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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 2026

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 2026 (the **“Reporting Period”**), together with the comparative figures for the six months ended 30 June 2025. Unless otherwise defined, capitalised terms used herein shall have the same meanings as given to them in the prospectus dated 21 November 2022 issued by the Company (the **“Prospectus”**).

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

FINANCIAL HIGHLIGHTS

- Our revenue increased from RMB18,146.6 million for the six months ended 30 June 2025 to RMB25,364.0 million for the six months ended 30 June 2026, representing an increase of 39.8%.
- Our gross profit increased from RMB3,580.0 million for the six months ended 30 June 2025 to RMB6,430.7 million for the six months ended 30 June 2026, representing an increase of 79.6%. Gross profit margin for the six months ended 30 June 2026 was 25.4%, representing an increase of 5.7 percentage points compared to that of 19.7% for the six months ended 30 June 2025.
- Profit for the six months ended 30 June 2026 was RMB4,384.4 million, representing an increase of 95.0% compared with that of RMB2,248.7 million for the six months ended 30 June 2025.
- Profit attributable to owners of the parent for the Reporting Period was RMB2,737.7 million, representing an increase of 91.9% as compared to RMB1,426.3 million for the six months ended 30 June 2025.
- The Board has resolved not to recommend the distribution of an interim dividend for the six months ended 30 June 2026 (for the six months ended 30 June 2025: nil).

FINANCIAL INFORMATION

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

For the six months ended 30 June 2026

		2026 (Unaudited) RMB'000	2025 (Unaudited) RMB'000
	<i>Notes</i>		
REVENUE	4	25,363,967	18,146,555
Cost of sales		<u>(18,933,221)</u>	<u>(14,566,559)</u>
Gross profit		6,430,746	3,579,996
Other income and gains		194,370	175,412
Selling and distribution expenses		(71,036)	(55,618)
Administrative expenses		(678,912)	(585,932)
Impairment losses on financial assets, net		(10,485)	(2,061)
Other expenses		(99,110)	(294,841)
Finance costs		(412,081)	(325,119)
Share of profits and losses of associates		<u>199,326</u>	<u>267,944</u>
PROFIT BEFORE TAX	5	5,552,818	2,759,781
Income tax expense	6	<u>(1,168,455)</u>	<u>(511,050)</u>
PROFIT FOR THE PERIOD		<u>4,384,363</u>	<u>2,248,731</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		(83,602)	(8,620)
Exchange differences on translation of foreign operations		<u>(741,260)</u>	<u>(77,901)</u>
		<u>(824,862)</u>	<u>(86,521)</u>
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:			
Others		<u>3,441</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>(821,421)</u>	<u>(86,521)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>3,562,942</u>	<u>2,162,210</u>

		2026 (Unaudited) RMB'000	2025 (Unaudited) RMB'000
	<i>Notes</i>		
Profit attributable to:			
Owners of the parent		2,737,722	1,426,270
Non-controlling interest		1,646,641	822,461
		<u>4,384,363</u>	<u>2,248,731</u>
Total comprehensive income for the period attributable to:			
Owners of the parent		2,204,860	1,371,045
Non-controlling interest		1,358,082	791,165
		<u>3,562,942</u>	<u>2,162,210</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	8	<u>1.76 Yuan</u>	<u>0.92 Yuan</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2026

		30 June 2026 (Unaudited) RMB'000	31 December 2025 (Audited) RMB'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	26,040,850	25,447,842
Intangible assets		146,276	175,629
Investment properties		213,652	218,962
Right-of-use assets		512,516	521,866
Deferred tax assets		224,305	204,111
Interests in associates		2,462,164	2,349,902
Goodwill		218,037	218,037
Prepayments, other receivables and other assets		200,536	164,965
Total non-current assets		30,018,336	29,301,314
CURRENT ASSETS			
Inventories		8,629,347	5,311,021
Trade and bills receivables	10	4,123,977	2,384,067
Prepayments, other receivables and other assets		1,206,262	1,074,621
Due from related parties		229,800	349,486
Pledged deposits		3,655,301	2,466,784
Derivative financial instruments		–	454
Cash and cash equivalents		6,836,868	7,371,903
Total current assets		24,681,555	18,958,336
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		10,234,348	8,632,523
Trade and bills payables	11	3,538,471	2,353,852
Lease liabilities		7,003	7,029
Derivative financial instruments		368	10,082
Other payables and accruals		3,628,074	3,440,183
Contract liabilities		287,121	136,277
Income tax payable		1,090,708	697,628
Due to related parties		1,993,918	1,348,327
Total current liabilities		20,780,011	16,625,901

	30 June 2026 (Unaudited) RMB'000	31 December 2025 (Audited) RMB'000
NET CURRENT ASSETS	3,901,544	2,332,435
TOTAL ASSETS LESS CURRENT LIABILITIES	33,919,880	31,633,749
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	9,173,597	9,972,200
Lease liabilities	1,539	3,240
Other payables and accruals	3,214	9,043
Employee benefits liability	63,781	59,556
Deferred tax liabilities	1,114,044	670,489
Total non-current liabilities	10,356,175	10,714,528
Net assets	23,563,705	20,919,221
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,555,931	1,555,931
Reserves	12,444,158	11,173,054
Equity attributable to equity holders of the parent	14,000,089	12,728,985
Non-controlling interests	9,563,616	8,190,236
Total equity	23,563,705	20,919,221

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2026

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2026 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 2025.

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 2025, except for the adoption of the following amended HKFRS Accounting Standards for the first time for the current period's financial information.

Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7

The nature and impact of the amended HKFRS Accounting Standards are described below:

- (a) Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments clarify that a financial asset is derecognised when the entity's rights to the contractual cash flows expire or are transferred, while a financial liability is derecognised on the settlement date. The amendments introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. Since the Group's accounting policy for the derecognition of financial assets and liabilities in prior years aligned with the amendments and the Group did not have the financial assets that were addressed by the amendments, the amendments did not have any impact on the interim condensed consolidated financial information. The Group will provide additional disclosures for its equity investments designated at fair value through other comprehensive income in the Group's consolidated financial statements for the year ending 31 December 2026.
- (b) Amendments to HKFRS 9 and HKFRS 7 Contracts Referencing Nature-dependent Electricity clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. As the Group did not have any contracts that are in the scope of the amendments, the amendments did not have any impact on the interim condensed consolidated financial information.
- (c) Annual Improvements to HKFRS Accounting Standards – Volume 11 set out narrow scope amendments to HKFRS 1, HKFRS 7 (and the accompanying Guidance on implementing HKFRS 7), HKFRS 9, HKFRS 10 and HKAS 7. The amendments include clarifications, simplifications, corrections or changes to improve consistency in the corresponding HKFRS Accounting Standards. The amendments did not have any impact on the interim condensed consolidated financial information.

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	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	25,363,967	18,146,555
Disaggregated revenue information for revenue from contracts with customers		
	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of nickel products	23,821,679	17,286,951
Others	1,542,288	859,604
Total revenue from contracts with customers	25,363,967	18,146,555
Geographical markets		
Chinese mainland	21,665,008	16,334,370
Others	3,698,959	1,812,185
Total revenue from contracts with customers	25,363,967	18,146,555
Timing of revenue recognition		
Goods transferred at a point in time	24,529,567	17,325,731
Services transferred over time	834,400	820,824
Total revenue from contracts with customers	25,363,967	18,146,555

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2026	2025
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	15,295,776	13,750,199
Depreciation of long-term asset	846,871	706,587
Loss on disposal of items of property, plant and equipment	23	14,105
Gains on a finance lease as a sublease lessor	–	(136)
Impairment of investment properties	–	61,360
Impairment of financial assets, net		
Impairment/(reversal of impairment) of trade receivables, net	10,829	(270)
(Reversal of impairment)/impairment of other receivables, net	(344)	2,331
	<u>10,485</u>	<u>2,061</u>
Foreign exchange differences, net	90,044	200,279
Fair value loss/(gains), net:		
Derivative financial instruments	(476)	10,697
Trade receivables containing provisional pricing features	5,204	4,172
Investment gains from financial assets at fair value through profit or loss, net:		
Derivative financial instruments	(8,582)	–
Trade receivables containing provisional pricing features	(22,007)	(27,756)
	<u>(30,589)</u>	<u>(27,756)</u>

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 Chinese mainland are subject to CIT at a rate of 25% (2025: 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 passed the review on 19 November 2025, and was entitled to a preferential tax rate of 15% (2025: 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 starting from 2021 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 and number NOMOR 30/KM.3/2025 concerning Corporate Income Tax Reduction Facility to PT. OBI Nickel Cobalt (“ONC”) dated 3 December 2021 and dated 10 February 2025, ONC was granted a 100% corporate income tax reduction for 15 fiscal years starting from 2024 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 4/TH/PMA/2022 concerning Corporate Income Tax Reduction Facility to KPS dated 17 January 2022, KPS was 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. Based on the latest NOMOR 168/MK/PJ/2025 concerning Corporate Income Tax Reduction Facility to PT. Karunia Permai Sentosa (“KPS”) dated 23 July 2025, KPS was granted a 100% corporate income tax reduction for 10 fiscal years starting from 2025 and an additional 50% corporate income tax reduction for the following 2 fiscal years.

According to the 31E Facility as stipulated in Taxation Law No. 36 of 2008 issued by the Minister of Finance of the Republic of Indonesia, the entities with total annual gross income below IDR 50 billion are eligible for a 50% reduction in the corporate income tax rate on the taxable income corresponding to IDR4.8 billion. For the six months ended 30 June 2026, PT Bhakti Bumi Sentosa (“BBS”) applied for the facility.

The Group is within the scope of the Global Anti-Base Erosion (“GloBE”) Model Rules (the “Pillar Two Model Rules”). The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under Hong Kong, Singapore and Indonesia. The Group will account for the Pillar Two income taxes as current tax when incurred.

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

	For the six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	195,090	126,272
Pillar Two income taxes for the period	551,882	206,360
Deferred	421,483	178,418
Total tax expense/(credit) for the period	1,168,455	511,050

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2026.

In June 2026, Xi'an Pengyuan Metallurgical Equipment Co., Ltd. distributed dividends of RMB15,000,000.00 to all shareholders, among which included RMB4,500,000.00 was distributed to non-controlling shareholders and was fully paid as at 17 June 2026.

On 22 May 2026, the Board declared a final dividend for the year ended 31 December 2025 of RMB0.60 per share, amounting to a total of approximately RMB933,559,000, which was fully paid as at 18 June 2026.

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 (2025: 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 2026 and 2025 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2026 and 2025.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2026	31 December 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Carrying amount at beginning of period/year	25,447,842	21,639,059
Additions	2,210,024	5,650,687
Depreciation provided during the period/year	(798,481)	(1,367,970)
Disposals	(278)	(14,831)
Exchange realignment	(818,257)	(459,103)
Carrying amount at end of period/year	26,040,850	25,447,842

10. TRADE AND BILLS RECEIVABLES

	30 June 2026 <i>RMB'000</i> (Unaudited)	31 December 2025 <i>RMB'000</i> (Audited)
Financial assets at amortised cost:		
Trade receivables	2,501,829	1,823,123
Bills receivable	188,482	123,188
	2,690,311	1,946,311
Impairment	(18,594)	(7,262)
	2,671,717	1,939,049
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	445,778	123,375
Financial assets at fair value through other comprehensive income:		
Bills receivable	1,006,482	321,643
Total	4,123,977	2,384,067

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 2026 <i>RMB'000</i> (Unaudited)	31 December 2025 <i>RMB'000</i> (Audited)
Within 3 months	2,335,822	1,593,458
3 to 6 months	109,180	175,985
6 to 12 months	33,252	36,699
Over 1 year	4,981	9,719
	2,483,235	1,815,861

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 2026 <i>RMB'000</i> (Unaudited)	31 December 2025 <i>RMB'000</i> (Audited)
Within 3 months	3,018,596	1,270,381
3 to 6 months	105,993	303,968
6 to 12 months	137,227	437,658
1 to 2 years	130,773	154,350
Over 2 years	145,882	177,469
	3,538,471	2,343,826

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2026, disrupted by the dual factors of Indonesia's industrial policy adjustments and international geopolitics, the global nickel smelting industry underwent a structural reshaping. Facing multiple external challenges, on the one hand, the Company steadily advanced the large-scale production of the Obi project in Indonesia to continuously release capacity benefits, while strengthening the lean operational management system to consolidate its core cost competitive advantages. On the other hand, the Company proceeded with the proposed initial public offering and listing of the A shares of the Company on the Main Board of the Shenzhen Stock Exchange in an orderly manner, having successfully obtained the approval of the Listing Committee of the Shenzhen Stock Exchange and the approval for registration from the China Securities Regulatory Commission as of the date of this announcement. During the Reporting Period, the Company achieved a revenue of RMB25,364.0 million, representing an increase of 39.8% as compared to the corresponding period of last year. Net profit attributable to owners of the parent amounted to RMB2,737.7 million, representing an increase of 91.9% as compared to the corresponding period of last year. The laterite nickel ore hydrometallurgy project (HPAL project) jointly invested and constructed by the Company and its Indonesian partner on Obi Island, Indonesia, maintained full-capacity operation across all production lines. 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. In the meantime, all twelve production lines of the KPS project under the RKEF project (phase II of the RKEF project) were fully put into operation as planned in May 2026, and achieved full production capacity on 1 August 2026. In addition, the Company advanced the construction of the hydrometallurgical slag resource utilization demonstration project in an orderly manner, extended the industrial chain layout around its core nickel business, and drove the green upgrading of deep processing in the industry. The Company has consistently integrated the ESG philosophy into every aspect of its global business layout and daily operations. During project development and production construction, the Company systematically promoted the coordinated advancement of environmental management, social investment and economic responsibility, carried out regular practices across multiple dimensions such as ecological protection, resource recycling, community co-construction and employee development, and extended the concept of responsibility to deeper levels including supply chain management, localized operations and industrial ecosystem construction, striving to achieve a win-win coexistence between corporate growth and regional sustainable development.

In the first half of 2026, the Indonesian government introduced a series of resource control policies, further tightening nickel ore mining quotas. Concurrently, it implemented a brand-new benchmark pricing rule for nickel ore, adjusted the nickel correction factor upward, and newly incorporated the pricing of associated metals such as cobalt, iron, and chromium. On the supply side of pyrometallurgical ferronickel smelting, affected by Indonesia's resource control policies, the utilization cost of nickel ore increased, compressing the profit margins of ferronickel smelting enterprises. The industry experienced capacity adjustments and the phase-out of inefficient capacity. Coupled with Indonesia's long-term control over new pyrometallurgy capacity, effective supply further contracted. The terminal demand structure for pyrometallurgical ferronickel smelting diverged. The demand for property-related low-end stainless steel weakened, but high-end manufacturing sectors such as hydrogen energy, energy storage, offshore wind power, photovoltaics, and new energy vehicles drove a steady growth in demand for high-nickel stainless steel, highlighting the outstanding resilience in rigid demand for high-nickel-content ferronickel. According to statistics from the Stainless Steel Council of China Iron and Steel Association (中國鋼鐵工業協會不銹鋼分會), the national production of crude stainless steel from January to June 2026 reached 21.079 million tons, representing a year-on-year increase of 7.19%. On the supply side of hydrometallurgical intermediate products smelting, it was similarly constrained by Indonesia's resource control policies. Compounded by geopolitical conflicts driving up the cost of sulfur, a key auxiliary material, several hydrometallurgy enterprises voluntarily reduced operating loads for maintenance, and new capacity had not yet delivered meaningful additional output, resulting in tight supply of hydrometallurgical intermediate products. Terminal demand for hydrometallurgical intermediate products was concentrated in the ternary battery sector. According to statistics from the China Automotive Power Battery Industry Innovation Alliance (中國汽車動力電池產業創新聯盟), the cumulative installed capacity of domestic power batteries in the first half of 2026 was 335.6 GWh, representing a year-on-year increase of 12.0%. Furthermore, the volume ramp-up of overseas high-end long-range new energy vehicle and large cylindrical battery projects further stimulated the demand for high-nickel ternary battery materials.

In the first half of 2026, the futures prices of nickel metal generally showed an initial surge followed by a downward trend, with significant price fluctuations. In the first quarter, continuing the tight supply pattern from the end of 2025, the price of the main nickel futures contracts on the Shanghai Futures Exchange fluctuated in the range of RMB130,000 to RMB148,000 per ton. Entering the second quarter, driven by the upward effect on cost expectations from Indonesia's new regulation raising the benchmark price of nickel ore, nickel futures contracts' price surged rapidly, testing around RMB155,000 per ton in early May and hitting a high for the first half of the year. Thereafter, as expectations of mid-year additional quotas in Indonesia heated up, expectations of U.S. Federal Reserve rate hikes strengthened, and the continuous accumulation of global visible refined nickel inventory suppressed market sentiment, which caused the nickel futures contracts' price to fall under pressure.

In the short term, the supply and demand pattern of the global nickel market has shown a directional improvement, shifting from a surplus in 2025 to a tightening trend. The International Nickel Study Group (INSG) predicts that the global nickel market in 2026 is expected to turn from a supply surplus of 283,000 tons in 2025 to a supply shortage of 32,000 tons, which is the first annual deficit in the global nickel market since 2021. Affected by the changes in the supply and demand pattern, the selling prices of the Company's main products increased year-on-year. The discount coefficient of hydrometallurgical intermediate products continued to rise, coupled with the year-on-year upward shift in the nickel price center, prices of hydrometallurgical products increased year-on-year. Supported by supply contraction, the price of ferronickel was also higher than the same period last year. In the medium to long term, the demand for nickel in the new energy and stainless steel sectors continues to maintain steady growth, and the proportion of nickel demand attributable to the new energy sector will further increase. According to the CIC, global nickel demand increased from 2.419 million metal tons in 2019 to 3.342 million metal tons in 2024, with a compound annual growth rate of 6.7% during the period. With the development of the new energy vehicle market and the gradual increase in stainless steel consumption, global nickel demand is expected to reach 4.936 million metal tons in 2029. Stainless steel is the sector with the largest nickel demand globally. As of 2024, the stainless steel sector accounted for 64.4% of the global nickel demand, and lithium battery demand accounted for approximately 16.2%. With the continuous increase in the market share of new energy vehicles and the development of power battery technology towards nickel-intensive types, it is expected that by 2029, battery demand for nickel will account for about 30% of the total global demand.

New Energy

Nickel is one of the crucial raw materials for power batteries. Its principal applications in power batteries are detailed as follows: (i) nickel is widely used as a cathode material for batteries, which can effectively enhance the energy density and cycle life of the batteries; (ii) nickel can also serve as an anode material, contributing to an increase in battery capacity and the extension of its service life; (iii) in battery electrolytes, nickel acts as an additive that can significantly improve the cycling stability and lifespan of the batteries; and (iv) nickel can also be utilized in the manufacturing of battery separators, thereby enhancing the safety and durability of the batteries. As a key material for enhancing the energy density of batteries, nickel directly affects the operating range of batteries. It is the core material driving the development of ternary lithium batteries, solid-state batteries, and downstream high-end strategic emerging industries such as embodied intelligent robots, electric vertical take-off and landing aircraft (eVTOL), and unmanned aerial vehicles.

In the first half of 2026, the domestic new energy vehicle industry maintained a steady expansion trend, the market penetration rate of new energy vehicles exceeded 49%, and the quality and efficiency of the industry's development continued to improve. According to the statistics of the China Association of Automobile Manufacturers (中國汽車工業協會), from January to June 2026, the production and sales volumes of new energy vehicles in the PRC reached 7.438 million units and 7.446 million units, respectively, representing a year-on-year increase of 6.7% and 7.3%, respectively. Among them, the sales proportion of pure electric vehicles increased to approximately 67%, becoming the core driving force supporting the growth of the industry. The export sector performed exceptionally well. In the first half of the year, the export volume of new energy vehicles reached 2.355 million units, representing a significant year-on-year increase of 122.3%. At present, the market structure of the industry is continuously being optimized, and the development trend of electrification remains solid. The development logic of the industry has gradually shifted from the initial rapid scale expansion to a new stage of high-quality development characterized by the upgrading of product competitiveness and standardized operations. At the policy level, the PRC continuously consolidated the underlying support for the development of the new energy vehicle industry. The Action Plan for Carbon Peaking for the 15th Five-Year Plan Period (《“十五五”碳達峰行動方案》) issued by the State Council explicitly set forth the development goals of accelerating the low-carbon transition in the transportation sector. It emphasizes continuously promoting the low-carbonization of energy consumption in the transportation sector, steadily increasing the social ownership volume of new energy vehicles, accelerating the comprehensive electrification of vehicles in the public sector, and clearly specifies the development targets of striving to achieve a 30% proportion of national new energy vehicle ownership and a 25% proportion of new energy commercial transport vehicle ownership by 2030. From a long-term perspective, with the continuous upgrading of downstream consumer demand and the technological iteration and innovation of new energy vehicles, the room for industry growth continues to expand. According to the forecast of CIC, the sales volume of new energy vehicles globally and in the PRC will increase to 47.21 million units and 28.15 million units in 2029, respectively, indicating ample long-term development potential for the industry.

In terms of the installed capacity of new energy vehicles, lithium iron phosphate and ternary lithium are currently the mainstream cathode materials. According to the statistics of the China Automotive Power Battery Industry Innovation Alliance (中國汽車動力電池產業創新聯盟), the cumulative installation volume of power batteries in the PRC during the first half of 2026 was 335.6 GWh, representing a cumulative year-on-year increase of 12.0%, among which, the cumulative installation volume of ternary batteries was 63.4 GWh, accounting for 18.9% of the total installation volume, and representing a cumulative year-on-year increase of 14.2%. The cumulative installation volume of lithium iron phosphate batteries was 272.0 GWh, accounting for 81.0% of the total installation volume, and representing a cumulative year-on-year increase of 11.5%. Despite lithium iron phosphate occupying a majority market share, its growth rate has decreased significantly. In contrast, the ternary batteries, despite accounting for a relatively low proportion, still maintain steady growth. Along with the iteration of power battery technologies, all-solid-state batteries may become the ultimate form of development, the primary raw materials for which are high-nickel ternary cathode materials. At present, mainstream domestic automakers and upstream battery manufacturers (such as BYD, CATL, and GAC Group) all possess technological reserves and research and development blueprints for solid-state or semi-solid-state batteries. Such batteries are expected to be installed in vehicles between 2026 and 2027, which will further push up the market demand for high-nickel ternary materials.

Going forward, high-nickel ternary batteries can be applied to high-end application scenarios such as embodied intelligent robots, eVTOL, and unmanned aerial vehicles. Such sectors all entail requirements including lightweighting and long endurance, while demonstrating low price sensitivity, thereby providing enormous space for the incremental growth of ternary lithium batteries. According to the research by QYResearch, the global market size of lithium batteries for embodied robots in 2025 was approximately US\$16 million and is expected to reach US\$477 million by 2032, representing a compound annual growth rate (CAGR) of 49.7% between 2026 and 2032, demonstrating immense growth potential. With the large-scale commercial implementation of embodied robots, the demand for lithium batteries is expected to experience explosive growth. Meanwhile, according to the data from the National Development and Reform Commission (國家發展和改革委員會), the market size of the low-altitude economy in the PRC is expanding rapidly, which is anticipated to exceed RMB1 trillion in 2026 and expected to reach RMB3.5 trillion by 2035, becoming a new engine for driving economic growth. The rigid demand for high energy density batteries in emerging sectors such as eVTOL and unmanned aerial vehicles will continue to drive an increase in the penetration rate of high-nickel ternary materials. With breakthroughs in high-nickel technologies, the competitive advantages of ternary batteries in the high-end market will become further highlighted, driving structural growth in the demand for nickel resources.

Stainless Steel

Nickel possesses excellent corrosion resistance, oxidation resistance, good ductility, and stable austenitic structural characteristics, and is widely applied in the stainless steel sector. The addition of nickel to steel materials enables the formation of stable austenite, which significantly improves the rust resistance, resistance to acid and alkali corrosion, high-temperature resistance, and cold working and forming performance of stainless steel. Stainless steel is the sector with the largest demand for nickel globally. According to statistics from CIC, as of 2024, the stainless steel sector accounted for 64.4% of the global nickel demand, steadily maintaining its position as the primary application scenario and serving as the cornerstone of nickel demand.

With the development of stainless steel production, the raw materials for stainless steel have transitioned from pure nickel to ferronickel, and the proportion of ferronickel used as the primary raw material continues to increase. As the production volume of stainless steel increases, the demand for ferronickel will also increase. As a basic industrial material, stainless steel boasts a broad range of application fields, including transportation, industry, construction, home appliances and consumer goods, as well as equipment manufacturing. In the transportation sector, stainless steel can be applied in the manufacturing of buses, subways, automobiles, ships, and aircraft. In the construction industry, stainless steel can be utilized for decorative components such as doors, windows, handrails, staircases, and columns, as well as for the building structures themselves. Stainless steel also exhibits excellent corrosion resistance and ease of cleaning; therefore, it is widely utilized in food processing, medical equipment, and laboratories. In the industrial and energy sectors, stainless steel can be used to manufacture various types of mechanical equipment and pipelines, as well as components for nuclear power plants.

In recent years, although the stainless steel industry has been affected by fluctuations in real estate demand, the total demand has continued to rise. Concurrently, the industrial structure has also undergone significant changes, with the industry gradually shifting from scale expansion to quality enhancement. The demand in emerging high-end manufacturing sectors has rapidly expanded, and the resilience of structural demand has continuously consolidated the foundation of the industry. The continuous growth in demand for high-nickel-content stainless steel from emerging sectors such as new energy vehicles, hydrogen energy, energy storage, offshore wind power, and photovoltaics has become a new source of incremental demand for the industry. Meanwhile, traditional sectors, such as stainless steel pipes for construction, stainless steel for high-performance food machinery, as well as shipbuilding and marine engineering, are experiencing a steady recovery.

In the first half of 2026, the domestic stainless steel industry maintained a stable and orderly overall operation, supported by multiple favorable factors including top-level policy guidance, sustained baseline support on the demand side, and standardized regulatory control on the supply side. In terms of top-level industrial design, the “15th Five-Year Plan” clearly proposes to promote the structural optimization and upgrading of traditional industries such as steel and petrochemicals, cultivate industrial advantages in high-quality steel products, focus on tackling key core technologies in the field of advanced materials, and drive the transformation and upgrading of the metallurgical industry towards high-end, intelligent, and green development. As a supporting policy, the 15th Five-Year Plan for the Development of Circular Economy (《“十五五”循環經濟發展規劃》) further specifies the acceleration of the high-value resource utilization of “urban minerals”, the improvement of a standardized recycling and renewable high-value utilization system for scrap steel and scrap non-ferrous metals, and the refinement of relevant standards and requirements for the recycling and utilization of scrap stainless steel, thereby building a medium to long-term policy framework for the green, low-carbon, sustainable, and high-quality development of the stainless steel industry. On the demand side, the Work Plan for Steady Growth of the Steel Industry (2025-2026) (《鋼鐵行業穩增長工作方案(2025-2026年)》) clearly focuses on expanding steel consumption in the fields of industrial equipment and livelihood infrastructure as the core, to continuously boost the downstream market demand for steel and stainless steel. Meanwhile, the PRC has continued to deepen and implement the action of large-scale equipment renewals and trade-ins of consumer goods, and put into effect the Notice of the National Development and Reform Commission and the Ministry of Finance on Implementing the Policies of Large-Scale Equipment Renewals and Trade-ins of Consumer Goods in 2026 (《國家發展改革委財政部關於2026年實施大規模設備更新和消費品以舊換新政策的通知》) to further expand the policy coverage. Such policy has newly added support directions such as the renovation of elevators in old residential communities, the upgrading of commercial supporting facilities, and the renewal of safety inspection equipment. Among them, the policy of adding elevators in old residential communities is aligned with the relevant guiding opinions on the renovation of old urban residential communities, and the green home appliance renewal initiatives conform to the low-carbon development deployment under the “15th Five-Year Plan” action plan for carbon peaking. Multiple policies have exerted synergistic efforts to effectively activate the consumption potential of stainless steel in the two core fields of industrial equipment and green home appliances, thus continuously releasing downstream market demand. At the regulatory level on the supply side, the 2026 new version of the Implementation Measures for Capacity Replacement in the Steel Industry (《鋼鐵行業產能置換實施辦法》) was officially implemented. For the first time, the stainless steel industry was fully brought under the national unified regulatory system for steel capacity replacement. Through a unified national capacity reduction replacement ratio of 1.5:1, the latest measures impose rigid constraints on the disorderly expansion of newly added capacity in the industry, while standardizing the construction standards for supporting stainless steel induction furnaces, which effectively optimizes the capacity structure of the industry and balances the market supply and demand landscape, thereby promoting the standardized and high-quality transformation of the industry. According to statistics from the Stainless Steel Council of China Iron and Steel Association, the national production of crude stainless steel from January to June 2026 reached 21.079 million tons, representing a year-on-year increase of 7.19%.

Looking ahead, with the continuous deepening of the domestic large-scale equipment renewal cycle, the replacement demand for steel in the industrial sector will be steadily released. Coupled with the rapid development of emerging sectors such as the new energy industry and high-end precision manufacturing, the market application scenarios for high-end special stainless steel products will continue to expand, highlighting the growth potential of the industry. In terms of the external environment, the adjustment of policies relating to nickel resources in Indonesia has exacerbated the risk of price fluctuations for upstream raw materials. Meanwhile, the implementation of the EU carbon tariffs and the escalation of global trade barriers have further increased the pressure on the export operations of the domestic stainless steel industry. Against this backdrop, there is an urgent need for the transformation and upgrading of the industry. It is imperative to continuously phase out low-end and inefficient production capacities, accelerate technological breakthroughs and the domestic substitution process for high-end stainless steel products, and promote the coordinated upgrading of the upstream and downstream of the industrial chain, so as to achieve a higher-level and higher-quality dynamic balance between supply and demand. In the long run, empowered by the continuous implementation of steady-growth policies such as the renovation of old urban residential communities and the construction of new infrastructure, the market demand for stainless steel will maintain steady growth. According to the forecast of CIC, the global production volume of stainless steel will increase to 73.44 million tons in 2029, and the production volume of stainless steel in the PRC will rise to 51.79 million tons, indicating considerable scope for the long-term development of the industry.

BUSINESS REVIEW

As a leading global service provider across the entire nickel industry chain, the Company has always focused on the field of nickel metal, which is one of the national strategic mineral resources. We have established an integrated business system covering nickel resource procurement, nickel products trading, smelting and production and sales, as well as a global operational framework that integrates overseas securing of resources and smelting/production with domestic technology R&D and market development, thereby achieving synergistic coordination between domestic and overseas operations. As a leading global nickel products trader, leveraging our high product quality and efficient customer response capabilities, we have established long-term and stable cooperative relationships with downstream customers in sectors such as power batteries and stainless steel, and have established a good brand image and a strong reputation among customers in the nickel products market, providing reliable market assurance for capacity release. The Company continues to advance the development of its lean operations system, deeply integrating the lean philosophy into the entire production chain, and its capability in systematic cost reduction and efficiency enhancement has been steadily enhanced. Under the guidance of the “Belt and Road” Initiative, the Company and its Indonesian Partner jointly invested in and constructed an industrial park on Obi Island. Adopting the third-generation HPAL process and the mature RKEF process, the total designed production capacity has reached 400,000 metal tons of nickel (including a hydrometallurgy production capacity of 120,000 metal tons of nickel-cobalt compounds, and a pyrometallurgy production capacity of 280,000 metal tons of ferronickel, which involves 95,000 metal tons from the investee company HJF), achieving the intensive and integrated development and utilization of low-grade laterite nickel ore. Adhering to the development strategy of “internationalisation, specialisation and resource diversification” and actively responding to the national “Dual Carbon” strategy, we continuously promote the deep integration of China’s advanced technologies with global resources and consolidate our leading position in the global nickel industry, committing to becoming a world-class service provider across the entire nickel industry chain to assist in the green, low-carbon and sustainable development of the nickel industry.

In the first half of 2026, against the backdrop of structural adjustment in the landscape of the global nickel industry chain, the Company adhered to the concept of “technology-driven and green, low-carbon development”, gave full play to the scale advantages of the Obi Industrial Park in Indonesia, and continuously deepened refined operational management and control, systematically advanced the construction of a lean operation system centering on the three main lines of “a stream of benefits, a complete system and a professional team”, and drove pyrometallurgy and hydrometallurgy from single-point improvements to systematic value creation, achieving steady improvement in production volume and operational quality and further consolidating our core position in the global nickel industry chain. During the Reporting Period, the Company recorded operating revenue of RMB25,364.0 million, representing an increase of 39.8% as compared to the corresponding period of last year; and realised a profit attributable to owners of the parent of RMB2,737.7 million, representing an increase of 91.9% as compared to the corresponding period of last year. The dual growth in the Company’s revenue and profit was mainly attributable to: (i) the achievement of full-line commissioning and production capacity release of phase II of the RKEF project during the Reporting Period; (ii) the increase in profit of the nickel ore trading segment driven by the combined effects of the tightening supply side, vigorous demand side and the policy transmission in Indonesia; and (iii) the deepening of refined cost control and management and optimisation of production processes by the Company during the Reporting Period, which further enhanced our profitability.

Procurement and trading of nickel resources

The Company is the largest nickel ore trader in China. Since its establishment, it has been engaged in the trading business of nickel products such as nickel ore and ferronickel. Nickel ore resources are scarce. Therefore, it is crucial for participants in the nickel industry chain to have a stable and sufficient supply of nickel ore. Having been deeply engaged in the nickel ore trading sector for many years, the Company has built a resource circulation network covering countries and regions rich in laterite nickel ore resources globally, such as the Philippines and Indonesia. Relying on its outstanding supply chain integration capabilities and profound understanding of industry cycles, the Company continuously introduces new suppliers on the basis of consolidating existing channels, forming a diversified supply guarantee system that possesses both stability and flexibility. The Company always places customer value at its core, promoting the in-depth development of strategic cooperative relationships through the continuous iteration of its service system and continuous improvement in response efficiency. During the Reporting Period, in the face of policy disruptions such as the tightening supply of Indonesian nickel ore and the upward adjustment of the benchmark price of nickel ore, the Company fully leveraged its market analysis capabilities and channel resource advantages accumulated over the years. On the procurement end, the Company flexibly adjusted its stocking rhythm and inventory structure to strengthen the coordinated supply guarantee from core suppliers; on the sales end, the Company closely followed the market rhythm, flexibly utilized diversified trading models, and effectively managed the risk of price fluctuations, achieving steady growth in the trade volume of nickel products.

Smelting and production of nickel products

Indonesia’s influence and status in the global nickel industry continue to rise. In terms of nickel ore reserves, according to the “2026 Mineral Commodity Summary” issued by the United States Geological Survey (USGS), as of the end of 2025, the global nickel ore reserves amounted to over 350 million metal tons, of which 54% were laterite nickel ore. Among the proven nickel resources, Indonesia is the country with the richest nickel reserves in the world, accounting for approximately 44% of the world’s total nickel reserves. In terms of nickel ore supply, Indonesia’s share of global nickel ore supply has increased from 62% in 2024 to 67% in 2025.

The Company's smelting and production projects for nickel products are located on Obi Island, Indonesia and in Jiangsu, China, and it has mastered the complete production processes for nickel products, including hydrometallurgy and pyrometallurgy. During the Reporting Period, with the full commencement of production of phase II of the RKEF project, the Company has completed the construction of and commenced production at all production lines under its existing plans, and the production scale of the Company's nickel products has steadily increased.

Hydrometallurgy project/HPAL project

The Company has adopted the third-generation HPAL smelting process, which is one of the most advanced smelting technologies in the industry for processing low-grade laterite nickel ore. The Company's hydrometallurgy project in Indonesia has planned and implemented a total of six production lines, with a total designed annual capacity of 120,000 metal tons of nickel and 14,250 metal tons of cobalt. The project produces nickel-cobalt hydroxide, nickel sulfate, cobalt sulfate, and electrodeposited cobalt products based on market demand.

During the Reporting Period, the hydrometallurgy project was operated at full capacity across all lines, with the HPAL project continuing to run at full load stably. The Company successively advanced research and development projects such as the research on process optimization of laterite nickel ore concentrate, and the process and industrialization for high-value extraction and utilization of valuable resources in the laterite nickel ore hydrometallurgy process. It has independently mastered core technologies including ore iron removal and acid leaching technology, selective leaching technology for MHP, and collaborative high-pressure acid leaching technology for MHP concentrate and laterite nickel ore, enabling the nickel metal recovery rate of the Company's hydrometallurgy MHP products to reach approximately 92% and the nickel content to reach approximately 42%, with product quality achieving an industry-leading position. Facing a market environment with a significant year-on-year increase in sulfur prices, the Company systematically implemented acid consumption reduction and efficiency enhancement measures. Through the coordinated adoption of low-magnesium ore blending, front-loaded rapid testing and an AI-based acid adjustment model, the Company reduced the unit acid consumption of its hydrometallurgy projects.

Pyrometallurgy project/RKEF project

The Company has adopted mature RKEF smelting technology and has established business presence both domestically and abroad. The Company has planned pyrometallurgy projects in Indonesia with a total of 20 production lines and a total annual capacity of 280,000 metal tons of ferronickel, of which phase I of the pyrometallurgy project is the HJF project (in which the Company holds equity interests), with a designed annual 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 a designed annual capacity of 185,000 metal tons of ferronickel. In addition, the Company has established a ferronickel smelting plant in Jiangsu, also adopting the RKEF process, with a designed annual capacity of 18,000 metal tons of ferronickel.

During the Reporting Period, the Company continued to optimise the pyrometallurgy process and production management, and significantly improved production efficiency and product quality, relying on its accumulated experience with the RKEF process and the advantages of its professional technical team. The HJF project maintained stable operation in the first half of 2026, and all twelve production lines of the KPS project were fully put into production in May 2026, and achieved full production capacity on 1 August 2026. The Company has deepened the lean management of pyrometallurgy, systematically advancing it with a focus on standardized operations, consumption control, and the equipment assurance system. Through full-chain standardized operations in the pyrometallurgy project, both the daily production volume of nickel and the overall production volume have increased. The power consumption of smelting and the consumption of semi-coke have both decreased compared to the baseline. Meanwhile, the establishment of a planned maintenance mechanism for the pyrometallurgy project has resulted in a substantial reduction in unplanned downtime, and the closed-loop management of potential hazards has achieved significant results, effectively consolidating the operational advantages of pyrometallurgy.

RISK ANALYSIS

Fluctuation in nickel metal price

The price of nickel metal may experience significant fluctuations in the short term, influenced by multiple factors such as market supply and demand dynamics, macroeconomic conditions, and industrial policies. In the purchase and sale agreements signed between the Company and customers and suppliers, the delivery price of nickel products is usually determined based on factors such as the average market price over a period of time and expected future prices. If the selling price of nickel products fluctuates due to changes in market supply and demand, the purchase and sale trading margin in the Company's nickel products trading business may narrow, and the gross profit margin of the business of nickel products production and sales may also face pressure, which may have an adverse impact on the Company's operating results. If the price of nickel products continues to rise, downstream customers may seek alternative technological routes or increase the utilization proportion of recycled nickel, thereby suppressing the demand for primary nickel.

To effectively respond to the risk of fluctuation in nickel metal price, the Company continuously optimizes the pace of procurement and sales as well as inventory management, and flexibly adjusts its business strategies relying on dynamic tracking and trend analysis of changes in global nickel market supply and demand, to enhance its adaptability to price fluctuations. On this basis, the Company fully leverages the synergistic advantages of its integrated full industry chain layout, and balances the phased differences in upstream and downstream price pass-through through overall coordination between trading and smelting segments; it deepens strategic synergy with downstream customers, and flexibly utilizes various models such as locking in volume via long-term agreements and deferred pricing, to enhance the stability and resilience of supply chain cooperation. Leveraging its leading hydrometallurgy technology, the locational cost advantages of the Obi Island Industrial Park in Indonesia, and its excellent operational capabilities, the Company has demonstrated strong resilience during the industry adjustment period, laying a solid foundation for long-term sustainable development.

Fluctuations in raw and auxiliary materials and energy prices

In addition to laterite nickel ore as the main raw material, the Company also purchases auxiliary materials such as sulfur, liquid alkali, semi-coke and quicklime, as well as energy sources such as electricity, diesel, and coal to maintain the production and operation of its smelting projects. The prices of these materials may be affected by factors such as inflation, global supply chain disruptions, supplier capacity limitations, demand for the same materials from other industries, availability of supplementary and alternative materials, and regulatory policies. If the prices of the aforementioned raw and auxiliary materials and energy sources remain high or fluctuate significantly again in the future, and the Company cannot effectively pass through the increased cost pressure to downstream enterprises, its operating results will be adversely affected.

To cope with the risks of fluctuations in raw and auxiliary materials and energy prices, the Company actively leveraged its advantages as a trader by analyzing market price trends, proactively planning ahead, optimizing inventory, and combining process optimization and energy management on the production side to reduce operating costs. On the other hand, the Company extended its supply chain to upstream resource sources, improved self-sufficiency in auxiliary materials, and enhanced cost pass-through capabilities through product premiumization and technological upgrades.

During the Reporting Period, affected by geopolitical conflicts and changes in the supply and demand landscape, global sulfur supply showed a periodically tight pattern, and prices rose accordingly. In response to rising sulfur prices, based on continuous tracking and judgment of the global sulfur supply and demand landscape, the Company moderately increased its sulfur reserves before supply tightened, providing a certain buffer for the continuous operation of the hydrometallurgy during the Reporting Period. At the same time, on the one hand, the Company continued to optimize its production processes, reducing unit sulfur consumption by using raw materials with low magnesium content and introducing rapid testing technology and AI models to assist in acid dosing decision-making; on the other hand, it conducted research on the recycling of sulfur in the hydrometallurgy process, and explored the feasibility and economic viability of directly producing sulfuric acid from iron-aluminum slag, as well as the recovery and utilization of sulfur resources and magnesium from wastewater. On this basis, the Company on the one hand promoted a diversified layout of procurement sources, and has established cooperative relationships with suppliers in various regions, including North America, Central Asia, and the Middle East, and on the other hand has obtained the sulfuric acid import quota approved by the Indonesian government, enabling it to substitute part of the sulfur demand through the import of sulfuric acid, further enhancing the flexibility of raw material procurement and the resilience of the supply chain. Through the above combined strategies, the Company has built a relatively robust sulfur supply security system, effectively enhanced its ability to respond to emergencies, and provided support for the continuous and stable operation of the hydrometallurgy.

Risks relating to changes in industrial policies in Indonesia

The business operations of the Company are closely related to the regional policy environment in Indonesia. In recent years, the Indonesian government has promulgated a series of control policies targeting upstream nickel resources, intended to strengthen the management of local resources, gain control over the pricing of local resources and products, enhance Indonesia's influence in the nickel sector, raise the prices of nickel resources, and increase tax revenues. These include adjusting the calculation formula for the benchmark price of nickel ore (HPM), tightening mining quotas, modifying the approval frequency of nickel mining quotas, raising the non-tax state revenue rates for products such as nickel ore, and modifying the price adjustment frequency for the reference price of metallic minerals (HMA). If Indonesia continues to tighten its control over nickel resources, update industry regulatory policies, and adjust taxes, fees and pricing rules in the future, it may further drive up the Company's procurement costs of raw materials and compress its profit margins.

In response to the risks of geopolitical and industrial policy changes in Indonesia, the Company has established a regular policy tracking and analysis mechanism to follow up in real time on local policy dynamics regarding nickel ore pricing, quotas, taxes and fees, and exports, enabling early anticipation and flexible adjustments to procurement and production plans to mitigate the impact of policy changes. The Company will continue to deepen its long-term cooperation with local resource providers in Indonesia, relying on long-term agreements to lock in volume and stabilize prices to ensure a stable supply of raw materials, and actively expand diversified procurement channels to diversify operational risks. At the same time, the Company adheres to localized compliant operations, deeply integrates into Indonesia's local industrial layout, and extends the high-end smelting industry chain. It maintains good government-enterprise relations, strictly complies with local regulatory requirements on mining, taxation, and environmental protection, and comprehensively solidifies the compliance foundation for its local operations. Furthermore, the Company continues to optimize its production processes, improve metal recovery rates, and reduce the unit consumption of raw and auxiliary materials, leveraging internal cost reductions to hedge against the pressure of rising raw material prices, thereby effectively mitigating the adverse impacts of geopolitical and policy fluctuations in Indonesia on the Company's profitability.

Risk of fluctuations in exchange rates

The Company's main production bases are located overseas, and its procurement mainly involves overseas nickel ore and various raw and auxiliary materials. The import trade at the sales end also includes payment and settlement by letter of credit, involving a large amount of foreign currency settlements such as US dollars. Therefore, the Company's profitability is affected by exchange rate fluctuations. With the continuous expansion of the Company's overseas business, and changes in import trade at the sales end as well as the political and economic conditions in various overseas countries, there is a risk that the Company's operating results may change due to significant fluctuations in exchange rates.

To effectively manage the financial risks that may arise from exchange rate fluctuations, the Company implements the principle of "risk neutrality", has established a systematic risk identification and assessment mechanism, and regularly monitors and calculates foreign exchange risk exposures. By sorting out the allocation of foreign currency assets and liabilities, the Company can timely assess the potential impact of exchange rate fluctuations on operating results and financial position, and take targeted measures in response. Adhering to the management philosophy of "risk neutrality", the Company is committed to reducing the interference of exchange rate fluctuations on its main business operations, and enhancing financial stability and performance sustainability.

CORE COMPETITIVENESS OF THE COMPANY

Iteratively Upgrading a Globally Integrated Green and Circular Industrial Ecosystem Centered on Nickel Resources

The Company continued to deepen its presence across the full nickel industry chain. Building on the original complete industry ecosystem that integrates upstream resources, midstream smelting, and downstream trading and sales, the Company achieved multi-dimensional upgrades in production capacity, process technology, green and circular development, and customer synergy in the first half of 2026. This has built an integrated competitive barrier featuring deep linkage among resources, production, markets, and low-carbon initiatives, continuously strengthening its operational resilience amidst complex geopolitical environments and commodity cycles.

At the upstream resource end, the Company consolidated its dual-core nickel ore supply network in Indonesia and the Philippines. Relying on long-term nickel ore supply agreements to lock in raw material sources, and leveraging its in-house professional nickel ore assay team to continuously optimize the nickel ore quality inspection and analysis system, the Company is able to accurately analyze global nickel ore resources in terms of factors such as ore grade, associated metals, and compatibility with smelting processes. This achieves highly efficient and cost-effective raw material procurement, and continuously consolidates the core advantage of a stable supply of raw materials.

At the midstream production end, the production capacities of the in-house smelting bases in the PRC and Obi Island in Indonesia have been fully ramped up. The Company synchronously deployed production lines of pyrometallurgy and hydrometallurgy processes, enabling scaled production of diversified products including ferronickel, nickel sulfate, cobalt sulfate, and electrowon cobalt, which covers the two core downstream sectors of new energy power batteries and stainless steel. The Company continued to iteratively upgrade its green and circular production processes, systematically recycling by-products generated during the production process, such as sulfuric acid, steam, and coal gas, for reuse in the smelting process. Meanwhile, the Company advanced the implementation of comprehensive resource utilization projects for smelting solid waste, substantially enhancing the comprehensive utilization rate of resources and building a low-cost, low-emission green smelting system that aligns with the development requirements of the global low-carbon supply chain.

At the downstream market end, relying on industry analysis capabilities accumulated through global operations, the Company connected its smelting production capacity with domestic and overseas end-markets. It has established long-term volume-locked cooperation mechanisms with leading enterprises in the new energy cathode material and stainless steel industries, enhancing customer stickiness through customized raw material supply solutions to smooth out industry cyclical fluctuations.

During the Reporting Period, the Company continued to advance the construction of key supporting infrastructure, ecological restoration, and land reclamation at the Obi Island Industrial Park, further enhancing the park's logistics efficiency, technological integration, and resource synergy, continuously building its intensive and scaled operational advantages. Going forward, the Company will continue to optimize the operating efficiency across the entire industry chain on Obi Island, continuously optimize operating and production costs, and unceasingly enhance its core competitiveness and sustainable development capabilities. Constructing a full-chain synergy system spanning “resource procurement – green smelting – end sales”, and leveraging the multiple superimposed advantages of mine-and-smelter co-location, dual-line processes, low-carbon production, and globalised channels, underpins the steady expansion of the Company's business scale and long-term sustainable growth.

Optimizing Production Processes and Leveraging Technological Advantages to Lower Production Costs

Leveraging continuous technological innovation and profound industry experience, the Company has built a diversified product portfolio that fully covers the two core process paths of pyrometallurgy and hydrometallurgy, establishing comprehensive coverage from intermediate to refined products in the nickel industry chain. Relying on its deep mastery and continuous optimization of the third-generation HPAL technology, the Company has established significant competitive advantages in cost control for hydrometallurgy projects; meanwhile, in the field of pyrometallurgy, it has further consolidated its production capacity through large-scale operations and technological upgrades. In terms of operational efficiency, through refined management and supply chain synergy, the Company has continuously improved its capacity utilization and cost control capabilities, achieving profitability superior to the industry average and continuously consolidating its core competitiveness.

Hydrometallurgy

The Company's hydrometallurgy project adopts the third-generation HPAL process, which has the advantages of low energy consumption and high comprehensive recovery rate when processing low-grade laterite nickel ores with high cobalt and iron content. However, due to its high technical difficulty, complex process, and the need to operate in a high-temperature, high-pressure and highly acidic environment, it places extremely high requirements on operational management capabilities. The Company has deeply integrated lean principles into the entire hydrometallurgy process and systematically optimized around the production process, process details, and key equipment, and successively advanced research and development projects such as the research on optimization of the laterite nickel ore refining process, and the process and industrialization of high-value extraction and utilization of valuable resources during the hydrometallurgy processing of laterite nickel ore. The Company has independently mastered core technologies including the gravel residual acid leaching technology, MHP selective leaching technology, and synergistic development technology of MHP refining and laterite nickel ore HPAL, enabling the nickel metal recovery rate of the Company's hydrometallurgy products MHP to reach approximately 92% and the nickel content to reach approximately 42%, bringing its product quality to an industry-leading level.

On this basis, the Company has continuously promoted improvement measures such as mineral processing optimization, residual acid recovery, and steam cascading utilization, and applied AI models to assist acid dosing decision-making, to further reduce energy consumption and production costs. Relying on advanced control systems and refined management, it has achieved precise control over the entire process, ensuring the safety of personnel and equipment while guaranteeing continuous and stable production. The above measures have significantly enhanced the operational efficiency and cost-effectiveness of the hydrometallurgy project.

Pyrometallurgy

By making breakthroughs in the key procedures and technology of the RKEF process to achieve cost reduction and efficiency enhancement, the Company carried out a series of special research and development in the field of entire process equipment for large-scale ferronickel submerged arc furnaces, and promoted R&D projects such as covers for large-scale ferronickel submerged arc furnaces, improved electrostatic precipitators dedicated to ferronickel submerged arc furnaces, and improved designs of the bottom rings of submerged arc furnaces. It has developed application technologies for large-scale submerged arc furnace equipment, which effectively improved the thermal energy utilization rate of the production line and simultaneously reduced the maintenance costs of machinery and equipment. The Company concurrently deepened lean operations in pyrometallurgy, systematically advancing along the three major directions of standardised operations, consumption control, and equipment assurance. Through a series of measures including standardising operating procedures, maintaining stable control of operating parameters and conducting scheduled maintenance, the Company achieved significant improvements in production output, reductions in energy consumption and decreases in downtime.

On this basis, the Company applied the technical experience and refined management model accumulated in its Jiangsu facilities to the pyrometallurgy project in Indonesia. Taking into account the characteristics of the local laterite nickel ore in Indonesia, the Company conducted targeted optimization of the RKEF process and equipment. By taking measures such as improving heat recovery efficiency, the Company lowered energy consumption and maintenance costs, and achieved breakthroughs in multiple production indicators.

Possessing Long-term and Stable Resource Supply and a High-quality Customer Base

As a key strategic resource in the new energy industry chain, the stable supply of nickel is crucial to the Company's business expansion and the consolidation of its industry position. Leveraging the industry resources and operating experience accumulated through years of deep cultivation in the nickel industry chain, the Company has established long-term and stable strategic cooperative relationships with upstream suppliers and downstream customers.

The Company continues to deepen its cooperation with mines in Indonesia and the Philippines. Relying on the lock-in of long-term agreements and technological innovations, it has built a solid nickel ore supply system, effectively enhancing the stability and risk-resistance capability of the supply chain. At the same time, the Company actively expand new resource channels and implement diversified supply strategies to flexibly respond to global market fluctuations and potential geopolitical risks, laying a solid foundation for the sustainable development of the Company. Relying on upstream resource advantages and mature smelting and processing capabilities, the Company has now formed a diversified nickel products supply system and possesses long-term and stable capacity assurance capabilities. In the field of hydrometallurgy, all of the Company's hydrometallurgy projects are operating at full capacity, with an annual production capacity of 120,000 metal tons of nickel-cobalt compounds, effectively ensuring a long-term and stable supply of hydrometallurgy products to the new energy sector. In the field of pyrometallurgy, the Company's phase II pyrometallurgy project achieved full production on 1 August 2026; the production capacity of pyrometallurgy products ferronickel has been further improved, and the supply capability of ferronickel products has been effectively enhanced. The diversified product portfolio and continuously expanding capacity scale enable the Company to meet the differentiated needs of downstream customers in various fields through flexible supply methods.

Relying on stable resource guarantees and diversified product supply capabilities, the Company has established in-depth cooperative relationships with leading enterprises in the new energy and stainless steel sectors. In the new energy sector, the Company has currently entered into long-term supply agreements with leading new energy material producers in the industry, including subsidiaries of Contemporary Amperex Technology Co., Limited (HKEX: 3750) (Hunan Brunp Recycling Technology Co., Ltd., Ningde Brunp Recycling Technology Co., Ltd., Ningbo Brunp Contemporary Amperex Co., Ltd.), Ningbo Ronbay New Energy Technology Co., Ltd. (SSE: 688005), GEM Co., Ltd. (SZSE: 002340), which provide a stable market pipeline guarantee for the continuous volume expansion of products from the Company's hydrometallurgy projects. In the field of stainless steel, the Company continuously supplies laterite nickel ore and ferronickel products to large iron and steel enterprises such as Tsingshan Holding Group, Baosteel Desheng Stainless Steel Co., Ltd. and POSCO (Pohang Iron and Steel Co., Ltd.). The long-term and stable cooperative relationships have laid a solid customer foundation for the sustained and stable development of the Company's business.

With Thriving Domestic Downstream Industries, Market Demand for the Company's Nickel Products is Expected to Further Increase

The Company's nickel products are mainly used in downstream industries such as new energy vehicles and stainless steel. Both end markets show a favorable development trend, and the Company's nickel products will fully benefit from the continuous release of downstream demand.

In terms of the new energy vehicle market, many countries around the world have set goals for vehicle electrification. According to CIC, the penetration rate of new energy vehicles in new vehicle sales in China was 5.0% in 2019, increasing to 44.4% in 2024, and is expected to further increase to 82.0% in 2029. At the policy level, in the first half of 2026, the PRC continued to step up support for new energy vehicle consumption. The policy of halving the new energy vehicle purchase tax was officially implemented, and trade-in subsidies and campaigns to promote new energy vehicles in rural areas were advanced simultaneously. Coupled with the forward-looking deployment of the "15th Five-Year Plan" development plan for the smart connected new energy vehicle industry, these factors continued to promote the steady increase in the sales volume and penetration rate of new energy vehicles. The rapid development of the new energy vehicle market has created a broad market space for the ternary battery industry. Ternary batteries, relying on their superior energy density and real-world driving range compared to other technological routes, occupy an important position in the market. With the in-depth advancement of the high-nickel trend in ternary batteries, the demand for key upstream raw materials such as nickel sulfate and cobalt sulfate is expected to be further released. The Company has accurately seized the development opportunities in the new energy industry and proactively laid out the production capacity for nickel sulfate and cobalt sulfate. The hydrometallurgy project in Indonesia has been fully put into operation, and has a total designed capacity of 120,000 metal tons of nickel-cobalt compounds (including 14,250 metal tons of cobalt), laying down a new competitive advantage for the Company in the field of new energy raw material supply.

The stainless steel industry has been operating steadily amidst policy support and dynamic adjustments in supply and demand. The "15th Five-Year Plan" and a series of supporting policies, such as circular economy and capacity replacement, have been intensively implemented, aiming to "promote consumption, optimize supply, and advance transformation". On the consumption end, policies on equipment renewals and trade-ins have continued to expand, incorporating the installation of elevators in older residential communities and the renewal of green home appliances into the scope of support, thereby striving to underpin the two core demands of stainless steel industrial equipment and civilian consumption. On the supply end, the new version of the capacity replacement measures has, for the first time, included stainless steel under unified national supervision, strictly controlling new production capacity and guiding the orderly exit of inefficient capacity, so as to improve the industry's supply and demand dynamics from the source. Looking ahead, driven by policies, growth in stainless steel production and the trend towards high-end products is expected to continuously boost the consumption demand for nickel raw materials. The Company's nickel products, serving as key raw materials for stainless steel smelting, will directly benefit from the demand support brought by the steady growth and structural optimization of the industry.

We Adhere to the Concept of ESG Sustainable Development

We have always regarded the ESG concept as the core driving force for the long-term value of the Company. Relying on the overall governance of the ESG Committee of the Board, we continuously promote the organic integration of environmental responsibility, social benefits, and the Company's strategy. In the first half of 2026, the Company made substantial breakthroughs in green transformation. We focused on advancing the construction of the hydrometallurgical slag resource utilization project, which is expected to achieve the effective conversion of smelting by-products into building materials. Concurrently, the Company increased investment in clean energy and energy-saving process modifications to continuously reduce the carbon footprint per unit of output. In project operations, the Company deepened localized integration, and through supply chain responsibility management and community co-construction, steadily enhanced the synergy and inclusiveness of regional development. Looking ahead, we will continue to be driven by the twin drivers of technological innovation and management optimization to improve ESG governance efficacy and consolidate the capacity for sustainable resource supply for the global new energy industry. The Company is committed to integrating sustainable development concepts throughout all stages of trade, production, and sales, thereby promoting the circular, intensive and intelligent upgrading of industrial parks, and building an environmentally friendly and resource-efficient modern industrial ecosystem.

Building Differentiated Competitive Advantages in the Industry Through an Independent Industrial Park Production Layout

Leveraging the large-scale, high-quality laterite nickel ore resources reserved by our Indonesian partner on Obi Island, the Company formulated forward-looking plans during the planning and preparation stage of the Obi project by building its own Obi Industrial Park on Obi Island, thereby establishing a complete integrated mining and smelting industrial system covering the supply of nickel ore, the preparation of auxiliary materials, and the smelting and processing of nickel products. The Company's smelting production lines are centrally located in its self-owned industrial park on Obi Island. With the plant area closely adjacent to the nickel ore mining area, the entire process of raw material extraction and smelting processing can be conducted within the industrial park, thereby eliminating the need for the long-distance transportation of minerals. This industrial park was exclusively designed as a supporting facility for the Obi project developed by the Company and its Indonesian partner. By adopting an overall intensive and integrated planning approach, the production layout of the independent industrial park builds differentiated competitive advantages in the industry. Through continuous construction and improvement, the industrial park is now equipped with specialised ports and terminals, standardised warehousing and logistics yards, as well as stable supporting industrial water supply, power supply, and centralised steam systems. Concurrently, comprehensive employee accommodation, catering, and living logistics supporting facilities have been completed; the industrial park is also synchronously equipped with core auxiliary material production units such as a sulphuric acid plant and a lime processing plant, ensuring that key auxiliary materials required for smelting can be produced in-house to achieve self-sufficiency, thereby realising the independence and controllability over core production and operational segments. Furthermore, the industrial park possesses abundant and independent land space, which allows for the flexible and comprehensive planning of areas for the layout of smelting production lines, inventory storage, and smelting waste residue disposal, resulting in a significant improvement in the efficiency of production management and solid waste treatment. Leveraging multiple agglomeration advantages, such as proximity to mineral sources, self-production of auxiliary materials within the industrial park, self-owned logistics infrastructure, and abundant plant space, the Company fully capitalises on the industry chain synergies within the independent industrial park. This effectively reduces various expenses, including raw material transportation, external procurement of auxiliary materials, property management and solid waste treatment, while continuously optimising the cost structure across the entire production chain and significantly lowering the unit production cost of nickel products.

OUTLOOK

Full Completion of Core Production Capacity Construction of Obi Project Enables Continuous Realization of Economies of Scale

The industrial cluster on Obi Island, Indonesia is the core carrier for the medium-to-long-term profit growth of the Company, and the stable commissioning and highly efficient operation of the projects serve as the key support for the expansion of the Company's business scale. In the first half of 2026, the Company advanced the construction and commencement of production of the KPS project under phase II of the RKEF project. On 1 August 2026, all production lines successfully reached designed capacity, marking the full implementation and operation of all existing planned smelting production capacity on Obi Island. Going forward, the Company's focus will shift to operations and maintenance optimization across all production lines, adjustment of process parameters and lean management. Leveraging the localized operational experience accumulated from previously commissioned production lines, the Company will continue to improve the nickel metal recovery rate and equipment operating efficiency of each production line, thereby reducing the fixed production cost per unit.

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

Strictly adhering to the concept of ESG sustainable development, the Company focuses on the key challenges of the smelting solid waste disposal industry, and continues to promote the construction of the hydrometallurgical slag resource demonstration project. The hydrometallurgical slag is relatively rich in iron. After pretreatment, the iron content of the hydrometallurgical slag can reach the standard for conventional iron ore, and the pretreated slag can then be processed into pig iron and further processed into rebar products, which can be widely used in infrastructure projects, including bridges, roads, high-rise buildings and tunnels. With the acceleration of urbanization and infrastructure construction in emerging economies in Southeast Asia, the demand for rebar has room for long-term support. This project can, on the one hand, solve the pressure on land occupation and environmental governance caused by the long-term storage of hydrometallurgical slag, and reduce daily environmental operation and maintenance costs. On the other hand, it can realize the resource utilization of smelting waste, create additional value, and form a circular model with mutual enhancement in environmental and operational benefits. During the Reporting Period, the standardized project execution manual for the demonstration project of hydrometallurgical slag resource utilization was officially issued and implemented. Concurrently, the procurement of supporting specialized equipment for the project was coordinated and initiated, and the integrated project management system was completely deployed and launched to comprehensively standardize the whole-process management and control of the project.

Advancing the MHP Refinement Project and Continuously Broadening the Development Path of High Value-Added Products

Focusing on the diversified high-end market demands downstream, the Company continued to carry out the R&D of product deep-processing technologies and preliminary preparation work for project implementation. Relying on the MHP raw materials produced by its own hydrometallurgy production line, the Company continuously improved the development path of deep-processed products, under which the intermediate products can be further processed into two types of high value-added products: First, battery-grade nickel sulfate and cobalt sulfate, which are suitable for NEV power batteries, energy storage, and 3C electronics helping downstream customers to improve the energy density of batteries; Second, high-purity electrodeposited nickel and electrodeposited cobalt, which rely on high strength and corrosion resistance to cover high-end stainless steel, special alloys, and aerospace manufacturing scenarios.

Continuously Improving Production Processes and Consolidating Operational Advantages through Technological Innovation

The Company adheres to technology-driven production. Leveraging years of accumulated practical experience in hydrometallurgy and pyrometallurgy, the Company continuously improves its existing production processes and upgrades its intelligent smelting equipment. On the premise of ensuring that the quality of its nickel-cobalt and ferronickel products consistently maintains high industry standards, the Company steadily enhances the comprehensive metal recovery rate, reduces unit energy consumption and carbon emissions, and comprehensively implements its ESG management objectives for green production.

In terms of the expansion of multiple product lines, such as the comprehensive utilization of hydrometallurgical slag resources, the Company has established mature and complete technological reserves, laying a solid foundation for industrial implementation. Concurrently, the Company systematically enhances its research and development capabilities. By leveraging its own laboratories to conduct routine process testing, deepening strategic cooperation with top-tier domestic scientific research institutes and institutions, and continuously expanding its professional R&D team, the Company provides a strong guarantee for project implementation and technological upgrades.

Expanding Global High-Quality Nickel Resources to Fortify the Cornerstone of Supply Chain Security and Competitive Advantage

Nickel resources serve as the core foundation for the steady business growth of the Company and for meeting the core demands of the new energy and stainless steel industries. A stable and high-quality supply of nickel raw materials holds crucial strategic value for the medium- to long-term operational planning of the Company. The Company will advance its global resource layout, tap into high-quality domestic and overseas nickel mine assets through diversified models such as investments and collaborations, continuously broaden its diversified supply channels, and expand the scale of its resource reserves. Continuously deepening its layout in the global upstream nickel resource sector will, on the one hand, strengthen the Company's influence and bargaining power in the upstream mineral sector, facilitate its deep participation in resource competition within the global nickel industry chain, and enhance its comprehensive competitive barriers; on the other hand, it will help establish a secure, low-carbon, and sustainable global nickel supply chain to safeguard a stable supply of raw materials for domestic downstream new energy and stainless steel manufacturing enterprises. By leveraging its advantages in upstream resources to hedge against the risks of raw material price fluctuations, the Company will support long-term synergistic development with the domestic nickel industry chain.

Empowered by Lean Management, Winning through Cost Control

The Company establishes a full-process lean management system centered on three core areas, namely equipment operation and maintenance, standardized production, and energy consumption reduction. It prioritizes the implementation of a benchmark lean demonstration project at its smelting base in Indonesia to develop a standardized, replicable and scalable refined operational management model. Relying on the implementation and practice of the demonstration project, the Company concurrently rolls out specialized skills training for employees as well as the streamlining and optimization of its internal organizational structure to build a professional lean management talent pipeline, thereby consolidating the talent and institutional foundation for the replication and promotion of the lean management system across all plant areas and the entire industry chain. With the comprehensive implementation of the lean management system, the Company relies on its digitalized production platform to achieve full-process data-driven management and control over production procedures, material allocation, and energy consumption. Driven by data to continuously reduce costs and enhance efficiency, the Company establishes industry-leading advantages in cost control. A comprehensive cost control system can effectively withstand the impacts of cyclical operational fluctuations in the industry, enabling the Company to consolidate its differentiated core advantages amid increasingly fierce competition in the global nickel products market, thereby achieving high-quality, sustainable and robust operations.

Deepening Corporate Governance and Talent Development to Lay the Foundation for Sustainable Corporate Development

The Company adheres to a dual-driven development strategy of “enhancing governance quality and strengthening the enterprise with talent.” At the corporate governance level, the Company has established a tiered and classified scientific decision-making mechanism, a rapid response mechanism for overseas markets, and a full-process risk control system for cross-border business, comprehensively enhancing the Group’s overall governance efficiency and compliance operation capabilities of its domestic and overseas businesses, thereby building a solid institutional safeguard for the realization of strategic objectives. At the talent development level, the Company has built an integrated talent management system, optimized its talent structure in line with the business needs of multiple tracks, and improved supporting mechanisms for tiered training, job rotation, and long-term incentives, aiming to build a professional and internationalized team of versatile talents. This continuously provides long-term talent support for the Company’s resource expansion, production technology upgrades, market innovation, and global layout.

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 2026 and 30 June 2025:

	For the six months ended 30 June			
	2026		2025	
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Nickel Products Trading				
Laterite nickel ore	3,556,966	14.0	2,051,824	11.3
Ferronickel	4,096,718	16.2	5,569,067	30.7
Subtotal	7,653,684	30.2	7,620,891	42.0
Nickel Products Production				
Ferronickel	7,739,831	30.5	2,601,406	14.3
Nickel-cobalt compounds	8,428,164	33.2	7,064,654	38.9
Subtotal	16,167,995	63.7	9,666,060	53.2
Others	1,542,288	6.1	859,604	4.8
Total	25,363,967	100.0	18,146,555	100.0

Our revenue increased by 39.8% from RMB18,146.6 million for the six months ended 30 June 2025 to RMB25,364.0 million for the six months ended 30 June 2026. The increase in revenue was mainly attributable to the increase in revenue generated from our nickel product smelting business.

Revenue generated from the trading business for the six months ended 30 June 2026 amounted to RMB7,653.7 million, which remained substantially stable as compared with revenue of RMB7,620.9 million from the trading business of nickel products for the six months ended 30 June 2025. On the one hand, the increase in procurement and sales of traded nickel ore, together with the increase in market prices of nickel ore, resulted in an increase in trading revenue of RMB1,505.1 million. The increase in revenue from the trading business was partially offset by the decrease in procurement and sales of traded ferronickel, which resulted in a decrease in trading revenue of RMB1,472.3 million.

Revenue generated from the production business increased by 67.3% from RMB9,666.1 million for the six months ended 30 June 2025 to RMB16,168.0 million for the six months ended 30 June 2026, mainly due to: (i) the increase in the sales volume of ferronickel following the commencement of production of KPS, the Phase II RKEF project, resulting in an increase in ferronickel revenue from the production business of RMB5,138.4 million; and (ii) the increase in the market prices of nickel and cobalt, resulting in an increase in revenue from nickel-cobalt compounds of RMB1,363.5 million.

Other revenue increased by 79.4% from RMB859.6 million for the six months ended 30 June 2025 to RMB1,542.3 million for the six months ended 30 June 2026, mainly due to the increase in coal sales volume during the Reporting Period.

Gross Profit and Gross Profit Margin

Gross profit increased by 79.6% from RMB3,580.0 million for the six months ended 30 June 2025 to RMB6,430.7 million for the six months ended 30 June 2026, with an increase in gross profit margin from 19.7% to 25.4%.

Gross profit from our trading business increased by 26.9% from RMB327.1 million for the six months ended 30 June 2025 to RMB415.0 million for the six months ended 30 June 2026. Gross profit margin of the trading business increased from 4.3% to 5.4%, primarily due to: (i) an increase in market price; and (ii) an increase in the proportion of sales of traded nickel ore with a high gross profit margin.

Gross profit of the production business increased by 84.9% from RMB3,200.4 million for the six months ended 30 June 2025 to RMB5,918.2 million for the six months ended 30 June 2026. The gross profit margin of the nickel products production business increased from 33.1% to 36.6%, mainly due to (i) the increase in the sales volume of ferronickel following the commencement of production of KPS, the Phase II RKEF project, and the increase in the market price, resulting in an increase in the gross profit of ferronickel from RMB393.8 million for the six months ended 30 June 2025 to RMB2,085.3 million for the six months ended 30 June 2026, with the gross profit margin increasing from 15.1% for the six months ended 30 June 2025 to 26.9% for the six months ended 30 June 2026; and (ii) the increase in the market prices of nickel and cobalt, resulting in an increase in the gross profit of nickel-cobalt compounds from RMB2,806.5 million for the six months ended 30 June 2025 to RMB3,832.8 million for the six months ended 30 June 2026, with the gross profit margin increasing from 39.7% for the six months ended 30 June 2025 to 45.5% for the six months ended 30 June 2026.

Gross profit of other businesses increased by 85.7% from RMB52.6 million for the six months ended 30 June 2025 to RMB97.6 million for the six months ended 30 June 2026, and the gross profit margin of other businesses increased from 6.1% to 6.3% during the same period.

Other income and gains increased by 10.8% from RMB175.4 million for the six months ended 30 June 2025 to RMB194.4 million for the six months ended 30 June 2026, mainly due to the increase in interest income of RMB30.1 million; the increase in other income and gains was offset by a decrease in government grants of RMB16.4 million.

Selling and Distribution Expenses

Selling and distribution expenses increased by 27.7% from RMB55.6 million for the six months ended 30 June 2025 to RMB71.0 million for the six months ended 30 June 2026, mainly due to the increase in testing fee expenses corresponding to the increase in sales volume.

Administrative Expenses

Administrative expenses increased by 15.9% from RMB585.9 million for the six months ended 30 June 2025 to RMB678.9 million for the six months ended 30 June 2026, mainly due to the increase in staff costs resulting from business expansion.

Other Operating Expenses

Other operating expenses decreased by 66.4% from RMB294.8 million for the six months ended 30 June 2025 to RMB99.1 million for the six months ended 30 June 2026, mainly due to (i) the downward trend of USD against RMB for the six months ended 30 June 2026, resulting in a decrease of RMB110.2 million in net exchange losses; and (ii) in the same period in 2025, we assessed the recoverable amount of our investment property and recognized an impairment of RMB61.4 million.

Finance Costs

Finance costs increased by 26.7% from RMB325.1 million for the six months ended 30 June 2025 to RMB412.1 million for the six months ended 30 June 2026, mainly due to an increase in interest resulting from an increase in bank borrowings.

Share of Profits and Losses of Associates

Share of profits from our associates decreased by 25.6% from RMB267.9 million for the six months ended 30 June 2025 to RMB199.3 million for the six months ended 30 June 2026, mainly due to a decrease in the profits of the RKEF Phase I project and CBL, in which the Company holds equity interests, for the current period.

Profit before Tax

As a result of the foregoing, profit before tax increased by 101.2% from RMB2,759.8 million for the six months ended 30 June 2025 to RMB5,552.8 million for the six months ended 30 June 2026.

Income Tax Expenses

Income tax expenses increased significantly from RMB511.1 million for the six months ended 30 June 2025 to RMB1,168.5 million for the six months ended 30 June 2026, 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 self-produced ferronickel and nickel-cobalt compounds, as well as the increase in market price, profit for the half year increased by 95.0% from RMB2,248.7 million for the six months ended 30 June 2025 to RMB4,384.4 million for the six months ended 30 June 2026. Net profit margin increased from 12.4% for the six months ended 30 June 2025 to 17.3% for the six months ended 30 June 2026.

Current Assets, 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 2026. These included, but were 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 risk of 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 2026, the Group maintained a stable financial position.

As at 30 June 2026, current assets amounted to RMB24,681.6 million, representing an increase of 30.2% from RMB18,958.3 million as at 31 December 2025. As at 30 June 2026, cash and cash equivalents of the Group amounted to RMB6,836.9 million, representing a decrease of 7.3% from RMB7,371.9 million as at 31 December 2025.

The Group's current ratio (current assets divided by current liabilities) increased from 1.1 times as at 31 December 2025 to 1.2 times as at 30 June 2026.

Capital Expenditures

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

	For the six months ended 30 June			
	2026		2025	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Prepayments for property, plant and equipment	<u>2,133,436</u>	<u>100.0</u>	<u>2,328,004</u>	<u>100.0</u>
Total	<u><u>2,133,436</u></u>	<u><u>100.0</u></u>	<u><u>2,328,004</u></u>	<u><u>100.0</u></u>

Commitments

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

	As at 30 June	
	2026	2025
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u><u>3,215,136</u></u>	<u><u>8,411,614</u></u>

Indebtedness

We recognised indebtedness of RMB19,416.5 million as at 30 June 2026 (as at 31 December 2025: RMB18,615.7 million), which included interest-bearing bank and other borrowings denominated in RMB and USD that amounted to RMB8,113.3 million with fixed interest rates (as at 31 December 2025: RMB6,077.9 million) and RMB11,294.6 million with floating interest rates (as at 31 December 2025: RMB12,526.8 million) and lease liabilities of RMB8.5 million (as at 31 December 2025: RMB10.3 million) and long-term payables of RMB0.1 million (as at 31 December 2025: RMB0.7 million).

Contingent liabilities

As at 30 June 2026, 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 2026 was 0.8, representing a slight decrease as compared with the gearing ratio of 0.9 as at 31 December 2025.

Significant Investments Held and Material Acquisitions and Disposals

The Group had no significant investments held, material investments, material acquisitions or disposals of subsidiaries, associates, and joint ventures for the six months ended 30 June 2026.

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 results of operations. We currently do not have a foreign currency hedging policy. However, our management will manage foreign exchange risk through regular reviews and consider hedging significant foreign currency risk exposures when necessary.

Pledge of Assets

As at 30 June 2026, a portion of our loans was secured by (i) pledges of buildings located in the PRC with a carrying value of RMB40.2 million (31 December 2025: RMB19.7 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB485.8 million (31 December 2025: RMB492.4 million); (iii) pledges of plant and machinery, electronic and office equipment, motor vehicles and construction in progress located in Indonesia with a carrying value of RMB16,870.2 million (31 December 2025: RMB16,636.6 million); (iv) pledges of investment properties in the PRC with a carrying value of RMB186.4 million (31 December 2025: RMB188.9 million); (v) pledges of inventories located in Indonesia with a carrying value of RMB2,320.2 million (31 December 2025: RMB1,232.4 million); (vi) pledges of trade receivables located in Indonesia with a carrying value of RMB0.7 million (31 December 2025: RMB271.5 million); and (vii) pledges of deposits with a carrying value of RMB3,655.3 million (31 December 2025: RMB2,466.6 million).

As at 30 June 2026, 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 2026, the Company did not have any plans for material investments and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

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 2026, the Group had a total of 16,137 full-time employees.

We recruit primarily through job search websites, employee referral programs and campus recruiting for our hiring 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 positions and periodically review their performance. We provide orientation programs for new employees and continuous training to enhance our employees' 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 and maternity 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 2026, 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 2026.

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 operations 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.

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 sales of treasury shares) listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2026, 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 2026 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 2026 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched (if required) 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. All employees of the Group will continue to work diligently hand in hand with our shareholders as always.

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

The PRC, 27 August 2026

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.