DONGGUANG CHEMICAL LIMITED

東光化工有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1702

2026

INTERIM REPORT

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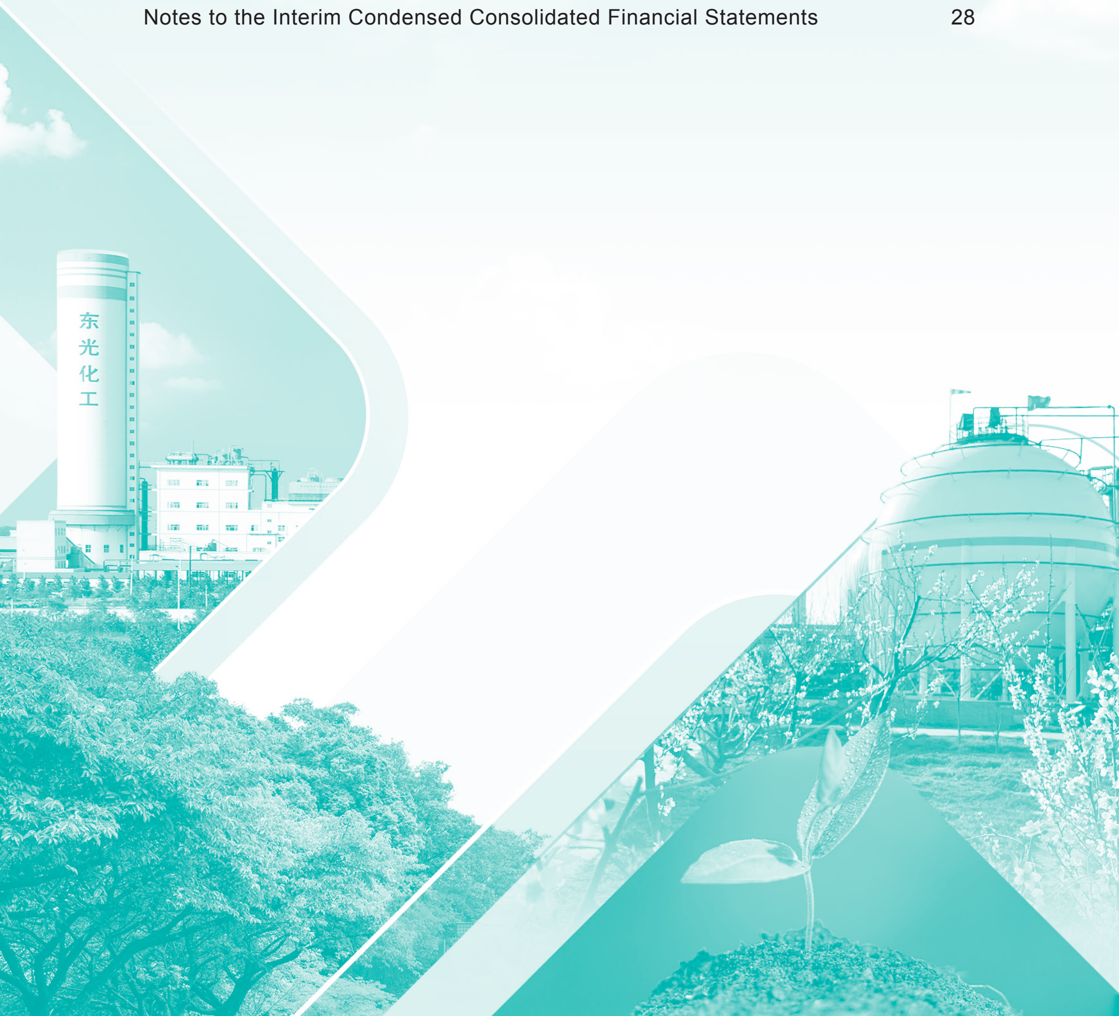

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Chunmeng *(Chairman)*
Mr. Wang Zhihe
Mr. Sun Zushan
Mr. Xu Xijiang

Independent non-executive Directors

Mr. Liu Jincheng
Mr. Leung Ting Yuk
Ms. Zhang Xiaomin

BOARD COMMITTEES

Audit Committee

Mr. Leung Ting Yuk *(Chairman)*
Mr. Liu Jincheng
Ms. Zhang Xiaomin

Remuneration Committee

Ms. Zhang Xiaomin *(Chairlady)*
Mr. Liu Jincheng
Mr. Sun Zushan

Nomination Committee

Mr. Wang Chunmeng *(Chairman)*
Mr. Liu Jincheng
Ms. Zhang Xiaomin

Corporate Governance Committee

Mr. Leung Ting Yuk *(Chairman)*
Mr. Xu Xijiang
Ms. Zhang Xiaomin

COMPANY SECRETARY

Mr. Cheng Shing Hay, HKICPA
(non-practising), CAANZ

AUTHORISED REPRESENTATIVES

(for the purpose of the Listing Rules)

Mr. Wang Zhihe
Mr. Cheng Shing Hay

COMPANY'S LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

AUDITOR

BDO Limited
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN THE PRC

Chengdong Industrial Zone
Dongguang County
Hebei Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F, Tower I
Grand Century Place
193 Prince Edward Road West
Mongkok, Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Principal Share Registrar and Transfer Office in the Cayman Islands

Conyers Trust Company
(Cayman) Limited
Cricket Square
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
Dongguang Branch
Industrial and Commercial Bank of
China Limited Dongguang Branch
Agricultural Bank of China
Dongguang County Branch
Bank of Cangzhou Dongguang Branch

STOCK CODE

1702

COMPANY WEBSITE

www.dg-chemical.com

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2026, China's urea industry remained generally stable, underpinned by steady growth in domestic agricultural and industrial demand, which supported broadly stable market prices. Geopolitical tensions in the Middle East disrupted the global fertilizer trade, heightening supply concerns and price volatility while creating export opportunities for Chinese producers. Under strict policy control, urea exports gradually resumed, supporting producers' profit margins while ensuring sufficient domestic supply.

During the Reporting Period, the Group recorded an increase in profit by approximately RMB40.3 million or 55.3%, from approximately RMB72.9 million for the six months ended 30 June 2025 to approximately RMB113.2 million for the Reporting Period, mainly due to the increase in overall gross profit and gross profit margin, and the increase of gains from urea futures hedging. The increase in overall gross profit and gross profit margin was primarily due to the increase in revenue during the Reporting Period. The Group's revenue increased by approximately RMB29.5 million or 2.50% from approximately RMB1,180.8 million for the six months ended 30 June 2025 to approximately RMB1,210.3 million for the Reporting Period. The Group maintained a stable operating position by optimizing the production capacity and cost control. During the Reporting Period, the sales volume of urea increased by approximately 2.9% as compared to the six months ended 30 June 2025.

BUSINESS REVIEW (CONTINUED)

In the first half of 2026, the Group closely aligned with the national “Dual Carbon” strategy and policy directives on large-scale equipment upgrades. With a focus on green transformation and industrial upgrading, the Group achieved key progress in project development, product innovation and corporate social responsibility, laying a solid foundation for high-quality development. During the Reporting Period, the Group accelerated two major upgrade projects, both of which entered the final sprint stage and are expected to serve as important drivers of future growth: (i) the 540,000 tons per year urea energy-saving and carbon-reduction upgrade project: as a key initiative supporting national technological transformation and manufacturing upgrades, the project achieved milestone progress in the first half of the year. Major equipment, including the hydrolysis tower, urea synthesis tower and core “full-condensation reactor”, was successfully hoisted into place, marking the project’s entry into the critical stage of pipeline connection and integrated system commissioning. Upon commissioning, the project is expected to further enhance the Group’s urea production capacity, improve automation and safety performance, and achieve industry-leading energy efficiency standards; and (ii) the Industrial Upgrading and Comprehensive Utilization (Phase I) Gasification Retrofit Project: as a provincial-level key project, installation of the core units has been largely completed, and installation of the main equipment and pipelines for the gasification unit has also been substantially completed. By adopting a continuous pure-oxygen gasification process, the project is expected to significantly strengthen the Group’s green competitiveness in the synthesis gas segment. Both projects will be financed primarily through own funds and bank borrowings.

In March 2026, Hebei Dongguang Chemical Co., Ltd., a wholly-owned subsidiary of the Group, was awarded the “2025 National Advanced Unit for Nitrogen Fertilizer Supply Assurance” by the China Nitrogen Fertilizer Industry Association in recognition of its outstanding contribution to fertilizer supply assurance. This honour recognises not only the Group’s achievements in supply assurance over the past year as the largest urea producer in Hebei Province, but also its long-standing contribution to national food security.

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Six months ended 30 June 2026 *RMB'000*	Six months ended 30 June 2025 *RMB'000*	% Change +/(-)
Urea	1,057,207	1,007,671	4.9%
Methanol	76,144	66,684	14.2%
Vehicle urea solution	33,858	78,310	(56.8)%
Other products	43,087	28,097	53.4%
Total	1,210,296	1,180,762	2.5%

Urea

During the Reporting Period, revenue from urea increased by approximately RMB49.5 million, or 4.9%, from approximately RMB1,007.7 million for the six months ended 30 June 2025 to approximately RMB1,057.2 million for the Reporting Period, as the sales volume of urea increased by approximately 2.9% as compared to the six months ended 30 June 2025, and the average selling price of the Group's urea products increased by approximately RMB32 per tonne, or 1.9%, from approximately RMB1,632 per tonne for the six months ended 30 June 2025 to approximately RMB1,664 per tonne for the Reporting Period. The increase of sales volume and average selling price was mainly due to the combined effects of the growth in domestic agricultural and industrial demand, and the geopolitical tensions in the Middle East disrupting the global fertilizer trade during the Reporting Period.

Methanol

Revenue from methanol increased by approximately RMB9.4 million, or 14.1%, from approximately RMB66.7 million for the six months ended 30 June 2025 to approximately RMB76.1 million for the Reporting Period, as the sales volume of methanol increased by approximately 8.0% for the Reporting Period as compared to the six months ended 30 June 2025. The average selling price of the Group's methanol products increased by approximately RMB100 per tonne, or 5.7%, from approximately RMB1,756 per tonne for the six months ended 30 June 2025 to approximately RMB1,856 per tonne for the Reporting Period, mainly due to the increase of energy prices during the Reporting Period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Revenue by Products (Continued)

Vehicle urea solution

Revenue from vehicle urea solution decreased by approximately RMB44.4 million, or 56.7%, from approximately RMB78.3 million for the six months ended 30 June 2025 to approximately RMB33.9 million for the Reporting Period, mainly due to the decrease in the sales volume because of the decrease in the vehicle urea solution demand during the Reporting Period. However, the average selling price of the Group's vehicle urea solution increased by approximately RMB20 per tonne, or 3.1%, from approximately RMB652 per tonne for the six months ended 30 June 2025 to approximately RMB672 per tonne for the Reporting Period, mainly due to the increase of urea market prices.

Other products

Other products include carbon dioxide, liquid ammonia, compound fertiliser and LNG. Revenue from other products increased by approximately RMB15.0 million, or 53.4%, from approximately RMB28.1 million for the six months ended 30 June 2025 to approximately RMB43.1 million for the Reporting Period, mainly due to the increase in revenue of the Group's compound fertiliser and LNG products during the Reporting Period. The increase in revenue of such products was due to increase in their sales volume and average selling prices in the Reporting Period.

Cost of sales

The Group's cost of sales slightly increased by approximately RMB2.8 million, or 0.3%, from approximately RMB1,079.0 million for the six months ended 30 June 2025 to approximately RMB1,081.8 million for the Reporting Period, primarily due to the increase in direct labour costs and manufacturing overhead costs. The increase in direct labour costs was mainly due to the increase in average salaries and wages, and the increase in manufacturing overhead costs was mainly due to the increase in depreciation, repairs and maintenance, and environmental protection fee during the Reporting Period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Gross Profit and Gross Profit Margin

	Six months ended 30 June 2026		Six months ended 30 June 2025			
	Gross Profit	Margin	Gross Profit/ (Loss)	Margin	Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Urea	104,662	9.9	87,938	8.7	16,724	19
Vehicle urea solution	6,601	19.5	5,782	7.4	819	14.2
Methanol	836	1.1	(3,471)	(5.2)	4,307	(124.1)
Other products	16,395	38.1	11,559	41.1	4,836	41.8
Total	128,494	10.6	101,808	8.6	26,686	26.2

The Group's gross profit increased by approximately RMB26.7 million, or 26.2%, from approximately RMB101.8 million for the six months ended 30 June 2025, to approximately RMB128.5 million for the Reporting Period, primarily due to the increase in the Group's revenue from the sale of urea, which is a major product of the Group, mainly as a result of the increase in the sales volume and average selling price as described above. As a result of the percentage increase of the Group's revenue being greater than the percentage increase of the Group's cost of sales during the Reporting Period, the Group's gross profit margin increased from approximately 8.6% for the six months ended 30 June 2025 to approximately 10.6% for the Reporting Period.

Other income

Other income increased by approximately RMB4.3 million, or 41.3%, from approximately RMB10.4 million for the six months ended 30 June 2025, to approximately RMB14.7 million for the Reporting Period, primarily due to increase in sales of scrap materials income during the Reporting Period.

Other gains, net

Other gains, net increased by approximately RMB19.3 million, or 133.1%, from approximately RMB14.5 million for the six months ended 30 June 2025, to approximately RMB33.8 million for the Reporting Period, primarily attributable to the increase of gains from urea futures hedging during the Reporting Period.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Gross Profit and Gross Profit Margin (Continued)

Administrative expenses

Administrative expenses decreased by approximately RMB6.6 million, or 22.8%, from approximately RMB28.9 million for the six months ended 30 June 2025 to approximately RMB22.3 million for the Reporting Period, primarily due to the decrease of legal and professional fees for the Reporting Period.

Distribution expenses

There was no material fluctuation for distribution expenses between the Reporting Period and the six months ended 30 June 2025.

Finance costs

There was no material fluctuation for finance costs between the Reporting Period and the six months ended 30 June 2025.

Taxation

Income tax expenses increased by approximately RMB16.1 million, or 73.9%, from approximately RMB21.8 million for the six months ended 30 June 2025 to approximately RMB37.9 million for the Reporting Period primarily due to the increase in profit before income tax.

Profit for the period

Profit for the period increased by approximately RMB40.3 million, or 55.3%, from approximately RMB72.9 million for the six months ended 30 June 2025 to approximately RMB113.2 million for the Reporting Period. This was mainly due to the increase in gross profit of approximately RMB26.7 million, increase in other income of approximately RMB4.3 million, the increase in other gains of approximately RMB19.3 million and the decrease in administrative expenses of approximately RMB6.6 million. The increase in profit for the Reporting Period was partially offset by increase in income tax expenses of approximately RMB16.1 million.

CAPITAL STRUCTURE

As at 30 June 2026, the Group had net assets of approximately RMB2,008.8 million (as at 31 December 2025: approximately RMB1,933.9 million), comprising of non-current assets of approximately RMB1,378.4 million (as at 31 December 2025: approximately RMB1,228.4 million), and current assets of approximately RMB1,132.3 million (as at 31 December 2025: approximately RMB989.1 million), which primarily consist of cash and bank balances amounted to approximately RMB588.2 million (as at 31 December 2025: approximately RMB577.7 million). Moreover, inventories amounted to approximately RMB110.7 million (as at 31 December 2025: approximately RMB97.7 million) and prepayments, deposits and other receivables amounted to approximately RMB256.7 million (as at 31 December 2025: approximately RMB186.7 million) are also major current assets. The Group recorded a net current asset position of approximately RMB689.0 million as at 30 June 2026 (as at 31 December 2025: approximately RMB756.0 million). Major current liabilities are trade and note payables amounted to approximately RMB228.4 million (as at 31 December 2025: approximately RMB97.3 million), other payables and accruals amounted to approximately RMB75.8 million (as at 31 December 2025: approximately RMB65.3 million) and contract liabilities amounted to approximately RMB115.3 million (as at 31 December 2025: approximately RMB63.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2026, the Group had cash and bank balances of approximately RMB588.2 million (as at 31 December 2025: approximately RMB577.7 million) and had total interest-bearing bank borrowings of approximately RMB20.3 million (as at 31 December 2025: Nil), which were entirely denominated in RMB. The Group's interest-bearing bank borrowings bear interests rates at 2.7%.

As at 30 June 2026, total current bank and other borrowings of the Group repayable within one year were approximately RMB20.0 million (as at 31 December 2025: Nil), and total non-current bank and other borrowings repayable beyond one year were approximately RMB0.3 million (as at 31 December 2025: Nil). The gearing ratio for the Group was approximately 1.0% (as at 31 December 2025: Nil), calculated based on bank and other borrowings of approximately RMB20.3 million (as at 31 December 2025: Nil) and equity attributable to owners of the Company of approximately RMB2,008.8 million (as at 31 December 2025: approximately RMB1,933.9 million). The Group would serve its debts primarily by cash flow generated from its operation, seeking renewal of the outstanding bank borrowings and new banking facilities and exploring the availability of alternative source of financing. The management is confident that the Group has adequate financial resources to meet its future debt repayment obligations whilst supporting its working capital requirements and future expansion.

PROSPECTS

Looking ahead to the second half of the year, international geopolitical conflicts are expected to remain a key factor affecting the global fertilizer market. Following disruption to the Strait of Hormuz caused by the Middle East conflict, fertilizer shipments through this waterway have largely ceased. As the Gulf region accounts for approximately one-third of global urea supply, shipping restrictions have materially affected overseas urea production and directly driven up international prices. The Food and Agriculture Organization of the United Nations (FAO) has warned that prolonged disruption to shipping through the Strait could affect global food security more rapidly than the energy market. At the same time, a new El Niño phenomenon is emerging, and extreme weather may affect multiple agricultural regions simultaneously, further exacerbating global fertilizer shortages. Overall, international geopolitical conflicts have reduced overseas supply and pushed up prices. However, supported by coal-based chemical production advantages and policy intervention, China's fertilizer market continues to maintain a relatively independent pricing system and stable supply.

In response to domestic and international challenges and uncertainties, the Group has further deepened strategic raw material procurement, optimised production processes and strengthened equipment management, thereby converting economies of scale into cost advantages. Amid intensified industry competition, the Group has demonstrated strong risk resilience through forward-looking strategic planning. The Group will spare no effort in advancing the 540,000 metric tons per year urea upgrade project and the gasification retrofit project, with the objective of commencing trial operations by the end of the year barring any unforeseen circumstances. The Group will continue to explore energy-saving potential and progress towards becoming a modern integrated chemical enterprise focused on resource recycling and clean production. Meanwhile, the Group will continue to address challenges by expanding production capacity, optimising processes and promoting product innovation, thereby further strengthening operational stability and core competitiveness while laying a solid foundation for future development.

FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign exchange risk during the Reporting Period arising from various currency exposures mainly to the extent of its bank balances in currency denominated in Hong Kong dollars.

The Group does not have a formal foreign currency hedging policy nor conducts hedging exercise to reduce its foreign currency exposure. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should it be necessary.

CAPITAL COMMITMENTS

As at 30 June 2026, capital commitment of the Group which had been contracted for but not provided in the financial statements was approximately RMB225.3 million (as at 31 December 2025: approximately RMB477.1 million).

CHARGE ON ASSETS

As at 30 June 2026, two parcels of land located in Hebei Province held by Hebei Dongguang Chemical Co., Ltd* (河北省東光化工有限責任公司) had been charged as security for certain facilities amounting to an aggregate of RMB675 million granted to it (31 December 2025: Nil). Save as disclosed, there was no other charge over any assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2026, the Group did not have any material contingent liabilities (as at 31 December 2025: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2026, the Group employed a total of 1,256 employees (as at 31 December 2025: 1,225 employees). The Group's emolument policy is formulated based on industry practices and performance of individual employees. During the Reporting Period, the total staff costs (including directors' emoluments) amounted to approximately RMB68.0 million (six months ended 30 June 2025: approximately RMB63.2 million). The Company has also adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, for their contribution to the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2026, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

Name of Director	The company in which the interest is held	Capacity/nature of interest	Number of shares involved *(Note 1)*	Approximate percentage* of shareholding
Mr. Wang Zhihe	The Company	Interest of controlled corporation	460,000,000 Shares (L) *(Note 2)*	74.08%

* The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2026.

Notes:

1. The letter "L" denotes the Director's long position in the shares of the Company ("**Shares**").

2. Among these 460,000,000 Shares, 279,680,000 Shares are held by SINO-COAL CHEMICAL HOLDING GROUP LIMITED ("**Sino-Coal Holding**") (which is owned as to approximately 33.059% by Timely Moon Limited ("**Timely Moon**")); and 180,320,000 Shares are held by Bloom Ocean Investments Limited ("**Bloom Ocean**") (which is owned as to approximately 44.27% by Timely Moon). Timely Moon is wholly owned by Mr. Wang Zhihe. By virtue of the SFO, each of Timely Moon and Mr. Wang Zhihe is taken to be interested in the Shares held by each of Sino-Coal Holding and Bloom Ocean.

Save as disclosed above, as at 30 June 2026, none of the Directors or chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2026, so far as is known to the Directors, the following corporations or persons (other than a Director or the chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Capacity/nature of interest	Number of shares involved *(Note 1)*	Approximate percentage* of shareholding
Timely Moon	Interest of controlled corporation	460,000,000 Shares (L) *(Note 2)*	74.08%
Ms. Sun Yukun	Interest of spouse	460,000,000 Shares (L) *(Note 3)*	74.08%
Sino-Coal Holding	Beneficial owner	279,680,000 Shares (L)	45.04%
Bloom Ocean	Beneficial owner	180,320,000 Shares (L)	29.04%
Plenty Sun Limited ("**Plenty Sun**")	Interest of controlled corporation	180,320,000 Shares (L) *(Note 4)*	29.04%
Mr. Sun Yi	Interest of controlled corporation	180,320,000 Shares (L) *(Note 4)*	29.04%
Ms. Yao Juan	Interest of spouse	180,320,000 Shares (L) *(Note 5)*	29.04%
Guofu (Hong Kong) Holdings Limited	Beneficial owner	31,132,000 Shares (L) *(Note 6)*	5.01%
Hebei Guofu Agricultural Investment Group Co., Ltd** (河北省國富農業投資集團有限公司)	Interest of controlled corporation	31,132,000 Shares (L) *(Notes 6 & 7)*	5.01%

* The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2026.

** Denotes English translation of the name of a Chinese company, and is provided for identification purposes only.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Notes:

1. The letter "L" denotes the shareholder's long position in the Shares.

2. Among these 460,000,000 Shares, 279,680,000 Shares are held by Sino-Coal Holding (which is owned as to approximately 33.059% by Timely Moon); and 180,320,000 Shares are held by Bloom Ocean (which is owned as to approximately 44.27% by Timely Moon). Timely Moon is wholly owned by Mr. Wang Zhihe. By virtue of the SFO, each of Timely Moon and Mr. Wang Zhihe is taken to be interested in the Shares held by each of Sino-Coal Holding and Bloom Ocean.

3. Ms. Sun Yukun is the spouse of Mr. Wang Zhihe. Under the SFO, Ms. Sun Yukun is taken to be interested in the same number of Shares in which Mr. Wang Zhihe is interested.

4. These 180,320,000 Shares are held by Bloom Ocean (which is owned as to approximately 44.01% by Plenty Sun). Plenty Sun is wholly owned by Mr. Sun Yi. By virtue of the SFO, each of Plenty Sun and Mr. Sun Yi is taken to be interested in the Shares held by Bloom Ocean.

5. Ms. Yao Juan is the spouse of Mr. Sun Yi. Under the SFO, Ms. Yao Juan is taken to be interested in the same number of Shares in which Mr. Sun Yi is interested.

6. The information disclosed is based on the disclosure of interests forms submitted by these substantial shareholders respectively.

7. Hebei Guofu Agricultural Investment Group Co., Ltd** (河北省國富農業投資集團有限公司) is deemed to be interested in these Shares through its controlled corporation, namely, Guofu (Hong Kong) Holdings Limited.

Save as disclosed above, as at 30 June 2026, other than the Directors and the chief executive of the Company whose interests are set out in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no person had interest or short position in the Shares or underlying Shares which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Scheme**") on 20 June 2017. The purpose of the Scheme is to provide incentives or rewards to selected participants who contribute to the success of the Group's operations. The Scheme will remain in force for a period of 10 years commencing on the date on which the Scheme was adopted. No share options have been outstanding, granted, exercised, lapsed or cancelled by the Company under the Scheme since its adoption and up to the date of this report.

Accordingly, as at 1 January 2026 and 30 June 2026, the number of share options available for grant under the Scheme was 62,000,000, representing about 9.98% of the issued share capital of the Company as at the respective dates.

EVENTS AFTER THE REPORTING PERIOD

There is no event that will have material impact on the Group from the end of the Reporting Period to the date of this report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures of the Company during the Reporting Period.

SIGNIFICANT INVESTMENTS

There was no significant investment held by the Company during the Reporting Period.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

Below is the information relating to the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

– Mr. Leung Ting Yuk resigned as an independent non-executive director of Most Kwai Chung Limited, a company whose shares are listed on the Stock Exchange (stock code: 1716) with effect from 5 May 2026.

Save as disclosed above, there is no change in the information of Directors and chief executives of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

INTERIM DIVIDEND

The Board has decided not to declare an interim dividend for the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of the independent non-executive Directors, namely Mr. Leung Ting Yuk, Mr. Liu Jincheng and Ms. Zhang Xiaomin. Mr. Leung Ting Yuk is the Chairman of the Audit Committee.

The Audit Committee has reviewed and discussed with the management of the Group on the interim results of the Group for the Reporting Period, including the accounting treatment, principles and practices adopted by the Group, and discussed financial related matters, with no disagreement.

The interim results of the Group for the Reporting Period have been reviewed by the Company's auditor, BDO Limited, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CORPORATE GOVERNANCE

The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Part 2 of Appendix C1 to the Listing Rules. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in Part 2 of the CG Code throughout the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct of the Company governing Directors' securities transactions throughout the Reporting Period.

APPRECIATION

On behalf of the Board, I would like to thank the management and all staff for their hard work and dedication, as well as the shareholders of the Company and customers of the Group for their support.

By order of the Board
Dongguang Chemical Limited
東光化工有限公司
Wang Chunmeng
Chairman

The PRC, 27 August 2026

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港
干諾道中111號
永安中心25樓

TO THE BOARD OF DIRECTORS OF DONGGUANG CHEMICAL LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 21 to 40 which comprise the condensed consolidated statement of financial position of Dongguang Chemical Limited and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2026 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements, including material accounting policy information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" **("IAS 34**") issued by the International Accounting Standards Board ("**IASB**"). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by IASB. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited
Certified Public Accountants

Ho Yee Man
Practising Certificate Number: P07395
Hong Kong

27 August 2026

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	Notes	Six months ended 30 June 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue	5	1,210,296	1,180,762
Cost of sales		(1,081,802)	(1,078,954)
Gross profit		128,494	101,808
Other income	5	14,736	10,409
Other gains, net	6	33,775	14,479
Administrative expenses		(22,336)	(28,945)
Distribution expenses		(2,517)	(2,095)
Finance costs	8	(978)	(941)
Profit before income tax	9	151,174	94,715
Income tax expenses	10	(37,941)	(21,784)
Profit for the period		113,233	72,931
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operation		(16,470)	(2,370)
Total comprehensive income for the period attributable to owners of the Company		96,763	70,561
Profit for the period attributable to:			
– Owners of the Company		112,094	72,318
– Non-controlling interest		1,139	613
		113,233	72,931
Total comprehensive income for the period attributable to:			
– Owners of the Company		95,624	69,948
– Non-controlling interest		1,139	613
		96,763	70,561
		RMB cents	*RMB cents*
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted	12	18.1	11.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*13*	1,200,453	1,044,529
Investment property		5,693	5,986
Right-of-use assets		147,956	150,200
Unlisted equity investment at fair value through other comprehensive income		40	40
Prepayments for equipment	*16*	19,984	22,050
Deferred tax assets		4,308	5,571
Total non-current assets		1,378,434	1,228,376
Current assets			
Inventories	*14*	110,739	97,696
Trade and bills receivables	*15*	4,515	20,752
Prepayments, deposits and other receivables	*16*	256,683	186,708
Cash and bank balances		588,188	577,675
Restricted cash	*17*	167,000	101,107
		1,127,125	983,938
Assets classified as held for sale		5,126	5,126
Total current assets		1,132,251	989,064
Current liabilities			
Trade and notes payables	*18*	228,378	97,257
Deferred revenue		1,875	1,937
Contract liabilities	*5*	115,291	63,881
Other payables and accruals	*19*	75,778	65,335
Financial liabilities at fair value through profit or loss		1,104	1,193
Lease liabilities		84	81
Bank borrowings	*20*	20,000	–
Income tax payable		747	3,341
Amount due to a non-controlling shareholder of a subsidiary	*22(a)*	40	40
Total current liabilities		443,297	233,065
Net current assets		688,954	755,999

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2026

	Notes	At 30 June 2026 RMB'000 (Unaudited)	At 31 December 2025 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		29,065	28,090
Bank borrowings	*20*	252	–
Deferred revenue		29,226	22,338
Deferred tax liabilities		–	5
Total non-current liabilities		58,543	50,433
Net assets		2,008,845	1,933,942
Capital and reserves attributable to owners of the Company			
Share capital	*21*	392	392
Reserves		1,994,162	1,920,398
Equity attributable to owners of the Company		1,994,554	1,920,790
Non-controlling interests		14,291	13,152
Total equity		2,008,845	1,933,942

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Share capital *RMB'000*	Share premium *RMB'000*	Specific reserve *RMB'000*	Merger reserve *RMB'000*	Statutory reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Retained earnings *RMB'000*	Attributable to owners of the Company *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
At 1 January 2025	392	738,848	64,007	(559,842)	140,905	(1,512)	1,421,675	1,804,473	6,558	1,811,031
Profit for the period	–	–	–	–	–	–	72,318	72,318	613	72,931
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,370)	–	(2,370)	–	(2,370)
Total comprehensive income/(expense) for the period	–	–	–	–	–	(2,370)	72,318	69,948	613	70,561
Appropriation of reserve	–	–	7,088	–	6,864	–	(13,952)	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	(20,564)	(20,564)	–	(20,564)
Utilisation of specific reserve for the period	–	–	(3,264)	–	–	–	3,264	–	–	–
At 30 June 2025	392	738,848	67,831	(559,842)	147,769	(3,882)	1,462,741	1,853,857	7,171	1,861,028

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Share capital *RMB'000*	Share premium *RMB'000*	Specific reserve *RMB'000*	Merger reserve *RMB'000*	Statutory reserve *RMB'000*	Foreign currency translation reserve *RMB'000*	Retained earnings *RMB'000*	Attributable to owners of the Company *RMB'000*	Non-controlling interest *RMB'000*	Total equity *RMB'000*
At 1 January 2026	392	738,848	66,914	(559,842)	147,860	(4,400)	1,531,018	1,920,790	13,152	1,933,942
Profit for the period	–	–	–	–	–	–	112,094	112,094	1,139	113,233
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(16,470)	–	(16,470)	–	(16,470)
Total comprehensive income/(expense) for the period	–	–	–	–	–	(16,470)	112,094	95,624	1,139	96,763
Appropriation of reserve	–	–	9,432	–	146	–	(9,578)	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	(21,860)	(21,860)	–	(21,860)
Utilisation of specific reserve for the period	–	–	(4,373)	–	–	–	4,373	–	–	–
At 30 June 2026	392	738,848	71,973	(559,842)	148,006	(20,870)	1,616,047	1,994,554	14,291	2,008,845

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Operating activities		
Profit before income tax	151,174	94,715
Adjustments for:		
Depreciation of right-of-use assets	2,244	1,969
Depreciation of investment property	293	293
Depreciation of property, plant and equipment	70,087	67,779
Gain on financial assets at fair value through profit or loss	(23,206)	(8,545)
Fair value gain on financial liabilities at fair value through profit or loss	(2,270)	(89)
Interest income	(7,161)	(3,610)
Interest expense	978	941
Operating profit before working capital changes	192,139	153,453
Increase in inventories	(13,043)	(675)
Decrease in trade and bills receivables	16,237	944
(Increase)/decrease in prepayments, deposits and other receivables	(69,975)	2,039
Increase in trade and notes payables	131,121	35,712
Increase in contract liabilities	51,410	44,719
Increase/(decrease) in other payables and accruals	10,443	(8,226)
Increase/(decrease) in deferred revenue	6,826	(973)
Proceeds from disposals of financial assets at fair value through profit or loss	29,401	9,461
Payments for acquisition of financial assets at fair value through profit or loss	(4,014)	(1,332)
Cash generated from operations	350,545	235,122
Income tax paid	(39,276)	(5,018)
Net cash generated from operating activities	311,269	230,104

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2026

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Investing activities		
Placement of restricted cash	(65,893)	(46,190)
Payments for purchase of property, plant and equipment	(209,170)	(109,016)
Payments for acquisition of right-of-use assets	–	(4,879)
Prepayments for acquisition of equipment	(14,776)	–
Interest received	7,161	3,610
Net cash used in investing activities	(282,678)	(156,475)
Financing activities		
Bank borrowings raised	20,252	–
Dividend paid	(21,860)	(20,564)
Net cash used in financing activities	(1,608)	(20,564)
Net increase in cash and bank balances	26,983	53,065
Effect of foreign exchange rate changes	(16,470)	(2,370)
Cash and bank balances at the beginning of the period	577,675	702,097
Cash and bank balances at the end of the period	588,188	752,792

1. GENERAL INFORMATION

Dongguang Chemical Limited (the "**Company**") was incorporated in the Cayman Islands on 26 July 2013 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. Its shares are listed on the Stock Exchange of Hong Kong Limited. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in manufacturing and selling urea and by-products in the People's Republic of China (the "**PRC**").

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**"), issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 27 August 2026.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2025 annual financial statements, except for those that relate to new amendments effective for the first time for periods beginning on or after 1 January 2026. Details of any changes in accounting policies are set out in note 3. The adoption of the revised IFRS Accounting Standards have no material effect on these interim condensed consolidated financial statements.

The preparation of these interim condensed consolidated financial statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the interim condensed consolidated financial statements and their effect are disclosed in note 4.

These interim condensed consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with the IFRS Accounting Standards and should be read in conjunction with the 2025 annual financial statements.

2. BASIS OF PREPARATION (CONTINUED)

The interim condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair value.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". BDO Limited's independent review report to the Board of Directors is included on page 19 to page 20.

3. CHANGES IN IFRS ACCOUNTING STANDARDS

The IASB has issued a number of amended IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments
- Amendments to IFRS 9 and IFRS 7, Contracts Referencing Nature-dependent Electricity
- Amendments to IFRS Accounting Standards, Annual Improvements to IFRS Accounting Standards – Volume 11

The amended IFRS Accounting Standards that are effective from 1 January 2026 did not have any significant impact on the Group's accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2025 annual financial statements.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold by the Group, after deducting relevant taxes. In the following table, revenue is disaggregated by primary geographical market, major products and timing of revenue recognition.

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Primary geographical market		
– PRC	1,210,296	1,164,333
– Others	–	16,429
	1,210,296	1,180,762
Major products		
– Sales of urea	1,057,207	1,007,671
– Sales of methanol	76,144	66,684
– Sales of liquid ammonia	49	–
– Sales of carbon dioxide	8,861	8,981
– Sales of LNG	19,705	15,357
– Sales of compound fertiliser	14,472	3,759
– Sales of vehicle urea solution	33,858	78,310
	1,210,296	1,180,762
Timing of revenue recognition		
– At a point in time	1,210,296	1,180,762
Other income is presented as follows:		
Government grants	1,454	973
Bank interest income	2,978	3,610
Sales of scrap materials	10,218	5,470
Others	86	356
	14,736	10,409

5. REVENUE AND OTHER INCOME (CONTINUED)

The following table provides information about contract liabilities from contracts with customers.

	30 June 2026	**31 December 2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities from sale of goods	115,291	63,881

Contract liabilities mainly relate to the advance consideration received from customers. During the six months ended 30 June 2026, RMB63,881,000 (year ended 31 December 2025: RMB55,911,000) of the contract liabilities that was included in the balance at the beginning of the period has been recognised as revenue from performance obligation satisfied during the period when the goods were sold.

6. OTHER GAINS, NET

Other gains, net has been arrived at:

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gain on financial assets at fair value through profit or loss	23,206	8,545
Fair value gain on financial liabilities at fair value through profit or loss	2,270	89
Foreign exchange gains	8,299	5,845
	33,775	14,479

7. SEGMENT INFORMATION

Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is manufacturing and selling urea and by-products. The Group's assets and capital expenditure are principally attributable to this business component.

8. FINANCE COSTS

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense in relation to:		
Lease liabilities	978	941

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Auditors' remuneration	383	368
Cost of inventories sold recognised as expense	1,081,802	1,078,954
Depreciation of property, plant and equipment	70,087	67,779
Depreciation of right-of-use assets	2,244	1,969
Depreciation of investment property	293	293
Employee benefit expenses		
(including directors' remuneration)		
– Wages and salaries	52,905	53,001
– Discretionary bonuses	7,334	3,645
– Retirement benefit scheme contributions	7,739	6,573
	67,978	63,219

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC		
Current tax	33,653	22,924
Withholding tax on dividends	3,030	990
Deferred tax		
Charged/(credited) for the period	1,258	(2,130)
	37,941	21,784

10. INCOME TAX EXPENSES (CONTINUED)

The Group is subject to income tax on an entity basis based on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, Samoa and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands, Samoa and British Virgin Islands are not subject to any income tax. The Group is operating in certain jurisdictions where the Pillar Two Rules are enacted but not effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15% after taking into account the adjustments under the Pillar Two Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

The Group's subsidiaries incorporated in Hong Kong are subject to 16.5% Hong Kong profit tax base on assessable income arising in Hong Kong during each of the reporting period.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profit of the PRC subsidiary of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**").

Besides, according to the Notice on Implementing the Policy of Inclusive Tax Relief for Small and Micro Enterprises ("**SMEs**"), released by the Ministry of Finance on January 2021, qualified SMEs with annual taxable income below RMB1 million per year are entitled to a preferential EIT rate of 10% on 25% of their income. Whereas, qualified SMEs with taxable income from RMB1 to 3 million are entitled to a preferential EIT rate of 10% on 50% of their income, certain of the group's subsidiaries are entitled to the preferential tax rate for the period ended 30 June 2026 and 2025.

11. DIVIDENDS AND DISTRIBUTION

During the six months ended 30 June 2026, a final dividend of HK4.0 cents per ordinary share, absorbing a total amount of approximately HK$24,838,000 (equivalent to approximately RMB21,860,000) in respect of the year ended 31 December 2025 was approved at the Annual General Meeting held on 22 May 2026. Such final dividend was declared and paid to the shareholders of the Company. The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2026 and 2025.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share	112,094	72,318
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	620,944,000	620,944,000

Basic and diluted earnings per share are the same since there were no potential dilutive ordinary shares outstanding during the period ended 30 June 2026 and 2025.

13. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the six months ended 30 June 2026, additions to property, plant and equipment approximately amounted to RMB226,012,000 (six months ended 30 June 2025: RMB143,840,000).

14. INVENTORIES

	At 30 June 2026	**At 31 December 2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	38,960	48,325
Finished goods	68,818	45,648
Parts and spares	2,961	3,723
	110,739	97,696

15. TRADE AND BILLS RECEIVABLES

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Trade receivables	1,750	20,493
Bills receivable	2,765	259
	4,515	20,752

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Within 3 months	1,750	20,493

The balances with trade debtors were not past due as at 30 June 2026 and 31 December 2025.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Other tax recoverable	179,040	149,494
Prepayments for equipment	19,984	22,050
Prepayments to coal suppliers	18,206	14,995
Prepayments to employees	1,958	2,155
Deposits	11,633	10,650
Other prepayments and other receivables	75,846	39,414
	306,667	238,758
Less: impairment loss on other receivables	(30,000)	(30,000)
	276,667	208,758

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Represented by:

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Current portion	256,683	186,708
Non-current portion	19,984	22,050
	276,667	208,758

17. RESTRICTED CASH

Restricted cash primarily represents bank deposits for letters of guarantee for securing the future contracts held in the securities account and bank notes. None of these deposits are restricted due to legal disputes.

18. TRADE AND NOTES PAYABLES

Trade and notes payables are non-interest bearing and normally have a credit period of 0 to 90 days.

An ageing analysis of the Group's trade payables, based on the invoice dates is as follows:

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
0 to 90 days	50,977	44,789
91 to 180 days	3,656	497
181 to 365 days	1,481	1,947
Over 365 days	4,741	4,557
	60,855	51,790

19. OTHER PAYABLES AND ACCRUALS

	At 30 June 2026 *RMB'000* (Unaudited)	At 31 December 2025 *RMB'000* (Audited)
Accruals	20,555	28,545
Other payables *(note)*	55,223	36,790
	75,778	65,335

Note: Other payables mainly represented payables with construction and manufacturing equipment companies for the purpose of plant improvements, equipment replacements and repairs and maintenance.

20. BANK BORROWINGS

During the six months ended 30 June 2026, the Group obtained new bank borrowings of RMB20,252,000 (six months ended 30 June 2025: Nil). Proceeds from new borrowings were used to finance the capital expenditure and general operating activities of the Group.

21. SHARE CAPITAL

	Number of shares *'000*	Amount *US$*	Amount *RMB'000*
Authorised share capital:			
As at 1 January 2025, 31 December 2025, 1 January 2026 and 30 June 2026 Ordinary shares at US$0.0001 each	500,000,000	50,000,000	340,499
Issued share capital:			
As at 1 January 2025, 31 December 2025, 1 January 2026 and 30 June 2026	620,944	62,094	392

22. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Amount due to a non-controlling shareholder of a subsidiary is unsecured, non-interest bearing and repayable on demand.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2026	**2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	558	696
Retirement benefit scheme contributions	8	8
Total compensation paid to key management personnel	566	704

23. CAPITAL COMMITMENTS

	At 30 June 2026	**At 31 December 2025**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital commitments contracted for but not provided in the consolidated financial statements:		
– Capital contribution to a subsidiary	1,100	1,100
– Acquisition of property, plant and equipment	224,234	475,962
	225,334	477,062

24. FAIR VALUE

(a) Carrying Amount versus Fair Value

Financial instruments not measured at fair value include trade and bills receivables, deposits and other receivables, cash and bank balances, restricted cash, trade and notes payables, other payables and accruals, lease liabilities and amount due to a non-controlling shareholder of a subsidiary. Due to their short-term nature, their carrying values approximate their fair values. Disclosure of fair value of lease liabilities is not required.

The fair value of financial liabilities at fair value through profit or loss as at 30 June 2026 was explained in Note 24(c).

24. FAIR VALUE (CONTINUED)

(b) Fair value Hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

– Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

– Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

– Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Valuation techniques

The fair value of financial liabilities at fair value through profit or loss as at 30 June 2026 was determined by the quoted market price as disclosed by the commodity futures exchange market that the respective commodity futures contracts are traded. Therefore, it is classified under Level 1 hierarchy.

(d) Transfers during the period

During the six month period to 30 June 2026:

– There were no transfers between Level 1 and Level 2 fair value measurements; and

– There were no transfer into or out of Level 3 fair value measurements.

25. CONTINGENT LIABILITIES

As at 30 June 2026 and 31 December 2025, neither the Group nor the Company had any significant contingent liabilities.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

Except as disclosed elsewhere in the interim condensed consolidated financial statements, no significant event took place subsequent to 30 June 2026.

27. APPROVAL OF FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 27 August 2026.