HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
鴻承環保科技有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2265)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

The board (the "**Board**") of directors (the "**Directors**") of HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2026 (the "**Reporting Period**") together with the comparative figures for the six months ended 30 June 2025.

RESULTS HIGHLIGHTS

For the six months ended 30 June 2026, the Group's total revenue was approximately RMB187.5 million, representing an increase of approximately 40.3% as compared to total revenue of approximately RMB133.6 million for the six months ended 30 June 2025.

For the six months ended 30 June 2026, the Group's gross profit was approximately RMB127.7 million, representing an increase of approximately 61.4% as compared to gross profit of approximately RMB79.1 million for the six months ended 30 June 2025. The overall gross profit margin increased from approximately 59.2% for the six months ended 30 June 2025 to approximately 68.1% for the six months ended 30 June 2026.

For the six months ended 30 June 2026, the Group's profit for the period attributable to owners of the Company was approximately RMB70.9 million, representing an increase of approximately 94.8% as compared to the profit for the period attributable to owners of the Company of approximately RMB36.4 million for the six months ended 30 June 2025.

For the six months ended 30 June 2026, basic earnings per share attributable to the owners of the Company were approximately RMB0.071.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026

		Six months ended 30 June	
	Note	**2026**	2025
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**187,519**	133,605
Cost of sales		**(59,787)**	(54,545)
Gross profit		**127,732**	79,060
Other income	*4*	**219**	1,090
Other gains/(losses) — net	*5*	**3,275**	(6)
Reversal/(provision) of impairment on financial assets		**29**	(5)
Selling expenses		**(5,121)**	(1,555)
Administrative expenses		**(28,149)**	(24,812)
Research and development expenses		**(7,130)**	(8,696)
Operating profit	*6*	**90,855**	45,076
Finance income	*7*	**93**	22
Finance costs	*7*	**(8,636)**	(2,301)
Finance costs — net	*7*	**(8,543)**	(2,279)
Profit before income tax		**82,312**	42,797
Income tax expenses	*8*	**(12,615)**	(6,809)
Profit for the period		**69,697**	35,988
Other comprehensive income:			
Item that may be reclassified to profit or loss			
Currency translation differences		**3,483**	(410)
Total comprehensive income for the period		**73,180**	35,578

	Note	Six months ended 30 June 2026	2025
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		**70,944**	36,403
Non-controlling interests		**(1,247)**	(415)
		69,697	35,988
Total comprehensive income for the period, attributable to:			
Owners of the Company		**74,427**	35,993
Non-controlling interests		**(1,247)**	(415)
		73,180	35,578
Earnings per share for the period attributable to owners of the Company			
Basic and diluted (expressed in RMB per share)	*9*	**0.071**	0.036

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Note	**As at 30 June 2026** *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Right-of-use assets	*11*	**125,551**	73,056
Property, plant and equipment	*12*	**846,386**	666,119
Investment properties		**109,855**	112,047
Intangible assets		**1,587**	1,708
Prepayment for non-current assets		**9,613**	2,054
Deferred income tax assets		**3,810**	2,115
		1,096,802	857,099
Current assets			
Inventories	*13*	**35,888**	12,630
Trade and note receivables	*14*	**33,981**	58,101
Other receivables and prepayments	*15*	**34,321**	53,191
Financial assets measured at fair value through other comprehensive income		**31,412**	23,873
Cash and cash equivalents		**47,791**	154,766
Time deposits		**–**	10,000
		183,393	312,561
Total assets		**1,280,195**	1,169,660
EQUITY			
Equity attributable to owners of the Company			
Share capital		**8,208**	8,208
Share premium		**517,965**	517,965
Other reserves		**(296,848)**	(298,670)
Retained earnings		**463,590**	392,646
		692,915	620,149
Non-controlling interests		**–**	11,836
Total equity		**692,915**	631,985

	Note	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**95,038**	117,789
Deferred income tax liabilities		**9,151**	9,033
Other long-term payables		**–**	473
Other liabilities	*18*	**88,128**	91,670
		192,317	218,965
Current liabilities			
Trade and note payables	*16*	**13,778**	29,554
Other payables and accruals	*17*	**100,430**	88,301
Borrowings		**238,043**	165,456
Current income tax liabilities		**23,625**	20,872
Contract liabilities	*3*	**9,529**	4,969
Other liabilities	*18*	**9,558**	9,558
		394,963	318,710
Total liabilities		**587,280**	537,675
Total equity and liabilities		**1,280,195**	1,169,660

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 January 2021 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1–1111, Cayman Islands.

The Company is an investment holding company. The Group is engaged in (i) the provision of gold mine hazardous waste treatment services and sales of pyrite concentrate; (ii) the sales of products from the reprocessing of pyrite concentrate and sulphuric acid; and (iii) the sales of magnesium fertiliser in Laizhou city, Shandong province of the People's Republic of China (the "**PRC**"). The Group's headquarter is in Laizhou, Shandong province of the PRC.

The ultimate controlling party of the Company is Mr. Liu Zeming.

The shares of the Company have been listed (the "**Listing**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 November 2021 (the "**Listing Date**") by way of its initial public offering.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**") and rounded to the nearest thousand yuan ("**RMB'000**"), unless otherwise stated.

The interim condensed consolidated financial information has not been audited or reviewed by our auditor, and has been approved for issue by the Board on 31 August 2026.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those of the annual consolidated financial statements for the year ended 31 December 2025 and the corresponding interim financial period, unless otherwise stated.

2.1 Basis of preparation

The condensed consolidated interim financial statements of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting issued by International Accounting Standards Board ("**IASB**").

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, which are carried at fair value.

The preparation of the condensed consolidated financial statements in conformity with International Financial Reporting Standards ("**IFRSs**") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

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

2.1.1 Going concern

As at 30 June 2026, the Group had net current liability of RMB211,570,000. The Group's cash and bank balances amounted to RMB47,791,000 and total amount of borrowings was RMB333,081,000, including RMB238,043,000 current borrowings and RMB95,038,000 non-current borrowings as at 30 June 2026. The Group meets its day-to-day working capital requirements mainly through its operating cash flows and bank borrowings. In preparing the interim condensed consolidated financial statements, the directors of the Company have considered the Group's net cash inflows from operating activities and the available financing from bank borrowings under the existing revolving loan agreements and available bank credit quotas. Having considered the above, the directors of the Company believe that the Group has adequate resources to continue operation for the foreseeable future of not less than twelve months from period end date of these interim condensed consolidated financial statements. The directors, therefore, are of the opinion that it is appropriate to adopt the going concern basis in preparing its interim condensed consolidated financial statements.

2.1.2 New standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of the following amended IFRS Accounting Standard for the first time for the current period's financial information.

New standards and amendments		**Effective for annual financial periods beginning on or after**
IFRS 9 and IFRS 7 (Amendment)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 9 and IFRS 7 (Amendment)	Contracts Referencing Nature-dependent Electricity	1 January 2026
Annual improvement project	Annual improvements to IFRS Accounting Standards	1 January 2026

The adoption of these amendments did not have any impact on the interim condensed consolidated financial information.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

The executive directors of the Board and the chief financial controller have been identified as the Group's chief operating decision-maker (the "**CODM**").

The Group is principally engaged in (i) the provision of gold mine hazardous waste treatment services and sales of pyrite concentrate; (ii) the productions and sales of products from reprocessing of pyrite concentrate and sulphuric acid; and (iii) the productions and sales of magnesium fertiliser in Laizhou city, Shandong province of the PRC. The process of the treatment services and production of pyrite concentrate constitute one integrated process, whereas the reprocessing flow which includes the processing of pyrite concentrate into sulphuric acid, iron powder, and electricity, as well as the further processing of sulphuric acid into sulfamic acid and magnesium sulfate is another series of production activities ; and the production of magnesium fertiliser comprises a distinct business activity, therefore the CODM assesses the performance of the Group now from these three segments: hazardous waste treatment and recycling; reprocessing of pyrite concentrate and sulphuric acid and others; and production of magnesium fertiliser. Unallocated cost mainly includes administrative expenses incurred by the Company and inter-mediate holding companies of the Group. Management of the Group assesses the performance of operating segments based on segment profit or loss.

Assets grouped under unallocated category comprise cash and bank balances and other receivables held by the Company and intermediate holding companies of the Group.

Liabilities grouped under unallocated category comprise payroll payables, deferred income tax, other payables and accruals of the Company and intermediate holding companies of the Group.

Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets and intangible assets.

The Group's principal market, where majority of revenue and operating profit and all operations and non-current assets, are in Laizhou city of Shandong province of the PRC. Accordingly, no geographical segment information is presented.

The segment information is as follows:

	Hazardous waste treatment and recycling *RMB'000*	Reprocessing of pyrite concentrate and others *RMB'000*	Production of magnesium fertiliser *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2026					
Segment revenue	**33,212**	**140,360**	**13,947**	**–**	**187,519**
Segment profit/(loss)	**4,392**	**87,810**	**240**	**(1,587)**	**90,855**
Finance costs — net	**(2,730)**	**(5,442)**	**(367)**	**(4)**	**(8,543)**
Profit before income tax					**82,312**
Income tax expense					**(12,615)**
Profit for the period					**69,697**
Depreciation and amortisation	**9,233**	**9,564**	**1,871**	**–**	**20,668**
Additions to non-current assets	**22,502**	**228,828**	**1,238**	**–**	**252,568**
As at 30 June 2026					
Total assets	**418,473**	**814,544**	**43,996**	**3,182**	**1,280,195**
Total liabilities	**259,233**	**312,278**	**9,938**	**5,831**	**587,280**

	Hazardous waste treatment and recycling *RMB'000*	Reprocessing of pyrite concentrate and others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2025				
Segment revenue	71,798	61,807	–	133,605
Segment profit/(loss)	25,630	21,154	(1,708)	45,076
Finance costs — net	(2,267)	(12)	–	(2,279)
Profit before income tax				42,797
Income tax expense				(6,809)
Profit for the period				35,988
Depreciation and amortisation	8,566	9,229	–	17,795
Additions to non-current assets	24,655	55,327	–	79,982
As at 30 June 2025				
Total assets	484,687	450,810	2,152	937,649
Total liabilities	247,818	109,417	1,933	359,168

(b) Revenue during the six months ended 30 June 2026 and 2025

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contract with customers within the scope of IFRS 15		
Recognised over time		
Revenue from provision of gold mine hazardous waste treatment services	**16,004**	16,446
Recognised at a point in time		
Revenue from sales of pyrite concentrate	**12,393**	50,573
Revenue from sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**140,360**	61,807
Revenue from sales of magnesium fertiliser	**13,947**	–
	182,704	128,826
Other Revenue		
Rental income	**4,815**	4,779
	187,519	133,605

(c) Contract liabilities

The Group recognised the following contract liabilities:

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities related to sales of pyrite concentrate	**67**	1,241
Contract liabilities related to sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**8,866**	3,728
Contract liabilities related to sales of magnesium fertiliser	**596**	–
	9,529	4,969

The following table shows how much of the revenue recognised during the six months ended 30 June 2026 and 2025 relates to carried-forward contract liabilities:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
— Provision of gold mine hazardous waste treatment services	**–**	84
— Sales of pyrite concentrate	**1,241**	7,261
— Sales of products from the reprocessing of pyrite concentrate sulphuric acid	**3,728**	3,852
	4,969	11,197

(d) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts with customers:

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be recognised within one year		
Sales of pyrite concentrate	**67**	1,241
Sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**8,866**	3,728
Sales of magnesium fertiliser	**596**	–
	9,529	4,969

(e) **Information about major customers**

Revenue from individual customers which individually accounted for 10% or more of the Group's total revenue during the six months ended 30 June 2026 and 2025 is set out below:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**19,570**	N/A[(i)]
Customer B	**N/A[(i)]**	14,115

(i) Contributed less than 10% of the Group's total revenue for the relevant periods.

4 OTHER INCOME

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants	**204**	498
Agency service income	**–**	590
Personal income tax refund	**15**	2
	219	1,090

5 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net losses on disposal of property, plant and equipment and other assets	**(194)**	(6)
Recognition of negative goodwill upon acquisition of a subsidiary	**3,482**	–
Others	**(13)**	–
	3,275	(6)

6 OPERATING PROFIT

An analysis of the amounts presented as operating items in the financial information is given below:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**18,288**	23,428
Employee benefit expenses including directors' emoluments	**25,922**	19,656
Depreciation and amortisation of		
— Right-of-use assets	**1,114**	950
— Property, plant and equipment	**17,245**	14,648
— Investment properties	**2,193**	2,193
— Intangible assets	**116**	4
Taxes and levies	**2,423**	4,425
Transportation expenses	**5,910**	2,505
Electricity and water expenses	**8,264**	6,777
Consultation fee	**2,360**	4,886
Repair and maintenance fee	**568**	827
Donations	**52**	64

7 FINANCE COSTS — NET

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income		
— Interest income derived from bank balances	**(93)**	(22)
Finance costs		
— Interest expenses on bank borrowings	**3,023**	1,497
— Interest expenses relating to warehouse lease arrangements	**1,258**	1,208
— Interest expenses on lease liabilities	**–**	15
— Interest expenses on borrowings under finance lease arrangement	**3,384**	896
— Interest expenses on other borrowings	**361**	–
— Net exchange loss	**1,194**	11
	9,220	3,627
Less: borrowing costs capitalised in property, plant and equipment	**(584)**	(1,326)
	8,636	2,301
Finance costs — net	**8,543**	2,279

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC income tax		
— Current income tax expense	**14,192**	7,554
— Deferred income tax expense	**(1,577)**	(745)
	12,615	6,809

9 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June	
	2026	2025
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(RMB'000)*	**70,944**	36,403
Weighted average number of ordinary shares in issue	**1,000,000,000**	1,000,000,000
Basic earnings per share *(RMB)*	**0.071**	0.036

(b) Diluted

During the six months ended 30 June 2026 and 2025, the diluted earnings per share presented is the same as the basic earnings per share as there were no instruments outstanding that could have a dilutive effect on the Company's ordinary shares.

10 DIVIDEND

No interim dividend was declared for the six months ended 30 June 2026 and 2025.

11 RIGHT-OF-USE ASSETS

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
Right-of-use assets		
Land use rights	**125,551**	73,056
	125,551	73,056

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Machineries *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
As at 1 January 2026 (Unaudited)						
Cost	**262,827**	**200,021**	**15,011**	**13,471**	**281,334**	**772,664**
Accumulated depreciation	**(46,508)**	**(50,225)**	**(5,860)**	**(3,952)**	**–**	**(106,545)**
Net book amount	**216,319**	**149,796**	**9,151**	**9,519**	**281,334**	**666,119**
Six months ended 30 June 2026 (Unaudited)						
Opening net book amount	**216,319**	**149,796**	**9,151**	**9,519**	**281,334**	**666,119**
Additions	**4,785**	**4,956**	**341**	**3,766**	**184,777**	**198,625**
Transfer upon completion	**17,737**	**81**	**–**	**–**	**(17,818)**	**–**
Disposals	**–**	**(110)**	**–**	**(1,003)**	**–**	**(1,113)**
Depreciation	**(5,327)**	**(10,421)**	**(570)**	**(927)**	**–**	**(17,245)**
Closing net book amount	**233,514**	**144,302**	**8,922**	**11,355**	**448,293**	**846,386**
As at 30 June 2026 (Unaudited)						
Cost	**285,349**	**204,766**	**15,352**	**15,994**	**448,293**	**969,754**
Accumulated depreciation	**(51,835)**	**(60,464)**	**(6,430)**	**(4,639)**	**–**	**(123,368)**
Net book amount	**233,514**	**144,302**	**8,922**	**11,355**	**448,293**	**846,386**
As at 1 January 2025 (Unaudited)						
Cost	203,585	163,015	11,338	8,032	180,106	566,076
Accumulated depreciation	(35,498)	(34,651)	(4,277)	(2,819)	–	(77,245)
Net book amount	168,087	128,364	7,061	5,213	180,106	488,831
Six months ended 30 June 2025 (Unaudited)						
Opening net book amount	168,087	128,364	7,061	5,213	180,106	488,831
Additions	1,088	1,636	697	3,703	72,858	79,982
Disposals	–	(167)	–	(103)	–	(270)
Depreciation	(5,302)	(7,796)	(712)	(838)	–	(14,648)
Closing net book amount	163,873	122,037	7,046	7,975	252,964	553,895
As at 30 June 2025 (Unaudited)						
Cost	204,672	164,053	12,036	11,475	252,963	645,199
Accumulated depreciation	(40,800)	(41,910)	(5,096)	(3,498)	–	(91,304)
Net book amount	163,872	122,143	6,940	7,977	252,963	553,895

13 INVENTORIES

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
Raw materials	**19,214**	6,158
Work-in-progress	**2,631**	1,513
Finished goods	**14,043**	4,959
Total	**35,888**	12,630

14 TRADE AND NOTE RECEIVABLES

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
Trade receivables		
— related to provision of gold mine hazardous waste treatment services	**14,852**	21,555
— related to sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**11,404**	6,474
— related to sales of magnesium fertiliser	**–**	7,789
Note receivables	**7,876**	22,464
Less: provision for impairment	**(151)**	(181)
	33,981	58,101

(i) Ageing analysis of the trade receivables

The credit terms grant to customers are generally from 30 to 60 days.

As at 30 June 2026 and 31 December 2025, the ageing analysis of the trade receivables based on the invoice date is as follows:

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
1–90 days	**23,306**	18,103
91–180 days	**1,690**	7,464
181–270 days	**1,260**	7,119
271–360 days	**–**	3,132
	26,256	35,818

(ii) Impairment of the trade receivables

The Group applies the simplified approach to provide for expected credit loss which was a lifetime expected loss allowance for all trade receivables and retention receivables as prescribed by IFRS 9.

The movements in provision for impairment of trade receivables were as follows:

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
As at 1 January	**181**	62
Loss allowance (reversed)/recognised in profit or loss during the year	**(30)**	119
As at period/year end	**151**	181

15 OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loan to a third party (a)	**–**	28,468
Prepayments for purchase of raw materials, transportation cost and other expenses	**9,872**	8,990
Value-added tax receivables	**14,974**	6,291
Deposits with financial institutions under finance lease arrangements	**6,870**	6,870
Deposits for bidding and performance	**500**	500
Others	**2,105**	2,072
	34,321	53,191

(a) As at 31 December 2025, loan to a third party amounting to RMB28,468,000 bears the interest rate of 0.38% per month and was subsequently repaid in February 2026.

16 TRADE AND NOTE PAYABLES

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
— related to transportation costs	**5,106**	3,959
— related to raw materials	**8,672**	5,595
Note payables	**–**	20,000
	13,778	29,554

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

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
1–30 days	**3,236**	6,488
31–60 days	**3,177**	1,950
61–90 days	**3,246**	494
91–180 days	**1,989**	362
Over 180 days	**2,130**	260
	13,778	9,554

17 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2026 *RMB'000* **(Unaudited)**	As at 31 December 2025 *RMB'000* (Audited)
Payables for purchase of property, plant and equipment	**46,923**	44,140
Payable for acquisition of equity interest	**12,250**	–
Other taxes payable	**18,348**	15,387
Amounts due to related parties	**3,960**	12,635
Employee benefits payables	**8,472**	6,908
Others	**10,477**	9,231
Total	**100,430**	88,301

18 OTHER LIABILITIES

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deferred income — asset related government grants (a)		
— Non-current portion	**13,080**	13,102
Warehouse lease arrangements (b)		
(i) Advances from lessee		
— Current portion	**9,558**	9,558
— Non-current portion	**13,246**	18,025
	22,804	27,583
(ii) Payables to LZ Assets		
Non-current		
— First warehouse	**27,916**	27,347
— Second warehouse	**33,886**	33,196
	61,802	60,543
Total	**97,686**	101,228
Presented on the statement of financial position as:		
Other liabilities — current portion	**9,558**	9,558
Other liabilities — non-current portion	**88,128**	91,670
	97,686	101,228

(a) Deferred income — asset related government grants

These mainly represent asset related government grants received from certain municipal government of the PRC as an encouragement for the Group's construction of production sulphuric acid and iron powder.

(b) Warehouse lease arrangements

In October 2018 and December 2018, Shandong Hongcheng Mining (Group) Co., Ltd. (山東鴻承礦業（集團）有限公司) ("**HC Mining**"), a subsidiary of the Group entered into two gold mine hazardous waste storage warehouse lease agreements with Laizhou City State-owned Assets Management Company Limited (萊州市國有資產經營有限公司) ("**LZ Assets**"), a state-owned enterprise, for the storage of cyanide tailings hazardous waste. Pursuant to the lease agreements, LZ Assets advanced RMB72 million in the fourth quarter of 2018 and RMB88 million in the first half year of 2019, totalling RMB160 million, to HC Mining for leases of two warehouses at an annual rental of RMB3.6 million from 1 November 2018 for the first warehouse, and RMB4.4 million from 1 January 2019 for the second warehouse, totalling RMB8 million per annum (inclusive of value added tax on rental income), for a twenty years term.

Pursuant to the lease agreements, (i) the minimum term of the lease period shall be five years from the respective lease commencement dates, unless the cyanide tailings hazardous waste in the warehouses is put for tender for detoxing treatment during the five year term, and in the event that HC Mining won the tender, the lease term would terminate and the future treatment fee would then be deducted from the remaining amount of the advanced payments made by LZ Assets, after deduction of rental income up to the date of termination; (ii) from the sixth year, either LZ Assets or HC Mining has the right to terminate the lease arrangement by paying an amount equivalent to one year rental, being RMB8 million, as compensation to the other party, and HC Mining will be required to repay the remaining balance of the advances to LZ Assets within three years, being 20% for the first year, 30% for the second year and full repayment in the third year, from the receipt of the notice of termination of the lease agreements.

At inception of the lease arrangement in 2018, the Group considers there is a likelihood that LZ Assets would exercise the right to terminate the lease agreements upon the expiry of the five years committed lease term by December 2023, by then the Group would have an obligation to pay back LZ Assets the remaining balances of the advanced payments from LZ Assets, being in total RMB112 million, representing the total advances of RMB160 million less five years' rental income of RMB40 million and compensation of RMB8 million. Accordingly, on initial recognition of the two warehouse lease arrangements in October and December 2018, the Group recorded "Other liabilities — payables to LZ Assets" of RMB84.2 million, being the present value by discounting the obligations to pay back LZ Assets by December 2023 of RMB112 million by instalments as mentioned above. The discount rate applied in deriving the present value of the amounts payable to LZ Assets was the market rate available to the Group for similar financial instruments, which is 4.65%.

In November 2023, the lease agreements were modified to extend the committed and non-cancellable lease term for another five years after the expiry of the first five-year lease term in October and December 2023, with other terms of the original agreements remain unchanged. The Group accounted for the leases as a five year lease contract at inception of the lease in 2018, and extended it to another five years based on the modified contract terms. According to the revised lease term, the Group applied the same accounting treatment as the first five years lease term. The discount rate applied in deriving the present value of the amounts payable to LZ Assets was the market rate available to the Group for similar financial instruments, which is 4.2%. The Group recognised rental income of RMB4,779,000 for the six months ended 30 June 2026 (30 June 2025: RMB4,779,000), and the resultant payable to LZ Assets amounted to RMB61,802,000 as at 30 June 2026 (31 December 2025: RMB60,543,000).

Interest expenses from other liabilities — payables to LZ Assets are recognised using the aforementioned discount rate. The amount of interest expenses relating to the two warehouse lease arrangements during the six months ended 30 June 2026 and 2025 were RMB1,258,000 and RMB1,208,000, respectively.

19 ACQUISITION OF A SUBSIDIARY

On 26 January 2026, Shandong Jinjia Environmental Protection Co., Ltd (山東金嘉環保有限公司) (the "**Shandong Jinjia**") entered into the sale and purchase agreement with Mr. Sheng Yunti (盛雲體) and Mrs. Sheng Wenfeng (盛文峰) to acquire the entire equity interest in the Laizhou Jinxing Chemical Co., Ltd.* (萊州金興化工有限責任公司) (the "**Target Company**") at a total consideration of RMB71,170,000 (the "**Acquisition**").

During the Reporting Period, the total consideration for the Acquisition was fully settled and the registration of the transfer of the equity interest of the Target Company was completed.

The Target Company is currently focusing on the construction of the production facilities for the production of chemical products including sulphuric acid, sulfamic acid and magnesium sulfate. The principal assets of the Target Company comprise: (i) land use rights of a parcel of industrial land located in Yinhai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, with a total gross site area of approximately 175,155.81 sq.m with the expiry date of June 2072; (ii) properties under construction, including factory premises, buildings and warehouses with a current building area of approximately 125,064.63 sq.m, and (iii) other infrastructure, production lines and machineries.

For details of the Acquisition, please refer to the announcements of the Company dated 26 January 2026 and 9 February 2026.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

(i) Purchase consideration

	RMB'000
Cash paid	71,170

(ii) The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	RMB'000
Cash and cash equivalents	225
Other receivables	8,893
Inventory	1,863
Property, plant and equipment	156,557
Right-of-use assets	53,978
Total Assets	221,516
Short term borrowings	10,000
Trade and other payables	102,014
Long term borrowings	34,850
Total Liabilities	146,864
Net identifiable assets acquired	74,652
Less: negative goodwill	(3,482)
Net assets acquired	71,170

(iii) Purchase consideration — cash outflow

	RMB'000
Consideration paid in cash	71,170
Less: cash and cash equivalent balances acquired	(225)
Net outflow of cash — investing activities	70,945

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Consolidate the Leading Position in the Industry Based on Our Own Strengths

The Group, based in Shandong province, the PRC, has been focusing on the treatment of gold mine hazardous waste as well as the resource recovery and comprehensive utilisation of gold mine hazardous waste. We collect cyanide tailings (a kind of gold mine hazardous waste generated in the gold smelting process) from upstream customers (mainly including gold smelting companies under gold mining companies engaged in mining operations in Shandong province, particularly Yantai city). Leveraging its own experience, professional expertise and technical capabilities, the Group decomposes hazardous substances from cyanide tailings and recovers economically valuable resources such as pyrite concentrate therefrom.

To further expand profit margins and strengthen its capability in comprehensive resource utilisation, the Group also reprocesses pyrite concentrate with the addition of other raw materials to produce sulphuric acid, iron powder and electricity for sale to downstream customers or for use in the production of downstream products, thereby achieving the comprehensive utilisation of gold mine hazardous waste. Since the fourth quarter of 2025, the Group has commenced the production and sales of downstream sulphuric acid products, including sulfamic acid and magnesium fertiliser, further extending its industrial chain and expanding its product coverage.

The Group is the only company in Laizhou city, Shandong province that has obtained the Hazardous Waste Business Licence issued by Yantai Municipal Ecology and Environment Bureau. Leveraging its extensive industry experience accumulated over the years, stable hazardous waste treatment capabilities and continuously improving technologies for comprehensive resource utilisation, the Group continued to consolidate its market position in the gold mine hazardous waste treatment and resource utilisation industry in the region where it operates.

For the six months ended 30 June 2026, the global economy and commodity markets continued to be affected by various uncertainties, and the operating environment of the industry remained challenging. Nevertheless, leveraging its prudent operating strategies, continuously extending industrial chain and close collaboration among its various business divisions, the Group continued to record growth in revenue and profit during the Reporting Period.

For the six months ended 30 June 2026, the Group's revenue amounted to approximately RMB187.5 million, representing an increase of approximately 40.3% as compared with approximately RMB133.6 million for the six months ended 30 June 2025. Profit for the period attributable to owners of the Company amounted to approximately RMB70.9 million, representing an increase of approximately 94.8% as compared with approximately RMB36.4 million for the corresponding period in 2025.

The Group's overall gross profit margin increased from approximately 59.2% for the six months ended 30 June 2025 to approximately 68.1% for the Reporting Period. The significant growth in the Group's revenue and profit and the increase in its gross profit margin were mainly attributable to the increase in the selling prices of its principal products, namely sulphuric acid, during the Reporting Period.

Capitalise on Market Opportunities and Enhance the Profitability of Core Products

During the Reporting Period, the selling price of sulphuric acid, one of the Group's principal products, increased, driving the growth in revenue and gross profit of the sulphuric acid-related business and significantly enhancing the Group's overall profitability. As the Group has established an industrial chain covering cyanide tailings treatment, pyrite concentrate recovery, sulphuric acid production and downstream product processing, the positive impact arising from increases in the market prices of its principal products can be transmitted along the industrial chain, thereby further improving the Group's resource utilisation efficiency and overall profitability.

In response to fluctuations in commodity market prices, the Group continued to closely monitor changes in market supply and demand, proactively adjust its production and sales arrangements and strengthen cooperation with upstream and downstream customers and suppliers, with a view to capitalising on market opportunities and maintaining the stable development of its business. Meanwhile, the Group continued to optimise its production processes and cost management and endeavoured to improve production efficiency and product quality, thereby consolidating the market competitiveness of its core products.

Promote the Integration of the Acquisition Project and Strengthen the Long-term Production Capacity Layout

In 2026, the Group completed the acquisition of the entire equity interest in Laizhou Jinxing Chemical Co., Ltd. (萊州金興化工有限責任公司) (the "**Target Company**"). The Target Company owns industrial land, factory premises under construction, buildings, warehouses, infrastructure, production lines and machinery and equipment located in Yinhai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, which are principally intended for the production of chemical products such as sulphuric acid, sulfamic acid and magnesium sulfate.

During the Reporting Period, the Group actively promoted post-acquisition business integration, project construction and production facility planning. It also sought to fully utilise the geographical advantage arising from the proximity of the Target Company to the Group's existing production base and explored potential synergies in production, logistics, procurement, technology, energy utilisation and management.

Upon the commissioning of the relevant production facilities, the Group's sulphuric acid production capacity is expected to be further increased, while its production capacity layout for downstream products such as sulfamic acid and magnesium sulfate will also be strengthened. This will enable the Group to overcome its existing production capacity constraints, expand its business scale, enhance its product portfolio and lay a more solid foundation for its long-term development.

OUTLOOK

Capitalise on Green Development Opportunities and Promote Steady Business Growth

Looking ahead to the second half of 2026, uncertainties may continue to persist in the global economy, geopolitical landscape and commodity markets. The hazardous waste treatment and comprehensive resource utilisation industry may also continue to face challenges arising from market competition and product price fluctuations.

Nevertheless, as the PRC continues to promote green and low-carbon development, the circular economy, resource conservation and environmental governance, the long-term development direction of the harmless treatment and comprehensive resource utilisation of hazardous waste remains unchanged. The Group will continue to uphold its pragmatic and enterprising operating philosophy, build on its existing business strengths, actively capitalise on industry development opportunities and focus on the following strategic directions.

Consolidate the Strengths of Core Businesses and Enhance Operational Quality and Efficiency

The Group will continue to consolidate its core businesses, including gold mine hazardous waste treatment, pyrite concentrate recovery and sulphuric acid production, and fully leverage its competitive advantages in terms of its hazardous waste operation qualification, industry experience, technical capabilities and customer base.

The Group will closely monitor the supply of upstream gold mine hazardous waste, market supply and demand for pyrite concentrate and sulphuric acid, and changes in product prices. It will flexibly adjust its production and sales strategies to mitigate the impact of market fluctuations on its operating results. Meanwhile, the Group will continue to strengthen cost control, equipment management and the optimisation of production processes, improve equipment utilisation, operational efficiency and product quality, and strive to achieve coordinated growth in business scale and profitability.

Promote the Release of New Product Capacity and Establish a Diversified Product Portfolio

The Group will continue to promote the production and sales of downstream new products, including sulfamic acid and magnesium fertiliser, and gradually optimise its capacity utilisation and product mix according to market demand. The Group will also further expand the customer base and sales channels for the relevant products, strengthen product marketing and enhance the market recognition and revenue contribution of its new products.

By further processing the sulphuric acid produced internally into higher value-added downstream products, the Group can further extend its industrial chain, increase its internal consumption capacity for sulphuric acid products and reduce its reliance on a single product or market.

The Group will continue to explore a synergistic development model covering multiple fields and product categories, expand its product offerings horizontally and extend its industrial chain vertically. It will gradually establish a full industrial chain business model covering hazardous waste collection and treatment, resource recovery, reprocessing and product sales.

FINANCIAL REVIEW

Revenue

	For the six months ended 30 June			
	2026		2025	
	RMB'000	*%*	*RMB'000*	*%*
Gold mine hazardous waste treatment services	**16,004**	**8.5**	16,446	12.3
Sales of pyrite concentrate	**12,393**	**6.6**	50,573	37.9
Rental income	**4,815**	**2.6**	4,779	3.6
Sales of products from the reprocessing of pyrite concentrate and sulphuric acid	**140,360**	**74.9**	61,807	46.2
Sales of magnesium fertiliser	**13,947**	**7.4**	–	–
	187,519	**100.0**	133,605	100.0

The Group principally collects cyanide tailings, which is a kind of gold mine hazardous waste, from the Group's upstream customers and applied our technical know-how to (i) detoxify those wastes to meet the required safety standards; (ii) recover and recycle therefrom resources with economic value for sale, such as pyrite concentrate.

Moreover, the Group reprocesses pyrite concentrate into sulphuric acid, iron powder, and electricity, and further processes sulphuric acid into sulfamic acid and magnesium sulfate for sale. Since the fourth quarter of 2025, the Group started to produce and sell magnesium fertiliser. Therefore, revenue of the Group is mainly derived from (i) provision of gold mine hazardous waste treatment services; (ii) sale of pyrite concentrate; (iii) sale of products derived from the reprocessing of pyrite concentrate and sulphuric acid; and (iv) sales of magnesium fertiliser.

For the six months ended 30 June 2026, the Group's total revenue was approximately RMB187.5 million, representing an increase of approximately 40.3% as compared to that of approximately RMB133.6 million for the six months ended 30 June 2025. In particular, the revenue from sales of products from the reprocessing of pyrite concentrate and sulphuric acid recorded an increase of approximately 127.1% compared to the corresponding period in 2025.

Additionally, revenue from sales of magnesium fertiliser contributed approximately RMB13.9 million, representing a new revenue stream for the Group, as no such revenue was recorded in the corresponding period in 2025. Meanwhile, revenue from the sales of pyrite concentrate decreased by approximately 75.5%, mainly because a greater proportion of the pyrite concentrate produced by the Group was used internally for the production of sulphuric acid during the Reporting Period.

The significant increase in revenue was primarily and collectively attributable to: (i) an increase in the average selling prices of the Group's principal products, namely sulphuric acid, during the Reporting Period, which significantly enhanced the Group's overall revenue and profitability; and (ii) the Group's commencement of the production and sales of new downstream sulphuric acid products, namely sulfamic acid and magnesium fertiliser, in the fourth quarter of 2025, which generated additional revenue for the Reporting Period. The Group's gross profit margin increased from approximately 59.2% for the six months ended 30 June 2025 to approximately 68.1% for the Reporting Period.

Gross profit and gross profit margin

For the six months ended 30 June 2026, the Group's gross profit was approximately RMB127.7 million, representing an increase by approximately 61.4% as compared to gross profit of approximately RMB79.1 million for the six months ended 30 June 2025. The increase in the Group's gross profit outpaced the increase in total revenue due to the increase in gross profit margin for the current period.

The overall gross profit margin increased from approximately 59.2% for the six months ended 30 June 2025 to approximately 68.1% for the six months ended 30 June 2026. Such fluctuation was a combined effect of the following factors: (i) the gross profit margin of sales of pyrite concentrate increased from approximately 63.8% for the six months ended 30 June 2025 to approximately 77.1% for the six months ended 30 June 2026; and (ii) the gross profit margin of the sales of products derived from the reprocessing of pyrite concentrate and sulphuric acid increased from approximately 57.2% for the six months ended 30 June 2025 to approximately 77.2% for the six months ended 30 June 2026. However, the increase was partially offset by the decrease of gross profit margin for provision of gold mine hazardous waste treatment services from approximately 53.7% for the six months ended 30 June 2025 to approximately 39.8% for the six months ended 30 June 2026.

Other income

The other income mainly comprises (i) agency service income from acting as an agent that facilitates the trading of magnesite materials, stones and gold/silver concentrates between a third-party supplier and customers; and (ii) government grants. Other income decreased from approximately RMB1.1 million for the six months ended 30 June 2025 to approximately RMB0.2 million for the six months ended 30 June 2026. Such decrease was mainly attributable to a decrease in government grants and the absence of agency service income during the Reporting Period.

Other gains/(losses) — net

The Group's other gains/(losses) — net mainly comprise (i) negative goodwill recognised upon the acquisition of the Target Company; and (ii) net losses on the disposal of property, plant and equipment and other assets. The Group recorded other gains — net of approximately RMB3.3 million for the six months ended 30 June 2026, as compared with other losses — net of approximately RMB6,000 for the six months ended 30 June 2025. Such change was mainly attributable to the recognition of negative goodwill of approximately RMB3.5 million upon the acquisition of the Target Company during the Reporting Period, partially offset by net losses on the disposal of property, plant and equipment and other assets of approximately RMB0.2 million.

Selling expenses

Our selling expenses mainly consist of (i) entertainment expenses; (ii) employee salary and benefit expenses for our sales team; and (iii) promotion expenses. For the six months ended 30 June 2026, the Group's selling expenses were approximately RMB5.1 million, representing an increase of approximately 218.8% as compared to that of selling expenses of approximately RMB1.6 million for the six months ended 30 June 2025. This significant increase was primarily driven by higher entertainment expenses, which were incurred as a result of an increased number of marketing activities and events organised during the Reporting Period compared to the corresponding period in 2025.

Administrative expenses

The administrative expenses of the Group mainly represent (i) employee benefit expenses, including salaries and wages and staff welfare for administrative and management staff; (ii) taxes and levies which primarily represented various kinds of government levies or taxes such as real estate tax, urban construction tax, tenure tax and stamp duty; (iii) depreciation and amortisation of right-of-use assets, administrative facilities and technology research and development related facilities; (iv) office expenses and utilities; (v) entertainment expenses; (vi) professional and consultation fee; (vii) transportation and related expenses; and (viii) other expenses of similar nature.

For the six months ended 30 June 2026, the Group's administrative expenses were approximately RMB28.1 million, representing an increase of approximately 13.3% as compared to the amount of administrative expenses of approximately RMB24.8 million for the six months ended 30 June 2025.

The increase in the Group's administrative expenses was the combined effect of (i) the increase in the employee benefit expenses and office expense of approximately RMB1.7 million and RMB1.9 million, respectively, due to the expansion of operations after the acquisition of the Target Company; and (ii) the increase in the depreciation and amortisation of approximately RMB1.2 million. Such increases were partially offset by the decrease in taxes and levies of approximately RMB2.0 million as a result of the relevant tax relief granted during the Reporting Period.

Research and development expenses

The research and development expenses of the Group mainly represent (i) depreciation and amortisation of research and development facilities; (ii) employee benefit expenses, including salaries and wages and staff welfare for research and development staff; (iii) materials used in research and development activities; and (iv) other consultancy expenses. For the six months ended 30 June 2026, the Group's research and development expenses were approximately RMB7.1 million, representing a decrease of approximately 18.4% as compared to that of approximately RMB8.7 million for the six months ended 30 June 2025. The decrease was mainly due to the decrease in materials used in research and development activities as compared to the previous period.

Net finance costs

Our net finance costs reflected the sum of interest expenses on bank borrowings, borrowings under finance lease arrangement, other borrowings, lease liabilities, exchange gain or loss and other liabilities after offsetting interest income we received from bank balances. For the six months ended 30 June 2026, the Group's net finance costs were approximately RMB8.5 million, representing an increase of approximately 269.6% as compared to that of approximately RMB2.3 million for the six months ended 30 June 2025. The increase in net finance costs was mainly due to the increase in the total borrowings and the increase in the effective interest rate during the Reporting Period.

Income tax expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act and accordingly is exempted from Cayman Islands income tax. Our Company's direct wholly owned subsidiary was incorporated in the British Virgin Islands (the "**BVI**") as a business company with limited liability under the BVI Companies Act 2004 and accordingly is exempted from BVI income tax.

Hong Kong profits tax

No Hong Kong profits tax has been provided for as the Group did not generate any assessable profit in Hong Kong for the six months ended 30 June 2026 and 30 June 2025.

PRC corporate income tax ("CIT")

Taxation on PRC income has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the PRC in which the Group's subsidiaries operate. The Company's subsidiaries incorporated in the PRC are subject to CIT at the rate of 25% (2025: 25%) for the six months ended 30 June 2026, except for Shandong Jinjia, which has applied for High and New Technology Enterprise ("**HNTE**") status and is eligible for a preferential CIT rate of 15%.

In accordance with the Circular of the Ministry of Finance and the State Administration of Taxation on Issues concerning Implementing the Enterprise Income Tax Incentive Catalogue for Comprehensive Utilization of Resources Cai Shui [2008] No. 47 (《財政部、國家稅務總局關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》財稅[2008]47號), an enterprise, which uses the raw materials under the catalogue to produce recycled resource products under the catalogue and the products meet the national or industrial standards, is entitled to incentive tax arrangement such that 90% of the sales revenue of the products is subject to the calculation of the taxable income. The Group's sales of pyrite concentrate qualify for the incentive tax arrangement and therefore 10% of the Group's revenue from sales of pyrite concentrate was exempted from the taxable income of the Group in the calculation of CIT during the six months ended 30 June 2026 and 2025.

In addition, during the six months ended 30 June 2026 and 2025, the Group's PRC subsidiaries, HC Mining and Shandong Jinjia, were entitled to claim additional tax deduction of research and development expenses incurred.

For the six months ended 30 June 2026, the Group's income tax expense was approximately RMB12.6 million, representing an increase of approximately 85.3% as compared to that of approximately RMB6.8 million for the six months ended 30 June 2025, reflecting effective tax rate (equivalent to income tax expense divided by profit before income tax) of approximately 15.3% and 15.9% for the six months ended 30 June 2026 and 30 June 2025, respectively. The increase in income tax expense was in line with the increase in operating profit. The effective tax rates for the six months ended 30 June 2026 decreased slightly compared with that for the corresponding period in 2025, primarily due to the recognition of a higher amount of non-taxable income during the Reporting Period.

Capital Expenditures

Our capital expenditure mainly comprised of the acquisition of items of property, plant and equipment, right-of-use assets and intangible assets. During the six months ended 30 June 2026, we incurred capital expenditure of approximately RMB252.6 million (31 December 2025: approximately RMB211.5 million).

Capital Commitments

As at 30 June 2026, the Group had capital commitments of approximately RMB15.7 million (31 December 2025: RMB18.9 million).

Pledge of Assets

As at 30 June 2026, the total net book value of assets pledged to secure the Group's bank borrowings and finance lease borrowings amounted to approximately RMB81.5 million (31 December 2025: approximately RMB28.3 million) for land use rights, approximately RMB102.3 million (31 December 2025: approximately RMB104.0 million) for buildings, approximately RMB90.6 million (31 December 2025: approximately RMB96.7 million) for machineries, approximately RMB108.7 million (31 December 2025: approximately RMB112.0 million) for investment properties.

Contingent Liabilities

As at 30 June 2026, we did not have any material contingent liabilities. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings, to the knowledge of the Board, threatened against the Group and could have a material adverse effect on our business or operations.

Treasury Policy

The Group adopts a prudent approach towards its treasury policies. To manage the liquidity risk, the Group closely monitors its liquidity position to ensure the liquidity structure of the Group's assets, liabilities and commitments and to ensure the fulfillment of its funding requirements for business development.

Foreign Exchange Risk Management

The Group carries out its business operations in the PRC with most of the transactions denominated and settled in RMB save for certain fees payable to professional parties and miscellaneous administrative expenses that are denominated in Hong Kong dollars. Hence the Group does not currently have a hedging policy on foreign exchange risk as the Board does not consider the Group's exposure to foreign exchange fluctuations (primarily in the HKD) to be significant, and that any fluctuation thereof will not have any material impact on the Group's business operations or its financial results. The management will, however, closely monitor its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2026, the Group had net current liabilities of approximately RMB211.6 million (31 December 2025: net current liabilities of approximately RMB6.1 million). As at 30 June 2026, the gearing ratio was approximately 50.7% (31 December 2025: approximately 30.3%). The gearing ratio is calculated by dividing net debt by total equity at the end of the relevant period/year and multiplying by 100%. Net debt is defined as amounts payable that are not incurred in the ordinary course of business and includes bank and other borrowings, lease liabilities and other liabilities relating to warehouse lease arrangements minus cash and bank balances and time deposits.

As at 30 June 2026, the Group maintained cash and cash equivalents of approximately RMB47.8 million (31 December 2025: approximately RMB154.8 million). The Group met and expects to continue meeting its operating capital, capital expenditure and other capital needs with cash generated from operations.

During the Reporting Period, the Company had no material change in its capital structure. The capital of the Company comprised only ordinary shares.

OTHER INFORMATION

INTERIM DIVIDEND

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Management Discussion and Analysis" section of this announcement, the Group does not have any other plans for material investments or capital assets.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of global offering, upon which 250,000,000 shares were issued, raising total net proceeds (after deducting underwriting commissions and other related listing expenses) of approximately RMB177.3 million (equivalent to approximately HKD217.3 million).

The table below sets forth the allocation and status of utilisation of the net proceeds during the Reporting Period and the expected timeline of the use of the unutilised proceeds:

	Percentage to total amount	Planned use of net proceeds *HKD' million*	Planned use of net proceeds *RMB' million*	Net proceeds utilised during the six months ended 30 June 2026 *RMB' million*	Net proceeds utilised as at 30 June 2026 *RMB' million*	Net proceeds unutilised as at 30 June 2026 *RMB' million*	Expected timeline for full utilisation of the unutilised proceeds
Establish the New Production Facility, comprising two production compartments, with a permitted annual treatment capacity of 600,000 tonnes, and diversification of our product offerings	86.7%	188.4	153.7	4.1	153.7	–	N/A
Strengthen our research and development capabilities to enhance existing products and diversify our product offering	3.9%	8.5	6.9	–	6.9	–	N/A
General working capital purpose	9.4%	20.4	16.7	–	16.7	–	N/A
	100%	217.3	177.3	4.1	177.3	–	

During the six months ended 30 June 2026, the net proceeds were utilised in accordance with the purposes as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. There were no unutilised proceeds as at 30 June 2026.

Further details of the breakdown and description of the proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 26 January 2026, Shandong Jinjia entered into the sale and purchase agreement to acquire the 100% equity interest in the Target Company at a total consideration of RMB71,170,000.

During the Reporting Period, the total consideration for the acquisition was fully settled and the registration of the transfer of the equity interest of the Target Company was completed in February 2026.

The Target Company is currently focusing on the construction of the production facilities for the production of chemical products including sulphuric acid, sulfamic acid and magnesium sulfate. The principal assets of the Target Company comprise: (i) land use rights of a parcel of industrial land located in Yinhai Chemical Industrial Park, Laizhou city, Shandong province, the PRC, with a total gross site area of approximately 175,155.81 sq.m with the expiry date of June 2072; (ii) properties under construction, including factory premises, buildings and warehouses with a current building area of approximately 125,064.63 sq.m, and (iii) other infrastructure, production lines and machineries.

For details of the acquisition, please refer to the announcements of the Company dated 26 January 2026 and 9 February 2026.

Save as disclosed above, during the Reporting Period, the Group did not hold any significant investments, nor did it have any material acquisitions or disposals of any subsidiaries, associates or joint ventures.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events affecting the Group between 30 June 2026 and the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2026, the Group had 501 employees. For the six months ended 30 June 2026, the staff cost of the Group was approximately RMB25.9 million.

The remuneration packages for our employees include salary, bonuses and allowances. The Group participates in social insurance schemes operated by the relevant local government authorities and maintain mandatory pension contribution plans, medical insurance, work-related injury insurance, unemployment insurance, housing accumulation funds and maternity insurance for some of our employees. The Group has also participated in the mandatory provident fund retirement benefit scheme in Hong Kong.

The Group's employee remuneration policy is determined by reference to factors such as remuneration standard of the local market, the overall remuneration standard in the industry, market condition, operating efficiency and employee performance. The Group provides sufficient training to our employees depending on their roles.

The emoluments of the Directors are first reviewed by the remuneration committee of the Company and then approved by the Board, with regard to the Directors' skill, knowledge, involvement in the Group's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

The Company has adopted a share option scheme (the "**Share Option Scheme**") as an incentive to the Directors and eligible employees, details of which are set out in the Prospectus. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption and up to the date of this announcement.

During the Reporting Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period.

As at 30 June 2026, the Company did not hold any treasury shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding transactions of securities of the Company by Directors on terms no less exacting than the required standard set out in the Model Code of Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Having made specific enquiry with each of the Directors, the Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and complied with the applicable code provisions in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the Reporting Period. The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

REVIEW OF UNAUDITED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the accounting principles and policies adopted by the Company and the Group and the unaudited interim results of the Group for the Reporting Period.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2026 INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.sdhcgroup.cn). The interim report of the Company for the six months ended 30 June 2026 containing all the information required by the Listing Rules will be published on the aforementioned websites and despatched to Shareholders (if necessary) in due course.

By order of the Board
HONGCHENG ENVIRONMENTAL TECHNOLOGY COMPANY LIMITED
Liu Zeming
Chairman and Executive Director

Hong Kong, 31 August 2026

As at the date of this announcement, the Board comprises Mr. Liu Zeming, Mr. Zhan Yirong and Mr. Sheng Haiyan as the executive Directors; and Mr. Zhang Shijun, Ms. Liu Ye and Mr. Lau Chung Wai as the independent non-executive Directors.