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

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

(Stock Code: 2245)

INTERIM RESULTS ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the "**Board**") of Lygend Resources & Technology Co., Ltd. (the "**Company**") hereby announces the results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2022. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 21 November 2022 issued by the Company (the "**Prospectus**").

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

FINANCIAL HIGHLIGHTS

- Our revenue decreased from RMB9,978.3 million for the six months ended 30 June 2022 to RMB9,284.1 million for the six months ended 30 June 2023, representing a decrease of 7.0%.

- Our gross profit decreased from RMB3,084.2 million for the six months ended 30 June 2022 to RMB1,567.4 million for the six months ended 30 June 2023, representing a decrease of 49.2%. Gross profit margin for the six months ended 30 June 2023 was 16.9%, representing a decrease of 14.0 percentage points compared to the gross profit margin of 30.9% for the six months ended 30 June 2022.

- Profit for the six months ended 30 June 2023 was RMB662.0 million, representing a decrease of 71.1% compared to the profit of RMB2,289.6 million for the six months ended 30 June 2022.

- Profit attributable to owners of the Company for the six months ended 30 June 2023 was RMB338.4 million, representing a decrease of 74.9% as compared to RMB1,350.1 million for the six months ended 30 June 2022.

- The Board has resolved not to recommend the distribution of an interim dividend for the six months ended 30 June 2023 (the six months ended 30 June 2022: nil).

FINANCIAL INFORMATION

The interim condensed consolidated results of the Group for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022 are as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Audited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**9,284,106**	9,978,283
Cost of sales		**(7,716,702)**	(6,894,081)
Gross profit		**1,567,404**	3,084,202
Other income and gains		**108,498**	108,924
Selling and distribution expenses		**(29,188)**	(43,170)
Administrative expenses		**(449,347)**	(480,192)
Impairment losses on financial assets, net		**(10,960)**	(2,685)
Other operating expenses		**(327,820)**	(111,330)
Finance costs		**(232,472)**	(108,517)
Share of profits and losses of associates		**10,100**	(54,713)
PROFIT BEFORE TAX	*5*	**636,215**	2,392,519
Income tax credit/(expense)	*6*	**25,809**	(102,896)
PROFIT FOR THE PERIOD		**662,024**	2,289,623

	Note	For the six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Audited) RMB'000
PROFIT FOR THE PERIOD		**662,024**	2,289,623
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**21,040**	29,398
Exchange differences on translation of foreign operations		**378,947**	288,642
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**399,987**	318,040
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,062,011**	2,607,663
Profit attributable to:			
Owners of the parent		**338,386**	1,350,119
Non-controlling interest		**323,638**	939,504
		662,024	2,289,623
Total comprehensive income for the period attributable to:			
Owners of the parent		**594,867**	1,537,882
Non-controlling interest		**467,144**	1,069,781
		1,062,011	2,607,663
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*8*	**0.22**	1.02

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2023	2022
		(Unaudited)	(Audited)
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**12,317,340**	9,620,632
Intangible assets		**493,250**	516,553
Right-of-use assets		**136,658**	128,051
Deferred tax assets		**115,989**	66,552
Interests in associates		**1,352,302**	544,963
Derivative financial instruments		**87,680**	95,680
Goodwill		**218,037**	218,037
Prepayments, other receivables and other assets		**1,561,697**	825,404
Total non-current assets		**16,282,953**	12,015,872
CURRENT ASSETS			
Inventories		**1,784,884**	1,150,638
Trade and bills receivables	*10*	**1,586,709**	1,141,923
Prepayments, other receivables and other assets		**833,460**	627,707
Due from related parties		**1,576,867**	1,143,516
Financial assets at fair value through profit or loss		**44,700**	12,183
Pledged deposits		**406,416**	313,850
Cash and cash equivalents		**5,629,780**	4,434,705
Total current assets		**11,862,816**	8,824,522
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**4,600,506**	2,347,670
Trade and bills payables	*11*	**1,306,629**	965,245
Lease liabilities		**9,862**	11,849
Derivative financial instruments		**409**	42,686
Other payables and accruals		**1,407,080**	1,139,279
Contract liabilities		**280,048**	21,352
Income tax payable		**39,340**	193,015
Due to related parties		**744,614**	132,193
Total current liabilities		**8,388,488**	4,853,289

	As at	
	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**3,474,328**	3,971,233
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,757,281**	15,987,105
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**7,034,816**	3,884,795
Lease liabilities	**53,508**	47,090
Other payables and accruals	**4,289**	4,572
Employee benefits liability	**25,773**	18,197
Deferred tax liabilities	**5,167**	4,654
Total non-current liabilities	**7,123,553**	3,959,308
NET ASSETS	**12,633,728**	12,027,797
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,555,931**	1,555,931
Reserves	**7,058,631**	6,920,465
	8,614,562	8,476,396
Non-controlling interests	**4,019,166**	3,551,401
Total equity	**12,633,728**	12,027,797

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

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

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers	**9,284,106**	9,978,283

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Types of goods or services		
Sale of nickel products	**8,952,148**	9,160,938
Sale of equipment	**100,425**	671,375
Others	**231,533**	145,970
Total revenue from contracts with customers	**9,284,106**	9,978,283
Geographical markets		
Mainland China	**8,915,732**	7,788,705
Others	**368,374**	2,189,578
Total revenue from contracts with customers	**9,284,106**	9,978,283
Timing of revenue recognition		
Goods transferred at a point in time	**8,824,796**	9,121,870
Services transferred over time	**459,310**	856,413
Total revenue from contracts with customers	**9,284,106**	9,978,283

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of inventories sold	**7,234,979**	6,118,972
Depreciation of property, plant and equipment	**255,951**	149,195
(Gains)/loss on disposal of items of property, plant and equipment	**(956)**	2,743
Gain on a finance lease as a sublease lessor	**(47)**	–
Impairment of financial assets, net		
Impairment of trade receivables, net	**10,754**	2,539
Impairment of other receivables, net	**206**	146
	10,960	2,685
Foreign exchange differences, net	**152,542**	15,829
Fair value (gains)/loss, net:		
Derivative financial instruments	**11,585**	(44,325)
Trade receivables containing provisional pricing features	**(630)**	–
Other unlisted investments	**(200)**	(57)
Investment (gains)/loss from financial assets at fair value through profit or loss, net:		
Derivative financial instruments	**(17,480)**	87,078
Trade receivables containing provisional pricing features	**162,020**	–
Other unlisted investments	**(5)**	–
	144,535	87,078

6. INCOME TAX (CREDIT)/EXPENSE

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

PRC

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

Indonesia

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

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

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
Charge for the period	**22,571**	116,757
Deferred tax	**(48,380)**	(13,861)
Total tax (credit)/expense for the period	**(25,809)**	102,896

7. DIVIDENDS

On 3 January 2023, a special dividend of RMB466,779,000 (tax inclusive) was declared to the shareholders of the Company whose names appeared on the register of members of the Company on 22 January 2023, which was fully paid as at 30 June 2023.

On 1 August 2021, the Company declared a cash dividend of RMB845,750,000 to the shareholders of the Company, among which RMB778,689,000 had been paid in 2021, and RMB67,061,000 had been paid in the six months ended 30 June 2022.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,555,931,350 (2022: 1,317,768,750) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the period ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023 and 2022.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Carrying amount at beginning of period/year	**9,620,632**	5,775,059
Additions	**2,622,899**	3,745,690
Acquisition of a subsidiary	**–**	7
Depreciation provided during the period/year	**(270,219)**	(381,839)
Disposals	**(102)**	(11,026)
Exchange realignment	**344,130**	492,741
Carrying amount at end of period/year	**12,317,340**	9,620,632

10. TRADE AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Financial assets at amortised cost:		
Trade receivables	**737,667**	705,787
Bills receivable	**275,796**	705
Impairment	**(15,165)**	(4,388)
	998,298	702,104
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	**249,153**	439,819
Financial assets at fair value through other comprehensive income:		
Bills receivable	**339,258**	–
	1,586,709	1,141,923

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

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

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**676,326**	684,216
3 to 6 months	**30,228**	17,136
6 to 12 months	**15,948**	47
	722,502	701,399

11. TRADE AND BILLS PAYABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**781,256**	469,973
3 to 6 months	**45,506**	140,196
6 to 12 months	**76,250**	168,568
1 to 2 years	**218,233**	103,474
Over 2 years	**185,384**	83,034
	1,306,629	965,245

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a company with business across the entire nickel industry value chain. Positioning in the "nickel" segment of the industry, the Company has established its presence across the entire nickel industry value chain and pioneered in the trading and production of nickel products in the industry, including the integration and trading of nickel resources, trading and production of nickel products, equipment manufacturing and sales. The Company and its Indonesian Partner have jointly invested in the construction of an independent industrial park on Obi Island in Indonesia, in which hydrometallurgy and pyrometallurgy projects for nickel products were established with related production ancillary facilities being provided simultaneously. This ensured our autonomy in aspects such as smelting and production, raw material and energy supply, and public ancillary facilities, and has helped us achieve various breakthroughs and significant progress in the field of smelting of nickel products.

Adhering to the concept of integrating Chinese technology with global resources, the Company has devoted efforts in the nickel industry for 14 years and fully taken advantage of its strengths to strive for the development and construction of the entire nickel industry chain. Headquartered in Ningbo, the Company initially completed its business layout with resources secured overseas, manufacturing and smelting in Indonesia and has established market presence globally, thereby establishing an industrial pattern of "upstream nickel resource integration and trading, midstream smelting production and equipment manufacturing and expansion of downstream application scenarios".

During the Reporting Period, the Company stayed committed to the general principle of seeking progress while maintaining stability, promoted the development of various projects in an orderly manner, released its production capacity as scheduled, and achieved solid growth in productivity and sales volume of various businesses. From January to June 2023, the Company realized a total operating revenue of RMB9,284.1 million, representing a decrease of 7.0% as compared with the same period last year and a period-on-period increase of 11.7%. The net profit attributable to shareholders of the Company was RMB338.4 million, representing a decrease of 74.9% as compared with the same period last year and a period-on-period decrease of 12.1%. The decrease was mainly attributable to the explosive growth in LME nickel prices in March last year that was rarely seen in the history, which, coupled with the tight supply of nickel products, directly led to a surge in prices of nickel product during the same period last year. As the nickel prices gradually returned to normal levels, the production capacity of nickel products such as hydrometallurgy reaction intermediates was gradually released to align with the downstream demands, which has in turn further driven the decline in prices of the related nickel products. In addition, the upward trend of both the US dollar and Hong Kong dollar against the RMB during the Reporting Period led to a foreign exchange loss of the Company, further affecting the profitability of the Company.

We believe that there is still an increase in market demand for nickel products in the future. On the one hand, we will continue to benefit from the further expansion of the domestic and international NEV consumption markets. According to the data of the China Association of Automobile Manufacturers, from January to June 2023, the production and sales volume of NEV were 3.788 million and 3.747 million respectively, representing a year-on-year growth of 42.4% and 44.1%, with the penetration rate of NEV reaching 28.3%. In June 2023, the five departments including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Commerce, the Ministry of Agriculture and Rural Affairs and the National Energy Administration of the PRC, issued a notice stating that a program of getting rural residents to purchase NEV will be organized and launched in 2023, and the relevant policies have been rolled out successively, which will further increase the policy support for the penetration of NEV in the PRC. In addition, the penetration rate of NEV in countries and regions other than China is likely to further increase, coupled with the reduction in the cost of high-nickel ternary battery as a result of the decrease in prices of nickel intermediate products, it is expected that the installed capacity of ternary battery will increase, leading to potential growth in the demand for batteries. On the other hand, with the gradual release of ferronickel production capacity in the industry, the prices of ferronickel will decline, which will result in further decrease in the cost of its downstream stainless steel products, hence facilitating the expansion of end-use application scenarios and increasing its market demand. In addition, given that the ferronickel production project jointly invested and constructed by us and the Indonesian Partner has been put into operation, we will also benefit from the change of increased market demand for ferronickel.

Nickel resources procurement and trading

The Company fully leveraged its dominant position and resource channels in the nickel ore and ferronickel markets, actively explored domestic and overseas markets, maintained stable customer relationships and enhanced service quality, and achieved steady growth in nickel ore and ferronickel trading volume. During the Reporting Period, the Company's nickel ore trading volume was 4.452 million tons and continued to consolidate its existing market share. The sales of ferronickel reached 0.03 million metal tons, representing a year-on-year increase of 131.1%, achieving steady growth.

Smelting and production of nickel products and equipment manufacturing

Giving full play to its synergistic advantages in equipment manufacturing with a focus on the smelting and production of nickel products, the Company adhered to the principle of openness and cooperation, and cooperated with PT Trimegah Bangun Persada, a substantial shareholder of certain non-wholly owned subsidiaries of the Company, together with its associates (the "**Indonesian Partner**") to optimize the allocation of resources, with a view to securing the OBI project in Indonesia on all fronts.

Hydrometallurgy project

Relying on the advanced high pressure acid leaching process, the Company has continuously optimized the production process and improved production efficiency, with a capacity utilization rate exceeding 100%. In addition, the Company closely followed the development trend and changes in demand of the NEV industry, and improved its product structure based on the existing production capacity plan. The battery-grade nickel sulfate and cobalt sulfate were successfully put into production for the first time in Indonesia in order to meet the market demand. During the Reporting Period, phase II of the Company's hydrometallurgy project was successfully put into operation and reached full production capacity while the HPAL project produced a total of 26 thousand metal tons of MHP and 3 thousand metal tons of battery-grade nickel sulfate. During the Reporting Period, the Company successfully obtained a syndicated loan of the RMB equivalent of US$780 million for phase III (ONC) of the hydrometallurgy project. The high-pressure reactor, which is the core production equipment of phase III of the hydrometallurgy project, was successfully transported to the project site, and the production lines are now under construction in an orderly manner.

Pyrometallurgy project

The production lines of phase I of the RKEF project have commenced production successively since October 2022 and all eight production lines have been put into operation during the Reporting Period, and certain production lines are currently in a ramp-up stage. We continue to strengthen the optimization and maintenance management of the pyrometallurgy process to enhance production efficiency and product quality to achieve cost reduction and improvement in efficiency.

MARKET VOLATILITY RISK

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

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

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

Fluctuation in nickel metal price

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

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

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

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

OUR CORE COMPETITIVENESS

1. We have formed a complete industry ecosystem centered around nickel resources

The Company's business spans across the entire nickel industry value chain, including upstream nickel resources integration, trading, smelting and production of nickel products, equipment manufacturing and sale, with interactions between all segments to create synergistic effects for business growth.

With respect to the upstream sourcing and trading of nickel resources, the Company has adequate and stable supply of nickel resources. We have established stable upstream supply channels in both Indonesia and the Philippines, the world's major exporters of nickel ore and ferronickel. In addition, the Company has a dedicated in-house nickel ore inspection department for the analysis of the grades, characteristics and associated metals of nickel ores from different countries and regions, which enables us to procure nickel ore products for our customers that are most suitable for their business, thereby deepening our understanding of industry trends and customer demands and enabling us to form our differentiated knowledge base.

In terms of smelting, production, manufacturing and sale of equipment, the Company has established its own production bases in China and Indonesia, which can effectively connect upstream and downstream resources. The Company's capabilities in the manufacturing and sales of professional nickel products production equipment provide additional technical safeguard to further enhance its production processes and techniques.

2. Through breakthroughs in key processes and techniques, we have achieved first-mover advantages and utilized our technological edges to lower production costs

Our technological innovation and industry experience not only enables us to have a product portfolio with different production paths, but also allows us to achieve first-mover advantages in terms of operational efficiency and profitability. Our HPAL project is located at the left end of the cost curve and has the lowest cash cost among all nickel-cobalt compound production projects.

Hydrometallurgy

We have mastered one of the most advanced nickel hydrometallurgy processes and techniques prevailing in the industry. We have also accumulated extensive experience in the design, construction, management and operation of nickel hydrometallurgy projects. Compared with other nickel hydrometallurgy projects which failed to commence production or took a long time to reach full production capacity, the production lines under phase I and phase II of the HPAL project successfully reached full production capacity within two months after commencement of operation, setting multiple records in the industry.

The third-generation HPAL process adopted in the HPAL project is the mainstream nickel hydrometallurgy technique and currently the most advanced process used to process low- to medium-grade laterite nickel ore. However, the HPAL process is technically demanding and involves a complicated production process that needs to be carried out under a high-temperature and high-pressure environment using concentrated sulfuric acid. This process imposes high technical and operational requirements on the producer and has low fault tolerance. With industry-leading technological capabilities and technical personnel with extensive experience, we are able to execute every step across the production process in a precise manner and ensure the smooth operation of the production lines. The HPAL project has implemented various enhancements and adjustments to the production process, techniques and production equipment of the third-generation HPAL process, which have further improved the HPAL project's production capacity while reducing its energy consumption and cost of production.

Pyrometallurgy

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

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

Continuous technique improvements and R&D

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

- As at 30 June 2023, the Company registered 74 patents in China (including five granted invention patents), the majority of which relate to nickel products production equipment, and had seven invention patents under application.

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

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

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

We have formed stable and in-depth cooperation with our Indonesian Partner by jointly investing in our HPAL and RKEF projects on the Obi Island of Indonesia. The raw materials required for HPAL project are mainly from our Indonesian Partner's mines, and we have entered into a supply guarantee agreement for a term of twenty years with the Indonesian Partner.

We have established long-term cooperation relationships of over ten years with leading nickel ore miners in the Philippines, including Nickel Asia Corporation and CTP Construction and Mining Corporation.

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

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

Stainless steel industry. As the largest trading company of nickel ore in China, we are resourceful in securing nickel resources from Southeast Asia, and have maintained stable supply chain and competent quality control system. As a result, we have established long-term and stable relationships to supply nickel ore and ferronickel to large and industry-leading companies including Tsingshan Holding Group, Zhenshi Group Eastern Special Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd. and POSCO Group.

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

5. We adhere to the concept of ESG sustainable development

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

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

Outlook

Completing and Expanding Our Nickel Product Production Projects

The Obi project in Indonesia we currently invest in is pivotal for us to achieve profit growth in the future, and thus it is essential for our business development to put these production lines of the Obi project into operation smoothly and efficiently as scheduled. We will focus on pushing ahead with the construction of Phase III of the HPAL project and Phase II of the RKEF project in an orderly manner as planned with a view to achieving the gradual release of production capacity. At present, the core production equipment required for ONC of Phase III of the HPAL project has been shipped to Obi Island, and the construction of the relevant plant is progressing gradually. Meanwhile, the syndicated loan required for ONC has already been granted, which will provide sufficient protection for the construction and operation of the project. The construction of KPS of Phase II of the RKEF project and the procurement of the equipment thereof are being pushed forward as planned in an orderly manner.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

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

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

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

Creating a More Open and Robust Nickel Resource Ecosystem

We are dedicated to constructing a more open and robust nickel resource ecosystem centered around our core competitiveness through constructing downstream production base and exporting our entire industrial park model, among others.

We plan to construct in Indonesia a number of integrated downstream production base including the Obi Island. On the Obi Island, we plan to introduce projects for the production of other metals, and utilise their reaction intermediaries, such as sulfuric acid, steam, and coal gas, to the production of nickel-cobalt compounds and ferronickel, thereby maximizing resource utilisation to achieve synergistic effects.

We further plan to actively drive the construction of infrastructure including ports and airports on the Obi Island to integrate electricity, logistics, technology and resources in the same park. We aspire to continue improving our operational efficiency throughout the entire industry value chain on the Obi Island, and minimize operation and production costs.

Built on our successful experience in production, engineering design and industrial park operation and management in relation to Obi projects, we plan to replicate and export this model to other countries and regions similarly endowed with rich nickel resources, thereby further extending our business ecosystem throughout the nickel industry value chain.

FINANCIAL REVIEW

Revenue

The following table sets out the breakdown of total revenue by business segment in absolute amounts and as a percentage of total revenue for the six months ended 30 June 2023 and 30 June 2022:

	For the six months ended 30 June			
	2023		2022	
	RMB'000	*(%)*	*RMB'000*	*(%)*
	(Unaudited)		(Audited)	
Nickel Products Trading				
Laterite nickel ore	**1,324,447**	**14.3**	2,311,259	23.2
Ferronickel	**3,231,814**	**34.8**	1,898,965	19.0
Nickel-cobalt compounds	**323,113**	**3.5**	–	–
Subtotal	**4,879,374**	**52.6**	4,210,224	42.2
Nickel Products Production				
Ferronickel	**866,620**	**9.3**	983,785	9.9
Nickel-cobalt compounds	**3,206,154**	**34.5**	3,966,929	39.8
Subtotal	**4,072,774**	**43.8**	4,950,714	49.7
Equipment manufacturing and sales	**100,425**	**1.1**	671,375	6.7
Others	**231,533**	**2.5**	145,970	1.4
Total	**9,284,106**	**100.0**	9,978,283	100.0

Our revenue decreased by 7.0% from RMB9,978.3 million for the six months ended 30 June 2022 to RMB9,284.1 million for the six months ended 30 June 2023. The decrease in revenue was mainly attributable to the decrease in revenue generated from our nickel product manufacturing business.

Revenue generated from the trading business increased by 15.9% from RMB4,210.2 million for the six months ended 30 June 2022 to RMB4,879.4 million for the six months ended 30 June 2023, mainly due to (i) the decrease in market demand for the trading business of nickel ore as well as the decline in market price, resulting in a decrease in revenue of nickel ore of RMB986.8 million as compared with the revenue for the corresponding period in 2022; (ii) the increase in revenue of RMB1,332.8 million from trading of ferronickel as a result of the sales of ferronickel, which we procured from HJF, our associate, to third parties since the commencement of ferronickel production of RKEF project; and (iii) prior to the release of production capacity of nickel sulphate, we intend to procure and sell nickel-cobalt compounds (nickel sulphate) to meet the demand of the long-term agreement, resulting in an increase in revenue from the trading of nickel-cobalt compounds to RMB323.1 million.

Revenue generated from production business decreased by 17.7% from RMB4,950.7 million for the six months ended 30 June 2022 to RMB4,072.8 million for the six months ended 30 June 2023, mainly due to the decrease in market prices of both cobalt and nickel, resulting in a decrease in revenue of RMB760.8 million from nickel-cobalt compounds.

Revenue generated from the equipment manufacturing and sales business decreased by 85.0% from RMB671.4 million for the six months ended 30 June 2022 to RMB100.4 million for the six months ended 30 June 2023, primarily due to the completion of equipment installation and commencement of production of HJF's eight ferronickel production lines, resulting in a decrease in the revenue from sales of equipment to HJF by the Company.

Other revenue increased by 58.6% from RMB146.0 million for the six months ended 30 June 2022 to RMB231.5 million for the six months ended 30 June 2023, mainly due to the increase in sales of ancillary materials to HJF by the Company during the production ramp-up stage of HJF.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 49.2% from RMB3,048.2 million for the six months ended 30 June 2022 to RMB1,567.4 million for the six months ended 30 June 2023, with a decrease in gross profit margin from 30.9% to 16.9%.

Gross profit from our trading business decreased by 60.6% from RMB435.7 million for the six months ended 30 June 2022 to RMB172.9 million for the six months ended 30 June 2023. Gross profit margin of the trading business decreased from 10.3% to 3.5%, mainly due to (i) decline in market price; and (ii) increase in proportion of sales of low-gross-profit-margin trading of ferronickel.

Gross profit from our production business decreased by 45.8% from RMB2,524.1 million for the six months ended 30 June 2022 to RMB1,367.3 million for the six months ended 30 June 2023. Gross profit margin of nickel product production business decreased from 51.0% to 33.6%, mainly due to (i) the decrease in gross profit margin of self-produced ferronickel from 12.4% for the six months ended 30 June 2022 to 8.6% as a result of the decrease in market price; and (ii) the decrease in gross profit of nickel-cobalt compounds from RMB2,402.2 million for the six months ended 30 June 2022 to RMB1,292.9 million for the six months ended 30 June 2023, with a decrease of gross profit margin from 60.6% to 40.3%.

Gross profit from the equipment manufacturing and sales business decreased significantly from RMB114.6 million for the six months ended 30 June 2022 to RMB4.8 million for the six months ended 30 June 2023. The gross profit margin of the equipment manufacturing and sales business decreased by 4.8% from 17.1%, mainly due to the higher gross profit margin of certain equipment sold to HJF in 2022.

Gross profit of other businesses increased from RMB9.8 million for the six months ended 30 June 2022 to RMB22.4 million for the six months ended 30 June 2023. Gross profit margin of other businesses increased from 6.7% to 9.7% in the same period.

Sales and Distribution Expenses

Sales and distribution expenses decreased by 32.4% from RMB43.2 million for the six months ended 30 June 2022 to RMB29.2 million for the six months ended 30 June 2023, mainly due to a decrease of RMB11.5 million in compensation expenses for sales and marketing staff as our existing business has matured and optimized its employee structure.

Administrative Expenses

Administrative expenses decreased by 6.4% from RMB480.2 million for the six months ended 30 June 2022 to RMB449.3 million for the six months ended 30 June 2023, mainly due to (i) the decrease in staff costs of RMB110.8 million as a result of the decrease in bonus during the current period; (ii) the increase in taxes of RMB26.3 million; (iii) the increase in OBI's on-site management expenses of RMB14.8 million; and (iv) the increase in professional service fees and bank handling fees of RMB27.5 million.

Other Operating Expenses

Other operating expenses increased significantly from RMB111.3 million for the six months ended 30 June 2022 to RMB327.8 million for the six months ended 30 June 2023, mainly due to (i) the increase in investment loss of RMB162.0 million for the portion of our revenue pricing linked to the futures impacted by fluctuations of nickel prices; and (ii) the increase in net foreign exchange loss of RMB136.7 million due to the upward trend of the US dollar and Hong Kong dollar against the RMB in the six months ended 30 June 2023.

Finance Costs

The significant increase in finance costs from RMB108.5 million for the six months ended 30 June 2022 to RMB232.5 million for the six months ended 30 June 2023 was mainly due to the increased bank borrowings and higher interest rates.

Share of Profits and Losses of Associates

Share of profits from our invested associates for the six months ended 30 June 2023 was RMB10.1 million compared to the share of losses from our invested associates of RMB54.7 million for the six months ended 30 June 2022. The change was mainly due to the profits generated by HJF as a result of the commencement of production of RKEF project.

Profit before tax

As a result of the decrease in gross profit due to the decline in market prices of cobalt and nickel, profit before tax decreased by 73.4% from RMB2,392.5 million for the six months ended 30 June 2022 to RMB636.2 million for the six months ended 30 June 2023.

Income Tax Expenses

Income tax expense decreased from a tax expense of RMB102.9 million for the six months ended 30 June 2022 to a tax credit of RMB25.8 million for the six months ended 30 June 2023, mainly due to the uncovered deficit incurred by domestic companies.

Profit for the First Half of the Year and Net Profit Margin

As a result of the foregoing, profit for the first half of the year decreased significantly from RMB2,289.6 million for the six months ended 30 June 2022 to RMB662.0 million for the six months ended 30 June 2023. Net profit margin decreased from 22.9% for the six months ended 30 June 2022 to 7.1% for the six months ended 30 June 2023.

Liquidity, Financial Resources and Current Ratio

During the six months ended 30 June 2023, the Group maintained a stable financial position. As at 30 June 2023, current assets amounted to RMB11,862.8 million, representing an increase of 34.4% from RMB8,824.5 million as at 31 December 2022. As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB5,629.8 million, which increased by 27.2% as compared with that of RMB4,426.2 million as at 31 December 2022.

The Group's current ratio (current assets divided by current liabilities) dropped from 1.8 times as at 31 December 2022 to 1.4 times as at 30 June 2023.

Capital Expenditures

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

	For the six months ended 30 June			
	2023		2022	
	RMB'000	***(%)***	*RMB'000*	*(%)*
	(Unaudited)		(Audited)	
Property, plant and equipment	**2,937,234**	**75.9**	1,679,303	99.9
Land use right	**161,640**	**4.2**	–	–
Interest in a joint venture	**–**	**–**	677	0.1
Interest in an associate	**770,000**	**19.9**	–	–
Total	**3,868,087**	**100.0**	1,679,980	100.0

Commitments

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

	As at 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**10,204,234**	6,633,055

Indebtedness

We recognised debts of RMB11,698.7 million as at 30 June 2023 (as at 30 June 2022: RMB6,291.4 million), which included interest-bearing bank and other borrowings of RMB11,635.3 million (as at 30 June 2022: RMB6,232.5 million) and lease liabilities of RMB63.4 million (as at 30 June 2022: RMB58.9 million).

Contingent liabilities

As at 30 June 2023, we had no material contingent liabilities.

Gearing ratio

Our gearing ratio is calculated as total interest-bearing bank borrowings divided by total equity. Gearing ratio increased from 0.5 for the six months ended 30 June 2022 to 0.9 for the six months ended 30 June 2023, mainly due to the significant increase in debts as a result of the loans newly obtained by ONC in 2023 for phase II of the hydrometallurgy project.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group had no material investments, material acquisitions or disposals of subsidiaries and associates for the six months ended 30 June 2023.

Financial Risks

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2023, a portion of our loans are secured by (i) pledges of buildings and land located in the PRC and Indonesia with a carrying value of RMB2,813.5 million (as at 30 June 2022: RMB1,731.8 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB83.6 million (as at 30 June 2022: RMB84.5 million); (iii) pledges of plant and machinery, electronic and office equipment, motor vehicles and buildings under construction located in Indonesia with a carrying value of RMB4,097.9 million (as at 30 June 2022: RMB2,427.5 million); and (iv) pledge of deposits with a carrying value of RMB406.4 million (as at 30 June 2022: RMB313.9 million).

As at 30 June 2023, the Group had no other assets pledged to financial institutions other than those disclosed above.

Future Plans for Material Investments and Capital Assets

As at 30 June 2023, we did not have other plans for material investments and capital assets.

Significant investments, material acquisitions and disposals of assets and equity

During the Reporting Period, there were no significant assets acquisition or disposal, merger or equity investments of the Company.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Grant of Listing Approval in relation to the Proposed H Share Full Circulation

The Company recently submitted filing (the "**CSRC Filing**") to the China Securities Regulatory Commission (the "**CSRC**") regarding the proposed application made on behalf of certain shareholders of the Company for the conversion of a total of 265,453,750 unlisted domestic shares of the Company held by such shareholders into H shares of the Company and the listing thereof on the Stock Exchange (the "**Conversion and Listing**") and was granted approval by the Stock Exchange for implementation of the Conversion and Listing on 24 July 2023.

For details of the Conversion and Listing, please refer to (i) the announcements of the Company dated 3 January 2023, 20 July 2023 and 23 August 2023; (ii) the circular of the Company dated 12 April 2023; and (iii) the extraordinary general meeting poll results announcement of the Company dated 28 April 2023.

Connected Transaction in relation to Equipment Purchase Agreement

On 10 August 2023, PT Karunia Permai Sentosa ("**KPS**"), a non-wholly owned subsidiary of the Company entered into the equipment purchase agreement (the "**Equipment Purchase Agreement**") with Ningbo Lihua Port Machinery Heavy Industry Co., Ltd.* (寧波力華港機重工有限公司) ("**Ningbo Lihua**"), pursuant to which KPS agreed to purchase and Ningbo Lihua agreed to sell the equipment comprising of six sets of 40t-37/38m portal cranes at a consideration of US$13,518,100. The transaction contemplated under the Equipment Purchase Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

For details of the Equipment Purchase Agreement, please refer to the announcement of the Company dated 10 August 2023.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 8,314 employees.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2023, the Company had not entered into any off-balance sheet arrangements.

INTERIM DIVIDEND

The Board has resolved not to recommend the distribution of an interim dividend for the six months ended 30 June 2023.

USE OF PROCEEDS FROM THE LISTING

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

Purpose	**Net proceeds from the Listing available** *(HK$ million)*	**Actual net amount utilised up to 30 June 2023** *(HK$ million)*	**Unutilised amount up to 30 June 2023** *(HK$ million)*	**Expected timeline for utilising unutilised net amount**
Development and construction of our nickel product production projects on the Obi Island	2,030.7	1,150.0	880.7	by the end of 2024
Contribute additional capital to CBL	864.1	864.1	0.0	
Making potential minority investments in nickel mines in Indonesia	345.6	0.0	345.6	by the end of 2024
Working capital and general corporate purposes	360.0	360.0	0.0	
Total	3,600.4	2,374.1	1,226.3	

Since the Listing Date and as at 30 June 2023, the Group has utilised approximately HK$2,374.1 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 66% of all raised funds, and the remaining unutilised proceeds is approximately HK$1,226.3 million. The balance of the proceeds from the Listing will continue to be utilised according to the intended purposes as mentioned above.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strength accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Company has adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the Reporting Period.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' and Supervisors' securities transactions. Having made specific enquiry of all the Directors and Supervisors of the Group, all the Directors and Supervisors confirmed that they have strictly complied with the Model Code during the Reporting Period.

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

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

Sufficiency of public float

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

Audit Committee and Review of Interim Financial Information

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

The Audit Committee has reviewed the unaudited interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 and discussed matters with respect to the accounting policies and practices adopted by the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.lygend.com. The interim report of the Group for the six months ended 30 June 2023 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Company's shareholders and made available for review on the aforementioned websites in due course.

APPRECIATION

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

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

The PRC, 28 August 2023

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

* *For identification purpose only*