



Zhejiang Chang'an Renheng Technology Co., Ltd. *
浙江长安仁恒科技股份有限公司

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

Stock Code: 8139

2026

Interim Report

* For identification purpose only

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This report, for which the directors (the “Directors”) of Zhejiang Chang'an Renheng Technology Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”, “we”, “our” or “us”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“the GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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RESULTS HIGHLIGHTS

For the six months ended 30 June 2026, the results highlights were as follows:

- Revenue increased by 15.3% to approximately RMB113,011,000 (2025: RMB98,023,000).
- Gross profit increased by 7.0% to approximately RMB39,047,000 (2025: RMB36,507,000).
- Gross profit margin was 34.6% (2025: 37.2%).
- Profit for the period attributable to the equity holders of the Company was approximately RMB13,801,000 (2025: Loss for the period was RMB3,005,000).
- Basic earnings per share was approximately RMB0.359 (2025: Basic loss per share was RMB0.078).
- The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2026 (2025: nil).

UNAUDITED CONSOLIDATED INTERIM RESULTS OF 2026

The board (the “Board”) of Directors of Zhejiang Chang'an Renheng Technology Co., Ltd. is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2026 (the “Reporting Period”) and selected explanatory notes, together with the comparative unaudited figures of the corresponding period in 2025 as follows:

Unaudited condensed consolidated statement of comprehensive (loss)/income

For the six months ended 30 June 2026

		(unaudited) Six months ended 30 June	
	Note	2026 RMB	2025 RMB
Revenue	5	113,011,473	98,022,700
Cost of sales		(73,964,968)	(61,515,653)
Gross profit		39,046,505	36,507,047
Distribution costs		(16,657,706)	(17,011,145)
Administrative expenses		(13,579,810)	(12,653,893)
Research and development expenses		(6,359,088)	(6,264,694)
Net impairment reversal on financial assets		–	55,684
Other income and gains – net	6	15,925,944	544,721
Operating profit		18,375,845	1,177,720
Finance income		33,801	28,712
Finance costs		(3,947,094)	(3,900,129)
Finance costs – net	7	(3,913,293)	(3,871,417)
Profit/(loss) before income tax	8	14,462,552	(2,693,697)
Income tax expense	9	(703,281)	(311,549)
Profit/(loss) for the period		13,759,271	(3,005,246)
Profit/(loss) for the period attributable to the equity holders of the Company		13,801,442	(3,005,246)
Minority interest		(42,171)	–
		13,759,271	(3,005,246)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
– Exchange differences on translation of foreign operations		(5,333)	(11,952)
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company		13,796,109	(3,017,198)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– Basic and diluted	10	0.359	(0.078)
Dividends	11	–	–

Unaudited condensed consolidated balance sheet*As at 30 June 2026*

		30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	85,912,831	97,868,373
Right-of-use assets		6,324,722	6,362,513
Leasehold improvements and other non-current assets		55,484,067	43,541,836
Deferred income tax assets		2,701,674	2,782,144
		150,423,294	150,554,866
Current assets			
Inventories		71,416,619	71,884,352
Trade and other receivables, prepayments and other current assets	13	111,288,362	89,302,429
Financial assets at fair value through other comprehensive income		7,626,932	10,372,236
Financial assets at fair value through profit or loss		554,845	51,307
Restricted cash		–	28,725
Cash and cash equivalents		37,790,314	38,056,286
		228,677,072	209,695,335
Total assets		379,100,366	360,250,201
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital		38,400,000	38,400,000
Other reserves		50,350,497	50,355,830
Minority interests		447,829	–
Retained earnings		43,671,977	29,875,868
Total equity		132,870,303	118,631,698

		30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
	Note		
LIABILITIES			
Non-current liabilities			
Deferred government grants		1,882,356	1,601,388
Provisions for environmental rehabilitation		3,169,585	3,169,585
Borrowings		8,465,300	8,465,300
Lease liabilities		1,216,436	1,121,390
		14,733,677	14,357,663
Current liabilities			
Deferred government grants		701,114	280,970
Trade and other payables	14	46,062,572	38,238,420
Borrowings		184,400,000	188,408,750
Lease liabilities		332,700	332,700
		231,496,386	227,260,840
Total liabilities		246,230,063	241,618,503
Total equity and liabilities		379,100,366	360,250,201

Unaudited condensed consolidated statement of changes in equity*For the six months ended 30 June 2026*

	(Unaudited)				
	Attributable to equity holders of the Company				
	Share capital <i>RMB</i>	Other reserves <i>RMB</i>	Minority interests <i>RMB</i>	Retained earnings <i>RMB</i>	Total <i>RMB</i>
As at 1 January 2025	38,400,000	50,342,050	–	29,952,220	118,694,270
Comprehensive income					
Loss for the period	–	–	–	(3,005,246)	(3,005,246)
Other comprehensive loss	–	(6,598)	–	–	(6,598)
As at 30 June 2025	38,400,000	50,335,452	–	26,946,974	115,682,426
As at 1 January 2026	38,400,000	50,355,830	–	29,875,868	118,631,698
Comprehensive income					
Other comprehensive loss	–	(5,333)	–	–	(5,333)
Capital contribution	–	–	447,829	–	447,829
Profit for the period	–	–	–	13,796,109	13,796,109
As at 30 June 2026	38,400,000	50,350,497	447,829	43,671,977	132,870,303

Unaudited condensed consolidated cash flow statement*For the six months ended 30 June 2026*

	(Unaudited)	
	Six months ended 30 June	
	2026	2025
	<i>RMB</i>	<i>RMB</i>
Net cash used in operating activities	(3,579,056)	(340,739)
Net cash generated from/(used in) investing activities	11,242,364	(3,764,645)
Net cash (used in)/generated from financing activities	(7,929,280)	7,582,914
Net (decrease)/increase in cash and cash equivalents	(265,972)	3,477,530
Cash and cash equivalents at beginning of the period	38,056,286	16,330,972
Exchange difference on cash and cash equivalents	–	53,872
Cash and cash equivalents at end of the period	37,790,314	19,862,374

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 June 2026

1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the "Company") and its subsidiaries (together, the "Group") are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of Changxing Renheng Fine Bentonite Co., Ltd. (長興仁恒精製膨土有限公司) in the People's Republic of China (the "PRC") on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the "Controlling Shareholder").

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The English names of companies mentioned in this report represented the best effort by the Directors of the Company in translating their Chinese names as they may not have official English names.

The Company issued a total of 8,000,000 H shares with a par value of RMB1.00 each at a price of HKD9.70 per share on the GEM of The Stock Exchange on 16 January 2015 (the "Listing").

On 29 November 2018, the Company issued 6,400,000 new shares at a price of HKD3.50 per share by way of placement to not less than six parties, who and whose ultimate beneficial owners are independent third parties.

The unaudited condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2026 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’, and the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2025, which have been prepared in accordance with IFRS Accounting Standards.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2025, as described in those annual financial statements.

Except for IFRS 18 which will mainly impact the presentation of statement of profit and loss, the Directors anticipate that the adoption of the amendments to IFRSs effective for the financial year ending 31 December 2026 do not have a material impact on the results and financial position of the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

5 REVENUE

	(unaudited)	
	Six months ended 30 June	
	2026	2025
	RMB	RMB
Organic bentonite	69,665,857	52,981,658
Papermaking chemicals	13,334,431	17,085,650
Inorganic gel	17,970,697	15,144,080
Dry strength agent	8,365,068	5,854,968
Putty powder	1,831,960	2,991,464
Quality calcium-bentonite	927,480	2,280,351
Others (Note)	915,980	1,684,529
	113,011,473	98,022,700

Note: Others mainly comprise flocculating agents which are principally applied in the coating preparation industry.

6 OTHER INCOME AND GAINS – NET

	(unaudited)	
	Six months ended 30 June	
	2026	2025
	<i>RMB</i>	<i>RMB</i>
Gains on disposal of financial assets at FVPL	14,649,609	–
Government grants		
– Relating to costs	1,276,335	346,610
Others	–	198,111
	15,925,944	544,721

7 FINANCE COSTS – NET

	(unaudited)	
	Six months ended 30 June	
	2026	2025
	<i>RMB</i>	<i>RMB</i>
Finance income		
– Interest income derived from bank deposits	33,801	28,712
Finance costs		
– Interest expenses on borrowings	(3,916,808)	(3,895,296)
– Foreign exchange gains on borrowings and cash and cash equivalents – net	–	53,872
– Interest expenses on lease liabilities	(30,286)	(58,705)
	(3,947,094)	(3,900,129)
Finance costs – net	(3,913,293)	(3,871,417)

8 PROFIT FOR THE PERIOD

	(unaudited)	
	Six months ended 30 June	
	2026	2025
	<i>RMB</i>	<i>RMB</i>
Profit/(loss) for the period has been arrived after charging:		
Depreciation	2,997,304	3,484,314
Amortisation of prepaid leasing expenses	107,990	107,992
Amortisation of mining rights	57,800	57,800
Amortisation of leasehold improvements	2,038,402	1,577,272

9 INCOME TAX EXPENSE

	(unaudited)	
	Six months ended 30 June	
	2026	2025
	<i>RMB</i>	<i>RMB</i>
Current income tax expense	(543,808)	(131,862)
Deferred income tax expense	(159,473)	(179,687)
Income tax expense	(703,281)	(311,549)

The Company renewed the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 8 December 2024 to 7 December 2026.

The subsidiary “Renheng Refined Clay Co., Ltd.” obtained the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Hebei province, which granted tax preferential rate of 15% for three years from 11 November 2024 to 10 November 2027.

The subsidiary Zhejiang Chang'an Renheng Chemical Co., Ltd. (“Renheng Chemicals”) are subject to “small and thin profit enterprises” under the CIT Law, and accordingly, a preferential income tax rate of 20% for the six months ended 30 June 2026. As a result, such PRC subsidiary were eligible for a preferential enterprise income tax rate for its respective tax holiday.

Corporate income tax in other jurisdictions mainly represented the income tax on profit arising from the United States, which had been calculated on the estimated assessable profit for the period at the rate of 21% (2025: 21%) prevailing in the relevant jurisdictions.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2026 and 2025.

	(unaudited)	
	Six months ended 30 June	
	2026	2025
Profit/(loss) attributable to the equity holders of the Company (RMB)	13,801,442	(3,005,246)
Weighted average number of ordinary shares in issue	38,400,000	38,400,000
Basic earnings/(loss) per share (RMB per share)	0.359	(0.078)

(b) Diluted

The fully diluted earnings/(loss) per share for the six months ended 30 June 2026 and 2025 is the same as the basic earnings/(loss) per share as there is no dilutive potential ordinary share for the six months ended 30 June 2026 and 2025.

11 DIVIDENDS

The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2026 (2025: nil).

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2026, the Group acquired property, plant and equipment of approximately RMB1,865,925 (2025: RMB10,656,702).

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
Trade receivables	101,380,146	85,768,493
Less: provision for impairment	(3,364,298)	(5,044,516)
Trade receivables – net	98,015,848	80,723,977
Other receivables	2,577,647	1,328,567
Less: provision for impairment	(11,221)	(38,272)
Other receivables – net	2,566,426	1,290,295
Prepayments	10,223,805	6,541,934
Other current assets	482,283	746,223
Trade and other receivables, prepayments and other current assets – net	111,288,362	89,302,429

As at 30 June 2026 and 31 December 2025, the fair values of the trade and other receivables of the Group, except for the prepayments and other current assets which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables mentioned above.

	30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
RMB	96,481,500	81,184,202
USD	4,898,646	4,584,291
	101,380,146	85,768,493

The ageing analysis of trade receivables based on the invoice date is as follows:

	30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
– Within 180 days	78,517,776	65,886,950
– Over 180 days and within 1 year	17,265,833	14,607,046
– Over 1 year and within 2 years	1,664,504	1,408,185
– Over 2 years and within 3 years	426,786	361,065
– Over 3 years	3,505,247	3,505,247
	101,380,146	85,768,493

The credit period granted to customers is normally between 90 days to 180 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

14 TRADE AND OTHER PAYABLES

	30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
Trade payables	30,542,073	16,964,427
Other payables	6,693,509	11,721,199
Staff salaries and welfare payables	5,233,935	6,837,075
Accrued taxes other than income tax	3,593,055	2,715,719
	46,062,572	38,238,420

As at 30 June 2026 and 31 December 2025, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 30 June 2026 and 31 December 2025, trade and other payables were all denominated in RMB.

The ageing analysis of the trade payables is as follows:

	30 June 2026 RMB (unaudited)	31 December 2025 RMB (audited)
Trade payables		
– Within 6 months	26,548,188	14,468,232
– Over 6 months and within 1 year	1,929,811	710,732
– Over 1 year and within 2 years	315,072	116,038
– Over 2 years and within 3 years	125,971	46,394
– Over 3 years	1,623,031	1,623,031
	30,542,073	16,964,427

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Industry Review

The Group's main business is the research, development, production and sale of bentonite fine chemicals. The products are used in many fields such as paint coatings, paper manufacturing, water treatment and oil field.

China is a major producer of non-metallic mineral resources, and has maintained the global top position in both production and consumption volume for years. In recent years, national industrial policies have steered the sector to shift its development focus from scale expansion to quality improvement. Governments at all levels have tightened mineral resource planning, advanced mine consolidation, raised access criteria for mining activities, phased out small-scale, scattered and highly polluting mines, and encouraged large-scale and intensive development of the industry. The comprehensive promotion of green mine construction and intelligent upgrading has imposed higher requirements on enterprises, which are now expected to achieve energy conservation, consumption reduction, emission abatement and ecological restoration of mines throughout the mining and processing processes. Meanwhile, the ESG philosophy has gained growing prominence in the industry, and the unprecedentedly stringent mine safety requirements have driven enterprises to increase investment in safety and advance technological upgrading.

The bentonite industry has reached a general consensus on prioritizing deep processing and value enhancement, shifting its development model from the sale of raw ores and primary processed products (e.g., calcium-based bentonite and primary sodium-based bentonite) to the production of high-value-added products such as modified bentonite (including organic, lithium-based and acid-activated bentonite, among others), purified bentonite and nanocomposites. Escalating environmental pressures have forced enterprises to optimize mining methods, reduce dust pollution and carry out ecological restoration of mines. In the processing phase, wastewater treatment and comprehensive resource utilization have become standard industry practices. Enterprises are also placing greater emphasis on the stability of product quality, taking an active part in the formulation of national and industrial standards, and building their own brand advantages. The core of competition in the industry will lie in the R&D and development of customized functional mineral materials with specific properties (such as reinforcement, adsorption, catalysis and thixotropy), which are closely tailored to the actual demands of downstream industries.

China has remained the world's largest producer and consumer of coatings for consecutive years. Nevertheless, the growth rate of coating production has slowed significantly in recent years, with the industry transitioning from a stage of rapid expansion to a phase of steady growth at a moderate to low speed. The market scale of China's coating industry is estimated to range from approximately RMB300 billion to RMB400 billion.

Under the impetus of the "double carbon" goals and mandatory national standards such as the Technical Requirements for Low VOCs Content Coatings Products, the proportion of environmentally friendly coatings (green coatings) such as water-based, powder, high solid and radiation-cured coatings have continued to increase rapidly.

The market share of solvent-based coatings has been continuously squeezed, especially in the fields of construction, furniture and industrial anti-corrosion. Water-based coatings have become an irreversible mainstream trend.

Industrial coatings are the biggest highlight. Particularly, the rapid growth of new energy vehicles has driven the demand for automotive coatings (electrophoretic paint, topcoat) and coatings for related components; the construction of new energy infrastructure such as wind power and photovoltaic has boosted the demand for high-performance anti-corrosion coatings; high-end equipment manufacturing, container, rail transit and other fields require coatings with higher performance. The demand for functional coatings is on the rise, such as antibacterial and antiviral coatings, thermal insulation coatings, self-cleaning coatings and artistic coatings, etc., to meet the needs of consumption upgrade and specific scenarios.

Business Review

During the Reporting Period, the business focus of the Group was to promote products such as bentonite for paints and coatings, bentonite for oil fields and grease mortar. The Group's bentonite for oilfield use is made of bentonite modified by sodium modification and compounded. The product is suitable for oil drilling and geothermal drilling with excellent plugging and wall protection, and have the advantages of high slurry rate, good thixotropy and excellent lubrication and support properties. During the Reporting Period, the Group's subsidiary in the USA operated normally focusing on the promotion of bentonite for oilfield use and bentonite for paints and coatings.

During the Reporting Period, Yangyuan Renheng Fine Clay Co., Ltd. (陽原縣仁恒精細黏土有限責任公司), a subsidiary of the Group, successfully passed the review of and applied for the mining license for each five-year. The Group attaches great importance to the investment in research and development of new products. During the Reporting Period, the Group's research and development expenses amounted to approximately RMB6,359,000.

During the Reporting Period, the Group applied for and was recognized with two new products at provincial level, namely,

1. Additives for harmless treatment and recycling of waste paints and coatings;
2. Environmentally friendly high-solid pesticide dispersant.

During the Reporting Period, the Company also made investments in listed equity securities, which were fully disposed as at 30 June 2026 and a gain on disposal of such financial assets at FVPL of approximately RMB14,650,000 was recorded in the account of “other income and gains – net”.

Financial Review

Revenue

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the periods indicated:

Product	For the six months ended 30 June			
	2026		2025	
	RMB'000	%	RMB'000	%
Organic bentonite	69,665	61.7	52,982	54.1
Papermaking chemicals	13,334	11.8	17,086	17.4
Inorganic gel	17,971	15.9	15,144	15.4
Dry strength agent	8,365	7.4	5,855	6.0
Putty powder	1,832	1.6	2,991	3.1
Quality calcium-bentonite	928	0.8	2,280	2.3
Others	916	0.8	1,685	1.7
Total	113,011	100.0	98,023	100.0

Revenue from sales of organic bentonite increased by approximately RMB16,683,000 or 31.5% from approximately RMB52,982,000 for the six months ended 30 June 2025 to approximately RMB69,665,000 for the six months ended 30 June 2026. The increase was mainly due to the increase in the sales volume.

Revenue from sales of papermaking chemicals decreased by approximately RMB3,752,000 or 22.0% from approximately RMB17,086,000 for the six months ended 30 June 2025 to approximately RMB13,334,000 for the six months ended 30 June 2026. As the average unit selling price remained similar for the comparative periods, the decrease in revenue was mainly due to the decrease in sales volume, which decreased by approximately 19.8% from approximately 4,219 tonnes for the six months ended 30 June 2025 to approximately 3,384 tonnes for the six months ended 30 June 2026.

Revenue from sales of inorganic gel increased by approximately RMB2,827,000 or 18.7% from approximately RMB15,144,000 for the six months ended 30 June 2025 to approximately RMB17,971,000 for the six months ended 30 June 2026. The increase was mainly due to the increase in sales volume.

Revenue of dry strength agent increased by approximately RMB2,510,000 or 42.9% from approximately RMB5,855,000 for the six months ended 30 June 2025 to approximately RMB8,365,000 for the six months ended 30 June 2026.

Revenue of putty powder decreased by approximately RMB1,159,000 or 38.7% from approximately RMB2,991,000 for the six months ended 30 June 2025 to approximately RMB1,832,000 for the six months ended 30 June 2026.

Revenue of quality calcium-bentonite decreased by approximately RMB1,352,000 or 59.3% from approximately RMB2,280,000 for the six months ended 30 June 2025 to approximately RMB928,000 for the six months ended 30 June 2026. While the average unit selling price remained steady for these two periods, the increase in revenue was mainly due to the increase in sales volume.

Revenue of other chemicals decreased by approximately RMB769,000 or 45.6% from approximately RMB1,685,000 for the six months ended 30 June 2025 to approximately RMB916,000 for the six months ended 30 June 2026. Other chemicals mainly comprise flocculating agents which are principally applied in the coating preparation industry.

Cost of sales

The cost of sales mainly comprised of cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the periods indicated:

	For the six months ended 30 June			
	2026		2025	
	RMB'000	%	RMB'000	%
Cost of raw materials	52,498	78.4	48,058	78.1
Manufacturing overhead costs	9,907	14.8	9,166	14.9
Direct labour costs	3,548	5.3	3,322	5.4
Others	985	1.5	970	1.6
Total	66,938	100.0	61,516	100.0

The cost of sales increased by approximately RMB5,422,000 or 8.8% from approximately RMB61,516,000 for the six months ended 30 June 2025 to approximately RMB66,938,000 for the six months ended 30 June 2026.

Cost of raw materials accounted for approximately 78.4% and 78.1% of cost of sales for the six months ended 30 June 2026 and 2025 respectively. The cost of raw materials increased by approximately RMB4,440,000 or 9.2% from approximately RMB48,058,000 for the six months ended 30 June 2025 to approximately RMB52,498,000 for the six months ended 30 June 2026. The increase was mainly due to the increase in average purchase unit cost and the increase in quantity consumed of CPAM. CPAM was the major raw material for a kind of product in bentonite with a relatively high unit price. As sales volume of this kind of product increased for the six months ended 30 June 2026, the cost of sales for CPAM increased accordingly.

Manufacturing overhead costs accounted for approximately 14.8% and 14.9% of cost of sales for the six months ended 30 June 2026 and 2025 respectively. Manufacturing overhead costs increased by approximately RMB741,000 or 8.1% from approximately RMB9,166,000 for the six months ended 30 June 2025 to approximately RMB9,907,000 for the six months ended 30 June 2026.

Direct labour costs accounted for approximately 5.3% and 5.4% of cost of sales for the six months ended 30 June 2026 and 2025, respectively. Direct labour costs increased by approximately RMB226,000 or 6.8% during the comparative periods.

Gross profit and gross profit margin

The gross profit increased by approximately RMB2,540,000 or 7.0% from approximately RMB36,507,000 for the six months ended 30 June 2025 to approximately RMB39,047,000 for the Reporting Period.

Gross profit margin decreased from 37.2% for the six months ended 30 June 2025 to 36.8% for the six months ended 30 June 2026. The decrease in gross profit margin was mainly due to the change in sales mix and the fact that the average cost of the raw materials and energy for the Reporting Period were higher than those in the prior year, which led to a relatively higher cost of sales for the six months ended 30 June 2026.

Distribution costs

The distribution costs for the six months ended 30 June 2026 and 2025 amounted to approximately RMB16,658,000 and RMB17,011,000, respectively. The distribution costs decreased by approximately RMB353,000 or 2.1% mainly because of the decrease in marketing expenses for the six months ended 30 June 2026.

Administrative expenses

The administrative expenses increased by approximately RMB926,000 or 7.3% from approximately RMB12,654,000 for the six months ended 30 June 2025 to approximately RMB13,580,000 for the six months ended 30 June 2026. The increase was mainly due to the increase in staff cost and professional service fees.

Research and development expenses

The research and development expenses increased by approximately RMB94,000 or 1.5% from approximately RMB6,265,000 for the six months ended 30 June 2025 to approximately RMB6,359,000 for the six months ended 30 June 2026. The increase was mainly due to the increase in scale of the research and development project for the environmental protection field with Jilin Design and Research Institute for Petrochemical Engineering.

Other income and gains – net

Other income and gains – net for the six months ended 30 June 2026 and 2025 amounted to approximately RMB15,926,000 and RMB545,000, respectively. The increase in other gains – net mainly due to the increase in gains on disposal of financial assets at FVPL for the six months ended 30 June 2026.

Finance costs – net

The finance costs – net increased from approximately RMB3,871,000 for the six months ended 30 June 2025 to approximately RMB3,913,000 for the Reporting Period mainly as a result of an increase in average bank borrowing.

Income tax expense

The income tax expenses for the six months ended 30 June 2026 was approximately RMB703,000 while there was a income tax expense of approximately RMB312,000 for the six months ended 30 June 2025. The details are set out in note 9 to the financial statements.

Profit/(loss) for the period attributable to the equity holders of the Company

As a result of the foregoing, profit for the period attributable to the equity holders of the Company was approximately RMB13,801,000 for the six months ended 30 June 2026, while there was a loss for the period attributable to the equity holders of the Company of approximately RMB3,005,000 for the six months ended 30 June 2025.

Liquidity and Capital Resources

The Group has met its working capital needs mainly through cash generated from operations and various long-term and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Reporting Period, the weight average effective annual interest rate of bank borrowings and other borrowings was 4.34% and 4.26% respectively. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long-term and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 30 June 2026, the Group had cash and cash equivalents of RMB37,790,000 which was mainly generated from operations of the Group and bank borrowings.

Cash Flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Reporting Period, the Group's cash and cash equivalents decreased by approximately RMB266,000, which mainly comprised the net cash used in operating activities of approximately RMB3,579,000, net cash generated from investing activities of approximately RMB11,242,000, net cash used in financing activities of approximately RMB7,929,000, and the foreign exchange gain of approximately RMB nil. Details of cash flows of the Group are set out on page 7 of the "Unaudited condensed consolidated cash flow statement" of this report.

Capital Structure

Indebtedness

The total indebtedness of the Group as at 30 June 2026 was approximately RMB192,865,000 (as at 31 December 2025: approximately RMB196,874,000). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2026, the Group's gearing ratio was approximately 116.7% (as at 31 December 2025: 133.9%), calculated as the total interest-bearing bank and other borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant period/year multiplied by 100%. The decrease was mainly due to increase in total equity.

Pledge of assets

As at 30 June 2026, the Group had pledged certain buildings, fixtures and facilities, land use rights and time deposits with aggregate carrying amount of approximately RMB15,539,000 (as at 31 December 2025: approximately RMB16,357,000).

Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, and construction in progress. The Group's capital expenditures amounted to approximately RMB1,866,000 and RMB10,657,000 for the six months ended 30 June 2026 and 2025, respectively.

Foreign exchange risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK\$, US\$ and RMB.

Contingent Liabilities, Legal and Potential Proceedings

As at 30 June 2026, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

Major Acquisition and Disposal

For the six months ended 30 June 2026, the Group had not made any material acquisition or disposal.

Going Concern

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a “going concern” basis.

Future Outlook

The Group develops the following strategic new products based on bentonite mines and their associated mines. The products are divided into three categories: organic bentonite series; water-based bentonite series; and inorganic gel series.

The Group will focus on developing customized functional mineral materials with specific properties (such as reinforcement, adsorption and thixotropy), and closely align with the demands of downstream industries. The Group will research and develop bentonite mineral functional materials and related products to transform bentonite resource advantages into economic advantages, and gradually introduce automation and intelligence technologies in the management and production processes to enhance production efficiency and product consistency.

The Group will focus on niche markets and follow a specialized and differentiated development path. The Group will develop products such as high-solid coating rheological additives and high-solid oil-based pesticide suspension agents, and attach importance to the R&D investment in green and environmental-friendly products.

The Group will develop bentonite products for deep wells, ultra-deep wells and offshore drilling, and strive to establish cooperative relations with R&D institutions in the petroleum industry and jointly develop new products. The Group will also improve resource efficiency and market competitiveness.

In second half of 2026, the Group will continue to focus on developing overseas customer markets, expanding foreign trade business, and focusing on developing sales markets in North America, Europe and Southeast Asia. The Group will continue to adhere to the profit-centered and innovation-driven development strategy, and actively develop new products, open up new markets, and create maximum value for shareholders.

Human Resources and Training

As at 30 June 2026, the Group had a total of 225 employees, of which 94 worked at the Group's headquarters in Changxing, and 131 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. Total staff cost for the Reporting Period amounted to approximately RMB18,959,000 (2025: approximately RMB17,637,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales target and formulating quarterly sales strategies, so as to provide sales and marketing guidelines for all representative offices and their staff to observe. The Group has a management team with extensive industry experience (including the Sales Director and Product Manager). They are responsible for coordinating front-line sales and marketing teams to meet the annual sales target.

During the Reporting Period, the Group adopted a "human-oriented" management concept to have its staff closely involved in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and adopted a number of incentive mechanisms to enhance the productivity of its employees. The Group conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

OTHER INFORMATION

Directors', supervisors' and chief executive's interest in shares, debentures and underlying shares of the Company or any associated corporation

As at 30 June 2026, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director/ Supervisor	Nature of interest	Number of shares in the Company held	Approximate percentage of Issued Share Capital
Mr. Zhang Youlian	Beneficial owner	19,220,600	50.05%
Ms. Zhang Jinhua	Beneficial owner	398,400	1.04%
Mr. Xu Qinsi (i)	Interest of spouse	100,000	0.26%

- (i) Mr. Xu Qinsi, the supervisor of the Company, is deemed (by virtue of the SFO) to be interested in 100,000 shares in the Company held by his spouse, Ms. Ling Weixing.

Save as disclosed above, as at 30 June 2026, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 June 2026, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of interest	Number of shares in the Company held	Interest in Underlying Shares	Total number of shares in the Company held	Approximate percentage of Issued Share Capital
Ms. Yu Hua	Beneficial Owner	3,576,000	–	3,576,000	9.31%

Saved as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2026.

Directors' and supervisors' rights to acquire shares or debentures

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors or supervisors of the Company to acquire such rights in any other body corporate.

Connected transaction

During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the GEM Listing Rules.

Directors', supervisors' and controlling shareholders' interest in competing business and conflict of interest

During the Reporting Period, none of the Directors or supervisors or controlling shareholders' or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group and any other conflicts of interests with the Group.

Public float

According to the information disclosed publicly and as far as the Directors are aware, during the Reporting Period and up to the date of this report, at least 25% of the issued shares of the Company was held by public shareholders.

Purchases, sale or redemption of the Company's listed securities

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

Capital commitment

As at 30 June 2026, the Group had capital commitment amounted to approximately RMB169,000 (as at 31 December 2025: RMB463,000).

Dividends

The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2026 (2025: nil).

Corporate governance practice

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Reporting Period, the Company has complied with the code provisions, other than code provisions C.2.1 and C.1.8 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Reporting Period, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its Directors.

Model code for securities transactions

The Company has adopted the model code on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the model code during the Reporting Period.

Nomination committee

The Company established a nomination committee on 26 March 2014 with written terms of reference, which was amended and adopted by the Board on 30 June 2025 and the contents of which are in compliance with the provisions of the CG Code. Please refer to the announcement of the Company dated 30 June 2025 for details. The Nomination Committee currently has three members, namely Mr. Fan Fang, an Executive Director, Mr. Zhang Lei and Mr. Tang Jingyan, both Independent Non-executive Directors. Mr. Tang has been appointed as the chairman of the nomination Committee.

Audit committee

The Company established an audit committee (the “Audit Committee”) on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. As at the date of this report, the Audit Committee has three members, namely Mr. Zhang Lei, Mr. Chen Jianping, and Mr. Tang Jingyan, who are independent non-executive Directors. Mr. Zhang Lei, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

The Audit Committee has reviewed the unaudited consolidated financial statements, the results announcement and this interim report of the Company for the six months ended 30 June 2026 with the management of the Group and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this interim report complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosure have been made.

Events after the Reporting Period

There is no material events after the Reporting Period as at the date of this report.

Disclosure of information

The interim report for the six months ended 30 June 2026 will be dispatched to shareholders of the Company and published on the Company's website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board
Zhejiang Chang'an Renheng Technology Co., Ltd.*
Zhang Youlian
Chairman

Zhejiang, the PRC, 31 August 2026

As at the date of this report, the executive Directors are Mr. Zhang Youlian, Mr. She Wenjie and Mr. Fan Fang; the non-executive Director is Ms. Zhang Jinhua and the independent non-executive Directors are Mr. Zhang Lei, Mr. Chen Jianping and Mr. Tang Jingyan.

* For identification purpose only