



DONGGUANG CHEMICAL LIMITED

東光化工有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1702



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2025

INTERIM REPORT

CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Other Information	13
Report on Review of Interim Condensed Consolidated Financial Statements	19
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Condensed Consolidated Statement of Financial Position	22
Condensed Consolidated Statement of Changes in Equity	24
Condensed Consolidated Statement of Cash Flows	26
Notes to the Interim Condensed Consolidated Financial Statements	28



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

Ms. Lin Xiuxiang
Mr. Liu Jincheng
Mr. Ng Sai Leung

BOARD COMMITTEES

Audit Committee

Mr. Ng Sai Leung (*Chairman*)
Ms. Lin Xiuxiang
Mr. Liu Jincheng

Remuneration Committee

Ms. Lin Xiuxiang (*Chairlady*)
Mr. Liu Jincheng
Mr. Sun Zushan

Nomination Committee

Mr. Wang Chunmeng (*Chairman*)
Ms. Lin Xiuxiang
Mr. Liu Jincheng

Corporate Governance Committee

Mr. Ng Sai Leung (*Chairman*)
Mr. Xu Xijiang
Ms. Lin Xiuxiang

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

CORPORATE INFORMATION (CONTINUED)

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 2025, China's urea industry encountered a complex and evolving market landscape. Urea prices exhibited an initial increase followed by a subsequent decline over the Reporting Period. The increase of new production capacity nationwide has heightened industry competition. While demand for agricultural fertilizers remained stable, industrial demand showed signs of weakness, exerting downward pressure on urea prices. Furthermore, China's urea export policy has undergone significant adjustments, with limited opening up of international markets under the premise of ensuring domestic agricultural supply.

During the Reporting Period, the overall profit margin of the urea industry was compressed, resulting in a year-on-year decrease in the Group's profit. Nevertheless, the Group has maintained a relatively stable operating position by optimizing the production structure and cost control. The Group's net profit decreased by approximately RMB16.9 million or 18.8% from approximately RMB89.8 million for the six months ended 30 June 2024 to approximately RMB72.9 million for the Reporting Period. The decrease in the Group's net profit was mainly due to the decrease in overall gross profit and gross profit margin. The decrease in overall gross profit and gross profit margin was mainly due to the decrease in revenue from the sale of urea, the Group's main product, due to the decrease in the average selling price of urea. The Group's revenue decreased by approximately RMB156.4 million or 11.7% from approximately RMB1,337.2 million for the six months ended 30 June 2024 to approximately RMB1,180.8 million for the Reporting Period. During the Reporting Period, the average selling price of the Group's urea products was approximately RMB1,632 per tonne, representing a decrease of approximately 19.2% compared to approximately RMB2,019 per tonne for the six months ended 30 June 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

In the first half of 2025, the Group continued to implement its strategy of “urea-based and diversified development”. While ensuring the stable operation of its core urea business, the Group also accelerated efforts in technology upgrades and product diversification strategies, and reduced energy consumption and emissions through technological transformation to respond to the requirements of the national green and low-carbon policy. The Group’s two new projects that under construction this year, (i) The Gasification Transformation Project; and (ii) 540,000 tonnes/year Urea Energy Saving and Carbon-reduction Upgrading Project (together, the “**New Projects**”), progressed in an orderly manner according to plan, with civil construction, and equipment delivery phases currently underway. These two key projects fully demonstrate the Group’s high level of commitment to and strong focus on the green transformation of its operations.

As a major coal-based urea producer in Hebei Province, the Group leverages the capacity strengths of its two state-of-the-art production facilities in Dongguang County to ensure a reliable supply of urea in Northern China. Throughout the production process, the Group prioritized environmental compliance and strict adherence to China’s environmental laws and regulations, while continuously optimizing production processes to enhance product quality and cost efficiency. This dual emphasis on production efficiency and environmental standards compliance enables the Group to maintain operational sustainability in an increasingly stringent environmental regulatory environment, laying the foundation for medium and long-term competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Revenue by Products

	Six months ended 30 June 2025 RMB'000	Six months ended 30 June 2024 RMB'000	% Change + / (-)
Urea	1,007,671	1,159,211	(13.1)%
Vehicle urea solution	78,310	54,471	43.8%
Methanol	66,684	66,498	0.3%
Other products	28,097	57,054	(50.8)%
Total	1,180,762	1,337,234	(11.7)%

Urea

During the Reporting Period, the sales volume of urea increased by approximately 7.5% as compared to the six months ended 30 June 2024. Revenue from urea decreased by approximately RMB151.5 million, or 13.1%, from approximately RMB1,159.2 million for the six months ended 30 June 2024 to approximately RMB1,007.7 million for the Reporting Period, as the average selling price of the Group's urea products decreased by approximately RMB387 per tonne, or 19.2%, from approximately RMB2,019 per tonne for the six months ended 30 June 2024 to approximately RMB1,632 per tonne for the Reporting Period, mainly due to the combined effects of domestic urea market supply and demand mismatch, and the changes in urea export policy restrictions during the Reporting Period.

Vehicle urea solution

Revenue from vehicle urea solution increased by approximately RMB23.8 million, or 43.8%, from approximately RMB54.5 million for the six months ended 30 June 2024 to approximately RMB78.3 million for the Reporting Period, mainly due to the increase in the sales volume because of the recovery in the vehicle urea solution demand during the Reporting Period. The sales volume of the Group's vehicle urea solution products increased by approximately 64,556 tonnes, or 116.0%, from approximately 55,636 tonnes for the six months ended 30 June 2024 to approximately 120,192 tonnes for the Reporting Period. However, the average selling price of the Group's vehicle urea solution decreased by approximately RMB327 per tonne, or 33.4%, from approximately RMB979 per tonne for the six months ended 30 June 2024 to approximately RMB652 per tonne for the Reporting Period, mainly due to the decrease of urea market prices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Revenue by Products (Continued)

Methanol

Revenue from methanol slightly increased by approximately RMB0.3 million, or 0.3%, from approximately RMB66.5 million for the six months ended 30 June 2024 to approximately RMB66.7 million for the Reporting Period, as the sales volume of methanol increased by approximately 2.2% for the Reporting Period as compared to the six months ended 30 June 2024. However, the average selling price of the Group's methanol products decreased by approximately RMB33 per tonne, or 1.8%, from approximately RMB1,789 per tonne for the six months ended 30 June 2024 to approximately RMB1,756 per tonne for the Reporting Period, mainly due to the decrease of energy prices during the Reporting Period.

Other products

Other products include carbon dioxide, liquid ammonia, compound fertiliser and LNG. Revenue from other products decreased by approximately RMB29.0 million, or 50.8%, from approximately RMB57.1 million for the six months ended 30 June 2024 to approximately RMB28.1 million for the Reporting Period, mainly due to the decrease in revenue of the Group's carbon dioxide, liquid ammonia and compound fertiliser products during the Reporting Period. The decrease in revenue of such products was due to decrease in their sales volume and average selling prices in the Reporting Period.

Cost of sales

The Group's cost of sales decreased by approximately RMB114.8 million, or 9.6%, from approximately RMB1,193.8 million for the six months ended 30 June 2024 to approximately RMB1,079.0 million for the Reporting Period, primarily due to the decrease in raw material costs and manufacturing overhead costs. The decrease in raw material costs was mainly due to the decline in coal prices and the decrease in manufacturing overhead costs was due to the decrease in equipment repair costs for production line during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Gross Profit and Gross Profit Margin

	Six months ended 30 June 2025		Six months ended 30 June 2024		Change	
	Gross Profit/ (Loss)	Margin	Gross Profit/ (Loss)	Margin		
	RMB'000	%	RMB'000	%	RMB'000	%
Urea	87,938	8.7	148,038	12.8	(60,100)	(40.6)
Vehicle urea solution	5,782	7.4	983	1.8	4,799	488.2
Methanol	(3,471)	(5.2)	(14,291)	(21.5)	10,820	(75.7)
Other products	11,559	41.1	8,697	15.2	2,862	32.9
Total	101,808	8.6	143,427	10.7	(41,619)	(29.0)

The Group's gross profit decreased by approximately RMB41.6 million, or 29.0%, from approximately RMB143.4 million for the six months ended 30 June 2024, to approximately RMB101.8 million for the Reporting Period, primarily due to the decrease in the Group's revenue from the sale of urea, which is a major product of the Group, mainly as a result of the decrease in the average selling price of urea. As a result of the percentage decrease of the Group's revenue being greater than the percentage decrease of the Group's cost of sales during the Reporting Period, the Group's gross profit margin decreased from approximately 10.7% for the six months ended 30 June 2024 to approximately 8.6% for the Reporting Period.

Other income

Other income decreased by approximately RMB4.1 million, or 28.3%, from approximately RMB14.5 million for the six months ended 30 June 2024, to approximately RMB10.4 million for the Reporting Period, primarily due to decrease in bank interest income in the Reporting Period.

Other gains/(losses), net

During the Reporting Period, other gains of approximately RMB14.5 million were recorded, primarily attributable to gains from investment in urea futures contracts recognised at fair value through profit or loss, as well as foreign exchange gains. In contrast, during the same period last year, other losses of RMB7.8 million were reported.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Gross Profit and Gross Profit Margin (Continued)

Administrative expenses

Administrative expenses increased by approximately RMB7.4 million, or 34.4%, from approximately RMB21.5 million for the six months ended 30 June 2024 to approximately RMB28.9 million for the Reporting Period, primarily due to the increase 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 2024.

Finance costs

There was no material fluctuation for finance costs between the Reporting Period and the six months ended 30 June 2024.

Taxation

Income tax expenses decreased by approximately RMB13.8 million, or 38.8%, from approximately RMB35.6 million for the six months ended 30 June 2024 to approximately RMB21.8 million for the Reporting Period primarily due to the decrease in profit before income tax.

Profit for the period

Profit for the period decreased by approximately RMB16.9 million, or 18.8%, from approximately RMB89.8 million for the six months ended 30 June 2024 to approximately RMB72.9 million for the Reporting Period. This was mainly due to the decrease in gross profit of approximately RMB41.6 million, decrease in other income of approximately RMB4.1 million and the increase in administrative expenses of approximately RMB7.4 million. The decrease in profit for the Reporting Period was partially offset by the change from other losses (net) to other gains (net) of approximately RMB22.3 million and decrease in income tax expenses of approximately RMB13.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL STRUCTURE

As at 30 June 2025, the Group had net assets of approximately RMB1,861.0 million (as at 31 December 2024: approximately RMB1,811.0 million), comprising of non-current assets of approximately RMB1,081.7 million (as at 31 December 2024: approximately RMB1,035.7 million), and current assets of approximately RMB1,073.2 million (as at 31 December 2024: approximately RMB987.3 million), which primarily consist of cash and bank balances amounted to approximately RMB752.8 million (as at 31 December 2024: approximately RMB702.1 million). Moreover, inventories amounted to approximately RMB86.5 million (as at 31 December 2024: approximately RMB85.9 million) and prepayments, deposits and other receivables amounted to approximately RMB177.9 million (as at 31 December 2024: approximately RMB179.9 million) are also major current assets. The Group recorded a net current asset position of approximately RMB816.6 million as at 30 June 2025 (as at 31 December 2024: approximately RMB812.6 million). Major current liabilities are trade and note payables amounted to approximately RMB68.5 million (as at 31 December 2024: approximately RMB32.7 million), other payables and accruals amounted to approximately RMB74.6 million (as at 31 December 2024: approximately RMB82.8 million) and contract liabilities amounted to approximately RMB100.6 million (as at 31 December 2024: approximately RMB55.9 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group had cash and bank balances of approximately RMB752.8 million (as at 31 December 2024: approximately RMB702.1 million) and had no interest-bearing bank borrowings (as at 31 December 2024: Nil).

As at 30 June 2025, as the Group had no interest-bearing bank borrowings and had no bank and other borrowings repayable within five years, the gearing ratio for the Group (which is calculated based on bank and other borrowings of the Group divided by equity attributable to owners of the Company) was 0% (as at 31 December 2024: 0%). 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

Looking ahead, the Group will continue to pursue its growth strategy focused on production capacity expansion, technology upgrades and product diversification. With the steady progress of the New Projects, the energy efficiency and environmental protection performance of the Group's fundamental urea production will be further improved, which will help provide higher quality urea products to our customers. In the context of agricultural modernization, the growth of demand for special fertilizers and the promotion of stricter environmental protection standards on the automotive urea market will inject sustainable development momentum into the diversification of the Group's products. Nevertheless, the outlook for the urea market remains uncertain. Domestic supply and demand, export policy adjustments and fluctuations in international market conditions will continue to be the main factors affecting the urea market. The Group will remain proactive in addressing challenges, and continue to consolidate the stability and core competitiveness of production and operation by expanding production capacity, optimizing processes and promoting product innovation, laying a solid foundation for the Group to optimize its product structure and expand the market in the future.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL COMMITMENTS

As at 30 June 2025, capital commitment of the Group which had been contracted for but not provided in the financial statements was approximately RMB74.0 million (as at 31 December 2024: approximately RMB94.2 million).

CHARGE ON ASSETS

As at 30 June 2025, 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 RMB650 million granted to it (31 December 2024: Nil). Save as disclosed, there was no other charge over any assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2025, the Group did not have any material contingent liabilities (as at 31 December 2024: Nil).

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2025, the Group employed a total of 1,241 employees (as at 31 December 2024: 1,252 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 RMB63.2 million (six months ended 30 June 2024: approximately RMB64.0 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.

OTHER INFORMATION

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 2025, 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 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 2025.

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 2025, 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.

OTHER INFORMATION (CONTINUED)

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

As at 30 June 2025, 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 2025.

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

OTHER INFORMATION (CONTINUED)

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 2025, 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.

OTHER INFORMATION (CONTINUED)

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 2025 and 30 June 2025, 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.

OTHER INFORMATION (CONTINUED)

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

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. Ng Sai Leung, Mr. Liu Jincheng and Ms. Lin Xiuxiang. Mr. Ng Sai Leung is the Chairman of the Audit Committee.

The Audit Committee has reviewed and discussed with the management of the Group on this report and 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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

OTHER INFORMATION (CONTINUED)

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.

Note: The amendments to the CG Code effective on 1 July 2025 will apply to the corporate governance reports and annual reports of the Company commencing on or after 1 July 2025.

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 2025

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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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 2025 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 “**interim condensed consolidated financial statements**”). 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” issued by the International Accounting Standards Board (“**IAS 34**”). 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”. 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 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2025

		Six months ended 30 June	
		2025	2024
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue	5	1,180,762	1,337,234
Cost of sales		<u>(1,078,954)</u>	<u>(1,193,807)</u>
Gross profit		101,808	143,427
Other income	5	10,409	14,492
Other gains/(losses), net	6	14,479	(7,837)
Administrative expenses		(28,945)	(21,474)
Distribution expenses		(2,095)	(2,190)
Finance costs	8	<u>(941)</u>	<u>(979)</u>
Profit before income tax	9	94,715	125,439
Income tax expenses	10	<u>(21,784)</u>	<u>(35,644)</u>
Profit for the period		72,931	89,795
Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operation		<u>(2,370)</u>	<u>6,055</u>
Total comprehensive income for the period attributable to owners of the Company		<u>70,561</u>	<u>95,850</u>
Profit/(loss) for the period attributable to:			
– Owners of the Company		72,318	90,126
– Non-controlling interest		613	(331)
		<u>72,931</u>	<u>89,795</u>
Total comprehensive income/(expense) for the period attributable to:			
– Owners of the Company		69,948	96,181
– Non-controlling interest		613	(331)
		<u>70,561</u>	<u>95,850</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share for profit attributable to the owners of the Company			
– Basic	12	<u>11.7</u>	<u>14.5</u>
– Diluted	12	<u>11.7</u>	<u>14.5</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2025

		At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	919,506	843,445
Investment property		6,278	6,571
Right-of-use assets		151,778	148,868
Unlisted equity investment at fair value through other comprehensive income		40	40
Prepayments for equipment and land lease	16	219	35,043
Deferred tax assets		3,887	1,766
		<hr/>	<hr/>
Total non-current assets		1,081,708	1,035,733
Current assets			
Inventories	14	86,544	85,869
Trade receivables	15	2,357	5,636
Note receivables		2,335	–
Prepayments, deposits and other receivables	16	177,897	179,936
Income tax receivables		–	8,615
Cash and bank balances		752,792	702,097
Restricted cash	17	46,190	–
		<hr/>	<hr/>
		1,068,115	982,153
Assets classified as held for sale		5,126	5,126
		<hr/>	<hr/>
Total current assets		1,073,241	987,279
Current liabilities			
Trade payables	18	55,800	32,738
Note payables		12,650	–
Deferred revenue		1,947	1,947
Contract liabilities	5	100,630	55,911
Other payables and accruals	19	74,619	82,845
Financial liabilities at fair value through profit or loss		572	1,077
Lease liabilities		94	88
Income tax payable		10,281	–
Amount due to a non-controlling shareholder of a subsidiary	22(a)	40	40
		<hr/>	<hr/>
Total current liabilities		256,633	174,646
Net current assets		<hr/>	<hr/>
		816,608	812,633

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2025

	At 30 June 2025	At 31 December 2024
<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current liabilities		
Lease liabilities	28,986	28,051
Deferred revenue	8,302	9,275
Deferred tax liabilities	–	9
Total non-current liabilities	<u>37,288</u>	<u>37,335</u>
Net assets	<u>1,861,028</u>	<u>1,811,031</u>
Capital and reserves attributable to owners of the Company		
Share capital	20 392	392
Reserves	<u>1,853,465</u>	<u>1,804,081</u>
Equity attributable to owners of the Company	1,853,857	1,804,473
Non-controlling interests	<u>7,171</u>	<u>6,558</u>
Total equity	<u>1,861,028</u>	<u>1,811,031</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Share capital	Share premium	Specific reserve	Merger reserve	Statutory reserve	Foreign currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	392	738,848	66,180	(559,842)	129,852	(8,064)	1,391,132	1,758,498	8,670	1,767,168
Profit/(loss) for the period	-	-	-	-	-	-	90,126	90,126	(331)	89,795
Exchange differences arising on translation of foreign operations	-	-	-	-	-	6,055	-	6,055	-	6,055
Total comprehensive income/(expense) for the period	-	-	-	-	-	6,055	90,126	96,181	(331)	95,850
Appropriation of reserve	-	-	7,861	-	9,197	-	(17,058)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	(45,181)	(45,181)	-	(45,181)
Payment of dividend to a subsidiary's non-controlling interest	-	-	-	-	-	-	-	-	(3,920)	(3,920)
Utilisation of specific reserve for the period	-	-	(7,000)	-	-	-	7,000	-	-	-
At 30 June 2024	392	738,848	67,041	(559,842)	139,049	(2,009)	1,426,019	1,809,498	4,419	1,813,917

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Share capital	Share premium	Specific reserve	Merger reserve	Statutory reserve	Foreign currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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/(loss) 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 CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Operating activities		
Profit before income tax	94,715	125,439
Adjustments for:		
Depreciation of right-of-use assets	1,969	1,813
Depreciation of investment property	293	292
Depreciation of property, plant and equipment	67,779	65,312
(Gain)/loss on investment recognised at fair value through profit or loss	(8,545)	1,435
Fair value gain on investment recognised at fair value through profit or loss	(89)	(189)
Interest income	(3,610)	(9,488)
Interest expense	941	979
	<hr/>	<hr/>
Operating profit before working capital changes	153,453	185,593
(Increase)/decrease in inventories	(675)	32,378
Decrease/(increase) in trade receivables	3,279	(1,438)
Increase in notes receivables	(2,335)	(884)
Decrease in prepayments, deposits and other receivables	2,039	12,593
Increase/(decrease) in trade payables	23,062	(18,602)
Increase in note payables	12,650	–
Increase/(decrease) in contract liabilities	44,719	(51,597)
Decrease in other payables and accruals	(8,226)	(20,434)
(Decrease)/increase in deferred revenue	(973)	9,025
Proceeds for disposals of financial assets at fair value through profit or loss	7,935	563
Payments for disposals of financial assets at fair value through profit or loss	(1,299)	(2,795)
Proceeds for acquisition of financial assets at fair value through profit or loss	1,526	1,353
Payments for acquisition of financial assets at fair value through profit or loss	(33)	(25)
	<hr/>	<hr/>
Cash generated from operations	235,122	145,730
Income tax paid	(5,018)	(63,749)
	<hr/>	<hr/>
Net cash generated from operating activities	230,104	81,981

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2025

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investing activities		
Placement of restricted cash	(46,190)	–
Payments for purchase of property, plant and equipment	(109,016)	(44,349)
Payments for acquisition of right-of-use assets	(4,879)	(43,777)
Interest received	3,610	9,488
Net cash used in investing activities	(156,475)	(78,638)
Financing activities		
Dividend paid	(20,564)	(45,181)
Dividend paid to a subsidiary's non-controlling interest	–	(3,920)
Net cash used in financing activities	(20,564)	(49,101)
Net increase/(decrease) in cash and bank balances	53,065	(45,758)
Effect of foreign exchange rate changes	(2,370)	6,055
Cash and bank balances at the beginning of the period	702,097	797,780
Cash and bank balances at the end of the period	752,792	758,077

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2025

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 2025.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2024 annual financial statements, except for those that relate to new amendments effective for the first time for periods beginning on or after 1 January 2025. 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 2024 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 2024 annual financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

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 an amended IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to IAS 21 and IFRS 1, Lack of Exchangeability

The amended IFRS Accounting Standards that are effective from 1 January 2025 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 2024 annual financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

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	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Primary geographical market		
– PRC	1,164,333	1,337,234
– Others	16,429	–
	<u>1,180,762</u>	<u>1,337,234</u>
Major products		
– Sales of urea	1,007,671	1,159,211
– Sales of methanol	66,684	66,498
– Sales of liquid ammonia	–	3,165
– Sales of carbon dioxide	8,981	11,975
– Sales of LNG	15,357	13,820
– Sales of compound fertiliser	3,759	28,094
– Sales of vehicle urea solution	78,310	54,471
	<u>1,180,762</u>	<u>1,337,234</u>
Timing of revenue recognition		
– At a point in time	1,180,762	1,337,234
	<u>1,180,762</u>	<u>1,337,234</u>
Other income is presented as follows:		
Government grants	973	976
Bank interest income	3,610	9,488
Sales of scrap materials	5,470	4,028
Others	356	–
	<u>10,409</u>	<u>14,492</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

5. REVENUE AND OTHER INCOME (CONTINUED)

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

	30 June 2025	31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contract liabilities	100,630	55,911

Contract liabilities mainly relate to the advance consideration received from customers. During the six months ended 30 June 2025, RMB55,911,000 (year ended 31 December 2024: RMB104,969,000) 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/(LOSSES), NET

Other gains/(losses), net has been arrived at:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Gain/(loss) on investment recognised at fair value through profit or loss	8,545	(1,435)
Fair value gain on investment recognised at fair value through profit or loss	89	189
Foreign exchange gains/(losses)	5,845	(6,591)
	14,479	(7,837)

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

8. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense in relation to:		
Lease liabilities	941	979

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Auditors' remuneration	368	368
Cost of inventories sold recognised as expense	1,078,954	1,193,807
Depreciation of property, plant and equipment	67,779	65,312
Depreciation of right-of-use assets	1,969	1,813
Depreciation of investment property	293	292
Employee benefit expenses (including directors' remuneration)		
– Wages and salaries	53,001	49,640
– Discretionary bonuses	3,645	7,306
– Retirement benefit scheme contributions	6,573	7,012
	63,219	63,958

10. INCOME TAX EXPENSES

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC		
Current tax	22,924	36,314
Withholding tax on dividends	990	5,800
Deferred tax		
Credited for the period	(2,130)	(6,470)
	21,784	35,644

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

10. INCOME TAX EXPENSES (CONTINUED)

The Group is subject to income tax on an entity basis 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's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable income arising in Hong Kong during the six months ended 30 June 2025 and 2024.

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 Enterprise Income Tax ("EIT") Law which was approved and became effective on 1 January 2008 (the "**New Enterprise 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, one of the subsidiaries is entitled to the preferential tax rate for the period ended 30 June 2025 and 2024.

11. DIVIDENDS AND DISTRIBUTION

During the six months ended 30 June 2025, a final dividend of HK3.6 cents per ordinary share, absorbing a total amount of approximately HK\$22,354,000 (equivalent to approximately RMB20,564,000) in respect of the year ended 31 December 2024 was approved at the Annual General Meeting held on 22 May 2025. 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 2025 and 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 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	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic and diluted earnings per share	72,318	90,126
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 2025 and 2024.

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 2025, additions to property, plant and equipment approximately amounted to RMB143,840,000 (six months ended 30 June 2024: approximately RMB44,320,000).

14. INVENTORIES

	At	At
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Raw materials	35,075	47,365
Finished goods	48,224	35,908
Parts and spares	3,245	2,596
	<u>86,544</u>	<u>85,869</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

15. TRADE RECEIVABLES

	At 30 June 2025	At 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade debtors	<u>2,357</u>	<u>5,636</u>

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 2025	At 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 3 months	<u>2,357</u>	<u>5,636</u>

The balances with trade debtors were not past due as at 30 June 2025 and 31 December 2024.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2025	At 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Other tax recoverable	119,015	150,945
Prepayments for equipment	219	35,043
Prepayments to coal suppliers	41,966	16,032
Prepayments to employees	2,228	2,457
Deposits	10,630	6,637
Other prepayments and other receivables	<u>34,058</u>	<u>33,865</u>
	208,116	244,979
Less: impairment loss on other receivables	<u>(30,000)</u>	<u>(30,000)</u>
	<u>178,116</u>	<u>214,979</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Represented by:

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Current portion	177,897	179,936
Non-current portion	219	35,043
	178,116	214,979

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 amounted to RMB46,190,000 as at 30 June 2025 (year ended 31 December 2024: nil). None of these deposits are restricted due to legal disputes.

18. TRADE PAYABLES

Trade 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 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
0 to 90 days	48,060	28,307
91 to 180 days	1,441	185
181 to 365 days	2,973	1,233
Over 365 days	3,326	3,013
	55,800	32,738

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

19. OTHER PAYABLES AND ACCRUALS

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Accruals	17,853	26,553
Other payables (<i>note</i>)	56,766	56,292
	<u>74,619</u>	<u>82,845</u>

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. SHARE CAPITAL

	Number of shares '000	Amount US\$	Amount <i>RMB'000</i>
Authorised share capital:			
As at 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025 Ordinary shares at US\$0.0001 each	<u>500,000,000</u>	<u>50,000,000</u>	<u>340,499</u>
Issued share capital:			
As at 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025	<u>620,944</u>	<u>62,094</u>	<u>392</u>

21. BANK FACILITIES

As at 30 June 2025, facility agreements of RMB650,000,000 were granted by the bank which were secured by the Group's two parcels of land located in Hebei Province with an aggregate carrying amount of approximately RMB66,675,000 under right-of-use assets. As at 30 June 2025, the Group has not drawn down any funds from these facility agreements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

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	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	696	703
Retirement benefit scheme contributions	8	8
	<hr/>	<hr/>
Total compensation paid to key management personnel	704	711
	<hr/>	<hr/>

23. CAPITAL COMMITMENTS

	At	At
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Commitments for the acquisition of property, plant and equipment		
– contracted for but not provided	73,989	94,217
	<hr/>	<hr/>

24. FAIR VALUE

(a) Carrying Amount versus Fair Value

Financial instruments not measured at fair value include trade and note receivables, deposits and other receivables, cash and bank balances, restricted cash, trade and note 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 2025 was explained in Note 24(c).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

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 2025 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 2025:

- 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 JUNE 2025

25. CONTINGENT LIABILITIES

As at 30 June 2025 and 31 December 2024, 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 2025.

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 2025.