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 2024

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 2024 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2023. 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 RMB9,284.1 million for the six months ended 30 June 2023 to RMB10,878.0 million for the six months ended 30 June 2024, representing an increase of 17.2%.

Our gross profit increased from RMB1,567.4 million for the six months ended 30 June 2023 to RMB1,827.4 million for the six months ended 30 June 2024, representing an increase of 16.6%. Gross profit margin for the six months ended 30 June 2024 was 16.8%, representing a decrease of 0.1 percentage points compared to the gross profit margin of 16.9% for the six months ended 30 June 2023.

Profit for the six months ended 30 June 2024 was RMB970.4 million, representing an increase of 46.6% compared with the profit of RMB662.0 million for the six months ended 30 June 2023.

Profit attributable to owners of the Company for the six months ended 30 June 2024 was RMB586.9 million, representing an increase of 73.5% as compared to RMB338.4 million for the six months ended 30 June 2023.

The Board has resolved not to recommend the distribution of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

FINANCIAL INFORMATION

The consolidated results of the Group for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023 are as follows:

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

For the six months ended 30 June 2024

	Notes	**2024 (Unaudited)** ***RMB'000***	2023 (Unaudited) *RMB'000*
REVENUE	*4*	**10,877,988**	9,284,106
Cost of sales		**(9,050,544)**	(7,716,702)
Gross profit		**1,827,444**	1,567,404
Other income and gains		**105,899**	108,498
Selling and distribution expenses		**(63,383)**	(29,188)
Administrative expenses		**(490,249)**	(449,347)
Impairment losses on financial assets, net		**(3,426)**	(10,960)
Other operating expenses		**(242,920)**	(327,820)
Finance costs		**(263,868)**	(232,472)
Share of profits and losses of associates		**123,818**	10,100
PROFIT BEFORE TAX	*5*	**993,315**	636,215
Income tax (expense)/credit	*6*	**(22,934)**	25,809
PROFIT FOR THE PERIOD		**970,381**	662,024
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**3,808**	21,040
Exchange differences on translation of foreign operations		**133,944**	378,947
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**137,752**	399,987
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,108,133**	1,062,011

	Note	**2024** **(Unaudited)** ***RMB'000***	2023 (Unaudited) *RMB'000*
Profit attributable to:			
Owners of the parent		**586,934**	338,386
Non-controlling interest		**383,447**	323,638
		970,381	662,024
Total comprehensive income for the period attributable to:			
Owners of the parent		**663,660**	594,867
Non-controlling interest		**444,473**	467,144
		1,108,133	1,062,011
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*8*	**0.38 Yuan**	0.22 Yuan

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 (Unaudited)** *RMB'000*	31 December 2023 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**19,629,458**	16,970,830
Intangible assets		**267,210**	447,079
Right-of-use assets		**695,581**	683,227
Deferred tax assets		**110,033**	96,665
Interests in associates		**1,725,558**	1,564,287
Derivative financial instruments		**42,612**	51,599
Goodwill		**218,037**	218,037
Prepayments, other receivables and other assets		**175,090**	369,131
Total non-current assets		**22,863,579**	20,400,855
CURRENT ASSETS			
Inventories		**2,634,940**	2,188,712
Trade and bills receivables	*10*	**2,105,170**	1,022,951
Prepayments, other receivables and other assets		**1,998,171**	1,145,178
Due from related parties		**704,408**	806,619
Pledged deposits		**618,079**	498,564
Cash and cash equivalents		**3,958,055**	4,616,829
Total current assets		**12,018,823**	10,278,853
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**7,347,842**	4,692,395
Trade and bills payables	*11*	**1,766,225**	1,249,276
Lease liabilities		**18,620**	18,221
Other payables and accruals		**1,799,080**	2,282,073
Contract liabilities		**298,855**	309,030
Income tax payable		**15,469**	71,577
Due to related parties		**611,455**	663,001
Total current liabilities		**11,857,546**	9,285,573

	30 June 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
NET CURRENT ASSETS	**161,277**	993,280
TOTAL ASSETS LESS CURRENT LIABILITIES	**23,024,856**	21,394,135
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**6,831,528**	6,773,170
Due to related parties	**891,575**	1,044,215
Lease liabilities	**42,828**	48,494
Other payables and accruals	**4,010**	4,010
Employee benefits liability	**38,167**	34,868
Deferred tax liabilities	**29,142**	4,028
Total non-current liabilities	**7,837,250**	7,908,785
NET ASSETS	**15,187,606**	13,485,350
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,555,931**	1,555,931
Reserves	**7,982,089**	7,629,615
	9,538,020	9,185,546
Non-controlling interests	**5,649,586**	4,299,804
Total equity	**15,187,606**	13,485,350

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, 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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**10,877,988**	9,284,106

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Sale of nickel products	**10,473,140**	8,952,148
Sale of equipment	**95,048**	100,425
Others	**309,800**	231,533
Total revenue from contracts with customers	**10,877,988**	9,284,106
Geographical markets		
Chinese Mainland	**9,353,440**	8,915,732
Indonesia	**600,103**	284,098
Others	**924,445**	84,276
Total revenue from contracts with customers	**10,877,988**	9,284,106
Timing of revenue recognition		
Goods transferred at a point in time	**10,286,314**	8,824,796
Services transferred over time	**591,674**	459,310
Total revenue from contracts with customers	**10,877,988**	9,284,106

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**8,498,871**	7,234,979
Depreciation of property, plant and equipment	**366,576**	255,951
Loss/(gains) on disposal of items of property, plant and equipment	**10,134**	(956)
Loss on early termination of lease	**102**	–
Gains on a finance lease as a sublease lessor	**(2,777)**	(47)
Loss on disposal of a subsidiary	**787**	–
Impairment of intangible assets	**142,071**	–
Reversal of impairment of inventories	**(13,858)**	–
Impairment of financial assets, net		
Impairment of trade receivables, net	**4,050**	10,754
(Reversal of impairment)/impairment of other receivables, net	**(624)**	206
	3,426	10,960
Foreign exchange differences, net	**77,198**	152,542
Fair value loss/(gains), net:		
Derivative financial instruments	**9,284**	11,585
Trade receivables containing provisional pricing features	**(452)**	(630)
Other unlisted investments	**–**	(200)
Investment (gains)/loss from financial assets at fair value through profit or loss, net:		
Derivative financial instruments	**(8,075)**	(17,480)
Trade receivables containing provisional pricing features	**(20,991)**	162,020
Other unlisted investments	**–**	(5)
	(29,066)	144,535

6. INCOME TAX EXPENSE/(CREDIT)

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

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the companies which operate in Mainland China are subject to CIT at a rate of 25% (2023: 25%) on the taxable income of the period. A preferential tax treatment is available to a subsidiary of the Company, since it was recognised as a High and New Technology Enterprise on 4 November 2022, and was entitled to a preferential tax rate of 15% (2023: 15%) during the period.

Indonesia

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

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

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
Charge for the period	**11,195**	22,571
Deferred tax	**11,739**	(48,380)
Total tax expense/(credit) for the period	**22,934**	(25,809)

7. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024.

On 21 May 2024, the proposed final dividend for the year ended 31 December 2023 of RMB0.2 (before tax) per share was approved by the Company's shareholders at the annual general meeting, which was fully paid as at 30 June 2024.

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 (2023: 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 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2024 and 2023.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Carrying amount at beginning of period/year	**16,970,830**	9,620,632
Additions	**2,964,709**	7,790,653
Depreciation provided during the period/year	**(372,306)**	(592,228)
Disposals	**(37,374)**	(3,973)
Disposal of a subsidiary	**(13)**	–
Exchange realignment	**103,612**	155,746
Carrying amount at end of period/year	**19,629,458**	16,970,830

10. TRADE AND BILLS RECEIVABLES

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Financial assets at amortised cost:		
Trade receivables	**1,861,391**	363,888
Bills receivable	**2,628**	42,232
	1,864,019	406,120
Impairment	**(22,568)**	(18,514)
	1,841,451	387,606
Financial assets at fair value through profit or loss:		
Trade receivables containing provisional pricing features	**255,364**	631,619
Financial assets at fair value through other comprehensive income:		
Bills receivable	**8,355**	3,726
	2,105,170	1,022,951

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 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,836,919**	328,082
3 to 6 months	**1,257**	1,057
6 to 12 months	**647**	16,235
	1,838,823	345,374

11. TRADE AND BILLS PAYABLES

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**890,193**	803,384
3 to 6 months	**348,085**	63,939
6 to 12 months	**298,273**	22,554
1 to 2 years	**95,902**	231,555
Over 2 years	**133,772**	127,844
	1,766,225	1,249,276

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Since the beginning of 2024, the global nickel resource and product market has continued to undergo changes in supply and demand, as well as price fluctuations. Indonesia, which accounts for the world's major reserves of laterite nickel ore, has been put in the limelight, and the Company's laterite nickel ore smelting projects in Indonesia has also received particular attention from the market accordingly. Unlike the downward price trend of nickel products in the fourth quarter of 2023, future prices of nickel metal experienced a brief rise in the beginning of 2024, which resulted in an increase in the sale price of nickel products, due to the impact of the progress and pace of nickel mining production quota approvals in Indonesia and the political unrest in New Caledonia, another country with laterite nickel ore reserves. Subsequently, along with the gradual cooling of market sentiments and the weakening economic data of the world's major economies led by the United States, future prices of nickel metal showed signs of downward movement. Nevertheless, the overall price trend remains to be seen. In terms of project operation, a number of non-Chinese nickel ore and related-product producers have announced production shutdowns in 2024. Volatility in the supply side of the market has also brought about changes and opportunities to the competitive landscape of nickel resources and products.

As the market trend showed signs of recovery, the Company's business achieved steady growth with outstanding results, realizing an operating revenue of RMB10,878.0 million in the first half of 2024, representing a year-on-year increase of 17.2%. Net profit attributable to owners of the parent amounted to RMB586.9 million, representing a year-on-year increase of 73.5%. During the Reporting Period, the capacity utilisation rate of the HPL project, which is phases I and II of the laterite nickel ore hydrometallurgy project ("**HPAL project**"), jointly invested and constructed by the Company and its Indonesian Partner on Obi Island, Indonesia, continued to surpass 100%, exceeding its production capacity steadily. The construction of all the production lines of the ONC project, which is phase III of the HPAL project, was completed. The ONC project has officially progressed from the construction stage into the trial production stage. As planned, the Company steadily pushed forward the construction of the KPS project, which is phase II of the laterite nickel ore pyrometallurgy project ("**RKEF project**"), while the HJF project (led by the project company HJF in which the Company holds equity interests in), which is phase I of the pyrometallurgy project, reached full capacity. Through scientific and refined management and excellent cost control measures, the Company achieved cost effectiveness and ensured its cost advantage. At the same time, the Company has proactively fulfilled its social responsibilities, practiced the concept of ESG development and actively participated in environmental conservation projects and the building of community where the Obi projects are located, fully demonstrating its corporate social responsibility.

Objectively speaking, the Company's revenue and profitability is to a certain extent positively correlated to the fluctuations in the future prices of nickel metal. According to public data, the markets in which the Company's major products are located have better development expectations and can foster a suitable macro-environment for the Company's business development. The nickel product smelting business of the Company mainly comprises ferronickel, a pyrometallurgical product, and nickel-cobalt hydroxide and nickel sulphate, hydrometallurgical products, which are applied in the sectors of steel and new energy vehicles (NEV) respectively. The business development of the Company is also closely related to the above industries. With the proposal of "Certain Measures on Strengthening Support for Large-scale Equipment Renewal and Trade-In of Consumer Goods" (關於加力支持大規模設備更新和消費品以舊換新的若干措施), the trade-in policies continue to be stepped-up, further boosting downstream demand, and hence the Company is expected to benefit from the increase in demand resulting from the recovery of consumption.

Stainless steel

As a fundamental industrial material, stainless steel has a wide range of applications in different sectors, including transport, industrial, construction, consumer home electrical appliances and equipment manufacturing. In the transport sector, stainless steel can be used in the manufacturing of buses, metro rail, automobile, vessels and aircrafts. In the construction industry, stainless steel can be used for decorative parts such as doors and windows, handrails, staircases and columns, as well as the building structure itself. In addition, stainless steel has good corrosion resistance and can be easily cleaned. It is widely used in food processing, medical equipment and laboratories as a result. In the industrial and energy sectors, stainless steel can be used in the manufacturing of various mechanical equipment and pipelines, as well as components for nuclear power stations. According to the statistics from the Stainless Steel Council of China Iron & Steel Association, China's stainless steel production in the first half of 2024 amounted to 18.8 million tons, representing a year-on-year increase of 5.9%, while apparent consumption amounted to 15.7 million tons, representing a year-on-year increase of 5.9%.

New energy vehicles (NEV)

In the first half of 2024, the NEV market in China achieved remarkable growth under the strong impetus of national policies. Thanks to the continuation of favorable policies such as encouraging the purchase of NEV by rural people and purchase tax exemption as well as the introduction of the trade-in policy, the NEV market has continued to maintain its relatively rapid growth. According to the data of China Association of Automobile Manufacturers, the production and sales of NEV in China amounted to 4.929 million and 4.944 million respectively during the first half of 2024, with a year-on-year growth of 30.1% and 32% respectively, and the market share reached 35.2%. Meanwhile, the export of NEV has grown steadily, with an export volume of 0.6 million vehicles in the first half of 2024, representing a year-on-year increase of 13.2%.

BUSINESS REVIEW

As an industry participant being dedicated to the development of the nickel industry value chain for many years, the Company has always been committed to the research and expansion in the field of nickel products over the past sixteen years since its incorporation. Our business currently has full coverage of the nickel industry value chain from the integration and trading of upstream nickel resources to the production and sales of nickel products, as well as the manufacturing and marketing of equipment, all of which have demonstrated our industry-leading strength. Under the guidance of the "Belt and Road" initiative, we have jointly invested in the development of a series of nickel product smelting projects in the industrial park on the Obi Island with our Indonesian Partner, including hydrometallurgy and pyrometallurgy processes, and the corresponding advanced production ancillary facilities. The implementation of such projects has significantly enhanced our autonomy in aspects such as the supply of raw materials, access to energy and utilization of public facilities, thereby laying a solid foundation for our innovation and breakthroughs in respect of nickel product smelting technologies. Under the guidance of the concept "integrating Chinese technology with global resources", the Company is constantly engaged in promoting the development of the nickel industry through continuous technological innovation and international cooperation, and is committed to providing higher quality products and services to its customers in China and across the globe, with a view to achieving the sustainable development and common prosperity of the nickel industry.

During the first half of 2024, the Company realized a total operating revenue of RMB10,878.0 million, representing an increase of 17.2% as compared with the same period last year. The net profit attributable to shareholders of the Company was RMB586.9 million, representing a significant increase of 73.5% as compared with the same period last year. The Company achieved growth both in its operating revenue and profits, which was mainly due to the release of the production capacity of the HJF project. The utilization rate of has improved. In addition, the production capacity and the production volume of the HPAL project during the Reporting Period has been further boosted. These two reasons above enable the Company to reach its goal of improving profit by mass production although the price decreased.

During the Reporting Period, the Company actively gave full play to its strengths, effectively capitalised on market development opportunities and expanded the ways of making breakthrough for the Company's high-quality development, which was recognised by the competent departments at all levels and associations among the industry. The Company was honored with the title of "2023 Top 10 Ningbo Foreign Trade Enterprises" and "2023 Top 10 Local Private Enterprises (Transnational Management)", which facilitated the Company's further expansion into overseas markets. The Company also won other awards such as the "GuruClub Golden Award – Outstanding ESG Environmentally-Friendly Enterprise under the ESG Enterprise and Organization Selection" from GuruClub, a global investment research platform.

During the Reporting Period, the Company actively promoted the construction of the Obi projects and made devoted efforts in technological R&D and optimisation of the overall planning of the park. Through the introduction of industry-leading technology and equipment as well as advanced process control and plant management system, the manufacturing facilities of the Obi industrial park have been able to realise production monitoring, testing, optimisation and management throughout the entire production process from input of raw materials to output of products. Through these innovative measures, we have not only enhanced our production efficiency, but also ensured the safety and health of our employees, which laid a solid foundation for the sustainable development of the Company. The successful implementation of the Obi projects by the Company demonstrated our technological strengths and innovation capability, and hence further reinforced our leading position in the international nickel industry value chain.

Nickel resources procurement and trading

As a leading nickel ore trading enterprise in China, the Company leveraged its robust capability in securing nickel resources to continuously explore domestic and overseas markets, deepen customer relationships and enhance service standard. The Company kept abreast of the market trends and optimized its sales strategy in a timely manner to ensure sales volume and bolster the overall profitability effectively. This has driven a steady growth in nickel resources trading volume throughout the year. During the Reporting Period, the Company's nickel ore trading volume exceeded 5 million tons, further entrenching its solid position in the market and demonstrating a steady growth. These achievements reflected the accurate grasp of market conditions and efficient execution of sales strategies by the Company. It continued to adopt the customer-centric approach and optimize its trade processes and service system to satisfy customer's needs, enhance customer experience and hence maintain its leading position in the highly competitive market.

Smelting and production of nickel products and equipment manufacturing

As indicated in the study of the United States Geological Survey (USGS) on the world's nickel deposits, as of 2023, global nickel resources exceed 350 million metal tons, with 54% in laterite nickel ore, 35% in magmatic sulfide deposits, 10% in volcanogenic massive sulfide deposits and 1% in tailings and others. Among the identified nickel resources, Indonesia is the country with the richest nickel reserves in the world, accounting for 42% of the total nickel reserves around the globe. With a focus on the smelting and production of nickel products, the Company adhered to the principle of openness and cooperation, and cooperated with the Indonesian Partner in an effort to optimize the allocation of resources, with a view of securing the Obi projects in Indonesia on all fronts.

Hydrometallurgy project/HPAL project

The Company continued to make progress in the application of high-pressure acid leaching smelting techniques for laterite nickel ore, through which it further ramped up the production efficiency. During the first half of 2024, the HPAL project of the Company realized a production volume of 39,000 metal tons of nickel, among which the capacity utilization rate of the HPL project exceeded 100%, surpassing production targets on a consistent basis. Following the successful completion of construction, the ONC project entered the trial production stage and strived towards the goal of reaching full design capacity. This array of achievements reflected the optimization of the production processes and further enhancement of technological innovation capabilities of the Company. It closely followed the development of the NEV industry and adjusted its product structure accordingly, in order to meet the market demand for high-performance battery materials. The battery-grade nickel sulfate and cobalt sulfate/electrodeposited cobalt were successfully put into production in Indonesia, which directly catered to the specific market demand and ensured the supply and quality of products.

Pyrometallurgy project/RKEF project

The Company continued to strengthen the optimization and maintenance management of the pyrometallurgy process and fully capitalized on its experience and advantage of skilled labor in respect of the RKEF process to enhance its production efficiency and product quality. Construction of the KPS project, which the Company holds controlling interests in the project company (KPS), has been progressing in a steady manner, while the core equipment has begun to be hauled into the construction site. It is expected that the construction of all 12 production lines of the KPS project can be completed in 2026. In addition, the production lines of the HJF project, which the Company holds equity interests in the project company (HJF), commenced operation successively since October 2022 and reached full production in August 2023, maintaining a steady production pace during the Reporting Period with a production volume of over 50,000 metal tons of nickel.

RISK ANALYSIS

Risk of Fluctuation in Nickel Metal Price

The Group is principally engaged in the production and trading of nickel products, thus its principal operating activities are affected by fluctuations in nickel metal prices. The nickel metal price is susceptible to the global economy, global demand and supply, market expectations, speculation and other factors and subject to high volatility. Changes in market supply and demand will also affect the pricing of the Group's products.

To address this risk, the Group, as one of the first batch of Indonesian local enterprises in the industry to realise hydrometallurgy production of nickel products, will constantly optimise the production process, reduce costs and improve efficiency, so as to closely align its production capacity expansion with market demand. In addition, the Company will also give play to the synergy of the trading business, and closely monitor the changes in supply and demand as well as price fluctuations in the global nickel market, so as to flexibly adjust its sales strategy to cope with market risks.

Risk of Changes in Exchange Rates

The Company held and used various foreign currencies in its operating activities, resulting in a foreign exchange risk exposure. Moreover, the overseas subsidiaries of the Company mostly adopt USD as the base currency for accounting purpose, and changes in exchange rates will give rise to translation risks of financial statements, thus affecting the Company's operation results to a certain extent.

To address this risk, the Company's management will assess and review the management of foreign exchange risk on a regular basis, coordinate the monitoring of foreign exchange risk at the corporate level, and adopt measures to hedge its exposure to the material foreign exchange risk when necessary.

CORE COMPETITIVENESS OF THE COMPANY

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

The Company's business spans across the entire nickel industry value chain, including upstream nickel resources integration, trading, smelting and production of nickel products, equipment manufacturing and sale. After 16 years of business development, the Company has accumulated industry knowledge and the ability to make strategic planning for our business on a global scale, enabling us to connect key areas across the nickel industry value chain, from upstream sourcing of nickel resources, trading and production of nickel products, to equipment manufacturing and sale.

With respect to the upstream sourcing and trading of nickel resources, the Company has established stable supply chains in both Indonesia and the Philippines, the world's major exporters of nickel ore. It not only secured us adequate and stable supplies of nickel resources, but also significantly enhanced our competitiveness in terms of acquisition of raw materials. A professional nickel ore inspection department was established within the Company, which conducted in-depth analysis on the grades, characteristics, associated metals and other aspects of nickel ores from around the globe. This enabled us to accurately procure nickel ore products that are most suitable for our business needs, thereby effectively enhancing the production efficiency and overall results. By providing these value added services, we not only deepened our insight into industry trends and understanding of customer demands, but also developed a unique positioning with industry recognition within the industry.

In terms of smelting, production, manufacturing and sale of equipment, the Company has established its own production bases in China and Indonesia, serving as a linchpin between our upstream and downstream resources. The Company has established an independent industrial park on the Obi Island, making full use of rich local laterite nickel resources to produce high-quality nickel-cobalt compounds and ferronickel products. Moreover, the Company adheres to the principles of green production and recycling economy, and collects and reuses the intermediaries generated during the production process, such as sulfuric acid, steam and coal gas, in the production of nickel-cobalt compounds and ferronickel through innovative planning, thereby maximizing the comprehensive utilization of resources as far as possible. This demonstrates the Company's unwavering commitment to environmental protection and sustainability. In addition, the Company is actively promoting the construction of key infrastructure including ports and airports on the Obi Island, which will help us efficiently integrate logistics, technology and resources within the park, bolstering the Company's substantial intensive industrial advantage. The Company will further optimize the operational efficiency throughout the entire industry value chain on the Obi Island while minimizing operation and production costs, with an aim to enhance the Company's competitiveness in the market.

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

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

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

Hydrometallurgy

We have fully mastered one of the most advanced nickel hydrometallurgy processes and techniques in the industry. We have also accumulated extensive experience in the design, construction, management and operation of nickel hydrometallurgy projects. Compared with other nickel hydrometallurgy projects which failed to commence production or experienced long ramp-up time, HPL project of the Company had successfully reached full production capacity within two months after commencement of operation, breaking multiple records in the industry. Currently, the ONC project has been gradually progressing from the construction stage into the trial production stage. Remaining at the left end of the cost curve, the HPAL project of the Company has the lowest cash cost among all nickel-cobalt compound production projects.

The third-generation HPAL process adopted in the HPAL project is one of the existing most competitive primary nickel ore production technologies. As a cutting edge nickel hydrometallurgy technique, it marks the world's highest level processing of low-to-medium-grade laterite nickel ore currently. Involving complicated production process, it is technologically challenging and operates under extreme conditions such as high temperature, high pressure and with the use of concentrated sulfuric acid. It is highly demanding in terms of technical and operational capabilities. With industry-leading technologies and a seasoned technical team, the Company has continued to introduce the latest technological innovations and equipment in the industry as well as advanced process control and plant management systems. These innovative management and monitoring approaches enable us to monitor, survey, optimize and manage all the production processes in real time, from the input of raw materials to the output of products, thereby ensuring the stability and continuity of production and the production safety of the project personnel. In the HPAL project, the Company has extensively enhanced and adjusted the production process, technical details, and production equipment of the third-generation HPAL process, which have significantly improved the project's production capacity while effectively reducing its energy consumption and production cost.

Pyrometallurgy

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

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

Continuous technique improvements and R&D

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

The Company continued to deepen its collaborations with leading educational and research institutes in China during the first half of 2024 to further drive its technological innovation and industrial upgrade. The Key Technologies for Clean Extraction and Efficient Utilization of Nickel, Cobalt and Scandium project, led by China ENFI Engineering Corporation ("**Enfi**"), and in which the Company participated, has seen significant progress since its approval in December 2021. Currently, the development of technologies related to tailings treatment of the HPAL project is almost completed and is expected to create a new profit growth point for the Company, while effectively alleviating environmental pressure and reducing treatment costs. On this basis, we plan to prepare for the construction of a demonstration plant to accelerate the industrial application of these technologies, thereby further consolidating our technologically leading position in the sector of hydrometallurgy of laterite nickel ores. In addition, we have obtained promising results in process technology upgrade, production cost optimization and other areas with partners such as Beijing University of Technology and Beijing General Research Institute of Mining and Metallurgy, providing a strong technological support for the sustainable development of the Company. With respect to equipment manufacturing sector, the R&D center for ferroalloy engineering technology jointly established by the Company and Xi'an University of Architecture and Technology is operating well. Both parties maintain close collaboration in areas such as technical and academic discussions and project guidance and training in order to jointly promote the growth and innovation of ferroalloy engineering technology. In the future, the Company will further strengthen the synergistic innovation with domestic and overseas partners, constantly explore and apply new technologies and processes, and drive high-quality development of our business with technological innovations, so as to create greater value for shareholders and the society.

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

Nickel resources, as a key energy metal, are notably scarce globally. Securing a stable and sufficient supply of nickel ore is crucial to solidifying and strengthening our position in the industry, expanding our business scale and achieving long-term sustainable development. As the global leaders in nickel ore production, Indonesia and the Philippines have been our major supplier of nickel resources. By establishing a long-term and stable supply relationship with the upstream mines located in these countries, we are able to ensure continuous and uninterrupted supply of high-quality and reliable nickel ore and ferronickel products, which further consolidates our competitive edge in the industry.

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

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

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

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

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

NEV industry. The Company continued to expand its presence in the new energy vehicle industry in the first half of 2024, especially with the gradual increase in production capacity of the HPAL project, which has presented new growth opportunities for the Company. The Company has entered into long-term cooperation agreements with multiple precursor/cathode enterprises. In addition, leveraging the advantages of its trade business, the Company sold a portion of its products to traders based on actual market conditions as well as both upstream and downstream demands.

We adhere to the concept of ESG sustainable development

The Company has established a sound ESG operation mechanism, formulated ESG policies and set up the ESG Committee of the Board. The ESG Committee is responsible for identifying ESG-related risks and opportunities, and reporting regularly to the Board on the management. During the first half of 2024, the Company continued to adhere to these policies and the guidance of the Committee to ensure the effective management and continuous improvement of ESG matters, and adopted the concept of sustainability in every aspect of trading, production, equipment manufacturing and sales. The by-products generated during the production process will be recycled. We expect to build up a resource-saving, environmentally-friendly, intelligent and clustered industrial park. The Company also participated in the "Key Technologies for Clean Extraction and Efficient Utilization of Nickel, Cobalt and Scandium" project, which is a key special project for "Development and Utilization of Strategic Mineral Resources" under the "14th Five-Year National Key Research and Development Program", focusing on clean extraction and efficient utilization of resources to actively respond to the development concepts of carbon peak and carbon neutrality.

The Company applied for and obtained ISO9001 certification for its nickel-cobalt compound products (MHP). The Company and its subsidiaries also maintained valid ISO14001 environmental management certification, ISO45001 occupational health and safety certification and ISO9001 product quality management certification, demonstrating its commitment to environmental responsibility and product quality.

OUTLOOK

Completing the Construction of Existing Projects and Enriching Our Product Range

The Obi projects in Indonesia the Company currently invest in is pivotal for us to achieve profit growth in the future, and thus it is essential for our business development to put these production lines of the Obi projects into operation smoothly and efficiently as scheduled. We will focus on pushing ahead with the development of the ONC project under the HPAL project and the KPS project under the RKEF project in an orderly manner as planned with a view to achieving the gradual release of production capacity. At present, the ONC project is gradually advancing from the construction stage to the trial production stage, and the construction of the HPAL project's ancillary tailings pond and living areas is progressing orderly. On the other hand, the KPS project is being pushed forward and put into operation as planned in an orderly manner. Meanwhile, the Company will actively enhance its research and development capability to adapt to the production of a variety of downstream products. It will also take the initiative to conduct research on the comprehensive utilization process of tailings of the HPAL project and the production techniques of nickel metal, cobalt metal and other products, with a view to persistently enriching its product line in response to the complicated and ever-changing market environment.

Enhancing Research and Development Capabilities and Promoting Technological Innovation

Actively responding to the development trends of the industry, the Company successfully upgraded the existing production processes and introduced more advanced equipment through continuous research and development efforts, in a bid to improve production efficiency and ensure the high-quality standard of its products. The Company is committed to promoting the sustainable development of each business segment and boosting the efficiency of resources utilization and environmental friendliness in production process through technological innovation and improvement. The Company has also accumulated rich technical reserves in terms of product extensions as represented by the comprehensive utilization of slag resources from the hydrometallurgy process, thereby laying a solid foundation for technological upgrade and product innovation in the future. In addition, by setting up new research centers, reinforcing collaboration with universities and research institutes, as well as forming high-quality research teams, the Company has significantly enhanced its research and development capability and identified major directions for future research and development activities, including comprehensive utilisation of metal resources in laterite nickel ore, energy conservation and carbon emission reduction, intelligent control, technological upgrade of projects and other key areas.

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

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

Creating a More Open and Robust Nickel Resource Ecosystem

The Company is dedicated to constructing an advanced nickel resource ecosystem. To strengthen its core competitiveness, the Company formulates meticulous plans for the construction of industrial parks with comprehensive ancillary infrastructure, and downstream industry clusters are introduced strategically. Moreover, the Company upholds an open attitude for the promotion of technological innovation and industrial synergy, through which it has realized the export of its entire industrial park model, which has in turn laid a solid foundation for the development of a sustainable nickel resource ecosystem.

In the first half of 2024, the Company actively pushed forward the construction of infrastructure on the Obi Island and devoted strenuous efforts in realizing efficient integration of electricity, logistics, technology and resources in the industrial park. In terms of power supply, the Company implemented its photovoltaic power generation projects as planned, which significantly increased the proportion of green energy used and promoted the green transformation of the park's energy structure. In terms of water supply, through refined management, and after taking into consideration both the industrial and domestic water demand of the park, the Company optimized the deployment of water resources during rainy/dry seasons to ensure the stability and reliability of water supply.

In terms of the construction of living areas, the Company not only built an eco-friendly living environment for local residents, but also provided high-standard living facilities for employees of the project companies, which guaranteed the harmony of the community and the quality of lives of the employees. In terms of transportation infrastructure, the construction of ports and airports by the Company for the park has greatly facilitated the logistics and transportation as well as commuting of employees, and hence enhanced the external connections and internal mobility of the park. Through these comprehensive measures, the Company has enhanced the overall operational efficiency of the industrial park on the Obi Island, while contributing positively to the development of the local community and the well-being of its employees, thereby demonstrating its commitment to excellence in terms of infrastructure construction and fulfillment of social responsibility.

Currently, the Company is striving to further enhance the synergy of the industrial park on the Obi Island. The Company continuously improves the operational efficiency of the park and seeks to optimize costs through careful planning and operation. The Company's independent industrial park on the Obi Island, on the one hand, makes full use of the rich local laterite nickel resources to produce high-quality nickel-cobalt compounds and ferronickel products, while on the other hand, adheres to the principles of green production and recycling economy to recover and reuse the intermediaries generated during the production process, such as sulfuric acid, steam and coal gas, through innovative plans, which has enhanced the comprehensive utilisation efficiency of resources significantly. In addition, the Company is actively promoting the construction of key infrastructure including ports and airports on the Obi Island, which will not only facilitate the efficient integration of electricity, logistics, technology and resources in the park, but will also create significant industrial advantage from intensive operation.

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

FINANCIAL REVIEW

Revenue

The following table sets out the breakdown of total revenue by business segment in absolute amounts and as a percentage of total revenue for the six months ended 30 June 2024 and 30 June 2023:

	For the six months ended 30 June			
	2024		2023	
	RMB'000	*(%)*	*RMB'000*	*(%)*
	(Unaudited)		(Unaudited)	
Nickel Products Trading				
Laterite nickel ore	**1,292,668**	**11.9**	1,324,447	14.3
Ferronickel	**4,823,980**	**44.3**	3,231,814	34.8
Nickel-cobalt compounds	**–**	**–**	323,113	3.5
Subtotal	**6,116,648**	**56.2**	4,879,374	52.6
Nickel Products Production				
Ferronickel	**572,553**	**5.3**	866,620	9.3
Nickel-cobalt compounds	**3,783,939**	**34.8**	3,206,154	34.5
Subtotal	**4,356,492**	**40.1**	4,072,774	43.8
Equipment manufacturing and sales	**95,048**	**0.9**	100,425	1.1
Others	**309,800**	**2.8**	231,533	2.5
Total	**10,877,988**	**100.0**	9,284,106	100.0

Our revenue increased by 17.2 % from RMB9,284.1 million for the six months ended 30 June 2023 to RMB10,878.0 million for the six months ended 30 June 2024. The increase in revenue was mainly attributable to the increase in revenue generated from our nickel product trading business.

Revenue generated from the trading business increased by 25.4% from RMB4,879.4 million for the six months ended 30 June 2023 to RMB6,116.6 million for the six months ended 30 June 2024, mainly due to (i) the HJF project reaching full production capacity and the increase in procurement and sales of trading of ferronickel resulting in an increase in revenue of RMB1,592.2 million from the trading of ferronickel; the increase in revenue from the trading business was partially offset by the following factors: (ii) our procurement and sales of nickel-cobalt compounds to meet the demand of the long-term agreement during the corresponding period in 2023, resulting in a decrease in revenue from the trading of nickel-cobalt compounds of RMB323.1 million in the first half of 2024; and (iii) the market price of nickel ore in the trading business declined in the first half of 2024, resulting in a decrease in revenue from nickel ore of RMB31.8 million as compared with the same period in 2023.

Revenue generated from production business increased by 7.0% from RMB4,072.8 million for the six months ended 30 June 2023 to RMB4,356.5 million for the six months ended 30 June 2024, mainly due to the increase in the sales volume of nickel-cobalt compounds in line with the commencement of the production of phase III of the HPAL project, which was partially offset by the decrease in market prices of both nickel and cobalt, resulting in an increase in revenue of only RMB577.8 million from nickel-cobalt compounds; the increase in revenue from the production business was offset by the decrease in market price and sales volume of ferronickel, resulting in a decrease in revenue of ferronickel generated from production business of RMB294.1 million.

Revenue generated from the equipment manufacturing and sales business decreased by 5.4% from RMB100.4 million in the six months ended 30 June 2023 to RMB95.0 million in the six months ended 30 June 2024.

Other revenue increased by 33.8% from RMB231.5 million for the six months ended 30 June 2023 to RMB309.8 million for the six months ended 30 June 2024, mainly due to the increase in sales of ancillary materials as the HJF project achieved full production capacity.

Gross Profit and Gross Profit Margin

Our gross profit increased by 16.6% from RMB1,567.4 million for the six months ended 30 June 2023 to RMB1,827.4 million for the six months ended 30 June 2024, with a decrease in gross profit margin from 16.9% to 16.8%.

Gross profit from our trading business increased by 58.1% from RMB172.9 million for the six months ended 30 June 2023 to RMB273.4 million for the six months ended 30 June 2024. Gross profit margin of the trading business increased from 3.5% to 4.5%, mainly due to the increase in procurement and sales of trading of ferronickel as the HJF project achieved full production capacity.

Gross profit from our production business increased by 10.0% from RMB1,367.3 million for the six months ended 30 June 2023 to RMB1,504.2 million for the six months ended 30 June 2024. The gross profit margin of the nickel product production business increased from 33.6% to 34.5% for the six months ended 30 June 2024, mainly due to (i) the increase in sales volume of nickel-cobalt compounds, resulting in the increase in gross profit of nickel-cobalt compounds from RMB1,292.9 million for the six months ended 30 June 2023 to RMB1,499.8 million for the six months ended 30 June 2024. However, the gross profit per unit of nickel-cobalt compounds decreased under the impact of the decline in the market prices of nickel and cobalt, which resulted in a decrease in gross profit margin from 40.3% to 39.6% in the same period; the increase in gross profit from our production business was offset by the following factors: (ii) the decrease in the market price and sales volume of ferronickel, resulting in a decrease in the gross profit margin of self-produced ferronickel from 8.6% for the six months ended 30 June 2023 to 0.8% for the six months ended 30 June 2024.

Gross profit from the equipment manufacturing and sales business grew from RMB4.8 million for the six months ended 30 June 2023 to RMB19.7 million for the six months ended 30 June 2024. The gross profit margin of the equipment manufacturing and sales business grew from 4.8% to 20.7%, mainly due to the higher gross profit margin of our certain equipment sold to third parties during the Reporting Period.

Gross profit of other businesses increased by 34.8% from RMB22.4 million for the six months ended 30 June 2023 to RMB30.2 million for the six months ended 30 June 2024, and the gross profit margin of other businesses was maintained at 9.7%.

Other income and gains decreased by 2.4% from RMB108.5 million in the six months ended 30 June 2023 to RMB105.9 million in the year ended six months ended June 2024, mainly due to (i) the decrease in revenue from futures products of RMB9.4 million; (ii) the decrease in revenue from government grants by RMB13.4 million; and (iii) the investment gain of RMB21.0 million incurred from the portion of our revenue pricing linked to the futures impacted by fluctuations of nickel prices.

Sales and Distribution Expenses

Sales and distribution expenses significantly increased from RMB29.2 million for the six months ended 30 June 2023 to RMB63.4 million for the six months ended 30 June 2024, mainly due to the increase of RMB31.5 million in the remuneration expenses of sales and marketing staff corresponding to the increase in sales volume.

Administrative Expenses

Administrative expenses increased by 9.1% from RMB449.3 million for the six months ended 30 June 2023 to RMB490.2 million for the six months ended 30 June 2024, mainly due to the increase in staff costs of RMB44.7 million as a result of business expansion.

Other Operating Expenses

Other operating expenses decreased by 25.9% from RMB327.8 million for the six months ended 30 June 2023 to RMB242.9 million for the six months ended 30 June 2024, mainly due to (i) the investment loss of RMB162.0 million incurred from the portion of our revenue pricing linked to the futures for the six months ended 30 June 2023; and (ii) the appreciation trend of the U.S. dollar against RMB for the six months ended 30 June 2024 was to a lesser extent as compared to the appreciation trend for the six months ended 30 June 2023, resulting in a decrease of RMB75.3 million in net exchange loss; the decrease in other operating expenses was offset by the recognition of impairment of RMB142.1 million upon evaluation of the recoverable value of customer relationship under intangible assets during the Reporting Period.

Finance Costs

The finance costs increased by 13.5% from RMB232.5 million for the six months ended 30 June 2023 to RMB263.9 million for the six months ended 30 June 2024 was mainly due to the increase in the scale of bank borrowings and the increase in interest expenses.

Share of Profits and Losses of Associates

Share of profits from our associates for the six months ended 30 June 2023 increased significantly from RMB10.1 million to RMB123.8 million for the six months ended 30 June 2024, mainly due to the substantial growth of profits generated by HJF after phase I of the RKEF project reaching full production capacity.

Profit before tax

As a result of the foregoing, profit before tax increased by 56.1% from RMB636.2 million for the six months ended 30 June 2023 to RMB993.3 million for the six months ended 30 June 2024.

Income Tax Expenses

Income tax expense for the six months ended 30 June 2024 amounted to RMB22.9 million as compared with the tax credit of RMB25.8 million for the six months ended 30 June 2023, which was mainly due to the withholding income tax based on the profitability of our project companies.

Profit for the Half of the Year and Net Profit Margin

As a result of the increase in gross profit driven by the increase in sales volume of trading of ferronickel and self-produced nickel-cobalt compounds, as well as the decrease in other operating expenses, profit for the half of the year increased by 46.6% from RMB662.0 million for the six months ended 30 June 2023 to RMB970.4 million for the six months ended 30 June 2024. Net profit margin increased from 7.1% for the six months ended 30 June 2023 to 8.9% for the six months ended 30 June 2024.

Liquidity, Financial Resources and Current Ratio

To safeguard the Group's ability to continue as a going concern, finance the Group's operations and maximise value for the shareholders, the Group adopted various funding and treasury measures during the six months ended 30 June 2024. These include, but are not limited to (i) regularly managing the Company's capital structure by making relevant adjustments in light of both the prevailing economic conditions and any risk characteristics of underlying assets; (ii) using a recurring liquidity planning tool which considers the maturity of its financial instruments and financial assets, and projected cash flows from operations in order to continuously monitor the Company's risks to a potential shortage of funds; (iii) trading only with recognised and creditworthy third parties, who are subject to the Company's credit verification procedures; and (iv) using various financial instruments such as leases and interest-bearing loans as appropriate to maintain a balance between continuity of funding and flexibility. During the six months ended 30 June 2024, the Group maintained a stable financial position.

As at 30 June 2024, current assets amounted to RMB12,018.8 million, representing an increase of 16.9% from RMB10,278.9 million as at 31 December 2023. As at 30 June 2024, cash and cash equivalents of the Group denominated in various currencies (RMB, USD, HKD, IDR and SGD) amounted to RMB3,958.1 million, which decreased by 14.3% as compared with that of RMB4,616.8 million as at 31 December 2023.

The Group's current ratio (current assets divided by current liabilities) dropped from 1.1 times as at 31 December 2023 to 1.0 times as at 30 June 2024.

Capital Expenditures

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

	For the six months ended 30 June			
	2024		2023	
	RMB'000	*(%)*	*RMB'000*	*(%)*
	(Unaudited)		(Unaudited)	
Prepayments for property, plant and equipment	**3,260,975**	**99.1**	2,937,234	75.9
Land use right	**28,697**	**0.9**	161,640	4.2
Interest in an associate	**–**	**–**	770,000	19.9
Total	**3,289,672**	**100**	3,868,874	100.0

Commitments

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

	As at 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Property, plant and equipment	**9,525,379**	10,204,234

Indebtedness

We recognised debts of RMB14,240.8 million as at 30 June 2024 (31 December 2023: RMB11,532.3 million), which included interest-bearing bank and other borrowings denominated in RMB and USD that amounted to RMB6,598.6 million with fixed interest rates (31 December 2023: RMB3,976.4 million) and RMB7,580.8 million with floating interest rates (31 December 2023: RMB7,489.2 million) and lease liabilities of RMB61.4 million (31 December 2023: RMB66.7 million).

Contingent liabilities

As at 30 June 2024, 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 2024 was 0.9, which remained unchanged from the gearing ratio as at 31 December 2023.

Significant Investments Held and Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 14 June 2024, HBW (a wholly owned subsidiary of the Company) entered into a shareholders agreement with the Indonesian Partner in relation to, among other things, the establishment of a joint venture company, PT. Cipta Kemakmuran Mitra, to engage in the business of lime production. For details, please refer to the announcement of the Company dated 17 June 2024.

Save as disclosed above, the Group had no significant investments held, material investments, material acquisitions or disposals of subsidiaries and associates for the six months ended 30 June 2024.

Financial Risks

Foreign Exchange Risk

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

Pledge of Assets

As at 30 June 2024, a portion of our loans are secured by (i) pledges of buildings and land located in the PRC and Indonesia with a carrying value of RMB1,489.2 million (31 December 2023: RMB1,535.9 million); (ii) pledges of land use rights located in the PRC with a carrying value of RMB381.8 million (31 December 2023: RMB557.2 million); (iii) pledges of plant and machinery, electronic and office equipment, motor vehicles and buildings under construction located in Indonesia with a carrying value of RMB5,064.6 million (31 December 2023: RMB4,822.1 million); and (iv) pledge of deposits with a carrying value of RMB618.1 million (31 December 2023: RMB480.6 million).

As at 30 June 2024, 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 2024, we did not have plans for material investments and capital assets.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 24 July 2024, the shareholders of the Company approved, among other things, the application by the Company for the proposed conversion of no more than 47,077,941 unlisted shares into H shares and the listing and circulation of such shares on the Main Board of the Stock Exchange. For details, please refer to the circular of the Company dated 4 July 2024 and the announcement of the Company dated 24 July 2024.

On 26 August 2024, Ningbo Lygend Headquarter Management Co., Ltd.* (寧波力勤總部管理有限公司), as transferor and a wholly owned subsidiary of the Company, and Zhejiang Lygend Investment Co., Ltd.* (浙江力勤投資有限公司), as transferee and a controlling shareholder of the Company, entered into a transfer agreement pursuant to which the transferor agreed to transfer the land use right of the target land and the construction works thereon that are in progress to the transferee at a consideration of RMB57,163,028.93. For details, please refer to the announcement of the Company dated 26 August 2024.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 9,666 full-time employees.

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

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

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 June 2024, 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 2024.

USE OF PROCEEDS FROM THE LISTING

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

Purpose	Net proceeds from the Listing available *(HK$ million)*	Actual net amount utilised up to 31 December 2023 *(HK$ million)*	Actual net amount utilised during the Reporting Period *(HK$ million)*	Unutilised net amount up to 30 June 2024 *(HK$ million)*	Expected timeline for utilising unutilised net amount
Development and construction of our nickel product production projects on the Obi Island	2,030.7	2,030.7	0	0	
Contribute additional capital to CBL	864.1	864.1	0	0	
Making potential minority investments in nickel mines in Indonesia	345.6	0	0	345.6	by the end of 2025
Working capital and general corporate purposes	360.0	360.0	0	0	
Total	3,600.4	3,254.8	0	345.6	

Since the Listing Date and as at 30 June 2024, the Group has utilised approximately HK$3,254.8 million of the proceeds for the intended purposes set out in the Prospectus, accounting for 90.4% of all raised funds, and the remaining unutilised proceeds is approximately HK$345.6 million. The balance of the proceeds from the Listing will continue to be utilised according to the intended purposes as mentioned above.

OTHER INFORMATION

Compliance with the Corporate Governance Code

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

Code provision C.2.1 of the CG Code provides that the roles of the Chairman and the chief executive should be separate and should not be performed by the same individual. During the Reporting Period, the Chairman was Mr. CAI Jianyong and the general manager of the Company (the "**General Manager**") was Mr. JIANG Xinfang who resigned on 28 March 2024. Mr. CAI Jianyong, Chairman of the Board and an executive Director, was appointed as the General Manager in place of Mr. JIANG Xinfang.

As the founder of the Group, Mr. CAI Jianyong has extensive experience in international commodity trading and is responsible for the overall management of the Company's business strategies and operations. He has played a key role in the growth and business expansion of the Group and the Board believes that vesting both roles of Chairman and General Manager in Mr. CAI Jianyong is beneficial to the management of the Company.

In addition, the balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board currently consists of four executive directors (including Mr. CAI Jianyong), one non-executive director and three independent non-executive directors. Therefore, the Group believes that the composition of the senior management and the Board has a fairly strong independence element.

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

Compliance with the Model Code for Securities Transactions by Directors

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (including sale of treasury shares) listed on the Stock Exchange. As at 30 June 2024, 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 will be the higher of (a) 15% and (b) such percentage of H Shares to be held by the public upon any exercise of the Over-allotment Option of the enlarged issued share capital of the Company. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained the aforementioned minimum public float required by the Stock Exchange since the Listing Date.

Audit Committee and Review of Financial Information

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

The Audit Committee has reviewed the unaudited interim results and the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2024 and discussed matters with respect to the accounting policies and practices adopted by the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.lygend.com. The interim report of the Group for the six months ended 30 June 2024 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched (if requested) to the Company's shareholders in due course.

APPRECIATION

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

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

The PRC, 29 August 2024

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