37	480,877,025.74
Non-controlling interest . . . . .		3,410,190,235.54		
Equity attributable to owners of parent company . . . . .	1,164,059,199.03	5,835,939,780.77	1,190,219,823.20	618,703,320.88
Net profit . . . . .	357,517,990.35	4,558,685,779.69	-8,640,169.16	-32,116,305.35
Total comprehensive income . . . . .	443,762,088.50	4,912,643,539.29	-8,640,169.16	-13,375,520.39

(Continued)

Items	Closing balance/Current period cumulative			
	Guangxi Times Li-ion Investment Management Center	Guangxi Times Li-ion Industry Fund	Hunan Yacheng	Quzhou Xinhua
Current assets . . . . .	2,948,174.05	1,643,113,367.16	1,629,027,737.77	50,318,213.57
Non-current assets . . . . .	1,196,995,203.62	2,959,697,915.73	1,972,182,626.41	2,319,268,429.01
Total assets . . . . .	1,199,943,377.67	4,602,811,282.89	3,601,210,364.18	2,369,586,642.58
Current liabilities . . . . .	285,600,000.00	560,080,799.25	1,527,729,962.56	1,926,821.91
Non-current liabilities . . . . .		1,278,890,655.33	714,785,797.43	
Total liabilities . . . . .	285,600,000.00	1,838,971,454.58	2,242,515,759.99	1,926,821.91
Non-controlling interest . . . . .		-1,898.25	178,882,076.96	
Equity attributable to owners of parent company . . . . .	914,343,377.67	2,763,841,726.84	1,179,812,527.23	2,367,659,820.67
Net profit . . . . .	-3,504,796.38	-9,914,256.15	172,134,321.53	-12,340,179.33
Total comprehensive income . . . . .	-3,504,796.38	-9,914,256.15	172,134,321.53	-12,340,179.33

(Continued)

Items	Opening balance/Preceding period comparative				
	Puhua Company	AVZ Company	Leyou Company	Veinstone	IWIP Company
Current assets . . . . .	180,376,975.87	13,190,291.33	1,349,441,545.94	346,155,154.10	467,286,398.51
Non-current assets . . . . .	241,100,288.23	422,019,243.86	1,828,688,229.44	913,093,812.51	1,197,197,874.35
Total assets . . . . .	421,477,264.10	435,209,535.19	3,178,129,775.38	1,259,248,966.61	1,664,484,272.86
Current liabilities . . . . .	92,248,109.67	33,527,969.51	859,955,297.74	622,165,218.05	183,480,229.38
Non-current liabilities . . . . .	9,177,777.77		494,580.87	6,193.61	760,706,932.95
Total liabilities . . . . .	101,425,887.44	33,527,969.51	860,449,878.61	622,171,411.66	944,187,162.33
Non-controlling interest . . . . .		10,527,756.00		55,827,131.80	
Equity attributable to owners of parent company . . . . .	320,051,376.66	391,153,809.68	2,317,679,896.77	581,250,423.15	720,297,110.53
Net profit . . . . .	23,289,501.89	-26,029,626.70	338,293,317.11	280,948,075.39	238,764,283.80
Total comprehensive income . . . . .					

## VIII. Risks related to financial instruments

In risk management, the Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance, so as to maximize the profits of shareholders and other equity investors. Based on such risk management objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits on a timely and reliable basis.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. The Management has deliberated and approved policies concerning such risks, and details are:

### (I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

#### 1. Credit risk management practice

##### (1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- (1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- (2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

##### (2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

- (1) significant financial difficulty of the debtor;
- (2) a breach of binding clause of contract;

- (3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- (4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

## 2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss given default, and exposure to default risk. The Company develops a model of the probability of default, loss given default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 4, 5 and 7 of notes to the financial statements for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.
4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

### (1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

### (2) Receivables

The Company performs credit assessment on customers using credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, collateral is not required from customers. The Company manages credit risk aggregated by customers. As of December 31, 2022, the Company has certain concentration of credit risk, and 54.03% (December 31, 2021: 46.94%) of the total accounts receivable was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

## (II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilizes financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings . . . . .	27,933,432,060.89	30,390,754,814.60	17,028,532,051.85	7,410,668,383.51	5,951,554,379.24
Held-for-trading financial liabilities . . . . .	40,024,798.40	40,024,798.40	40,024,798.40		
Notes payable . . . . .	10,782,231,308.54	10,782,231,308.54	10,782,231,308.54		
Accounts payable . . . . .	14,610,891,201.30	14,610,891,201.30	14,610,891,201.30		
Non-current liabilities due within one year . . . . .	1,772,100,686.44	2,045,716,316.30	2,045,716,316.30		
Other payables . . . . .	4,612,710,195.77	4,643,101,465.63	4,643,101,465.63		
Other non-current liabilities . . . . .	1,311,482,728.68	1,654,602,779.88	1,654,602,779.88		
Bonds payable . . . . .	6,323,799,832.42	8,162,727,162.57		682,130,867.86	7,480,596,294.71
Lease liabilities . . . . .	57,070,601.81	60,294,665.46		52,382,919.92	7,911,745.54
Long-term payables . . . . .	5,155,378,248.88	5,516,949,998.39		2,541,468,653.90	2,975,481,344.49
Subtotal . . . . .	72,599,121,663.13	77,907,294,511.07	50,805,099,921.90	10,686,650,825.19	16,415,543,763.98

(Continued)

Items	December 31, 2021				
	Carrying amount	Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Bank borrowings . . . . .	16,733,807,805.10	17,821,904,609.25	10,423,301,820.84	3,194,046,807.07	4,204,555,981.34
Held-for-trading financial liabilities . . . . .	360,612.00	360,612.00	360,612.00		
Derivative financial liabilities . . . . .	104,821,710.25	104,821,710.25	104,821,710.25		
Notes payable . . . . .	4,810,797,623.12	4,810,797,623.12	4,810,797,623.12		
Accounts payable . . . . .	6,233,172,410.76	6,233,172,410.76	6,233,172,410.76		
Non-current liabilities due within one year . . . . .	724,190,670.66	793,561,947.97	793,561,947.97		
Other payables . . . . .	1,434,593,185.87	1,467,133,622.51	1,467,133,622.51		
Other current liabilities . . . . .					
Bonds payable . . . . .					
Lease liabilities . . . . .	32,788,255.14	34,289,431.32		32,418,807.58	1,870,623.74
Long-term payables . . . . .	1,061,226,074.03	1,108,713,679.68	22,217,543.26	1,086,496,136.42	
Subtotal . . . . .	31,135,758,346.93	32,374,755,646.86	23,855,367,290.71	4,312,961,751.07	4,206,426,605.08

### (III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market price. Market risk mainly



Items	Fair value as at the balance sheet date			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
5. Inventories—Changes in fair value of hedged items. . . . .	698,873,451.32			698,873,451.32
Total assets at recurring fair value measurement. . . . .	1,356,963,677.12		3,210,764,390.09	4,567,728,067.21
6. Held-for-trading financial liabilities . . . .			40,024,798.40	40,024,798.40
Derivative financial liabilities . . . . .			40,024,798.40	40,024,798.40
Total liabilities at recurring fair value measurement. . . . .			40,024,798.40	40,024,798.40

(II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

Items	Closing fair value	Valuation technique
Derivative financial assets. . . . .	608,711,611.68	The fair value of futures contracts is determined based on the settlement price determined in futures transactions and the fair value of hedged items is determined based on settlement price in spot market.
Held-for-trading financial assets—Derivative financial assets. . . . .	49,378,614.12	
Inventories—Changes in fair value of hedged items. . . . .	698,873,451.32	

(III) Qualitative and quantitative information of valuation technique(s) and key input(s) for level 3 fair value at recurring and non-recurring fair measurement

Items	Closing fair value	Valuation technique
Held-for-trading financial		

Items	Closing fair value	Valuation technique
Receivables financing . . . .	2,437,994,963.68	The carrying amount is used as the fair value as there is little difference between them.
Equity instrument investments . . . . .	527,509,366.89	The carrying amount is used as the fair value as there is little difference between them.
Short-term bank financial products . . . . .	202,612,876.71	The principal plus expected income as of the end of the period.
Other equity instrument investments . . . . .	42,647,182.81	For Inner Mongolia Sinuo, HANAQ Company and Shenzhen Phoenicia, the carrying amount is used as the fair value as there is little difference between them.

## X. Related party relationships and transactions

### (I) Related party relationships

#### 1. Controlling shareholder

##### (1) Controlling shareholder of the Company

Controlling shareholder	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
Huayou Holding . . .	Tongxiang City, Zhejiang Province	Business services	70,092,039.94	16.27	16.27

(2) The Company's ultimate controlling party is Chen Xuehua, who holds 23.15% of the Company's equity by direct holding and indirect holding through Huayou Holding.

2. Please refer to section VII of notes to the financial statements for details on the Company's subsidiaries.

#### 3. Joint ventures and associates of the Company

Please refer to section VII of notes to the financial statements for details on the Company's significant joint ventures and associates. Details of other joint ventures or associates carrying out related party transactions with the Company in the current period or in preceding period but with balance in the current period are as follows:

Joint ventures or associates	Relationships with the Company
IWIP Company . . . . .	Associate
HANAQ Company . . . . .	The former associate. As the Company's holding proportion over it was decreased to 8% in October 2021, it was no longer the related party of the Company since November 2021.
Puhua Company . . . . .	Associate
Shenzhen Phoenicia. . . . .	The former associate. As the Company's holding proportion over it was decreased to 5% in March 2022, it was no longer the related party of the Company since April 2022.
Leyou Company . . . . .	Associate
TMR Company . . . . .	Joint venture of the Company's former subsidiary Town Mining Co., Ltd. (the "TMC Company"). As the Company

<u>Joint ventures or associates</u>	<u>Relationships with the Company</u>
Zhejiang Times Li-ion Material Co., Ltd. (the “Times Li-ion Company”). . . . .	The associates Quzhou Xinhua and Quzhou Anyou hold 35.30% and 17.88% of its equity respectively, being its first and second largest shareholders.
PHC Company . . . . .	Associate
Huafei Indonesia . . . . .	The former associate. As the Company’s holding proportion over it was increased to 51% in April 2022, it was brought into the consolidation scope since May 2022.
Newstride Technology . . . . .	Associate
PT Wedabay Nickel Indonesia (the “WBN Company”) . . . . .	Subsidiary of Newstride Technology
Veinstone . . . . .	Associate
PT Weda Bay Energi (the “WBE Company”) . . . . .	Subsidiary of Veinstone
Indonesia Huatuo . . . . .	Associate
Guangxi Times Huineng Lithium Battery Material Technology Co., Ltd. (the “Guangxi Times Huineng”) . . . . .	Subsidiary of the associate Guangxi Times Li-ion Industry Fund.
Yulin Times Juneng Thermal Energy Co., Ltd. (the “Yulin Times Juneng”) . . . . .	Subsidiary of the associate Guangxi Times Li-ion Industry Fund.
Yulin Times Green Water Environmental Protection Technology Co., Ltd. (the “Yulin Times Green Water”) . . . . .	Subsidiary of the associate Guangxi Times Li-ion Industry Fund.
Yulin Times Sky Blue Gas Co., Ltd. (the “Yulin Times Sky Blue”) . . . . .	Subsidiary of the associate Guangxi Times Li-ion Industry Fund.
Alam Hijau . . . . .	Joint venture

#### 4. Other related parties of the Company

<u>Other related parties</u>	<u>Relationships with the Company</u>
Qiu Jinhua . . . . .	Close family member of the ultimate controller Chen Xuehua.
Anhui Huachuang New Material Co., Ltd. (the “Anhui Huachuang”, formerly known as Tongling Huachuang New Material Co., Ltd.) . . . . .	Under the control of Huayou Holding.
Guangxi Huayou Construction Operation Management Co., Ltd. (the “Guangxi Huayou Construction”) . . . . .	Under the control of Huayou Holding.
Zhejiang Beilinde Enterprise Management Co., Ltd. (the “Beilinde Company”) . . . . .	Associate of Huayou Holding.
Inner Mongolia Shengfan Technology New Energy Co., Ltd. (the “Inner Mongolia Shengfan”) . . . . .	Under the control of Huayou Holding.
Sichuan Hope Ready New Energy Materials Co., Ltd. (the “Sichuan Hope Ready”) Inner Mongolia Hope Ready New Energy Materials Co., Ltd. (the “Inner Mongolia Hope Ready”) . . . . .	The former associates of Huayou Holding. As Huayou Holding transferred all the equity it held in August 2022, they were no longer the related party of the Company since September 2022.

Other related parties	Relationships with the Company
Guangxi Huachuang New Material Copper Foil Co., Ltd. (the “Guangxi Huachuang”) . . .	Under the control of Huayou Holding.
Guangxi Times New Energy Lithium Battery Material Technology Co., Ltd. (the “Guangxi Times New Energy”) . . . . .	Under the control of Huayou Holding.

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

(1) Purchase of goods and receiving of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
IWIP Company . . . . .	Service fees	264,222,380.59	33,786,115.14
HANAQ Company . . . . .	Service fees		3,252,026.40
Puhua Company . . . . .	Goods	2,699,824.09	1,766,778.22
	Service fees	509,328.08	1,632,299.41
Shenzhen Phoenicia . . . . .	Goods		1,447,251.33
Leyou Company . . . . .	Goods	13,804,456.64	25,664,986.02
Tianjin B&M . . . . .	Goods		1,511,492.04
Chengdu B&M . . . . .	Goods		2,175,297.35
WBE Company . . . . .	Energy fees	4,963,660.97	221,460.99
Guangxi Times Huineng . . . . .	Goods	19,420,600.02	
	Processing fees	5,524,002.18	
		[Note]	
Inner Mongolia Shengfan . . . . .	Service fees	1,163,212.50	
	Goods	240,265.49	
Times Li-ion Company . . . . .	Goods	46,190,102.16	
	Processing fees	24,468,305.62	
		[Note]	
WBN Company . . . . .	Royalties	3,333,827.51	
	Goods	327,929,444.59	
Total . . . . .		714,469,410.44	71,457,706.90

Note: The Company sells raw materials to Guangxi Times Huineng and Times Li-ion Company for further processing and repurchases the finished products. In the current period, the Company sold raw materials of 146,774,197.83 yuan to Guangxi Times Huineng and 1,260,379,457.23 yuan to Times Li-ion Company, and repurchased finished products of 115,158,973.21 yuan and 977,321,574.11 yuan respectively. As of the balance sheet date, part of finished products has not been repurchased. As the substance of these transactions is consignment for further processing, the Company recognizes them as processing fees on a net basis.

(2) Sale of goods and rendering of services

Related parties	Content of transactions	Current period cumulative	Preceding period comparative
TMR Company . . . . .	Goods, service fees		1,280,810.94
Puhua Company . . . . .	Goods	641,700,077.63	315,258,019.90
	Service fees, royalties	13,529,397.93	13,156,275.79
Leyou Company . . . . .	Goods	961,467,841.00	97,391,874.00
	Service fees	526,786.62	371,555.90
Beilinde Company . . . . .	Service fees	947.50	1,764.00

<u>Related parties</u>	<u>Content of transactions</u>	<u>Current period cumulative</u>	<u>Preceding period comparative</u>
Times Li-ion Company . . . . .	Goods	126,225,455.67	
	Service fees	45,041,997.09	219,663.98
Huayou Holding . . . . .	Goods	17,776.84	26,048.36
	Service fees	247,049.12	166,055.36
PHC Company . . . . .	Service fees	3,335,223.21	500,603.57
Tianjin B&M . . . . .	Goods		488,530,518.73
	Processing fees		394,435.21
Chengdu B&M . . . . .	Goods		567,405,882.31
	Processing fees		331,224.87
Inner Mongolia Shengfan . . . . .	Goods	176,442,424.79	56,584,070.81
	Service fees	597.50	
Guangxi Huayou Construction . . . . .			

Guarantors	Guaranteed parties	Lending financial institutions	Content guaranteed	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Chen Xuehua, Qiu Jinhua . . . . .	The Company	Bank of China Limited Tongxiang Sub-branch	Borrowings	220,000,000.00 (A total of 4 transactions)	9/6/2022- 10/20/2022	2/28/2023- 4/18/2023	No
			Letters of credit	259,868,125.26 (USD37,312,713.62) (A total of 8 transactions)	5/23/2022- 9/21/2022	1/31/2023- 8/13/2023	No
			Letters of guarantee	175,362,800.00 (Including: USD18,000,000.00) (A total of 2 transactions)	1/11/2022- 12/27/2022	3/31/2023- 3/27/2023	No
Chen Xuehua, Qiu Jinhua . . . . .	The Company	Shanghai Pudong Development Bank Co.,					

Guarantors	Guaranteed parties	Lending financial institutions	Content guaranteed	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Chen Xuehua, Qiu Jinhua . . . . .	Huayou Quzhou	Shanghai Pudong Development Bank Co., Ltd. Quzhou Sub-branch	Borrowings	300,000,000.00 (A total of 5 transactions)	1/29/2022- 11/23/2022	1/28/2023- 5/29/2023	No
Chen Xuehua . . . . .	Huayou Quzhou	China Zheshang Bank Co., Ltd. Quzhou Branch	Letters of credit	147,945,213.75 (A total of 2 transactions)	4/12/2022- 9/13/2022	4/9/2023- 9/8/2023	No
Chen Xuehua, Qiu Jinhua . . . . .	Huayou Quzhou	Bank of China Limited Quzhou Branch	Borrowings	115,734,759.75 (Including: EUR2,119,759.09) (A total of 4 transactions)	8/15/2022- 12/6/2022	2/3/2023- 11/10/2023	No
			Letters of guarantee	200,000.00 (A total of 1 transaction)	8/10/2022	7/31/2024	No
			Letters of credit	224,854,654.30 (Including: USD20,044,692.04 EUR 815,232.88) (A total of 9 transactions)	6/8/2022- 11/28/2022	1/14/2023- 10/11/2023	No
Chen Xuehua, Qiu Jinhua . . . . .	Huayou Quzhou	China Citic Bank Co., Ltd. Quzhou Branch	Borrowings	94,684,746.31 (A total of 2 transactions)	12/22/2022- 12/30/2022	3/22/2023- 9/15/2023	No
Chen Xuehua . . . . .	New Energy Quzhou	Bank of Beijing Co., Ltd. Quzhou Branch	Borrowings	300,000,000.00 (A total of 2 transactions)	1/26/2022- 9/29/2022	1/25/2023- 10/28/2023	No
			Bank acceptance	199,025,066.64 (A total of 54 transactions)	10/18/2022- 11/15/2022	4/18/2023- 5/15/2023	No
Chen Xuehua . . . . .	New Energy Quzhou	Bank of Communications Co., Ltd. Quzhou Branch	Letters of credit	296,822,784.77 (A total of 3 transactions)	3/9/2022- 4/28/2022	6/25/2023- 7/25/2023	No
Chen Xuehua . . . . .	New Energy Quzhou	Industrial and Commercial Bank of China Limited Quhua Sub-branch	Borrowings	29,500,000.00 (A total of 1 transaction)	4/21/2022	4/19/2023- 4/19/2024	No
Chen Xuehua, Qiu Jinhua . . . . .	New Energy Quzhou	Shanghai Pudong Development Bank Co., Ltd. Quzhou Sub-branch	Borrowings	120,000,000.00 (A total of 2 transactions)	1/29/2022- 11/11/2022	1/28/2023- 5/9/2023	No
Chen Xuehua . . . . .	New Energy Quzhou	China Zheshang Bank Co., Ltd. Quzhou Branch	Borrowings	25,000,000.00 (A total of 1 transaction)	11/9/2022	5/8/2023	No
			Letters of credit	219,908,202.70 (Including: USD6,591,720.96) (A total of 4 transactions)	6/21/2022- 9/23/2022	3/12/2023- 9/13/2023	No
Chen Xuehua, Qiu Jinhua . . . . .	New Energy Quzhou	China Citic Bank Co., Ltd. Quzhou Branch	Borrowings	30,000,000.00 (A total of 1 transaction)	12/30/2022	9/28/2023	No
			Letters of credit	41,719,555.88 (Including: USD4,554,397.36) (A total of 2 transactions)	3/31/2022- 10/18/2022	1/1/2023- 10/12/2023	No
			Bank acceptance	25,500,000.00 (A total of 1 transaction)	8/25/2022	2/24/2023	No
Huayou Holding . . . . .	The Company/ Chengdu B&M [Note]	Industrial and Commercial Bank of China Limited Jintang Sub-branch	Borrowings	99,000,000.00 (A total of 2 transactions)	5/13/2022- 11/16/2022	4/27/2022- 11/15/2023	No
			Bank acceptance	180,238,367.99 (A total of 59 transactions)	11/25/2022- 12/29/2022	5/25/2023- 6/29/2023	No
Huayou Holding . . . . .	The Company/ Chengdu B&M [Note]	China Construction Bank Corporation Chengdu Jincheng Sub-branch	Borrowings	592,120,000.00 (A total of 4 transactions)	4/23/2021- 6/23/2022	2/24/2023- 4/22/2026	No
			Bank acceptance	385,971,480.00 (A total of 68 transactions)	7/12/2022- 12/30/2022	1/12/2022- 6/30/2023	No
Huayou Holding . . . . .	The Company/ Chengdu B&M [Note]	Agricultural Bank of China Limited Jintang County Sub-branch	Borrowings	100,000,000.00 (A total of 2 transactions)	5/25/2022- 11/29/2022	5/24/2023- 11/28/2023	No
			Bank acceptance	285,899,568.00 (A total of 94 transactions)	7/20/2022- 12/16/2022	1/20/2023- 6/16/2023	No
Huayou Holding . . . . .	The Company/ Chengdu B&M [Note]	Cinda Financial Leasing Co., Ltd.	Finance lease	199,583,333.35 (* 2 transactions)	9/16/2021- 10/15/2021	1/16/2023- 10/15/2024	No

Guarantors	Guaranteed parties	Lending financial institutions	Content guaranteed	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
Huayou Holding . . . . .	The Company/ Chengdu B&M [Note]	SINO IC Leasing Co., Ltd.	Finance lease	293,403,000.00 (A total of 1 transaction)	5/12/2022	5/12/2023- 5/11/2025	No
Huayou Holding . . . . .	The Company/ Chengdu B&M [Note]	CMB Financial Leasing Co., Ltd.	Finance lease	202,158,672.21 (A total of 1 transaction)	1/7/2022	1/7/2023- 1/7/2025	No
Huayou Holding . . . . .	Zhejiang B&M [Note]	Shanghai Pudong Development Bank Co., Ltd. Quzhou Sub-branch	Borrowings	365,597,821.24 (A total of 13 transactions)	8/4/2022- 12/31/2022	6/20/2024- 12/20/2026	No
Chen Xuehua, Qiu Jinhua . . . . .	CDM Company	China Citic Bank Co., Ltd. Jiaxing Tongxiang Sub-branch	Borrowings	32,234,500.00 (USD4,628,334.72) (A total of 1 transaction)	6/19/2020	6/18/2023	No
Chen Xuehua . . . . .	Huayue Company	The Export-Import Bank of China Zhejiang Branch	(Huayue Syndicated loan) Borrowings	1,191,643,060.00 (USD171,100,000.00) (A total of 4 transactions)	10/27/2021- 2/14/2022	3/21/2024- 3/21/2029	No
		China Citic Bank Co., Ltd. Jiaxing Tongxiang Sub-branch		821,822,800.00 (USD118,000,000.00) (A total of 2 transactions)	10/28/2021- 1/30/2022	3/21/2024- 3/21/2029	
		Agricultural Bank of China Limited Tongxiang Sub-branch		410,911,400.00 (USD59,000,000.00) (A total of 2 transactions)	10/29/2021- 2/11/2022	3/21/2024- 3/21/2029	
		China Minsheng Banking Corp., Ltd. Shanghai Pilot Free Trade Zone Branch		410,911,400.00 (USD59,000,000.00) (A total of 2 transactions)	10/29/2021- 2/15/2022	3/21/2024- 3/21/2029	
		Ping An Bank Co., Ltd. Hangzhou Branch		205,455,700.00 (USD29,500,000.00) (A total of 2 transactions)	10/29/2021- 1/18/2022	3/21/2024- 3/21/2029	
		China Everbright Bank Co., Ltd. Hangzhou Branch		82,182,280.00 (USD11,800,000.00) (A total of 2 transactions)	11/1/2021- 2/11/2022	3/21/2024- 3/21/2029	
Chen Xuehua . . . . .	Huake Indonesia	Agricultural Bank of China Limited Zhejiang Branch	Borrowings	285,024,862.08 (USD40,924,800.00) (A total of 1 transaction)	6/30/2022	6/30/2026	No
Chen Xuehua . . . . .	Resource Recycling	Bank of Beijing Co., Ltd. Quzhou Branch	Borrowings	141,000,000.00 (A total of 9 transactions)	10/14/2022- 11/28/2022	4/21/2023- 12/27/2023	No
Chen Xuehua . . . . .	Resource Recycling	Industrial and Commercial Bank of China Limited Quhua Sub-branch	Borrowings	94,500,000.00 (A total of 2 transactions)	12/26/2018- 5/27/2022	5/24/2023- 5/24/2024	No
Chen Xuehua . . . . .	Huayuan Copper	Kaifei Investment (Hong Kong) Limited	Borrowings	348,230,000.00 (USD50,000,000.00) (A total of 1 transaction)	3/11/2020	3/11/2023	No
Chen Xuehua, Huayou Holding . . . . .	The Company/Tianjin B&M [Note]	Bank of Beijing Co., Ltd. Tianjin Hongqiao Sub-branch	Borrowings	100,000,000.00 (A total of 1 transaction)	12/29/2022	12/26/2023	No
Chen Xuehua . . . . .	The Company	Industrial and Commercial Bank of China Limited Tongxiang Sub-branch	Forward foreign exchange settlement	17,132,916.00 (USD2,460,000.00) (A total of 1 transaction)	9/21/2022	6/30/2023	No
Total . . . . .				15,221,915,014.80			

**Note:** The Company provides a guarantee for Chengdu B&M, Tianjin B&M and Zhejiang B&M, and Huayou Holding provides a counter guarantee for the Company.





## 6. Key management's emoluments

Unit: in ten thousand yuan

<u>Items</u>	<u>Current period cumulative</u>	<u>Preceding period comparative</u>
Key management's emoluments .....	7,396.57	5,711.48

## 7. Other related party transactions

Pursuant to the “Proposal on Joint External Investment with Related Parties and Related Party Transactions” deliberated and approved by the 28th meeting of the fifth session of the Board of Directors dated January 28, 2022, the Company and the controlling shareholder Huayou Holding jointly invested in Hunan Yacheng. Pursuant to the resolution of the first meeting of the sixth session of the Board of Directors of Beijing Hezong Science & Technology Co., Ltd. dated January 28, 2022, its wholly-owned subsidiary Hunan Yacheng intends to bring in strategic investors through capital increase and share



## **XI. Share-based payment**

### (I) Overall information

#### 1. Details

<u>Items</u>	<u>The Company</u>
	Restricted shares initially granted in 2021
Total equity instruments granted in the current	

**Items****The Company**

The range of exercise prices of other equity instruments at the end of the period and the remaining contractual life . . . . .

The exercise price of restricted shares initially granted in 2021 is 37.89 yuan per share, which will be unlocked in 3 years from the completion date of registration till 2024; the exercise price of reserved restricted shares granted for the first time in 2021 is 53.84 yuan per share, which will be unlocked in 3 years from the completion date of registration till 2024; the exercise price of reserved restricted shares granted for the second time in 2021 is 58.07 yuan per share, which will be unlocked in 3 years from the completion date of registration till 2025; the exercise price of restricted shares initially granted in 2022 is 32.35 yuan per share, which will be unlocked in 3 years from the completion date of registration till 2025; the exercise price of reserved restricted shares granted for the first time in 2022 is 31.61 yuan per share, which will be unlocked in 2 years from the completion date of registration till 2025.

**Note:** Pursuant to the resolution of the 32nd meeting of the fifth session of the Board of Directors of the Company and the resolution of the shareholders' meeting of 2021, based on the total shares of 1,221,265,783 shares on the equity registration date (i.e., June 7, 2022), the Company distributed cash dividend of 0.3 yuan per share (tax inclusive) and increased shares by converting capital reserve in the proportion of 0.3 shares per share to all shareholders. After the capital increase through conversion, restricted shares initially granted in 2021 were increased from 6,727,400.00 shares 8,745,620.00 shares, reserved restricted shares granted for the first time in 2021 were increased from 1,466,200.00 shares to 1,906,060.00 shares, and reserved restricted shares granted for the second time in 2021 were increased from 167,800.00 shares to 218,140.00 shares. The above-mentioned restricted shares are presented based on the number after the capital increase through conversion.

## 2. Other remarks

Pursuant to the restricted share incentive plan approved by the 33rd meeting and 39th meeting of the fifth session of the Board of Directors and the second extraordinary shareholders' meeting of 2022, it is determined that June 23, 2022 will be the grant date, and a total of 10,749,500 restricted shares will be granted to 1,200 incentive objects at a grant price of 32.35 yuan per share. In the process of making payment after the grant date is determined, 20 incentive objects voluntarily gave up subscription for part of restricted shares to be granted due to personal reasons, and 30 incentive objects voluntarily gave up

(II) Equity-settled share-based payment

The Company's restricted shares

the Democratic Republic of the Congo” issued by Edmond Cibamba Diata, a lawyer from Emery Mukendi Wafwana & Associés in August 2020, there is no legal basis to sustain the GENILAND’s claim due to the following reasons:

According to Article 64 of the 2002 Mining Code, the exploitation license entitles its holder to the exclusive right to carry out, within the perimeter over which it has been granted, and during its term of validity, exploration, development, construction and exploitation works in connection with the mineral substances for which the license has been granted. CDM Company, as the holder of Mining Concession No. 527, has the right to enter the mining area to carry out mining operations. As GENILAND acquired the long-term lease concession (land) on May 25, 2012, later than the date when CDM Company acquired Mining Concession No. 527, GENILAND cannot consider the mining operations or the construction of installations and infrastructures required for mining exploitation conducted by CDM Company within the exploitation perimeter as illegal activities, nor can it claim any compensation on such basis.

GENILAND filed a motion seeking damages of USD22.65 million. However, according to Article 281 of the 2002 Mining Code, the fair compensation for disputes over land occupation between the holder of the mining rights and the holder of the surface rights shall be the value of the land at the time of its occupation plus fifty per cent (50%). Based on the legal opinion issued by the DRC lawyer in September 2020 as well as the investigation conducted by the Land Bureau where the land in question is located, it is confirmed that the land price in the area where the land in question located ranges from USD500 to USD800 per hectare and the land in question is 26.83 hectares, thus the maximum amount of compensation will not exceed USD32,196.00 according to the above-mentioned compensation standard.

In summary, the Company believes that it is not liable for any compensation concerning the above lawsuit and therefore accrues no provisions.

### **XIII.**

#### XIV. Other significant events

##### (I) Segment information

The Company's main business is manufacturing and sales of cobalt products, copper products, nickel products, lithium products, ternary precursors, cathode materials, nickel intermediates, etc., with its operating results managed and evaluated on an integral basis. Therefore, the Company is not required to disclose segment information. Please refer to section V (II) 1 of notes to the financial statements for details on the Company's operating revenues and operating costs by products/geographic information.

##### (II) Leases

###### 1. The Company as lessee

- (1) Please refer to section V (I) 16 of notes to the financial statements for details on right-of-use assets.
- (2) Please refer to section III (XXIX) of notes to the financial statements for details on the Company's accounting policies on short-term leases and leases for which the underlying asset is of low value. The amounts of short-term leases and low-value asset leases included into profit or loss are as follows:

Items	Current period cumulative	Preceding period comparative
Expense relating to short-term leases . . . . .	16,821,408.86	3,088,592.10
Expense relating to leases of low-value assets (excluding short-term leases). . . . .	20,080,787.09	22,334,877.30
Total . . . . .	36,902,195.95	25,423,469.40

###### (3) Profit or loss and cash flows related to leases

Items	Current period cumulative	Preceding period comparative
Interest expenses on lease liabilities . . . . .		

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(2) Assets leased out under operating leases

Items	Closing balance	December 31, 2021
Fixed assets . . . . .	9,401,223.41	12,716,111.26
Subtotal . . . . .	9,401,223.41	12,716,111.26

Please refer to section V (I) 14 of notes to the financial statements for details on fixed assets leased out under operating leases.

(3) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Closing balance	December 31, 2021
Within 1 year . . . . .		41,666.67
Total . . . . .		41,666.67

**XV. Notes to items of parent company financial statements**

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Accounts receivable with provision made on an individual basis . . . . .	402,048.00	0.09	402,048.00	100.00	
Accounts receivable with provision made on a collective basis . . . . .	454,914,523,918	235.88	2,807,036,186	0.62	457,720,947,904
			(on)-362c1.8686TD.3c8.9(TJ59)-2977.9(40939511188)0,621		Total

2) Accounts receivable with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion	Reasons for provision made
			(%)	
Others . . . . .	402,048.00	402,048.00	100.00	The balances are unlikely to recover due to the debtors' difficulties in operations.
Subtotal . . . . .	402,048.00	402,048.00		

3) Accounts receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
			(%)

Portfolio Dep 725.7850. 40lio 4,286,19(deb)-4PoDebt0717.7(o1Deb722)Tj-32.8136Tm.0301Tc[(Portfolio)-363.

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on an individual basis . . . . .	6,885,027.34					6,482,979.34		402,048.00
Receivables with provision made on a collective basis . . . . .	8,062,408.23	-3,776,217.64						4,286,190.59
Total . . . . .	14,947,435.57	-3,776,217.64				6,482,979.34		4,688,238.59

(4) Accounts receivable written off in the current period

- 1) Accounts receivable actually written off in the current period totaled 6,482,979.34 yuan.
- 2) Significant accounts receivable written off in the current period

Debtors	Nature of receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether arising from related party transactions
Jiangxi Jialong New Material Co.,		6,482,979.34			

\*401604140048571yme(receivab.7248-1.2TD[(provisio(goodTf7(yu96D[(New)-362.65,717,2m090)-84579.I.8(70.9(8(writ265738.Ap-362

(2) No material closing balance with age over one year.

(3) Other receivables

1) Details

a. Details on categories

<u>Categories</u>	<u>Closing balance</u>				
	<u>Book balance</u>		<u>Provision for bad debts</u>		
	<u>Amount</u>	<u>% to total</u>	<u>Amount</u>	<u>Provision proportion</u>	<u>Carrying amount</u>
				(%)	
Receivables with provision made on an individual basis . . . . .					
Receivables with provision made on a collective basis . . . . .	5,812,458,918.48	100.00	1,039,542.57	0.02	5,811,419,375.91
Total . . . . .	5,812,458,918.48	100.00	1,039,542.57	0.02	5,811,419,375.91

(Continued)

<u>Categories</u>	<u>Opening balance</u>				
	<u>Book balance</u>		<u>Provision for bad debts</u>		
	<u>Amount</u>	<u>% to total</u>	<u>Amount</u>	<u>Provision proportion</u>	<u>Carrying amount</u>
				(%)	
Receivables with provision made on an individual basis . . . . .					
Receivables with provision made on a collective basis . . . . .	3,116,525,269.32	100.00	1,662,449.88	0.05	3,114,862,819.44
Total . . . . .	3,116,525,269.32	100.00	1,662,449.88	0.05	3,114,862,819.44

2) Age analysis

<u>Ages</u>	<u>Closing book balance</u>
Within 1 year . . . . .	4,979,367,494.63
1-2 years. . . . .	829,019,599.18
2-3 years. . . . .	23,190.40
Over 3 years . . . . .	4,048,634.27
Total. . . . .	5,812,458,918.48

3) Changes in provision for bad debts

<u>Items</u>				
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Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables	Provision for bad debts
				(%)	
Huayou New Energy . . .	Temporary borrowings	1,087,862,606.98	Within 1 year	18.72	
Guangxi Huayou Engineering . . . . .	Temporary borrowings	280,148,041.32	Within 1 year: 212,293,112.38 yuan, 1-2 years: 67,854,928.94 yuan	4.82	
Tongxiang Huazheng . . .	Temporary borrowings	211,000,601.37	Within 1 year	3.63	
Subtotal . . . . .		4,966,718,732.07		85.45	

### 3. Long-term equity investments

#### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries . . .	20,482,717,464.96		20,482,717,464.96	13,038,601,252.16	518,166.20	13,038,083,085.96
Investments in associates and joint ventures . . .	3,275,579,013.84		3,275,579,013.84	598,430,946.19		598,430,946.19
Total . . . . .	23,758,296,478.80		23,758,296,478.80	13,637,032,198.35	518,166.20	13,636,514,032.15

#### (2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in the current period	Closing balance of provision for impairment
Like Cobalt . . . . .	33,171,333.03			33,171,333.03		
Huayou Import & Export . . . . .	100,587,951.00			100,587,951.00		
Huayou Hong Kong . . .	458,040,203.00			458,040,203.00		
CDM Company . . . . .	480,447,838.92			480,447,838.92		
OIM Company . . . . .	3,958,802.50			3,958,802.50		
MIKAS Company . . . . .	263,815,386.00			263,815,386.00		
Huayou Quzhou . . . . .	2,488,000,000.00			2,488,000,000.00		
Huayou Mining Hong Kong . . . . .	3,871,579,971.51	4,163,031,270.00		8,034,611,241.51		
New Energy Quzhou . . .	1,770,000,000.00	130,000,000.00		1,900,000,000.00		
Huayou Recycling . . . .	1,250,000,000.00			1,250,000,000.00		
Huayou New Energy . . .	700,000,000.00	1,240,248,109.00		1,940,248,109.00		
Youqing Trading . . . . .	2,850,000.00	2,850,000.00		5,700,000.00		
Tongxiang Hua'ang . . . .	1,140,000.00	1,710,000.00		2,850,000.00		
Beijing Youhong . . . . .	1,710,000.00			1,710,000.00		
Guangxi Huayou Engineering . . . . .	50,000,000.00			50,000,000.00		
Guangxi B&M . . . . .	100,000,000.00	1,499,000,000.00		1,599,000,000.00		
Tongxiang Hualing . . . .	18,040,800.00			18,040,800.00		
Tongxiang Huawang . . .	18,040,800.00			18,040,800.00		

<b>Investees</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Closing balance</b>	<b>Provision for impairment made in the current period</b>	<b>Closing balance of provision for impairment</b>
Wenzhou Huashan . . . . .	25,500,000.00				25,500,000.00	
Tianjin B&M. . . . .	1,351,200,000.00				1,351,200,000.00	
Resource Recycling. . . . .	50,000,000.00	88,000,000.00		138,000,000.00		
Guangxi Lithium . . . . .		265,000,000.00		265,000,000.00		
Tongxiang Huashan. . . . .		5,100,000.00		5,100,000.00		
Tongxiang Huazheng . . . . .		34,695,000.00		34,695,000.00		
Hubei Youxing . . . . .		1,000,000.00	1,000,000.00			
Guangxi Huayou New Material . . . . .		15,000,000.00		15,000,000.00		
Subtotal . . . . .	13,038,083,085.96	7,445,634,379.00	1,000,000.00	20,482,717,464.96		

(3) Investments in associates and joint ventures

<b>Investees</b>	<b>Opening balance</b>	<b>Increase/Decrease</b>		<b>Investment income recognized under equity method</b>	<b>Adjustment in other comprehensive income</b>
		<b>Investments increased</b>	<b>Investments decreased</b>		
Associates. . . . .					
Quzhou Anyou . . . . .	598,430,946.19			-4,312,884.44	
Guangxi Times Li-ion Investment Management Center. . . . .		710,488,575.00		-1,733,821.53	
Guangxi Times Li-ion Industry Fund. . . . .		660,800,000.00		-2,809,341.58	
Hubei Xingyou . . . . .		24,500,000.00	23,342,636.19	-1,157,363.81	
Hunan Yacheng . . . . .		120,000,000.00		11,053,666.21	
Quzhou Xinhua . . . . .		1,189,000,000.00		-6,164,904.72	
Zhejiang Power Investment . . . . .		1,800,000.00			
Tongxiang Lithium Times . . . . .				-19,474.44	
Total. . . . .	598,430,946.19	2,706,588,575.00	23,342,636.19	-5,144,124.31	

(Continued)

<b>Investees</b>	<b>Increase/Decrease</b>				<b>Closing balance</b>	<b>Closing balance of provision for impairment</b>
	<b>Changes in other equity</b>	<b>Cash dividend/Profit declared for distribution</b>	<b>Provision for impairment</b>	<b>Others</b>		
Associates. . . . .					594,118,061.75	
Quzhou Anyou . . . . .						
Guangxi Times Li-ion Investment Management Center . . . . .					708,754,753.47	
Guangxi Times Li-ion Industry Fund. . . . .					657,990,658.42	
Hubei Xingyou . . . . .						
Hunan Yacheng . . . . .	-953,746.85				130,099,919.36	
Quzhou Xinhua . . . . .					1,182,835,095.28	
Zhejiang Power Investment . . . . .					1,800,000.00	
Tongxiang Lithium Times . . . . .					-19,474.44	
Total . . . . .	-953,746.85				3,275,579,013.84	

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

(1) Details

<u>Items</u>	<u>Current period cumulative</u>		<u>Preceding period comparative</u>	
	<u>Revenue</u>	<u>Cost</u>	<u>Revenue</u>	<u>Cost</u>
Main operations. . . . .	3,802,289,804.22	2,675,631,158.21	3,214,350,884.78	1,984,069,994.65
Other operations . . . . .	972,736,669.35	628,756,575.19	122,064,911.41	40,059,139.61
Total . . . . .	4,775,026,473.57	3,304,387,733.40	3,336,415,796.19	2,024,129,134.26
Including: Revenue from contracts with customers [Note] . .	4,771,153,224.45	3,301,940,449.96	3,329,989,151.85	2,018,947,056.34



### 3. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method . . . . .	-5,144,124.31	-3,406,932.38
Investment income from long-term equity investments under cost method [Note 1] . . . . .	198,313,600.00	275,447,674.72
Investment income from disposal of long-term equity investments . . . . .	1,284,563.81	
Losses on discounting of receivables financing . . . . .	-13,002,440.11	-10,627,224.26
Losses on derecognition of accounts receivable . . . . .	-364,000.00	-7,209,802.76
Investment income from disposal of held-for-trading financial assets . . . . .	12,244,956.26	-5,135,843.92
Interest income from other debt investments [Note 2] . .	120,354,193.80	13,969,715.30
Total . . . . .	313,686,749.45	263,037,586.70

Note 1: It refers to dividend income of 198,313,600.00 yuan from the subsidiary Huayou Quzhou.

Note 2: It refers to interest on call loans of 120,354,193.80 yuan from subsidiaries within the consolidation scope.

### XVI.

Items	Amount	Remarks
Gains or losses on changes in fair value of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities and derivative financial liabilities, and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, excluding those arising from hedging business related to operating activities . . . . .	-290,225,260.27	
The reversed provision for impairment of receivables and contract assets based on impairment testing on an individual basis . . . . .		
Gains on designated loans . . . . .		
Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode . . .		
Gains on reconciliation of current period profit or loss following legal and regulative requirements on taxation, accounting, etc. . . . .		
Management charges for consigned operations . . . . .		
Other non-operating revenue or expenditures . . . . .	-11,782,650.22	
Other profit or loss satisfying the definition of non-recurring profit or loss. . . . .		
Subtotal . . . . .	-130,005,724.52	
Less: Enterprise income tax affected . . . . .	13,385,122.11	
Non-controlling interest affected (after tax)		



<b>Items</b>	<b>Symbols</b>	<b>Current period cumulative</b>
Equity-settled share-based payment expenses recognized for restricted share incentives (granted in 2021)		

Items	Symbols	Current period cumulative
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J7	6
Adjustment of capital reserve (capital premium) due to acquisition of non-controlling interest of Feza Mining	I8	-20,540,309.49
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J8	7
Adjustment of capital reserve (other capital reserve) due to other equity changes of the associate Hunan Yacheng	I9	-953,746.85
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J9	8
Adjustment of capital reserve (capital premium) due to transfer of equity of Prospect Lithium	I10	9,555,905.33
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J10	6
Adjustment of capital reserve (capital premium) due to changes in holding proportion over the subsidiary New Energy Quzhou	I11	149,587,503.23
Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	J11	
Unlocking of restricted shares (the first batch)	I12	74,838,682.80

**Items**

**Symbols**

**Current period  
cumulative**

Number of months counting



(2) Calculation process of diluted EPS

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