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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 THE SIX MONTHS ENDED 30 JUNE 2025

The board (the **“Board”**) of directors (the **“Directors”**) of Lygend Resources & Technology Co., Ltd. (the **“Company”**) hereby announces the results of the Company and its subsidiaries (collectively, the **“Group”**) for the six months ended 30 June 2025 (the **“Reporting Period”**), together with the comparative figures for the six months ended 30 June 2024. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 21 November 2022 issued by the Company (the **“Prospectus”**).

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

FINANCIAL HIGHLIGHTS

- Our revenue increased from RMB10,878.0 million for the six months ended 30 June 2024 to RMB18,146.6 million for the six months ended 30 June 2025, representing an increase of 66.8%.
- Our gross profit increased from RMB1,827.4 million for the six months ended 30 June 2024 to RMB3,580.0 million for the six months ended 30 June 2025, representing an increase of 95.9%. Gross profit margin for the six months ended 30 June 2025 was 19.7%, representing an increase of 2.9 percentage points compared to that of 16.8% for the six months ended 30 June 2024.
- Profit for the six months ended 30 June 2025 was RMB2,248.7 million, representing an increase of 131.7% compared with that of RMB970.4 million for the six months ended 30 June 2024.
- Profit attributable to owners of the parent for the Reporting Period was RMB1,426.3 million, representing an increase of 143.0% as compared to RMB586.9 million for the six months ended 30 June 2024.
- The Board has resolved not to recommend the distribution of an interim dividend for the six months ended 30 June 2025 (for the six months ended 30 June 2024: nil).

FINANCIAL INFORMATION

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

For the six months ended 30 June 2025

		2025 (Unaudited) RMB'000	2024 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	4	18,146,555	10,877,988
Cost of sales		<u>(14,566,559)</u>	<u>(9,050,544)</u>
Gross profit		3,579,996	1,827,444
Other income and gains		175,412	105,899
Selling and distribution expenses		(55,618)	(63,383)
Administrative expenses		(585,932)	(490,249)
Impairment losses on financial assets, net		(2,061)	(3,426)
Other operating expenses		(294,841)	(242,920)
Finance costs		(325,119)	(263,868)
Share of profits and losses of associates		<u>267,944</u>	<u>123,818</u>
PROFIT BEFORE TAX	5	2,759,781	993,315
Income tax expense	6	<u>(511,050)</u>	<u>(22,934)</u>
PROFIT FOR THE PERIOD		<u><u>2,248,731</u></u>	<u><u>970,381</u></u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		(8,620)	3,808
Exchange differences on translation of foreign operations		<u>(77,901)</u>	<u>133,944</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>(86,521)</u>	<u>137,752</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>2,162,210</u></u>	<u><u>1,108,133</u></u>

		2025 (Unaudited) RMB'000	2024 (Unaudited) RMB'000
	<i>Note</i>		
Profit attributable to:			
Owners of the parent		1,426,270	586,934
Non-controlling interest		<u>822,461</u>	<u>383,447</u>
		<u>2,248,731</u>	<u>970,381</u>
 Total comprehensive income for the period attributable to:			
Owners of the parent		1,371,045	663,660
Non-controlling interest		<u>791,165</u>	<u>444,473</u>
		<u>2,162,210</u>	<u>1,108,133</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	8	<u>0.92 Yuan</u>	<u>0.38 Yuan</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2025

		30 June 2025 (Unaudited) RMB'000	31 December 2024 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	24,186,493	21,639,059
Intangible assets		213,724	240,936
Investment properties		264,663	335,239
Right-of-use assets		532,709	543,440
Deferred tax assets		130,559	106,372
Interests in associates		2,187,214	1,964,511
Derivative financial instruments		4,961	6,344
Goodwill		218,037	218,037
Prepayments, other receivables and other assets		225,996	303,762
		<hr/>	<hr/>
Total non-current assets		27,964,356	25,357,700
		<hr/>	<hr/>
CURRENT ASSET			
Inventories		4,395,681	3,368,359
Trade and bills receivables	10	1,919,148	1,886,954
Prepayments, other receivables and other assets		1,141,799	1,163,240
Due from related parties		448,352	298,072
Pledged deposits		1,302,717	850,335
Cash and cash equivalents		6,372,750	5,032,351
		<hr/>	<hr/>
Total current assets		15,580,447	12,599,311
		<hr/>	<hr/>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		10,719,407	7,882,268
Trade and bills payables	11	2,028,070	1,522,183
Lease liabilities		8,347	9,911
Other payables and accruals		3,145,347	2,779,488
Contract liabilities		333,287	139,129
Income tax payable		286,105	100,059
Due to related parties		1,377,420	1,365,321
		<hr/>	<hr/>
Total current liabilities		17,897,983	13,798,359
		<hr/>	<hr/>

	30 June 2025 (Unaudited) RMB'000	31 December 2024 (Audited) RMB'000
NET CURRENT LIABILITIES	<u>(2,317,536)</u>	<u>(1,199,048)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>25,646,820</u>	<u>24,158,652</u>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	5,651,408	5,950,472
Due to related parties	9,311	57,056
Lease liabilities	8,541	9,666
Other payables and accruals	8,102	3,444
Employee benefits liability	53,381	46,461
Deferred tax liabilities	<u>612,291</u>	<u>408,977</u>
Total non-current liabilities	<u>6,343,034</u>	<u>6,476,076</u>
NET ASSETS	<u>19,303,786</u>	<u>17,682,576</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,555,931	1,555,931
Reserves	<u>10,033,018</u>	<u>9,202,973</u>
	11,588,949	10,758,904
Non-controlling interests	<u>7,714,837</u>	<u>6,923,672</u>
Total equity	<u>19,303,786</u>	<u>17,682,576</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2025 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 2024.

Going concern assumption

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into additional financial resources available to the Group and the internally generated funds from operations, the directors believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. Therefore, the consolidated financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

One amendment applies for the first time in 2025, but does not have an impact on the interim condensed consolidated financial statements of the Group.

The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments are effective for annual reporting periods beginning on or after 1 January 2025. When applying the amendments, an entity cannot restate comparative information. The amendments did not have any impact on the Group's financial statements.

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	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	18,146,555	10,877,988

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of nickel products	17,286,951	10,473,140
Others	859,604	404,848
Total revenue from contracts with customers	18,146,555	10,877,988

Geographical markets

Chinese Mainland	16,334,370	9,353,440
Others	1,812,185	1,524,548
Total revenue from contracts with customers	18,146,555	10,877,988

Timing of revenue recognition

Goods transferred at a point in time	17,325,731	10,286,314
Services transferred over time	820,824	591,674
Total revenue from contracts with customers	18,146,555	10,877,988

5. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	13,750,199	8,498,871
Depreciation of property, plant and equipment	416,932	366,576
Loss on disposal of items of property, plant and equipment	14,105	10,134
Loss on early termination of lease	–	102
Gains on a finance lease as a sublease lessor	(136)	(2,777)
Loss on disposal of a subsidiary	–	787
Impairment of intangible assets	–	142,071
Impairment of investment properties	61,360	–
Reversal of impairment of inventories	–	(13,858)
Impairment of financial assets, net		
Impairment of trade receivables, net	(270)	4,050
(Reversal of impairment)/impairment of other receivables, net	2,331	(624)
	2,061	3,426
Foreign exchange differences, net	200,279	77,198
Fair value loss/(gains), net:		
Derivative financial instruments	10,697	9,284
Trade receivables containing provisional pricing features	4,172	(452)
Investment (gains)/loss from financial assets at fair value through profit or loss, net:		
Derivative financial instruments	–	(8,075)
Trade receivables containing provisional pricing features	(27,756)	(20,991)
	(27,756)	(29,066)

6. INCOME TAX 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% (2024: 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% (2024: 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 PT. Halmahera Persada Lygend (“HPL”) dated 1 November 2018, HPL was granted a 100% corporate income tax reduction for 10 fiscal years and an additional 50% corporate income tax reduction for the following 2 fiscal years.

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

The Group is within the scope of Pillar Two model rules. The Group has applied the mandatory exception to recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and accounts for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been effective since 1 January 2025 in certain jurisdictions in which the Group operates. The Group has performed an assessment of its exposure to Pillar Two income tax based on the information available and the best estimate as at period end. The Group continues to follow Pillar Two legislative developments to evaluate the impact on its financial statements.

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

	For the six months ended	
	30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	126,272	11,195
Pillar two for the period	206,360	-
Deferred tax	178,418	11,739
Total tax expense for the period	511,050	22,934

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025.

In July 2025, ONC distributed dividends of USD100,000,000 to all shareholders, among which included USD40,000,000 was distributed to a non-controlling shareholder PT Trimegah Bangun Persada (“**TBP**”).

On 21 May 2025, the board of directors declared a final dividend for the year ended 31 December 2024 of RMB0.35 (tax inclusive) per share, amounting to a total of approximately RMB544,576,000, which was fully paid as at 30 June 2025.

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 (2024: 1,555,931,350) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the periods ended 30 June 2025 and 2024 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2025 and 2024.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Carrying amount at beginning of period/year	21,639,059	16,970,830
Additions	3,327,408	5,771,668
Depreciation provided during the period/year	(669,943)	(948,225)
Disposals	(16,464)	(123,870)
Transfers to investment properties	–	(269,503)
Disposal of a subsidiary	–	(13)
Exchange realignment	(93,567)	238,172
	<hr/>	<hr/>
Carrying amount at end of period/year	<u>24,186,493</u>	<u>21,639,059</u>

10. TRADE AND BILLS RECEIVABLES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Financial assets at amortised cost:		
Trade receivables	1,616,037	1,400,704
Bills receivable	54,350	30,000
	<hr/>	<hr/>
Impairment	(19,739)	(20,012)
	<hr/>	<hr/>
Subtotal	1,650,648	1,410,692
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	257,972	432,963
	<hr/>	<hr/>
Financial assets at fair value through other comprehensive income:		
Bills receivable	10,528	43,299
	<hr/>	<hr/>
Total	1,919,148	1,886,954
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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 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	1,585,287	1,370,100
3 to 6 months	290	1,250
6 to 12 months	10,721	9,342
	1,596,298	1,380,692

11. TRADE AND BILLS PAYABLES

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	1,306,967	840,356
3 to 6 months	136,058	84,713
6 to 12 months	149,128	246,384
1 to 2 years	209,268	156,386
Over 2 years	188,030	167,482
	1,989,451	1,495,321

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2025, the Company continued to deepen the benefits of large-scale production of the Obi Island project in Indonesia to strengthen its advantage in cost control. During the Reporting Period, the Company achieved an operating revenue of RMB18,146.6 million, representing an increase of 66.8% as compared to the corresponding period of last year. Net profit attributable to owners of the parent amounted to RMB1,426.3 million, representing an increase of 143.0% as compared to the corresponding period of last year. During the Reporting Period, the laterite nickel ore hydrometallurgy project (HPAL project), jointly invested and constructed by the Company and its Indonesian Partner on Obi Island, Indonesia, continued to operate steadily and reached full production capacity. The HJF project, which is phase I of the laterite nickel ore pyrometallurgy project (RKEF project), in which the Company holds equity interests, achieved stable operation. Four production lines of section one of the KPS project, which is phase II of the RKEF project, have been put into operation as planned. The electrodeposited cobalt project maintained efficient and stable operation, effectively ensuring the supply of metal cobalt products. The Company continued to deepen the ESG development philosophy and fully integrated social responsibility into the operation system of the Obi Island project in Indonesia. Through systematic community co-construction and environmental protection programs, the Company established a sustainable development model integrating economy, society and environment, demonstrating its corporate responsibility through practical actions.

In the first half of 2025, in terms of supply, Indonesia further increased its global share of nickel smelting capacity, consolidating its dominant position. In the first half of the year, a small amount of new production capacity was concentrated in the pyrometallurgy field of ferronickel in Indonesia, and some enterprises' new production lines entered the commissioning and production stage in succession. Due to cost pressure, domestic enterprises and part of Indonesian enterprises adopted flexible production control measures for the pyrometallurgical smelting capacity. In the first half of the year, the hydrometallurgy capacity remained stable, but benefiting from the combined impact of the delivery pressure of nickel metal futures and the cobalt export ban of Congo, the supply of intermediate products for hydrometallurgy was tight, which pushed up the price of intermediate products for hydrometallurgy, forming a theoretical cost support. On the demand side, structural divergence persists. In the traditional stainless steel field, in response to continuous adjustment of the real estate industry and the restriction of international trade policies, stainless steel enterprises have generally implemented capacity control. In the new energy field, the growth of demand for nickel sulfate has slowed down due to wavering technology roadmap of ternary batteries, but the long-term trend of high nickel content in power battery materials has not fundamentally changed.

In the first half of 2025, the futures prices of nickel metal fluctuated downwards, with an initial increase followed by a downward trend driven by policies. In the first quarter, driven by Indonesia's changing mining policy and buoyed macro sentiment, the futures prices of nickel metal on the Shanghai Futures Exchange surged to a peak of RMB136,000 per ton in March. In the second quarter, as additional U.S. tariffs on steel derivatives curbed end-use consumption, futures prices of nickel metal plummeted to a recent-year low of RMB115,000 per ton in April, and continued to fluctuate within the range of RMB120,000 to RMB130,000 per ton since then.

Although futures prices of nickel metal are still subject to the rapidly growing capacity layout in the short term, the transformation of new energy industry continued to provide long-term momentum for nickel demand. By adhering to the strategic positioning of using hydrometallurgical process to expand high value-added products and pyrometallurgical process to cement the foundation, and leveraging the technical cost advantage of the third-generation HPAL process adopted in hydrometallurgical projects and the capacity scale advantage of pyrometallurgy projects, the Company took active measures to capitalize on the opportunities brought by the strengthening of domestic trade-in policies to boost stainless steel industry, and the potential for growth in the battery material market. Amid a complex macro-economic environment, the Company will strengthen its core competitiveness in the industry by expanding overseas markets and intensifying the measures for reducing costs and improving efficiency through technology upgrades.

New energy

In the first half of 2025, China's new energy automobile industry continued to maintain a rapid growth trend, and the market penetration rate broke through a key point. According to the statistics from the China Association of Automobile Manufacturers, from January to June 2025, the production and sales volumes of new energy vehicles reached 6.968 million and 6.937 million respectively, representing an increase of over 40% as compared to the corresponding period of last year, and the sales volume of new energy vehicles accounted for 44.3% of total sales volume of vehicles, a figure far exceeding the average level of the global automobile market. In particular, in the second quarter of 2025, the sales volume of new energy passenger vehicles surpassed that of traditional fuel vehicles for the first time, an indicator marking that China's automobile market has paced into a new era dominated by the vehicles of electrification. In the first half of 2025, China has further improved its policy regime for the new energy vehicle industry, forming a new pattern where the three pillars of consumption incentives, infrastructure construction, and the statutory and regulatory standards are working in synergy. The industry is shifting from policy-driven to market-driven and innovation-driven, and this new development stage driven by dual-wheel will continue to promote the incremental demand for new energy vehicles.

Stainless steel

As a fundamental industrial material, stainless steel has a wide range of applications in different sectors, including transport, industrial equipment, construction and decoration, consumer home electrical appliances and equipment manufacturing. According to Shanghai Metals Market (SMM) statistics, stainless steel diversifies in its downstream demand: 22% in industrial equipment sector, 21% in petrochemicals sector, 19% in construction and decoration sector, 16% in food and beverage sector, 9% in rail transportation sector and 7% in consumer home electrical appliances sector. The structural demand resilience of the stainless steel sector constantly contributes to consolidating its industrial foundation.

In the first half of 2025, the industry has developed steadily amid policy-driven and supply-demand adjustments. The further expansion of the implementation of the policy of “large-scale equipment renewal and trade-in for consumer goods” by China, covering 12 sectors including industry, home appliances and automobiles, effectively boosted the demand for stainless steel. The output capacity from supply side continued to expand. According to the statistics from the Stainless Steel Council of China Iron and Steel Association, China’s crude steel output from January to June reached 20.1686 million tons, representing a year-on-year increase of approximately 5.17%. Looking forward, favorable policies are expected to continuously stimulate untapped demand in the industrial equipment and green home appliances sectors. However, fluctuations in raw material prices and international trade risks still need to be managed prudently. The industry urgently needs to achieve a dynamic balance between supply and demand through output capacity optimization and high-end product upgrades.

BUSINESS REVIEW

We are a company with businesses across the entire nickel industry chain. Positioning in the “nickel” segment of the industry, our business covers the nickel industry value chain, which includes multiple areas from sourcing of nickel resources, and the trading, smelting, production and sale of nickel products. Under the guidance of the “Belt and Road” initiative, we have jointly invested in the construction of a series of nickel product smelting projects and the supporting public ancillary facilities in the Obi industrial park with our Indonesian Partner, including hydrometallurgy and pyrometallurgy projects, with a total annual design capacity of 400,000 metal tons of nickel. The hydrometallurgy’s annual production capacity is 120,000 metal tons of nickel-cobalt compounds and the pyrometallurgy’s is 280,000 metal tons of ferronickel (among which, the pyrometallurgy’s annual production capacity of HJF, in which the Company holds equity interests, was 95,000 metal tons of nickel). The Company began its development from nickel ore and ferronickel trading, and continued to devote efforts in the market and tapped into its potential, and constantly improved the quality of development and effectively responded to market changes. Under the guidance of the concept “integrating Chinese technology with global resources”, the Company is profoundly engaging in and proactively promoting the progress of the nickel industry through continuous technological innovation and international cooperation, and is committed to providing high quality products and services to its customers in China and across the globe, with a view to facilitating the sustainable development and common prosperity of the nickel industry.

In the first half of 2025, under the background of structural adjustment to the landscape of the global nickel industry chain, the Company, by adhering to the concept of “technology-driven, green and low-carbon” and relying on the large-scale capacity ramp-up and lean operation management of Obi Industrial Park in Indonesia, achieved steady improvement in output and operation quality, and further consolidating its core position in the global nickel industrial chain. During the Reporting Period, the operating revenue of the Company was RMB18,146.6 million, representing an increase of 66.8% as compared to the corresponding period of last year; the profit attributable to owners of the parent was RMB1,426.3 million, representing an increase of 143.0% as compared to the corresponding period of last year. The increase in revenue and profit of the Company is mainly due to the substantial increase in the output of hydrometallurgy products nickel-cobalt hydroxide and pyrometallurgy products ferronickel during the Reporting Period as compared with the same period of last year, primarily attributable to the full-capacity operation of the ONC project and the release of production capacity after the KPS project commenced production. In addition, during the Reporting Period, the Company optimized its product portfolio, refined its cost control management, and carried out technological improvements to optimize production processes, thereby further enhancing its profitability.

Procurement and trading of nickel resources

As a leading nickel ore trading enterprise in China, the Company leveraged its outstanding capability in integrating resources and the solid foundation in the industry to continuously explore the domestic and overseas markets. By always adhering to the customer-centric concept, we seek to deepen our customer cooperation, and optimize our trading processes and service experience. During the first half of 2025, the Company precisely tracked market dynamics, gave full play to its strength in market insights as a trader, and optimized its sales strategy based on market situation in a timely manner, effectively ensuring the stable growth in nickel ore and nickel product trading volume.

Smelting and production of nickel products

As indicated in the study of the United States Geological Survey (USGS) on the world's nickel deposits, in 2024, global nickel resources exceeded 350 million metal tons. Among the identified nickel resources, Indonesia is the country with the richest nickel reserves in the world, accounting for 42% of the total nickel reserves around the globe. With a focus on the smelting and production of nickel products, the Company adhered to the principle of openness and cooperation, and collaborated with the Indonesian Partner in an effort to optimize the allocation of resources, with a view of securing the Obi projects in Indonesia on all fronts.

Hydrometallurgy project/HPAL project

The Company has adopted the third-generation HPAL smelting process, which is one of the most cutting-edge smelting techniques for processing low-grade laterite nickel ore in the industry. The hydrometallurgy project of the Company in Indonesia was implemented in three phases, featuring a total of 6 production lines with a combined annual design capacity of 120,000 metal tons of nickel and 14,250 metal tons of cobalt. Based on market demand, the project was set to produce products such as nickel-cobalt hydroxide, nickel sulphate, cobalt sulfate and electrodeposited cobalt.

During the Reporting Period, the hydrometallurgy project operated at full capacity across all production lines. In particular, the HPAL project maintained continuous full-capacity operation and the electrodeposited cobalt project achieved high-efficiency production. The Company closely followed the developments of the new energy vehicle industry and proactively adjusted the product structure in order to meet the growing demand for high-performance battery materials from the market. The battery-grade nickel sulfate, cobalt sulfate, and electrodeposited cobalt products successfully achieved localized mass production in Indonesia. The Company precisely responded to the procurement demands for high purity materials from downstream customers and effectively ensured stable product supply and quality consistency.

Pyrometallurgy project/RKEF project

The Company has adopted mature RKEF smelting techniques and established a business presence in the domestic and overseas markets. The pyrometallurgy project of the Company in Indonesia features a total of 20 production lines with a combined annual production capacity of 280,000 metal tons of ferronickel, of which, phase I of the pyrometallurgy project is owned by HJF (in which the Company holds equity interests) with an annual designed capacity of 95,000 metal tons of ferronickel, and phase II of the pyrometallurgy project is owned by KPS (of which the Company is the holding company) with an annual designed capacity of 185,000 metal tons of ferronickel. Furthermore, the Company has set up a ferronickel smelter in Jiangsu, which also adopts the RKEF process and has an annual designed capacity of 18,000 metal tons of ferronickel.

During the Reporting Period, the Company constantly deepened the optimization of pyrometallurgy processes and strengthened production management, markedly enhancing production efficiency and product quality by leveraging the accumulation of experience in respect of the RKEF process and the strength of the professional technical teams. The HJF project, in which the Company held equity interests, maintained stable operation during the first half of 2025; four production lines under section 1 of the KPS project commenced operations as scheduled, and all 12 production lines are expected to be completed and commissioned in 2026.

RISK ANALYSIS

Fluctuation in nickel metal price

In the first half of 2025, the global nickel market continued the capacity layout of rapid growth, primarily driven by the sustained capacity release of major producing regions such as Indonesia. Although demand in the stainless-steel sector saw marginal improvement supported by the equipment upgrade policies, the overall nickel price remained under pressure as a result of the elevated inventory of the industry chain and trade uncertainties arising from the tariffs on China imposed by the U.S.

The Company is principally engaged in the production and trading of nickel products, and its core business activities are significantly affected by fluctuations in nickel metal prices. The nickel metal price is susceptible to multiple factors such as the global economic situation, developments in the supply-demand relationship, market expectations, and speculative activities, and is subject to high volatility. The Company's product pricing is directly affected by market supply-demand dynamics. In the first half of 2025, the overall nickel price exhibited a fluctuating downward trend, with the core issue being the shifts in the supply-demand relationship. Facing such a continuous challenge, the Company, as a pioneer in the commercialized production of hydrometallurgy production process for nickel products in Indonesia, will persistently refine production processes, substantially reduce costs, and enhance operational efficiency to ensure the precise alignment of capacity expansion plans and market demand dynamics. The Company will fully leverage synergistic advantages of the trade businesses, and closely monitor the evolving supply-demand landscape and the price volatility trend of the global nickel market. It will dynamically adjust the sales strategy, effectively manage market risk, and seize market opportunities.

Risk of changes in exchange rates

U.S. Dollar Index fluctuated at elevated levels and the exchange rate fluctuations of emerging market currencies intensified due to the Federal Reserve's maintenance of a high interest rate policy and disruptions caused by geopolitical tensions. The Company's overseas subsidiaries adopt USD as the base currency for accounting purposes and conduct multi-currency settlements, exposing them to three major risks: rising transaction settlement costs, widening financial statement translation differences, and operational cost volatility. In particular, IDR to USD exchange rate volatility further amplified the uncertainty in local procurement costs.

To effectively manage the risk of exchange rate fluctuations, the Company adheres to and implements the philosophy of “risk neutrality”, and focuses on minimizing the negative impact of exchange rate fluctuations on its principal business, so as to ensure financial stability and operational predictability. The Company continuously monitors and quantifies its foreign exchange risk exposures, and assesses the potential financial impacts by analyzing the structure of foreign exchange assets and liabilities. The Company also endeavors to expand the proportion of cross-border RMB settlement and optimize the structure of settlement currencies to reduce the impact of exchange rate fluctuations. Through the comprehensive application of multi-dimensional strategies, the Company effectively manages and controls exchange rate risk, thereby ensuring the stability of operating results.

CORE COMPETITIVENESS OF THE COMPANY

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

The Company’s business is deeply integrated across the entire nickel industry value chain, covering core segments from upstream resource integration, midstream smelting and production, to downstream product trading and sales. Leveraging profound industry insights and strategic planning capabilities honed through global operations, we have established a highly synergistic nickel industry ecosystem: on the one hand, we precisely control global nickel resource supply channels; on the other hand, we seamlessly connect the smelting capacity with end markets, achieving dynamic optimization of the value chain from resource procurement to product delivery. This full-chain integration capability spanning the “resources-production-market” constitutes the Company’s core competitiveness in maintaining business resilience and sustainable growth in a complex international environment.

The Company has established solid upstream supply chain networks in both Indonesia and the Philippines, securing abundant and stable supplies of nickel resources and further strengthening the Company’s core advantage in raw materials acquisition. Supported by its in-house professional nickel ore inspection department, the Company conducts precise analyses of the grades, characteristics, associated metals and other aspects of nickel ores from around the world. This ability enables the Company to accurately procure highly compatible nickel ore products that meet our business needs, thereby effectively enhancing the production efficiency and operating performance. By providing these value-added services, the Company has deepened its understanding of industry trends and insight into customer demands, and further consolidated its unique industry recognition.

The Company has built its production bases in China and Indonesia, achieving effective integration of the upstream and downstream of the supply chain. On Obi Island, Indonesia, the independent industrial park operated by the Company makes full use of local premium laterite nickel resources to stably produce high-quality nickel-cobalt compounds, nickel sulfate, cobalt sulfate, electrodeposited cobalt and ferronickel products. Adhering to the principles of green production and circular economy, the Company systematically recycles the by-products generated during the production process, such as sulfuric acid, steam and coal gas, through innovative process design, and then reuses them in the production of nickel-cobalt compounds and ferronickel, thereby significantly improving the comprehensive utilization rate of resources. This demonstrates the Company’s unwavering commitment to environmental protection and sustainability.

During the Reporting Period, the Company actively promoted the construction of key supporting infrastructure and greenbelt reclamation in the park on Obi Island, with the aim of efficiently integrating logistics, technology and resources within the park to build substantial intensive industrial advantages. Going forward, the Company will continue to focus on optimizing operational efficiency throughout the entire industry value chain on Obi Island while minimizing operation and production costs, with an aim to enhance its market competitiveness.

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

Leveraging the technological innovation and in-depth industry experience, the Company established a diversified product portfolio covering different production paths. Meanwhile, this allows us to gain the leading competitive advantages in terms of operational efficiency and profitability.

Hydrometallurgy

The Company continues to consolidate its global leading position in nickel hydrometallurgy technology, having fully mastered the third-generation HPAL process and achieved in-depth industrial application. By optimizing the beneficiation process, spent acid recycling, and heat recovery systems, the HPAL production lines quickly reached full production capacity within two months after commissioning, setting a new industry record for efficient commissioning. Drawing on the resource synergy advantages of Obi Island in Indonesia and process innovation, according to Wood Mackenzie, the cash cost of the HPAL project remains at the left end of the global cost curve, making our HPAL project one of the nickel-cobalt compound production projects with the lowest cash cost within the industry.

The world's leading third-generation high pressure acid leaching (HPAL) process adopted in the HPAL project is currently one of the most competitive technologies for the processing of low-to-medium-grade laterite nickel ore. Although the process is technologically challenging and operates under tough environment such as high temperature, high pressure and strong acid, with industry-leading technologies and a seasoned team, the Company continues to optimize process parameters and equipment, and achieve real-time monitoring and predictive maintenance of the whole process through an intelligent control system, which effectively ensures stability, safety and continuity of production. Facing the challenge of drastic fluctuations in sulfur prices in 2025, the Company maintained its competitiveness in processing costs by innovating processes to reduce energy consumption and utilizing by-products for resource recovery to offset costs.

Pyrometallurgy

The Company has developed mature and leading RKEF techniques and processes in the pyrometallurgy of laterite nickel ores, possesses the full-chain management capabilities spanning project design, construction, production, and operations. Its production capacity is distributed across core resource regions both in China and overseas.

We have successfully applied the experience we have accumulated from our Jiangsu Facilities in relation to advanced technical upgrades and lean operation and management to our RKEF project in Indonesia in a systematic manner. The Company has made customized innovations and upgrades to the mature process and core equipment of Jiangsu Facilities by taking into consideration the characteristics of local laterite nickel ore and other raw materials. These technological innovations have effectively reduced energy consumption and production costs throughout the entire process, consolidating the Company's cost competitiveness and operational resilience in the global laterite nickel ore pyrometallurgy sector.

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.

In the first half of 2025, the Company continued to deepen collaborative innovation with top research institutions in China to promote the industrialization of technological achievements and green upgrade. Indonesia's first wet heap tailings demonstration warehouse (No. 1 tailings warehouse)—was officially put into operation in the industrial park on Obi Island. With proven experience in stable electrodeposited cobalt production, the Company completed industrialization reserve for the smelting of electrodeposited nickel. The Company will further enhance the recycling of tailings resources, consolidate the advantages in hydrometallurgical smelting technology, and drive high-quality business development with innovation.

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

As nickel is a key strategic resource in the new energy industry chain, its stable supply is crucial to the Company's business expansion and consolidation of its position in the industry. By establishing long-term and stable supply relationships with upstream mines, the Company ensures stable supply of high-quality nickel products, which further consolidates its competitive edge in the industry. The Company continued to deepen its partnerships with mines in Indonesia and the Philippines, and effectively improved the stability and risk resistance ability of its supply chain through strategic investments and technological innovations. Meanwhile, we actively explored new resource channels and implemented diversified supply strategies to flexibly respond to fluctuations in the global market and potential geopolitical risks, laying a solid foundation for the Company's sustainable development.

The Company ensures the stability of resources through long-term strategic cooperation. In Indonesia, the Company cooperates with its Indonesian partner to operate the HPAL and the RKEF projects on Obi Island, with its mines providing exclusive nickel ore supply, achieving an integrated layout in mining and smelting. In the Philippines, the Company has maintained cooperative relationships for over ten years with Nickel Asia Corporation, CTP Construction and Mining Corp., and other enterprises, providing a stable supply of resources for its trading business.

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

Supported by in-depth study across the nickel industry value chain over the years, we are constantly consolidating the advantages of credibility and reputation in the industry and have established long-term and stable collaborative relationships with leading domestic and foreign enterprises:

NEV industry. The Company continued to expand its presence in the NEV industry in the first half of 2025. With the stable expansion of production capacity of the HPAL project, the Company further deepened its strategic cooperation with global mainstream precursor/cathode material enterprises, and entered into a number of long-term agreements, underpinning the growth of new energy business.

Stainless steel industry. Leveraging on the diversified supply capabilities of nickel resources from Southeast Asia and a stable and efficient quality management and control system, the Company maintained long-term relationships in supplying nickel ore and ferronickel with leading stainless steel enterprises in the industry and well-known international trading companies, and continued to consolidate our market position as a major nickel product trading company in the PRC.

We adhere to the concept of ESG sustainable development

By adhering to the concept of ESG sustainable development, we continue to improve the governance system led by the ESG Committee of the Board, and deeply integrate environmental responsibility and social values with corporate strategy. In the first half of 2025, the Company focused on the promotion of resources recycling technology and the application of clean energy, improved resource efficiency through optimization of production process and deepened the local operation in Indonesia to strengthen community building. We will persist in driving the improvement of ESG efficiency through technological innovation and refined management in the future, so as to provide sustainable resource guarantee for the global new energy industry. The Company incorporated the concept of sustainability in every aspect of trading, production and sale, pressing on with its effort in the recycling of the by-products generated during the production process. It is expected to build up a resource-saving and environmentally-friendly, intelligent and clustered industrial park.

OUTLOOK

Completing the Construction of Existing Projects

Obi projects in Indonesia are the core driver for the Company's profitable growth in the future, and they are important for the Company's business development to initiate its production line smoothly as scheduled and operate efficiently. In the first half of 2025, the Company continued to steadily implement the established plan and concentrated its advantageous resources to implement the construction of the KPS project under the RKEF project in an orderly manner. We have achieved the deployment of the production capacities of four production lines of section one of the KPS project, and will proceed with the expansion of the production capacities of the remaining eight production lines as planned.

Enriching Product Categories to Promote MHP Refinement Production Project

The Company continued to deepen R&D ability tailored to a wide range of downstream products, actively promoted MHP refinement production project and further processed the nickel-cobalt hydroxide products produced by ONC into nickel/cobalt sulfate, or electrodeposited nickel/cobalt. Battery-grade nickel/cobalt sulfate can be used in NEV, energy storage batteries, 3C electronics and other fields to improve the energy density of batteries and further improve product performance. Electrodeposited nickel/cobalt are featured by high strength and corrosion resistance, and can be widely used in stainless steel, alloy materials, aerospace and other fields. This project will further increase the proportion of the Company's high value-added products, and enrich the Company's product matrix to flexibly respond to diversified market demands, thereby enhancing the Company's overall competitiveness.

Empowering the Circular Economy to Promote Hydrometallurgical Slag Resource Utilization Demonstration Project

Adhering to the concept of green environmental protection, the Company launched the hydrometallurgical slag resource utilization demonstration project, turning the waste hydrometallurgical slag of HPAL project into wealth. As the iron contained in the hydrometallurgical slag can reach the grade of general iron ore after pretreatment, which can then be processed into pig iron and further processed into rebar products. Rebar is widely used in construction, including bridges, roads, high-rise buildings, tunnels and other infrastructure projects. With the rapid rise of emerging economies in Southeast Asia, the demand for rebar is expected to benefit from the infrastructure construction and urbanization in these regions. This project can not only effectively solve the industrial problem of open storage of hydrometallurgical slag, but also bring additional economic benefits to the Company through resources recovery.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

Upholding the concept of mutual development with the industry, the Company has been continuously deepening research and development efforts, continuously optimizing existing production processes and introducing cutting-edge equipment to significantly improve production efficiency, while ensuring product quality remained stable at a high standard. The Company firmly promotes the sustainable development of various business areas, and effectively improves the efficiency of resource utilization and significantly enhances the environmental performance of the production process through continuous technical innovation and process optimization.

The Company has also built and continues to consolidate extensive technical infrastructure in expanding various product lines including the comprehensive utilization of slag resources from the hydrometallurgy process, thereby laying a solid foundation for technological upgrade and product innovation in the future. Meanwhile, the Company systematically enhanced its research and development capabilities and significantly enhanced the research and development capabilities by establishing new research centers, deepening strategic cooperation with leading domestic research institutes and institutions, and building up high-quality research teams.

Creating a More Open and Robust Nickel Resource Ecosystem

The Company continues to dedicate itself to constructing the advanced nickel resource ecosystem. To strengthen constantly its core competitiveness, the Company deepens the construction of industrial parks with comprehensive ancillary infrastructure, and downstream industry clusters are introduced strategically. Moreover, we will hold an open attitude towards the active promotion of technological innovation and industrial synergy, through which we will advance the in-depth development of a sustainable nickel resource ecosystem.

During the Reporting Period, the Company continued to push forward the construction of infrastructure and the construction of ancillary materials production facilities at the industrial park on Obi Island. It devoted strenuous efforts to the efficient integration of logistics, technology and resources, so as to enhance the operating efficiency and sustainability of the park in all aspects. In terms of the water supply system, the Company refined the operation management approach and overall planning both the industrial and domestic water demand of the park. This sustainably supported a stable and reliable water supply and provided strong support for the highly efficient operation of the park. In terms of the construction of living areas, the Company embraced the preferential principle of the ecology to build a high-quality living environment for local residents. In the meantime, it also provided high-standard living facilities for employees of the project companies, which effectively safeguarded the harmony and stability of the community and maintained the quality of lives of the employees. In terms of the transportation infrastructure, the Company forged ahead steadily with the building of ports and airports to significantly increase efficiency of logistics and transportation as well as the convenience of commuting of employees, which effectively enhanced the external connections and internal mobility of the park. Through the above comprehensive measures, the Company has significantly optimized the overall operational efficiency of the industrial park on Obi Island, while contributing sustainably to the development of the local community and the well-being of its employees, thereby actively fulfilling the corporate social responsibility.

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 2025 and 30 June 2024:

	For the six months ended 30 June			
	2025		2024	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Nickel Products Trading				
Laterite nickel ore	2,051,824	11.3	1,292,668	11.9
Ferronickel	5,569,067	30.7	4,823,980	44.3
Subtotal	7,620,891	42.0	6,116,648	56.2
Nickel Products Production				
Ferronickel	2,601,406	14.3	572,553	5.3
Nickel-cobalt compounds	7,064,654	38.9	3,783,939	34.8
Subtotal	9,666,060	53.2	4,356,492	40.1
Others	859,604	4.8	404,848	3.7
Total	18,146,555	100.0	10,877,988	100.0

Our revenue increased by 66.8% from RMB10,878.0 million for the six months ended 30 June 2024 to RMB18,146.6 million for the six months ended 30 June 2025. The increase in revenue was mainly attributable to the increase in revenue generated from our nickel product trading and smelting business.

Revenue generated from the trading business increased by 24.6% from RMB6,116.6 million for the six months ended 30 June 2024 to RMB7,620.9 million for the six months ended 30 June 2025, mainly due to the increase in procurement and sales of trading of ferronickel and laterite nickel ore, resulting in an increase in trading revenue.

Revenue generated from production business increased by 121.9% from RMB4,356.5 million for the six months ended 30 June 2024 to RMB9,666.1 million for the six months ended 30 June 2025, mainly due to (i) the increase in the sales volume of nickel-cobalt compounds in line with the HPAL project (phase III) reaching full production capacity, as well as market prices of cobalt pushing the increase of revenue of nickel-cobalt compounds by RMB3,280.7 million; (ii) the increase in revenue of RMB2,028.9 million from sales volume of ferronickel in production business, due to the increase in the sales volume of ferronickel as the KPS project in production.

Other revenue increased from RMB404.8 million for the six months ended 30 June 2024 to RMB859.6 million for the six months ended 30 June 2025, mainly due to the increase in coal sales during the period.

Gross Profit and Gross Profit Margin

Our gross profit increased by 95.9% from RMB1,827.4 million for the six months ended 30 June 2024 to RMB3,580.0 million for the six months ended 30 June 2025, with an increase in gross profit margin from 16.8% to 19.7%.

Gross profit from our trading business increased by 19.6% from RMB273.4 million for the six months ended 30 June 2024 to RMB327.1 million for the six months ended 30 June 2025. Gross profit margin decreased from 4.5% to 4.3%.

Gross profit from our production business increased by 112.8% from RMB1,504.2 million for the six months ended 30 June 2024 to RMB3,200.4 million for the six months ended 30 June 2025. The gross profit margin of the nickel product production business decreased from 34.5% to 33.1%, mainly due to (i) the increase in sales volume of nickel-cobalt compounds, resulting in the increase in gross profit of nickel-cobalt compounds from RMB1,499.8 million for the six months ended 30 June 2024 to RMB2,806.5 million for the six months ended 30 June 2025, with the gross profit margin maintaining at 39.7%; and (ii) the increase in ferronickel sales due to Indonesia's self-produced ferronickel coming into operation, making an increase of the gross profit of ferronickel from RMB4.4 million for the six months ended 30 June 2024 to RMB393.8 million for the six months ended 30 June 2025, with a gross profit margin of 15.1%.

Gross profit of other businesses increased from RMB49.8 million for the six months ended 30 June 2024 to RMB52.6 million for the six months ended 30 June 2025, and the gross profit margin of other businesses dropped from 12.3% to 6.1% during the same period.

Other income and gains increased by 65.6% from RMB105.9 million in the six months ended 30 June 2024 to RMB175.4 million for the six months ended 30 June 2025, mainly due to (i) the increase in interest income of RMB37.0 million; and (ii) the increase in government grants by RMB37.4 million.

Sales and Distribution Expenses

Sales and distribution expenses decreased by 12.3% from RMB63.4 million for the six months ended 30 June 2024 to RMB55.6 million for the six months ended 30 June 2025, mainly due to the decrease of RMB13.7 million in the remuneration expenses of sales and marketing staff resulted from the optimization of the personnel structure. The decrease in sales and distribution expenses was offset by the following factors: increased sales led to an increase in testing fees of RMB4.2 million.

Administrative Expenses

Administrative expenses increased by 19.5% from RMB490.2 million for the six months ended 30 June 2024 to RMB585.9 million for the six months ended 30 June 2025, mainly due to (i) the increase of RMB72.4 million in staff costs resulted from business expansion; and (ii) the increase of RMB26.9 million in bank handling fees and taxes.

Other Operating Expenses

Other operating expenses increased by 21.4% from RMB242.9 million for the six months ended 30 June 2024 to RMB294.8 million for the six months ended 30 June 2025, mainly due to the depreciation trend of the U.S. dollar against RMB for the six months ended 30 June 2025, resulting in an increase of RMB123.1 million in net exchange loss. The increase in other operating expenses was offset by the recognition of impairment of RMB142.1 million upon evaluation of the recoverable value of customer relationship under intangible assets compared with the same period in 2024. During the Reporting Period, we assessed the recoverable value of our investment property and recognized an impairment loss of RMB61.4 million.

Finance Costs

The finance costs increased by 23.2% from RMB263.9 million for the six months ended 30 June 2024 to RMB325.1 million for the six months ended 30 June 2025 was mainly due to the increase in bank borrowings.

Share of Profits and Losses of Associates

Share of profits from our associates for the six months ended 30 June 2024 increased by 116.4% from RMB123.8 million to RMB267.9 million for the six months ended 30 June 2025, mainly due to the enhanced profitability, which was driven by refined cost control, technical improvements and process optimization implemented in phase I of the RKEF project.

Profit before tax

As a result of the foregoing, profit before tax increased by 177.8% from RMB993.3 million for the six months ended 30 June 2024 to RMB2,759.8 million for the six months ended 30 June 2025.

Income Tax Expenses

Income tax expense increased significantly from RMB22.9 million for the six months ended June 30, 2024 to RMB511.1 million for the six months ended June 30, 2025, mainly due to the withholding income tax based on the profitability of our project companies. We also made provision for the Pillar Two Top-up Tax pursuant to Pillar Two model rules.

Profit for the Reporting Period and Net Profit Margin

As a result of the increase in gross profit driven by the increase in sales volume of trading of ferronickel and self-produced nickel-cobalt compounds, as well as the increase in share of profits of associates, profit for the Reporting Period increased by 131.7% from RMB970.4 million for the six months ended 30 June 2024 to RMB2,248.7 million for the six months ended 30 June 2025. Net profit margin increased from 8.9% for the six months ended 30 June 2024 to 12.4% for the six months ended 30 June 2025.

Liquidity, Financial Resources and Current Ratio

To safeguard the Group's ability to continue as a going concern, finance the Group's operations and maximise value for the shareholders, the Group adopted various funding and treasury measures during the six months ended 30 June 2025. These include, but are not limited to (i) regularly managing the Company's capital structure by making relevant adjustments in light of both the prevailing economic conditions and any risk characteristics of underlying assets; (ii) using a recurring liquidity planning tool which considers the maturity of its financial instruments and financial assets, and projected cash flows from operations in order to continuously monitor the Company's risks to a potential shortage of funds; (iii) trading only with recognised and creditworthy third parties, who are subject to the Company's credit verification procedures; and (iv) using various financial instruments such as leases and interest-bearing loans as appropriate to maintain a balance between continuity of funding and flexibility. During the six months ended 30 June 2025, the Group maintained a stable financial position.

As at 30 June 2025, current assets amounted to RMB15,580.4 million, representing an increase of 23.7% from RMB12,599.3 million as at 31 December 2024. As at 30 June 2025, cash and cash equivalents of the Group amounted to RMB6,372.8 million, which increased by 26.6% as compared with that of RMB5,032.4 million as at 31 December 2024.

As at 30 June 2025, the Group's current ratio (current assets divided by current liabilities) was 0.9 times, maintaining flat with the current ratio as at 31 December 2024.

Capital Expenditures

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

	For the six months ended 30 June			
	2025		2024	
	RMB'000	(%)	RMB'000	(%)
Prepayments for property, plant and equipment	2,328,004	100.0	3,260,975	99.1
Land use right	0	0	28,697	0.9
Total	<u>2,328,004</u>	<u>100.0</u>	<u>3,289,672</u>	<u>100.0</u>

Commitments

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

	As at 30 June	
	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Property, plant and equipment	<u>8,411,614</u>	<u>9,525,379</u>

Indebtedness

We recognised debts of RMB16,387.7 million as at 30 June 2025 (as at 31 December 2024: RMB13,852.3 million), which included interest-bearing bank and other borrowings denominated in RMB and USD that amounted to RMB7,046.0 million with fixed interest rates (as at 31 December 2024: RMB6,022.6 million) and RMB9,324.8 million with floating interest rates (as at 31 December 2024: RMB7,810.1 million) and lease liabilities of RMB16.9 million (as at 31 December 2024: RMB19.6 million).

Contingent liabilities

As at 30 June 2025, we had no material contingent liabilities.

Gearing ratio

The gearing ratio is equal to total interest-bearing bank borrowings divided by total equity. The gearing ratio as at 30 June 2025 was 0.8, which remained unchanged from the gearing ratio as at 31 December 2024.

Significant Investment Held and Material Acquisitions and Disposals of Subsidiaries and Associates

The Group had no significant investments held, material investments, material acquisitions or disposals of subsidiaries, associates, and joint venture for the six months ended 30 June 2025.

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 2025, a portion of our loans are secured by (i) pledges of buildings located in the PRC with a carrying value of RMB21.8 million (31 December 2024: RMB23.2 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB352.9 million (31 December 2024: RMB380.8 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 RMB6,547.0 million (31 December 2024: RMB2,698.2 million); (iv) pledges of investment properties in China with a carrying value of RMB52.8 million (31 December 2024: RMB65.7 million); and (v) pledge of deposits with a carrying value of RMB1,267.4 million (31 December 2024: RMB848.6 million).

As at 30 June 2025, 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 2025, we did not have any plans for material investments and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement dated 10 December 2024 regarding a facility agreement entered into by KPS (as the borrower) in relation to a term loan facility of up to USD250,000,000 (the “**Bridge Facility**”). On 3 July 2025, KPS (as the borrower) entered into a project facility agreement, pursuant to which the lenders have agreed to make available a term loan facility of up to USD741,000,000 for the purpose of, among others, refinancing the Bridge Facility. In addition, on 3 July 2025, KPS (as the borrower) entered into a working capital facility agreement, pursuant to which the lenders have agreed to make available a loan facility of up to USD150,000,000 for the purpose of financing the working capital requirements of KPS. To secure the full and punctual payment and performance of the relevant obligations in relation to the abovementioned facility agreements, the relevant parties have entered into certain agreements to provide financial assistance to KPS. For details, please refer to the announcements of the Company dated 14 August and 20 August 2025 and the circular of the Company dated 25 August 2025.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2025, the Group had a total of 13,731 full-time 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 2025, 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 2025.

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 Overallotment 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, the 2024 annual results announcement and the 2024 annual report of the Company dated 28 March 2025 and 29 April 2025, respectively. See the table below for details:

Purpose	Unutilised net amount up to 31 December 2024 (HK\$ million)	Use of proceeds after change approved at the 2024 annual general meeting (HK\$ million)	Actual net amount utilised up to 31 December 2024 (HK\$ million)	Actual net amount utilised during the Reporting Period (HK\$ million)	Unutilised net amount up to 30 June 2025 (HK\$ million)	Expected timeline for utilising unutilised net amount
Development and construction of our nickel product production projects on the Obi Island	0	2,030.7	2,030.7	0	0	
Contribute additional capital to CBL	0	864.1	864.1	0	0	
Making potential minority investments in nickel mines in Indonesia	345.6		0	0		
Working capital and general corporate purposes	0	705.6	360.0	0	345.6	By the end of 2025
Total	345.6	3,600.4	3,254.8	0	345.6	

Since the Listing Date and as at 30 June 2025, the Group has utilised approximately HK\$3,254.8 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 90.4% of all raised funds, and the remaining unutilised proceeds is approximately HK\$345.6 million. After cautious consideration, the Board decided to revise the use of the unutilised net proceeds, which shall instead be used for working capital and for general corporate purposes of the Group. Such change in use of proceeds was approved at the 2024 annual general meeting held on 21 May 2025, and the remaining utilized proceeds are expected to be fully utilised by 31 December 2025. For details of the reasons for the change in use of proceeds from the Global Offering, please refer to the 2024 annual results announcement and the 2024 annual report of the Company dated 28 March 2025 and 29 April 2025, respectively.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Group is committed to maintaining and promoting stringent corporate governance. The principle of the Group's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operation are conducted in accordance with applicable laws and regulations, to enhance the transparency of the Board, and to strengthen accountability to all shareholders. The Group's corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Group has complied with the applicable code provisions contained in the CG Code during the Reporting Period, save for code provision C.2.1 as set out below.

Code provision C.2.1 of the CG Code provides that the roles of the Chairman and the chief executive should be separate and should not be performed by the same individual. At the beginning of the Reporting Period, the Chairman and the general manager of the Company (the "**General Manager**") was Mr. CAI Jianyong.

As the founder of the Group, Mr. CAI Jianyong has extensive experience in international commodity trading and is responsible for the overall management of the Company's business strategies and operations. He has played a key role in the growth and business expansion of the Group and the Board believes that vesting both roles of Chairman and General Manager in Mr. CAI Jianyong is beneficial to the management of the Company. In addition, the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently consists of four executive directors (including Mr. CAI Jianyong), one non-executive director and three independent non-executive directors. Therefore, the Group believes that the composition of the senior management and the Board has a fairly strong independence element.

Mr. CAI Jianyong has subsequently resigned as the General Manager with effect from 27 February 2025 due to job change. Mr. CAI will continue to serve as, among others, the Chairman of the Board and an executive Director. Dr. HU Zhichun has been appointed as the General Manager with effect from 27 February 2025. For details, please refer to the announcement of the Company dated 27 February 2025. Accordingly, the Company has complied with the requirements set out in code provision C.2.1 of the CG Code.

The Board shall review its structure from time to time to ensure that the structure facilitates the execution of the business strategies of the Group and maximizes effectiveness of its operation.

Compliance with the Model Code for Securities Transactions by Directors

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities (including sale of treasury shares) listed on the Stock Exchange. As at 30 June 2025, the Company did not hold any treasury shares.

Sufficiency of Public Float

The Stock Exchange has granted the Company a waiver from strict compliance with Rule 8.08(1) of the Listing Rules, such that the minimum percentage of the Shares from time to time held by the public should be approximately 15.31% (rounded up). Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date.

Audit Committee and Review of Financial Information

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

The Audit Committee has reviewed the unaudited interim results and the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2025 and discussed matters with respect to the accounting policies and practices adopted by the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT 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 Company for the six months ended 30 June 2025 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched (if requested) to the Company’s shareholders in due course.

APPRECIATION

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

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

The PRC, 28 August 2025

As at the date of this announcement, the executive Directors are Mr. CAI Jianyong, Ms. FEI Feng, Mr. CAI Jianwei and Mr. WANG Ling; 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; the employee representative Director is Mr. YU Weijun.