玖源化工(集團)有限公司
Ko Yo Chemical (Group) Limited

(incorporated in the Cayman Islands with limited liability)
(Stock code: 00827)

INTERIM REPORT 2025

Highlights

Unaudited loss attributable to shareholders of the Group was approximately RMB185.8 million for the six months ended 30 June 2025, which represented an increase of loss of approximately RMB56.1 million as compared to that of the same period last year.

For the six months ended 30 June 2025, the Group's unaudited net cash outflow from operating activities before working capital changes, profit tax and interest payment was approximately RMB32.8 million, representing a decrease of approximately RMB95.7 million as compared to that of a net cash inflow of approximately RMB62.9 million in the corresponding period last year.

For the six months ended 30 June 2025, the Group's unaudited turnover was approximately RMB1,100 million, which represents a decrease of approximately 14.1% as compared to the same period last year. The decrease in turnover was mainly due to the decrease in selling price of products as compared with that of the same period last year.

Unaudited basic loss per share of the Group was approximately RMB3.08 cents for the six months ended 30 June 2025.

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2025.

Interim Results

The board of directors (the "Directors" or the "Board") of Ko Yo Chemical (Group) Limited (the "Company") is pleased to present the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2025 together with the unaudited comparative figures for the corresponding periods in 2024 are as follows:

Unaudited Condensed Consolidated Profit and Loss Account

For the six months ended 30 June 2025 and 30 June 2024

		Six months ended 30 June	
	Notes	**2025 RMB'000**	2024 RMB'000
Turnover	3	**1,099,955**	1,279,855
Cost of sales		**(1,131,957)**	(1,200,229)
Gross profit		**(32,002)**	79,626
Interest income		**5,385**	7,403
Distribution costs		**(14,689)**	(13,542)
Administrative expenses		**(73,151)**	(84,873)
Other income — net		**2,190**	5,924
Operating profit		**(112,267)**	(5,462)
Finance costs		**(102,629)**	(110,385)
Loss before taxation	4	**(214,896)**	(115,847)
Taxation	5	**20,615**	(19,226)
Loss for the period		**(194,281)**	(135,073)
Attributable to:			
Equity holders of the Company		**(185,789)**	(129,665)
Non-controlling interests		**(8,492)**	(5,408)
		(194,281)	(135,073)
Basic (loss)/earnings per share (RMB cents)	6	**(3.08)**	(2.15)
Diluted (loss)/earnings per share (RMB cents)	6	**(3.08)**	(2.15)
Declared dividends per share (HK cents)	7	**Nil**	Nil

Condensed Consolidated Balance Sheet

As at 30 June 2025 and 31 December 2024

	Notes	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,997,203**	2,986,749
Investment properties		**7,584**	7,584
Right-of-use assets		**212,231**	215,251
Mining right		**334,306**	334,306
Other intangible assets		**65,642**	65,642
Prepayments		**771,135**	775,354
Deferred income tax assets	11	**36,834**	16,199
		4,424,935	4,401,085
Current assets			
Inventories		**185,520**	180,384
Trade and other receivables	8	**156,008**	194,779
Current tax asset		**–**	4,014
Restricted bank balances		**506**	506
Pledged bank deposits		**60,412**	624,940
Cash and cash equivalents		**29,036**	8,099
		431,482	1,012,722
Total assets		**4,856,417**	5,413,807
EQUITY			
Equity attributable to owners of the Company			
Share capital		**520,569**	520,569
Reserves		**(303,139)**	(117,350)
		217,430	403,219
Non-controlling interests		**(52,126)**	(43,634)
Total equity		**165,304**	359,585

Condensed Consolidated Balance Sheet (Continued)

As at 30 June 2025 and 31 December 2024

	Notes	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	10	239,384	74,290
Convertible bonds		640,212	597,462
Deferred income tax liabilities	11	114,033	114,033
Lease liabilities		578	2,358
		994,207	788,143
Current liabilities			
Trade and other payables	9	830,231	602,038
Contract liabilities		101,375	56,994
Due to a related company		837,257	884,387
Borrowings	10	1,925,926	2,720,656
Lease liabilities		2,117	2,004
		3,696,906	4,266,079
Total liabilities		4,691,113	5,054,222
Total equity and liabilities		4,856,417	5,413,807
Net current liabilities		(3,265,424)	(3,253,357)
Total assets less current liabilities		1,159,511	1,147,728

Unaudited Condensed Consolidated Cash Flow Statement

As at 30 June 2025 and 31 December 2024

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Net cash generated from operating activities	**199,535**	113,343
Interest paid	**(22,240)**	(35,835)
Net cash inflow from operating activities	**177,295**	77,508
Investing activities		
Purchases of fixed assets and payments for construction-in-progress	**(92,256)**	(15,702)
Proceeds from disposal of fixed assets	**–**	–
Interest received	**5,385**	7,403
Net cash outflow from investing activities	**(86,871)**	(8,299)
Net cash inflow before financing activities	**90,424**	69,209
Financing activities		
Decrease in pledged and restricted bank deposits	**564,528**	325,256
Advance from a related company	**(47,130)**	30,250
Proceeds from borrowings	**60,551**	270,204
Repayment of borrowings	**(647,436)**	(654,242)
Repayment of convertible bonds	**–**	(52,715)
Reserve fund change	**–**	1,864
Net cash outflow from financing activities	**(69,487)**	(79,383)
Increase/(decrease) in cash and cash equivalents	**20,937**	(10,174)
Cash and cash equivalents at 1 January	**8,099**	62,928
Cash and cash equivalents at 30 June	**29,036**	52,754

Unaudited Consolidated Statement of Changes In Equity

For the six months ended 30 June 2025 and 30 June 2024

	Share Capital RMB'000	Share Premium RMB'000	Merger Reserve RMB'000	Share-based compensation RMB'000	Reserve Fund RMB'000	Enterprise Expansion Fund RMB'000	Retained Earnings RMB'000	Transaction to NCI RMB'000	NCI RMB'000	Total RMB'000
At 1 January 2024 (audited)	520,569	1,548,019	(22,041)	825,669	54,262	1,131	(2,015,998)	(3,509)	3,713	911,815
Net loss for the 6 Months ended 30 June 2024	–	–	–	–	–	–	(129,665)	–	(5,408)	(135,073)
Reserve fund change	–	–	–	–	1,864	–	–	–	–	1,864
At 30 June 2024	520,569	1,548,019	(22,041)	825,669	56,126	1,131	(2,145,663)	(3,509)	(1,695)	778,606
At 1 January 2025 (audited)	**520,569**	**1,548,019**	**(22,041)**	**448,295**	**54,648**	**1,131**	**(2,143,893)**	**(3,509)**	**(43,634)**	**359,585**
Net loss for the 6 Months ended 30 June 2025	**–**	**–**	**–**	**–**	**–**	**–**	**(185,789)**	**–**	**(8,492)**	**(194,281)**
At 30 June 2025	**520,569**	**1,548,019**	**(22,041)**	**448,295**	**54,648**	**1,131**	**(2,329,682)**	**(3,509)**	**(52,126)**	**165,304**

Notes of Financial Statements

1. Basis of Preparation

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of chemical products and chemical fertilizers in Mainland China.

The unaudited interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Principal Accounting Policies

The principal accounting policies used in the unaudited interim financial statements are consistent with those followed in the Group's financial statements for the year ended 31 December 2024. The measurement basis used in the preparation of the unaudited interim financial statements is historical cost, except for certain investment properties and financial investments, which are measured at fair values. All inter-company transactions and balances within the Group have been eliminated on consolidation.

The Group had net current liabilities of RMB3,696,906,000 as at 30 June 2025. The directors of the Company have given due consideration to the liquidity of the Group and have adopted the going concern basis in preparing the consolidated financial statements for the six months ended 30 June 2025 on the basis that the positive cash flow from Guangan plant and Dazhou Plant, and that it will succeed in negotiating with its bankers to restructure the outstanding bank loans.

The financial statements are unaudited but have been reviewed by the audit committee of the Company.

Notes of Financial Statements (Continued)

3. Turnover

Turnover represents the net amounts received and receivables for chemical products and chemical fertilizers sold, less returns and allowances and value-added taxes, if applicable, during the six months period. The Group's revenues are primarily generated in the People's Republic of China (the "PRC").

Turnover consisted of the following products:

	Six months ended 30 June 2025 (unaudited)		Six months ended 30 June 2024 (unaudited)	
	RMB'000	%	RMB'000	%
Urea	305,929	27.8	355,449	27.8
Ammonia	324,247	29.5	431,285	33.7
Methanol	468,471	42.6	419,183	32.7
N-methylpyrrolidone ("NMP")	222	0.0	2,149	0.2
N,N-dimethylformamide ("DMF")	1,086	0.1	3,013	0.2
Others (Note)	–	–	68,776	5.4
	1,099,955	100	1,279,855	100

Note: Others are trading other chemical products.

Notes of Financial Statements (Continued)

4. Reconciliation of loss before taxation to cash generated from operating activities

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
Loss before tax	**(214,896)**	(115,847)
Depreciation of property, plant and equipment	**82,725**	71,886
Depreciation of right-of-use assets	**3,020**	1,685
Interest income	**(5,385)**	(7,403)
Interest expense	**102,629**	110,385
(Gain)/loss on disposal of fixed assets	**(925)**	2,207
Operation cash flow before working capital change	**(32,832)**	62,913
(Increase)/decrease in inventories	**(5,136)**	(46,159)
(Increase)/decrease in trade and other receivables	**38,771**	(93,135)
Increase/(decrease) in trade and other payables	**154,371**	210,882
Increase/(decrease) in contract liabilities	**44,381**	(1,932)
Cash generated from operating activities	**199,555**	132,569
Income tax paid	**(20)**	(19,226)
Net cash generated from operating activities after tax	**199,535**	113,343

Notes of Financial Statements (Continued)

5. Taxation

No provision for profits tax in the Cayman Islands, the British Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from those jurisdictions during the six months ended 30 June 2025.

The applicable income tax rate of all subsidiaries located in Mainland China in 2025 is 25%.

The amount of taxation charged to the unaudited condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
PRC Corporate Income Tax in Mainland China	**20**	26,258
Deferred income tax (Note 11)	**(20,635)**	(7,032)
	(20,615)	19,226

6. Earnings per Share

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2025 and 2024 were based on:

	Six months ended 30 June	
Loss	**2025** **RMB'000**	2024 RMB'000
Loss for the period	**(185,789)**	(129,665)
Loss for calculation diluted earnings per share	**(185,789)**	(129,665)
Number of shares	**'000**	'000
Weighted average number of shares for calculation of basic earnings per share	**6,028,043**	6,028,043
Weighted average number of shares for calculation of diluted earnings per share	**6,028,043**	6,028,043

Notes of Financial Statements (Continued)

7. Dividend

The Board does not recommend the payment of any dividend for the six months ended 2025.

8. Trade and Other Receivables

	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
Trade receivables	2,436	2,407
Prepayments, purchase deposits and other deposits	19,888	40,658
Notes receivable	1,253	21
Other receivables	132,431	151,693
	156,008	194,779

8. Trade and Other Receivables *(Continued)*

In general, the credit terms granted by the Group ranged from 0 to 3 months. The aging analysis of trade receivables prepared on the basis of the relevant invoice date is as follows:

	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
Aged:		
Less than 3 months	2,436	2,407
More than 3 months but not exceeding 1 year	–	–
More than 1 year but not exceeding 2 years	–	–
More than 2 years but not exceeding 3 years	–	–
More than 3 years	–	–
	2,436	2,407
Less: provision for doubtful receivables	–	–
	2,436	2,407

Notes of Financial Statements (Continued)

9. Trade and Other Payables

	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
Trade payables	50,030	41,812
Construction payable	230,667	218,132
Accruals and other payables	549,534	342,094
	830,231	602,038

The aging analysis of trade payables prepared on the basis of the relevant invoice date is as follows:

	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
Aged:		
Less than 1 year	41,646	33,428
More than 1 year but not exceeding 2 years	8,384	8,384
More than 2 years but not exceeding 3 years	–	–
More than 3 years	–	–
	50,030	41,812

10. Borrowings

	(Unaudited) As at 30 June 2025 RMB'000	(Audited) As at 31 December 2024 RMB'000
Borrowings are repayable as follows:		
Less than 1 year	**1,925,926**	2,720,656
Between 1 and 2 years	**128,373**	74,290
Between 2 and 5 years	**111,011**	–
Over 5 years	**–**	–
Total borrowings	**2,165,310**	2,794,946
Settlement within 1 year included in current liabilities	**(1,925,926)**	(2,720,656)
Settlement after 1 year included in non-current liabilities	**239,384**	74,290

As at 30 June 2025, the borrowings of the Group were generally secured by certain fixed assets and pledged cash deposits of the Group. These borrowings bear interest at the rate of 3.00% to 8.70% (2024: 3.45% to 8.64%) per annum.

11. Deferred Income Tax

There were no offsetting of deferred income tax assets and liabilities in 2024 and in six months period ended 2025.

Deferred income tax assets:

	Loss available for offsetting future taxable profits RMB'000
At 31 December 2024	16,199
Credit to income statement	20,635
At 30 June 2025	**36,834**

Deferred income tax liabilities:

	Evaluation and exploration assets RMB'000
At 31 December 2024	(114,033)
At 30 June 2025	**(114,033)**

Financial Performance

For the six months ended 30 June 2025, the Group recorded a turnover of approximately RMB1,100 million, representing a decrease of approximately 14.1% as compared with approximately RMB1,280 million for the corresponding period last year. The decrease in turnover was mainly due to the decrease in selling price of products. Loss attributable to shareholders was approximately RMB185.8 million (2024: first half year loss of approximately RMB129.7 million), representing an increase in loss of approximately RMB56.1 million as compared with the corresponding period last year. The increase in loss was mainly due to the decrease in gross profit margin. Basic loss per share was approximately RMB3.08 cents (2024: first half year basic loss per share of approximately RMB2.15 cents).

During the period under review, the total sales volume (excluding the trading portion) of the Group reached approximately 546,000 tonnes (2024: 539,000 tonnes), representing a slightly increase of approximately 1.3% as compared with that of the corresponding period last year.

For the period under review, the gross profit margin of the Group decreased from approximately 6.2% to -2.9% as compared with the corresponding period last year, which was mainly due to the decrease in market price of products. Cost of sales amounted to approximately RMB1,132 million, representing a decrease of approximately 5.7% as compared with the corresponding period last year mainly due to the technological improvement in Guangan Plant. Distribution costs increased by approximately 8.5% due to the inflation. The administrative expenses decreased by approximately 13.8% as compared with the corresponding period last year, due to the strict control in expenditure. The decrease in net other income of approximately RMB3.7 million as compared with the corresponding period last year was mainly due to decrease in sale of scrap material.

Management Discussion and Analysis (Continued)

Business Review

During the period under review, the Group and its subsidiaries operated proactively and steadily under the management objective of "higher standards, better solutions, stronger execution". The various incentive policies implemented in early stage have shown a conspicuous effect and continued to enhance foundation for production, technology, and management. Through ongoing optimisation and adjustments during operations, the Group united in concerted efforts, greatly boosting team dynamism. The Group continued to tap the energy-saving potential of its production units and reduce production costs to improve the Company's operating efficiency. In particular, the sales model underwent ongoing adjustments. Based on the performance of each product in different markets, the Group dynamically adjusted bidding strategies and order allocation ratios to further enhance corporate profitability and optimise customer structure. With the continuous advancement of technology and the deepening of operational practices, the intrinsic safety performance of equipment has been steadily improved, production costs have been consistently reduced, and the Company's risk resilience has been progressively strengthened. The new project has successfully undergone further optimisation and enhancements, standing ready to extend the industrial chain and strengthen the Company's overall competitiveness. Standardisation work, such as management standardisation, business standardisation, technology standardisation, operation standardisation, etc., was deeply rooted in our staff's minds and internalized into their action, continuously strengthening the management foundation, improving management standards, and constantly enhancing the Group's core competitiveness.

Overall, in the first half of 2025, safety, environmental protection, production, consumption, marketing and cost control all surpassed the all-time best levels achieved in 2024. In the first half of 2025, although the natural gas usage was largely guaranteed, natural gas prices have not increased significantly compared to the same period last year. Meanwhile, after experiencing market volatility and a downward trend, product prices have stabilised at relatively low levels. Despite the challenging external environment, the Group has maintained stable operations through concerted internal efforts, though overall business performance has fallen slightly below expectations.

Guang'an Ko Yo Plant

After Guang'an Ko Yo Plant completed the unit overhaul, its methanol-ammonia co-production units resumed production on 3 January 2025. The plant actively responded to the Group's requirements of "higher standards, better solutions, stronger execution" by strengthening its internal management through measures such as foundation consolidation and empowerment and institutional diagnosis. The production and operation achieved outstanding results. Through equipment technology upgrades, cost control measures, and operational stability competitions, both output and energy efficiency further improved and surpassed the all-time best levels achieved in 2024. Despite the Company's best-ever results in terms of cost control and unit operation, the operating conditions fell short of expectations due to the low sales prices of finished products.

Dazhou Ko Yo Plant

This year, Dazhou Ko Yo Plant continued to organise production according to the goal of "fine management, stable growth and excellent operation" for its production units. Upon the annual overhaul at the beginning of the year, the plant resumed unit commissioning on 10 February. The synthetic ammonia and urea units resumed production on 13 February. With the annual overhaul, existing problems and potential hazards of the units were effectively resolved. Through continuous optimisation and adjustment, the units, upon production resumption, have now reached a better level in both production volume and energy consumption. Despite the Company's best-ever results in terms of cost control and unit operation, the operating conditions fell short of expectations due to the low sales prices of finished products.

Guang'an Ko Yo Electronic Material Plant

Due to sluggish market demand, the units of Guang'an Ko Yo Electronic Material Plant were in a state of shutdown in the first half of 2025. To cope with the increasingly fierce market competition, the Company has always adhered to increasing production, reducing consumption, improving quality and increasing efficiency as effective measures to enhance its core competitiveness. It actively carried out optimisation and production-expanding technical transformation of its units. After the transformation, the stability of the DMF (N,N-dimethylformamide) unit and the capacity of the NMP (N-methylpyrrolidone) unit have been significantly improved, reducing production costs and enhancing product competitiveness. Production will be resumed contingent on market conditions of the products.

Jiangsu Bluestar Plant

At present, the main construction of Jiangsu Bluestar Green Technology Co., Ltd.'s 400,000 tonnes/year propylene oxide project is basically completed and has entered into the commissioning, testing, and procedure handling stage. Production and trial production will be conducted contingent on market conditions of the products. Upon commissioning of the project, it is expected to generate annual sales of approximately RMB4.0 billion.

INDUSTRY OVERVIEW AND OUTLOOK

Dimethylformamide (DMF)

In the first half of 2025, the total domestic production capacity of DMF was 1.8 million tonnes (of which the long-term shutdown capacity was 300,000 tons and the effective capacity was 1.5 million tons), the industry operating rate was 48.5%, and the supply volume was approximately 437,000 tons.

In the first half of 2025, the domestic DMF market showed an "M-shaped" trend. Although prices rebounded during the period, the overall market remained below last year's levels. In the past six months, cost support for the industry weakened while market supply was abundant as compared with the same period last year. This supply glut amid weak demand has led to price suppression in transactions.

On the eve of the Spring Festival, with shrinking market transport capacity, downstream majors were stockpiling for rigid demand. Meanwhile, robust demand at peripheral ports contrasts with low operating rates and depleted inventories in the DMF sector, driving steady price appreciation amid solid demand. After the festival, downstream replenishment willingness was weak due to high prices in early stage. Coupled with the increased DMF supply and against the backdrop of strong supply and weak demand, transactions were mostly negotiated with price pressure. As a result, manufacturers gradually lowered prices to rock-bottom levels under shipment pressure. After the price drop, market transactions improved significantly, with apparent destocking effect achieved by upstream enterprises. Meanwhile, demand for major downstream pulp recovered. Buoyed by multiple positive catalysts, DMF enterprises exhibited stronger confidence. Due to low prices in early stage and severe industry profit inversion, the subsequent price increase from the upstream was relatively high. Prices rose to a high for the first half of the year in mid-April. However, as prices soared, downstream costs came under severe pressure, and demand narrowed. Meanwhile, the DMF industry's operating rate was high, leading to a serious imbalance in supply and demand. Enterprises faced downward price pressure under shipment needs. Prices mostly fluctuated at low levels.

Management Discussion and Analysis (Continued)

N-methylpyrrolidone (NMP)

In the first half of 2025, the NMP market conditions remained sluggish. As of now, the supply capacity of NMP synthetic liquid is approximately 1.01 million tons, without any new capacity. In the first half of the year, its capacity utilisation rate was about 20%, with an estimated output of 105,000 tons, an increase compared to the same period last year. NMP recycling capacity increased by 100,000 tons, bringing the total recycling capacity to nearly 2.8 million tons, ensuring an adequate market supply. On the demand side, as recycling technology has become more mature, the product recovery rate has increased to over 95%. Downstream majors have mostly built their own recycling lines or are deeply tied to recycling plants. Recycling and reuse have taken a dominant position in the NMP market. Some cell factories not only did not purchase NMP but also sold surplus NMP recycled liquid, resulting in a severe mismatch in the market supply and demand structure. The market space for NMP synthetic liquid was further compressed. On the cost side, before June, due to ample supply in the BDO market, the price of raw material BDO remained at a low level with little sign of recovery. After entering June, several BDO producers experienced shutdown, causing a short-term decline in upstream supply. Through concerted industry-wide action, prices were raised to peak of the first half year by late June, with NMP prices following upward in tandem with BDO increases. Furthermore, the NMP recycling industry faced a shortage of raw material waste liquid, leading to a decrease in NMP recycling volume and unlocking market capacity for synthetic liquid. As a result, market prices rose sharply, reaching a high for the first half of the year at RMB10,200/tonnes.

Methanol

According to statistics, from January to June 2025, the production volume of methanol in China was approximately 42.74 million tons, an increase of 8% compared with the same period last year. The average operating rate of the domestic methanol industry was 81%, an increase of 4% compared with the same period last year.

In the first half of 2025, the methanol market exhibited a rally-then-decline pattern, shaped by macroeconomic controls and the supply-demand structure. In the first quarter, demand from traditional downstream sectors (formaldehyde, dimethyl ether, acetic acid, etc.) gradually increased. Traders actively entered the market to replenish stocks, driving an upward shift in market pricing pivot. In the second quarter, affected by macroeconomic factors, the United States announced a "reciprocal tariff" policy, causing global economic turmoil, and the energy and chemical sectors experienced a comprehensive decline. Meanwhile, coal-based producers maintained high operating rates due to attractive margins, with spring maintenance in key production zones proving less extensive than anticipated. Concurrently, rising methanol imports in the second quarter at ports bolstered overall market supply. However, major downstream sectors gradually entered the traditional off-season. Olefins producers in the northwest and port areas maintained low operating rates under cost pressure. Due to declining downstream demand, domestic methanol prices continued to hit new lows. In June, the outbreak of war in the Middle East (war conflict between Israel and Iran) caused a sharp rise in crude oil prices, which in turn boosted the domestic futures and spot markets, and methanol market prices surged accordingly. However, the rally only lasted for about 10 days. As the war situation eased, crude oil prices gradually fell, and both futures and spot prices declined.

Synthetic Ammonia

According to statistics, in the first half of 2025, the synthetic ammonia production volume in China was approximately 30.98 million tons, an increase of 4% compared with the same period last year. The average industry operating rate was 79%, a decrease of 1% compared with the same period last year.

Management Discussion and Analysis (Continued)

The synthetic ammonia market exhibited a "decline-rally-decline" pattern in 2025. January witnessed persistently ample supply amid tepid downstream demand. Manufacturers offloaded stocks at discounted prices before the Spring Festival, exerting pressure on market conditions. In February, although market liquidity was abundant, downstream factories gradually resumed work and production. Supported by stock replenishment, market prices were relatively firm. In March, supply was reduced due to new temporary shutdowns for maintenance in places like Shaanxi, Henan, Hebei, Hunan and Hubei. Driven by market linkage effects and supported by essential procurement in the fertiliser and chemical markets, market prices rose rapidly. Nevertheless, from April to June, the synthetic ammonia market returned to sluggishness. As units previously under maintenance gradually resumed production in various regions, market supply pressure continued to increase. With manufacturers' inventories persistently elevated, the phosphate and compound fertiliser sector entered the inter-crop lull post-spring application. Operating rates subsequently contracted, driving market sentiment downward and propelling market prices to their lowest levels.

Urea

According to statistics, from January to June 2025, the production volume of urea in China was approximately 35.67 million tons, an increase of 10% compared with the same period last year. The average operating rate of the domestic urea industry was approximately 84%, an increase of 6.7% compared with the same period last year.

In the first half of 2025, the urea market exhibited a phased characteristic: initial rally followed by decline. In the first quarter, strong export expectations led to a strong rise in market prices. In January, major production areas reduced order intake before the Spring Festival, putting pressure on the market. In February, downstream compound fertiliser factories resumed work and production, and the overall industry operating rate increased. Boosted by expectations of spring ploughing and fertilisation, the market gradually improved. In March, driven by favourable factors such as expectations of relaxed export policies and pre-Qingming Festival stockpiling, urea market prices rose rapidly. In the second quarter, ample supply coupled with weak demand led to a volatile downward trend in market conditions. In April, industrial and agricultural demand gradually weakened. In May, the implementation of the export policy fell short of market expectations, and prices surged before falling back. In June, loose supply and demand structure dominated the market trend. Despite macroeconomic positives such as the Iran-Israel conflict and Indian tenders, domestic demand remained sluggish. Compound fertiliser shipments stagnated, while laminated board factories maintained low operating rates. These have led to sustained manufacturer price cuts.

STRATEGIES

In the first half of 2025, due to the impact of both domestic and international factors, the fertiliser and chemical industries experienced a volatile downward. While raw material costs surged to record highs, finished product prices continued to decline, squeezing the Company's profit margins and significantly exacerbating its operational challenges. Confronting numerous difficulties, the Group mainly strengthened internal reform and innovation: on the one hand, technological upgrades and overhauls effectively solved problems such as the deactivation of methanol and synthesis tower catalysts, reducing production and operation costs, which resulted in the lowest-ever unit consumption of production; on the other hand, by optimising the all-category bidding model, the Group dynamically adjusted the ratio between bidding and contracting to maximise the benefits; by controlling sales pace and capitalising on market fluctuations, we enhanced the Company's profitability.

In the second half of 2025, we will seize the real-time dynamics of changes in the fertiliser and chemical industries and adopt the following strategies and measures for the Company to emerge completely from difficulties and keep itself on a right track.

I. The Company will keep on arranging and coordinating the work with regard to production materials, such as water, electricity and gas, in a bid to provide long-term and high-load operation protection for units of Dazhou Ko Yo Plant and Guang'an Ko Yo Plant. With safety and environmental protection as the bottom line, while ensuring the long-term and safe operation, it will carry out daily monitoring, accounting, issue early warnings, and adjust and optimise the production organisation and operational capacity in a timely manner to ensure optimal operational benefits;

Management Discussion and Analysis (Continued)

II. The Company will continue to promote special improvement, and seek for and promote the implementation of various measures of "increasing revenue while reducing expenditure, cutting costs while increasing efficiency" to reduce operating costs and reduce waste;

III. The Company will continue to promote measures such as performance appraisal, compensation reform, special rewards and skill assessment, gather together all the staff in the Group to exercise unified leadership, and inspire the creativity and execution of the team, in a bid to achieve good operation results;

IV. The Company will organise expertise and skill competitions, establish an internal lecturer mechanism and strengthen the training of the workforce to improve the technical level and management capabilities of all staff;

V. Through the "Three Foundations" initiative, the Company will actively explore methods to streamline grassroots operations and specialise technical management. This includes implementing: "Nurse + Doctor" equipment management system; and a new HSE management model that prioritises "Behavioural Safety + Inherent Safety". These measures collectively enhance team productivity and management efficacy.

VI. The Company will promote the optimisation of the sales model, increase efforts to develop small and medium-sized end-user customers for chemical products, and further broaden the high-quality customer base. For fertiliser products, the Company will achieve product iteration and upgrading by developing new types of urea, and further enhance the products' market competitiveness. Meanwhile, it will continue to improve the bidding model and increase sales of differentiated urea. The Company will optimise the rhythm of signing contracts, establish an internal sales competition mechanism, and maximise sales benefits;

VII. The Company will do a good job in preparing for the annual overhaul of devices, reduce the number of unplanned shutdowns during the year, increase production and reduce consumption. Under the premise that the supply of natural gas is gradually eased, the Company will explore the feasibility of repairing the device from once a year to every two years;

VIII. The Company will promote the reform of spare parts inventory, gradually reduce the amount of inventory funds occupied, and at the same time continue to enhance safety inventory and inventory management methods to improve the safety factor and reduce costs;

IX. The Company will gradually reduce the proportion of exclusive suppliers to solve industry-specific problems. It will gradually adopt a bidding model for procurement, which is designed to reduce procurement costs and improve procurement quality;

X. The Company will promote the reform of the authorisation system to improve the decision-making efficiency of subsidiaries;

XI. The Company will promote the approval, start and construction of new projects, revitalise existing assets, gradually realise the upgrading of products, transform from pure basic chemical industry to fine chemical industry based on basic chemical industry, and enhance the competitiveness of the Group;

XII. The Company will focus on the two core projects, namely the steam energy-saving transformation and the synthetic ammonia energy-saving and carbon-reduction transformation, promoting the introduction of a second natural gas source for the industrial park;

XIII. The Company will promote standardisation, such as management standardisation, business standardisation, technical standardisation, and operation standardisation, and continuously consolidating the management foundation in order to safeguard the Group's stable operation.

ACKNOWLEDGEMENT

Looking back over the past six months, we have observed certain fluctuations in the chemical fertilizer and chemical industries. Under the leadership of the Board of Directors and management, all employees were united, adhered to market-oriented production and operation activities, followed up market conditions in a timely manner, and made real-time calculations to ensure the best operating efficiency of devices and realise the long-term stable operation of devices. For the second half of the year, with decisions and strategies devised by the Board and under the leadership of the management, we will stabilise the basic chemical business, explore new projects and capitalise on market opportunities.

On behalf of all my colleagues on the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers, the management and our staff. Thank you for your hard work. We will continue working hard to create more returns to our shareholders and the society.

Tang Guoqiang
Chairman

29 August 2025

Liquidity, Financial Resources and Capital Structure

As at 30 June 2025, the Group had net current liabilities of approximately RMB3,265,424,000. Current assets as at 30 June 2025 comprised cash and bank deposits of approximately RMB29,036,000, restricted and pledged bank deposits of approximately RMB60,918,000, inventories of approximately RMB185,520,000, trade and other receivables of approximately RMB156,008,000. Current liabilities as at 30 June 2025 comprised borrowings of approximately RMB1,925,926,000, amount due to a related company of approximately RMB837,257,000, trade and other payables and other current liabilities of approximately RMB933,723,000.

Capital Commitments

As at 30 June 2025, the Group had outstanding capital commitments of approximately RMB215,918,000.

Financial Resources

As at 30 June 2025, the Group had cash and bank balances of approximately RMB29,036,000 and restricted and pledged bank deposits of approximately RMB60,918,000, and did not have any standby bank facilities. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances and cash flow from operation.

Gearing Ratio

The Group's gearing ratios were 94% and 88% as at 30 June 2025 and 31 December 2024 respectively. The gearing ratios were calculated as net debt divided by total capital.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2025.

Material Acquisitions/Disposals

The Group had no material acquisitions/disposals during the six months ended 30 June 2025.

Segmental Information

The Group's activities are primarily conducted in the PRC and are within the same business segment. Therefore, no segmental information was presented for the six months ended 30 June 2025.

Details of Future Plans for Material Investment or Capital Assets

Save as disclosed in the plans of the chairman statement in this interim report, the Company's circular dated 4 December 2020 (the establishment of three new production lines in our Dazhou Plant, Guangan Chemical Plant and Guangan Material Plant) and the Company's circular dated 19 November 2021 (the Jiangsu Plant), there is no other material investment plans.

Employee Information

As at 30 June 2025, the Group had a total workforce of 709 (2024: 821), of which 4 (2024: 3) were responsible for management, 109 (2024: 112) for finance and administration, 588 (2024: 693) for production and 8 (2024: 13) for sales and marketing and research and development. Of these employees, 707 (2024: 819) were stationed in the PRC and 2 (2024: 2) in Hong Kong.

Charges on the Group's Assets

Fixed Asset were pledged as collateral for Group's borrowings and note payable

	As at 30 June	
	2025	2024
	RMB'000	RMB'000
Land use rights and buildings	**317,414**	492,526
Equipment and machinery	**650,105**	912,999
Mining right	**334,306**	334,306
Bank deposit	**60,412**	576,600

Foreign Exchange Exposure

The Group is exposed to foreign exchange risks as certain portion of loans are denominated in foreign currencies, primarily with respect to the HK dollar. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Share Option Scheme

The share option schemes (the "Share Option Schemes") adopted on 18 September 2008 and 9 October 2020. The details of the Share Option Schemes can be found in the circular of the Company dated 29 August 2008 and 18 September 2020.

Details of options granted by the Company pursuant to the Share Option Scheme and options outstanding as at 30 June 2025 were disclosed in the following table:

	Number of share options							
	Held at 1 Jan 2025 ('000)	Grant during period ('000)	Exercised during period ('000)	Forfeited/ Lapsed during period ('000)	Held at 30 Jun 2025 ('000)	Shares Options A ('000)	Shares Options B ('000)	Shares Options C ('000)
Directors								
Tang Guoqiang	–	–	–	–	–	–	–	–
Shi Jianmin	300,000	–	–	–	300,000	–	300,000	–
Zhang Weihua	–	–	–	–	–	–	–	–
Fan Chao	–	–	–	–	–	–	–	–
Xu Congcai	–	–	–	–	–	–	–	–
Le Yiren	–	–	–	–	–	–	–	–
Lu Yi	–	–	–	–	–	–	–	–
Employees	78,812	–	–	(14,820)	63,992	1,500	–	62,492
Total	378,812	–	–	(14,820)	363,992	1,500	300,000	62,492

Share Options A: Granted on 22 June 2016, exercisable from grant date until 21 June 2026 with exercise price HK$0.151.

Share Options B: Granted on 23 October 2020, exercisable from grant date until 22 October 2030 with exercise price HK$0.141.

Share Options C: Granted on 22 November 2021, 35% exercisable 1 year after grant date until 21 November 2031, 35% exercisable 2 years after grant date until 21 November 2031 and 30% exercisable 3 years after grant date until 21 November 2031 with exercise price HK$0.182.

The share options scheme adopted on 18 September 2008 had been expired on 17 September 2018. As at 1 January 2025 and as at 30 June 2025, the Company had 171,492,259 and 186,312,259 share options available for grant under the share option scheme adopted on 23 October 2020 respectively, which represented approximately 2.84% and 3.09% of the Company's shares as at 1 January 2025 and as at 30 June 2025 respectively. The number of shares that may be issued in respect of options granted under all the share option schemes during the reporting period divided by the weighted average number of shares of the relevant class in issue for the reporting period was approximately 6.04%. The remaining life of the share option scheme adopted on 23 October 2020 was about 5.3 years as at 30 June 2025.

Outstanding Convertible Securities

The details of all the outstanding convertibles securities, the Company's ability to meet its redemption obligations of the outstanding convertible securities based on the financial position as at 30 June 2025 and the Share prices (the "Indifference Share Prices") at the future dates at which it would be equally financially advantageous for the securities holders to convert or redeem were as follows:

Outstanding Convertible Securities Maturity Date	Conversion share price (HK$)	No. of shares can be Converted ('000)	Indifference Share Price (HK$) as at 31/12/2025	Indifference Share Price (HK$) as at 29/11/2026	Ability to redeem
29/11/2026	0.108	7,700,000	0.1035	0.1134	No
	Total	7,700,000			

Assuming all outstanding convertibles securities converted into shares of the Company (the "Shares") as at 30 June 2025, the shareholding structure of the Company before and after such conversion for all the outstanding convertible securities is as follow:

As at 30/6/2025	No. of Shares before the conversion of outstanding convertible securities	% of holdings (approx)	No. of Shares from conversion of outstanding convertible securities	No. of Shares after the conversion of outstanding convertible securities	% of holdings (approx)
Directors					
Mr. Tang Guoqiang	169,800,000	2.82	7,700,000,000	7,869,800,000	57.33
Mr. Shi Jianmin	107,000,000	1.78	–	107,000,000	0.78
Mr. Zhang Weihua	500,000,000	8.29	–	500,000,000	3.64
Public Shareholders	5,251,242,599	87.11	–	5,251,242,599	38.25
Total	6,028,042,599	100.00	7,700,000,000	13,728,042,599	100.00

Note: As at 30 June 2025, China Mass Enterprises Limited is indirectly owned by Mr. Zhang Weihua through Jiangsu Kang Tai Holdings Group Limited which held 500,000,000 Shares, and among 69,800,000 out of 169,800,000 shares held by Mr. Tang Guoqiang was held by Coherent Gallery International Limited which was wholly owned by Mr. Tang Guoqiang.

The diluted loss per shares for the year ended 30 June 2025 assuming all outstanding convertible securities being converted was RMB1.35 cents which is calculated by dividing the loss attribute to the shareholders of the Company by the total number of Shares after all outstanding convertible securities being converted.

Disclosure of Interests

(A) Interests of the Directors in the Company

As at 30 June 2025, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers contained in Listing Rules were as follows:

(i) Long positions in the shares and the underlying shares of the Company

Directors	Long position in shares (beneficial owner)	Long position in share options and convertible bonds (beneficial owner)	Aggregate long position in shares and underlying shares	Interests in the issued share capital
Tang Guoqiang	169,800,000	7,700,000,000	7,869,800,000	130.55%
Shi Jianmin	107,000,000	300,000,000	407,000,000	6.75%
Zhang Weihua	500,000,000	–	500,000,000	8.29%

Note: As at 30 June 2025, among 69,800,000 out of the 169,800,000 long position in shares in the interest of Mr. Tang Guoqiang was held by Coherent Gallery International Limited which was wholly owned by Mr. Tang Guoqiang. As at 30 June 2025, China Mass Enterprises Limited is indirectly owned by Mr. Zhang Weihua through Jiangsu Kang Tai Holdings Group Limited which held a total amount of 500,000,000 shares of the Company.

(B) Interests of the Substantial Shareholders in the Company

As at 30 June 2025, so far as is known to any Director or chief executive of the Company, save as disclosed above, no person (not being a Director or a chief executive of the Company) who had an interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

(C) Interests of Other Persons in the Company

As at 30 June 2025, so far as is known to any Director or chief executive of the Company, save as disclosed above, no person (not being a Director or a chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Changes in the Board and the Director's Information

Save as disclosed in the Company's announcement dated 30 April 2025 regarding the appointment of Mr. Fan Chao as an executive Director with effect from 1 May 2025, there were no changes in the Board and the information of the Directors since the date of the Company's annual report for the year ended 31 December 2024.

Directors' Interest in Competing Business

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Company during the period under review.

Going Concern and Mitigation Measures

The Group had certain litigations with banks and a number of measures have been undertaken to improve the Group's liquidity and financial position as in the Company's annual report of year 2024. The Group had been negotiating with banks in renewing or restructuring the loans and most of the bank loans had been restructured. The updated information regarding the going concern and mitigation measures can be found in the announcement of the Company dated 30 June 2025.

Code of Conduct Regarding Securities Transactions by Directors

During the six months ended 30 June 2025, the Company has adopted the Model Code regarding securities transactions by directors on terms no less exacting than the required standard of dealings. Specific enquiry had been made to all directors, the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period under review.

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the end of the reporting period and up to the approval date of this report.

Audit Committee

Audit committee was established on 10 June 2003 with written terms of reference in compliance with the Code on Corporate Governance Practices (the "Code"). The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and the Group and provide advice and comments to the Directors. As at the date of this interim report, the audit committee has three members comprising the three independent non-executive Directors, namely, Mr. Xu Congcai, Mr. Le Yiren and Ms. Lu Yi.

The audit committee has reviewed with the management of the Group the accounting principles and practices adopted by the Company and the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements accounts of the Company and the Group for the six months ended 30 June 2025.

Corporate Governance

The Board practices and procedures had set out the Code as set out in Appendix 14 to the Listing Rules since 1 January 2005. Appropriate actions have been taken by the Company for complying with the Code, the Group has complied with the code provisions set out in the Code.

By Order of the Board
Tang Guoqiang
Chairman

Hong Kong, 29 August 2025