滨化集团
BEFAR GROUP

Befar Group Co., Ltd
濱化集團股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6745)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2026

FINANCIAL HIGHLIGHTS

- During the Reporting Period, the Group recorded a revenue of RMB8,259.69 million, representing an increase of approximately 12.32% from RMB7,353.86 million for the same period in 2025.

- During the Reporting Period, the Group recorded a gross profit of RMB1,012.83 million, representing an increase of approximately 64.14% from RMB617.06 million for the same period in 2025.

- During the Reporting Period, the Group recorded a profit attributable to equity shareholders of the Company of RMB372.93 million, as compared to RMB136.10 million for the same period in 2025.

- The Board has declared the payment of an interim dividend of RMB0.20 (tax inclusive) per 10 Shares for the six months ended June 30, 2026 (for the six months ended June 30, 2025: RMB0.10 (tax inclusive) per 10 Shares). The Company expects to distribute the interim dividend on or before Monday, December 28, 2026 to Shareholders whose names appear on the Company's register of members of H Shares on Thursday, October 15, 2026.

OPERATION HIGHLIGHTS

The Board of Directors hereby announces the unaudited consolidated interim results of the Group for the Reporting Period, together with unaudited comparative figures for the six months ended June 30, 2025.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended June 30, 2026 – unaudited
*(Expressed in Renminbi ("**RMB**"))*

		Six months ended June 30,	
		2026	2025
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**8,259,686**	7,353,861
Cost of sales		**(7,246,860)**	(6,736,803)
Gross profit		**1,012,826**	617,058
Other net income	*4*	**41,845**	25,452
Selling expenses		**(12,409)**	(12,676)
General and administrative expenses		**(291,337)**	(264,828)
Research and development costs		**(81,611)**	(60,700)
Impairment losses reversed/(recognized) on trade and other receivables		**2,327**	(1,014)
Other gains and losses	*5*	**35,419**	81,819
Profit from operations		**707,060**	385,111
Finance costs	*6(a)*	**(138,369)**	(150,437)
Share of losses of associates		**(52,564)**	(52,320)
Profit before taxation	*6*	**516,127**	182,354
Income tax	*7*	**(127,911)**	(46,725)
Profit for the period		**388,216**	135,629

	Note	Six months ended June 30, 2026 RMB'000	2025 RMB'000
Other comprehensive income for the period (after tax)			
Item that is or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(2,099)**	(681)
Other comprehensive income for the period		**(2,099)**	(681)
Total comprehensive income for the period		**386,117**	134,948
Profit attributable to:			
Equity shareholders of the Company		**372,931**	136,100
Non-controlling interests		**15,285**	(471)
Profit for the period		**388,216**	135,629
Total comprehensive income attributable to:			
Equity shareholders of the Company		**370,832**	135,419
Non-controlling interests		**15,285**	(471)
Total comprehensive income for the period		**386,117**	134,948
Earnings per share	*8*		
Basic *(RMB)*		**0.19**	0.07
Diluted *(RMB)*		**0.19**	0.07

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2026 – unaudited

(Expressed in RMB)

	Note	**As at June 30, 2026** *RMB'000*	As at December 31, 2025 *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**13,712,932**	14,039,169
Right-of-use assets	*10*	**1,419,000**	1,398,351
Goodwill		**45,538**	45,538
Intangible assets		**185,755**	188,986
Interest in a joint venture		**31,000**	–
Interests in associates	*11*	**1,722,771**	2,185,396
Equity securities designated at fair value through other comprehensive income ("**FVOCI**")		**710,710**	710,776
Deferred tax assets		**503,658**	559,405
Other non-current assets	*12*	**493,639**	45,991
		18,825,003	19,173,612
Current assets			
Inventories and contract costs	*13*	**1,913,459**	1,356,853
Trade and bills receivables	*14*	**1,131,439**	917,798
Financial assets measured at fair value through profit or loss ("**FVTPL**")		**13,034**	14,060
Prepayments, deposits and other receivables	*15*	**540,591**	433,075
Restricted deposits	*16*	**91,294**	662,305
Cash and cash equivalents	*16*	**1,761,832**	1,701,588
		5,451,649	5,085,679

	Note	As at June 30, 2026 RMB'000	As at December 31, 2025 RMB'000
Current liabilities			
Bank and other borrowings	*17*	**4,716,846**	4,489,262
Trade and bills payables	*18*	**1,580,924**	2,257,142
Accrued expenses and other payables	*19*	**353,056**	374,887
Contract liabilities		**352,006**	139,200
Lease liabilities		**12,054**	9,269
Current taxation		**51,327**	33,815
		7,066,213	7,303,575
Net current liabilities		**(1,614,564)**	(2,217,896)
Total assets less current liabilities		**17,210,439**	16,955,716
Non-current liabilities			
Bank and other borrowings	*17*	**4,348,611**	4,438,049
Deferred income		**96,703**	55,144
Deferred tax liabilities		**24,628**	30,618
Lease liabilities		**269,220**	279,136
		4,739,162	4,802,947
NET ASSETS		**12,471,277**	12,152,769

	Note	As at June 30, 2026 RMB'000	As at December 31, 2025 RMB'000
CAPITAL AND RESERVES			
Share capital		**2,056,836**	2,056,836
Treasury shares		**(418,446)**	(431,634)
Reserves	*20*	**10,213,113**	9,895,578
Total equity attributable to shareholders of the Company		**11,851,503**	11,520,780
Non-controlling interests		**619,774**	631,989
TOTAL EQUITY		**12,471,277**	12,152,769

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

Befar Group Co., Ltd. (濱化集團股份有限公司, the "**Company**") is a joint stock company with limited liability incorporated in the People's Republic of China (the "**PRC**"). The Company's A shares has been listed on the Main Board of Shanghai Stock Exchange since February 2010 (Stock Code: 601678). The Company's H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on July 10, 2026.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in the production, processing and sale of organic and inorganic chemical products, with primary products including chlor-alkali chemicals, C3-C4 chemicals and electronic chemicals.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including IAS 34, *Interim financial reporting* as issued by International Accounting Standards Board ("**IASB**"). It was authorized for issue on August 27, 2026.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2025 financial statements, except for the accounting policy changes that are expected to be reflected in the 2026 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains 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 financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

As at June 30, 2026, the Group had net current liabilities of RMB1,614,564,000. Notwithstanding the above condition, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company have reviewed the Group's cash flow projections and are of the opinion that considering the Group's sources of liquidity and the unutilized bank facilities, the Group will have sufficient financial resources to satisfy its future working capital requirements and meet its financial obligations as and when they fall due for more than twelve months from June 30, 2026. Accordingly, the directors of the Company consider it is appropriate to prepare the interim financial information on a going concern basis.

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the amendments to IFRS 9, *Financial instruments,* and IFRS 7, *Financial instruments: Disclosures – Amendments to the classification and measurement of financial instruments,* issued by IASB to this interim financial report for the current accounting period. The amendments do not have a material impact on this interim report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group are principally engaged in the production, processing and sale of organic and inorganic chemical products, with primary products including chlor-alkali chemicals, C3-C4 chemicals and electronic chemicals.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Point in time		
Chlor-alkali chemicals	**3,348,050**	3,085,019
C3-C4 chemicals	**4,039,727**	3,486,715
Electronic chemicals	**38,711**	27,019
Energy	**488,107**	425,969
Others	**342,485**	326,410
Total revenue from contracts with customers	**8,257,080**	7,351,132
Revenue from other sources		
Rental income	**2,606**	2,729
	8,259,686	7,353,861

During the six months ended June 30, 2026 and 2025, the Group's customers with whom transactions have exceeded 10% of the total revenue of the Group in the respective periods are as follows.

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Customer A	*	753,334

* The customer A did not contribute over 10% of the total revenue of the Group for the six months ended June 30, 2026.

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

(b) Segment reporting

Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the management of the Company are of the view that there is only one segment which is used to make strategic decisions.

Geographic information

The geographical location of customers is based on the destination location at which the goods delivered or the services were provided. The Group's revenue from external customers analyzed by location of customers is detailed as below:

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Chinese Mainland (place of domicile)	**6,667,547**	7,143,123
Hong Kong and overseas	**1,592,139**	210,738
	8,259,686	7,353,861

The Group's specified non-current assets, including property, plant and equipment, intangible assets, right-of-use assets, interest in a joint venture, interest in associates and other non-current assets, analyzed by the physical location of the asset are detailed as below:

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
Chinese Mainland (place of domicile)	**17,562,219**	17,846,811
Hong Kong and overseas	**2,878**	11,082
	17,565,097	17,857,893

4 OTHER NET INCOME

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Interest income from bank deposits	**10,225**	3,854
Government grants	**6,315**	3,843
Compensation income	**1,660**	6,815
Income from the transfer of carbon emissions quota	**22,868**	9,909
Others	**777**	1,031
	41,845	25,452

5 OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Foreign exchange losses, net	**(13,017)**	(41,812)
Gains from financial assets measured at FVTPL	**54,818**	89,262
Gains on disposal of an associate	**5,214**	–
Gains on disposal of a subsidiary	**1,348**	–
(Losses)/gains on disposal or scrapping of property, plant and equipment, net	**(959)**	34,595
Donation	**(11,184)**	(37)
Others	**(801)**	(189)
	35,419	81,819

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**131,731**	156,402
Interest on lease liabilities	**5,712**	5,514
Interest on a debt security	**926**	–
	138,369	161,916
Less: interest expense capitalized	**–**	(11,479)
	138,369	150,437

(b) Other items

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Amortization of		
– intangible assets	**6,582**	6,230
– other non-current assets	**3,092**	2,283
Depreciation of		
– owned property, plant and equipment	**566,665**	504,293
– right-of-use assets	**29,226**	38,752
Cost of inventories	**7,141,391**	6,736,803
Auditors' remuneration	**1,000**	350

7 INCOME TAX

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
Current tax – The PRC Corporate Income Tax		
Provision for the period	**83,640**	69,524
(Over)/Under provision in prior years	**(8,472)**	1,912
	75,168	71,436
Current tax – Hong Kong and overseas		
Provision for the period	**2,986**	12,423
Deferred tax		
Origination and reversal of temporary differences	**49,757**	(37,134)
	127,911	46,725

Notes:

(i) The Company and the subsidiaries of the Group established in Chinese mainland are subject to the PRC Corporate Income Tax rate of 25% for the periods presented except for those subject to tax concessions disclosed in the notes below.

(ii) Certain subsidiaries are qualified as High New Tech Enterprises and are entitled to a preferential enterprise income tax rate of 15% according to the tax incentives policies of the PRC Corporate Income Tax Law for the High New Tech Enterprises.

(iii) Certain subsidiaries of the Group have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to preferential income tax rates of 5%.

(iv) Taxation for other overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Pillar Two income taxes

In 2021, the Organisation for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("**Pillar Two model rules**") for a new global minimum tax reform applicable to large multinational enterprises.

Pillar Two model rules are enacted in certain jurisdictions in which the Company's subsidiaries are incorporated from 2025, and this implementation has no material tax impact to the Group. Pillar Two model rules have been effected on or after January 1, 2025 within the Group. The Group has no related current tax exposure for the six months ended June 30, 2026 and 2025.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB372,931,000 (six months ended June 30, 2025: RMB136,100,000) and the weighted average of 1,927,296,000 ordinary shares (2025: 1,947,317,000) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB372,931,000 (six months ended June 30, 2025: RMB136,100,000) and the weighted average number of ordinary shares of 1,944,579,000 (2025: 1,968,721,000).

9 PROPERTY, PLANT AND EQUIPMENT

	Carrying amount *RMB'000*
At January 1, 2026	14,039,169
Additions	266,527
Disposals	(26,099)
Depreciation	(566,665)
At June 30, 2026	13,712,932

10 RIGHT-OF-USE ASSETS

	Carrying amount *RMB'000*
At January 1, 2026	1,398,351
Additions	61,783
Disposal	(10,872)
Depreciation	(29,226)
Others	(1,036)
At June 30, 2026	1,419,000

11 INTEREST IN ASSOCIATES

	As at June 30, 2026 ***RMB'000***	As at December 31, 2025 *RMB'000*
Shandong Lubei Enterprise Group Corporation 山東魯北企業集團總公司	**1,412,239**	1,463,074
Other individually not material associates	**310,532**	722,322
	1,722,771	2,185,396

In April 2026, the Company disposed of an associate to a third party with consideration of RMB401,823,000, resulting in gains on disposal of an associate of RMB5,214,000 *(Note 5)*.

12 OTHER NON-CURRENT ASSETS

	As at June 30, 2026 ***RMB'000***	As at December 31, 2025 *RMB'000*
Prepayments for property, plant and equipment	**175,625**	22,441
Prepayments for leasehold land for own use	**17,832**	17,482
Receivables relating to disposal of an associate	**269,656**	–
Advance to suppliers	**22,114**	–
Others	**8,412**	6,068
	493,639	45,991

13 INVENTORIES AND CONTRACT COSTS

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Inventories		
Raw materials	**1,380,099**	931,801
Finished goods	**387,414**	421,793
Goods in transit	**164,177**	9,700
	1,931,690	1,363,294
Less: write-down of inventories	**(52,836)**	(25,551)
	1,878,854	1,337,743
Contract costs	**34,605**	19,110
	1,913,459	1,356,853

(a) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Six months ended June 30,	
	2026 *RMB'000*	2025 *RMB'000*
Carrying amount of inventories sold	**7,098,654**	6,716,950
Write-down of inventories	**42,737**	19,853
	7,141,391	6,736,803

14 TRADE AND BILLS RECEIVABLES

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Bills receivables	**502,707**	465,557
Trade receivables		
– Related parties	**12,433**	14,137
– Third parties	**633,128**	457,128
	1,148,268	936,822
Less: allowance for doubtful debts	**16,829**	(19,024)
	1,131,439	917,798

Aging analysis

The aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Within 1 year	**1,124,153**	910,273
1–2 years	**5,082**	6,022
2–3 years	**2,204**	1,503
	1,131,439	917,798

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Advances to suppliers	**217,778**	127,183
Deposit	**36,027**	62,811
Amounts due from related parties	**4,328**	2,472
Amounts due from a third party	**50,103**	50,103
Input value-added tax deductible	**90,030**	146,594
Prepaid tax	**59,357**	46,717
Receivables relating to disposal of an associate	**40,547**	–
Dividend receivable	**21,208**	–
Listing expenses to be deducted from equity	**26,128**	14,643
Others	**46,649**	34,248
	592,155	484,771
Less: loss allowance for other receivables	**(51,564)**	(51,696)
	540,591	433,075

16 CASH AND CASH EQUIVALENTS

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Cash at bank	**1,853,126**	2,363,893
Less: restricted cash *(Note (i))*	**91,294**	662,305
Cash and cash equivalents	**1,761,832**	1,701,588

Note:

(i) As at the end of each reporting period, restricted cash of the Group mainly represented guarantee deposits pledged to bank for issuance of bills payables and letters of credit.

17 BANK AND OTHER BORROWINGS

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
Bank loans:		
– Secured and unguaranteed	**4,464,663**	5,366,599
– Unsecured and guaranteed	**330,271**	353,815
– Unguaranteed and unsecured	**3,633,411**	2,854,090
	8,428,345	8,574,504
Other borrowings:		
– Secured and unguaranteed	**437,287**	352,807
– Unsecured bonds issues *(Note (i))*	**199,825**	–
	9,065,457	8,927,311

Note:

(i) On April 28, 2026, the Company issued bonds with a principal amount of RMB200,000,000 due on April 28, 2029. The bonds bear an annual coupon rate of 2.60%.

18 TRADE AND BILLS PAYABLES

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
Trade payables	**1,568,578**	2,036,154
Bills payable	**12,346**	220,988
	1,580,924	2,257,142

All trade payables are expected to be settled within one year or are repayable on demand.

An aging analysis of the trade and bills payables based on the invoice date, is as follows:

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Within 1 year	**1,510,062**	2,205,767
Over 1 year	**70,862**	51,375
	1,580,924	2,257,142

19 ACCRUED EXPENSES AND OTHER PAYABLES

	As at June 30, 2026 *RMB'000*	As at December 31, 2025 *RMB'000*
Amounts due to related parties *(Note (ii))*	**–**	101,656
Accrued payroll and benefits	**70,576**	83,194
Other tax payables	**35,995**	22,804
Deposits	**98,292**	78,916
Restricted share repurchase obligation	**63,555**	58,551
Others	**84,638**	29,766
	353,056	374,887

Notes:

(i) All of accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

(ii) As at December 31, 2025, the balance due to related parties was non-trade, unsecured, interest-bearing and the interests were recorded as finance cost in profit or loss. The balance due to related parties was settled in May 2026.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the interim period

	2026	2025
	RMB'000	*RMB'000*
Interim dividend declared after the interim period of RMB0.2 per 10 shares (2025: RMB0.1 per 10 shares)	**46,950**	19,954

The interim dividend has not been recognized as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB0.04 per share (six months ended June 30, 2025: RMB0.03 per share)	**79,815**	60,401

21 COMMITMENTS

The commitments were primarily related to the authorized plan regarding the acquisition of land and production plants. The capital commitments as of June 30, 2026 were RMB2,792 million (December 31, 2025: RMB369 million).

22 SUBSEQUENT EVENTS

On July 10, 2026, the H shares of the Company were listed on the Main Board of the Stock Exchange, where 352,126,000 H shares with a par value of RMB1.00 each were issued at a price of HK$3.48 each. The proceeds, net of share issuance expenses, have been credited to the Company's share capital and share premium account accordingly.

MANAGEMENT DISCUSSION AND ANALYSIS

I. DESCRIPTION OF THE INDUSTRY IN WHICH THE COMPANY OPERATES AND ITS PRINCIPAL BUSINESSES DURING THE REPORTING PERIOD

During the Reporting Period, the Company was principally engaged in the manufacturing and sale of chlor-alkali chemicals, C3-C4 chemicals and electronic chemicals. Guided by the "Beikun Plan" as its strategic framework, the Company accelerated its three major transformations toward technology-driven development, green energy and intelligent operations, and is committed to upgrading from a basic chemical enterprise into a provider of high-end new materials and green chemical solutions.

(I) Chlor-alkali chemicals sector

The principal products of the chlor-alkali chemicals sector are sodium hydroxide and a portfolio of downstream chlorine-based products (including chlorohydrin process propylene oxide, trichloroethylene, perchloroethylene and epichlorohydrin). Sodium hydroxide is widely used in industries including light industry, chemicals, textiles, metallurgy, pharmaceuticals and petroleum. The Company ranks among the leading enterprises in Shandong Province in terms of sodium hydroxide production scale, and is the largest producer of industrial-grade granular sodium hydroxide in China in terms of sales revenue. Propylene oxide is primarily used in the production of polyether polyols, propylene glycol and various non-ionic surfactants. Among them, polyether polyols are important raw materials for the production of polyurethane foam, insulation materials, elastomers, adhesives and coatings, and have major applications in furniture, automotive, construction and industrial insulation. The Company has extensive experience in propylene oxide production and a substantial customer base, and its sales revenue ranks among the highest in China. The technology and operating standards of the Company's propylene oxide units are at a leading level among domestic producers using the chlorohydrin process. Leveraging its advantage in propylene oxide supply, the Company is accelerating its extension into the high-end polyurethane industrial chain, including polyether polyols.

(II) C3-C4 chemicals sector

The C3-C4 chemicals sector is a core hub of the Company's integrated industrial chain. This sector comprises core facilities including propane dehydrogenation ("**PDH**"), butane isomerization and integrated propylene oxide/methyl tert-butyl ether ("**PO/MTBE**") units. The Company ranks among the leading enterprises in Shandong Province in terms of methyl tert-butyl ether production scale. Leveraging its port and raw material advantages, the Company has not only established long-term and stable cooperative relationships with a number of large refining and chemical enterprises and gasoline blenders in China, but has also actively expanded into overseas markets in recent years. Its products have been exported to Southeast Asia, the Middle East, South America, Europe and other regions, further deepening its international presence. Leveraging the PDH unit, the Company is able to achieve a high degree of self-sufficiency in feedstock for propylene oxide.

(III) Electronic chemicals sector

The electronic chemicals sector is a strategic business unit that the Company has prioritized and cultivated over the long term. The products currently in production or under development cover multiple categories, including general electronic chemicals, functional electronic chemicals and electronic specialty gases. The Company currently has mature and stable production capacity for electronic grade hydrofluoric acid. Electronic grade hydrofluoric acid (SEMI G5) is a core wet electronic chemical used in semiconductor and microelectronics manufacturing. It is primarily used in key technical processes such as cleaning and wet etching in semiconductor wafer processing. The specifications of the Company's electronic grade hydrofluoric acid products exceed the requirements of SEMI C12, the international standard for the highest grade (SEMI G5) of wet electronic chemicals, reaching an internationally advanced level. The products have been recognized as a "Shandong Provincial Excellent Achievement" and a Shandong Manufacturing Single Champion, and have been supplied on a stable basis to leading domestic semiconductor enterprises, providing solid material support for the localization of high-end chips. High-purity hydrogen fluoride gas is an important electronic specialty gas used in key processes such as dry etching and chamber cleaning in semiconductor wafer manufacturing. The Company's high-purity electronic grade hydrogen fluoride products have reached the 6N grade, filling the gap in production capacity for high-purity hydrogen fluoride for semiconductor applications in Shandong Province. The Company is accelerating the development of its electronic chemicals product portfolio, with a series of electronic chemicals projects, including the 6N-grade high-purity chlorine gas and high-end stripping solutions for semiconductor applications, progressing steadily.

Business model of the Company:

(I) Procurement model

The Company adopts different procurement models based on the nature of different raw materials. For the procurement of bulk raw materials, the Company adopts methods such as tendering and annual framework cooperation arrangements. For low-value consumables, the Company conducts centralized procurement through annual tendering, inquiry and quotation comparison and business negotiations, thereby reducing relevant costs. For certain other products, the Company adopts a consignment inventory model to streamline the procedures.

(II) Production model

The Company organizes production through its own production bases and controlled subsidiaries. Based on its production and operation targets and taking into account the operating conditions of each production unit, the Company formulates production plans for each period by breaking down such targets, and scientifically formulates production balancing plans based on the market dynamics and the operating conditions of its production units.

(III) Sales model

The Company adopts a sales model primarily based on direct sales and supplemented by distribution sales for its various products. The Company makes every effort to develop manufacturing customers, strengthens ecosystem cooperation with key customers, and continuously optimizes its customer structure to ensure stable production and reasonable profitability. It actively develops overseas customers, strengthens coordination between domestic and overseas sales, enhances its market influence and improves product margins. The electronic chemicals sector focuses on certification by high-end customers and has established a stringent customer validation system and a model of long-term and in-depth cooperation.

Industry development:

The Company operates in the chemical raw materials and chemical products manufacturing industry. Its principal businesses cover chlor-alkali chemicals, C3-C4 chemicals and electronic chemicals. Its products are widely used in petrochemicals, light industry, textiles, building materials, metallurgy, semiconductors and various other fields, and it plays an important role in China's economic development. In recent years, under policy guidance, China's chlor-alkali industry has accelerated its transformation toward high-end, green and intelligent development. On the one hand, the PRC government has successively introduced policies relating to digitalization, carbon peaking and energy-saving transformation, promoting enterprises to establish intelligent monitoring systems and enhance energy efficiency. On the other hand, through technological innovation, the industry has significantly reduced energy consumption and expanded into high-purity and high-value-added products, with applications covering high-end markets such as new energy and semiconductors. The C3-C4 chemicals industry promotes integrated and clustered development of the industrial chain to achieve self-sufficiency in raw materials, reduce transaction costs and achieve synergistic utilization of energy and by-products, thereby creating sustainable competitive advantages. Through the development of fine chemical products, the industry will optimize its product portfolio and enhance its risk resilience and profitability, in line with the PRC government's policy direction toward high-end and refined development. The electronic chemicals industry is experiencing trends of market expansion, technological upgrading and accelerated domestic substitution. Strong downstream demand from the semiconductor sector is driving rapid market growth.

II. DISCUSSION AND ANALYSIS OF OPERATIONS

2026 is a pivotal year for an in-depth implementation of the Company's strategy and the acceleration of its development. During the Reporting Period, in the face of multiple complex challenges including intensifying global geopolitical conflicts, significant fluctuations in chemical raw material prices and cyclical adjustments in the industry's supply-demand structure, the Company adhered to the three transformation directions of innovation-driven development, green and low-carbon development and internationalization, made every effort to ensure stable production and operations, successfully organized the inaugural "Beikun Young Scientists Award", successfully established its A and H dual capital platform, and effectively prevented and mitigated various risks and challenges, thereby laying a solid foundation for the achievement of its full-year targets.

(I) Comprehensive acceleration of the Beikun Plan with strong support from key projects

The integrated high-value-added downstream C4 products project achieved its commissioning target 75 days ahead of the original schedule and successfully produced qualified isobutylene and diisobutylene products. The 240,000 tons/year polyether project successfully obtained the relevant approvals in respect of safety and environmental protection and obtained the planning permit, and project tendering and procurement work is currently underway. For the source-grid-load-storage integrated project, the compilation of land-use application documents for wind turbine sites has been completed, and the wind turbines are being scheduled for manufacturing as planned. The high-end electronic chemicals production facility in Yangxin has completed the ordering of long-lead-time equipment, and on-site civil construction works have fully commenced. The ultra-high-purity electronic grade hydrogen fluoride project has achieved stable mass production, further enriching the Company's product portfolio comprising electronic chemicals, electronic specialty gases and other products.

(II) Steady improvement in production and operations with significant results from potential tapping and efficiency enhancement

At the Bincheng Base, all major products exceeded their respective production targets, and the production volumes of solid sodium hydroxide and allyl chloride reached record highs during the Reporting Period. The number of consecutive operating days of the flake sodium hydroxide unit also broke its historical record. At the Beihai Base, all products exceeded their respective production targets, with a product quality pass rate of 100%. Through continuous process technological upgrades and process optimization, the key unit consumption indicators of the PDH, butane isomerization and isobutylene units all ranked first in the industry. A total of 68 potential-tapping and efficiency-enhancement initiatives were implemented, generating cumulative gains of RMB43.964 million from potential tapping and efficiency enhancement. The Zhanhua Base completed various technological upgrades, including rectification of potential hazards in the acid tank farm and upgrades to the liquid chlorine system, significantly enhancing production efficiency and safety. The electronic grade hydrofluoric acid unit of the Specialty Chemicals Business Division operated stably and safely.

(III) Continued advancement of technology-driven development with accelerated emergence of innovation achievements

First, the Beikun technological innovation platform was further enhanced. The Company successfully organized the inaugural "Beikun Young Scientists Award" ceremony and officially launched applications for the second edition of the award worldwide. The first cohort of the Beikun technological innovation class progressed in an orderly manner, accelerating the formation of a closed-loop mechanism of "attracting talent through awards, incubating innovation through the class and empowering through capital". Second, notable achievements were made in technological research and development. The industrial unit under the polyphenylene sulfide ("**PPS**") yield improvement project significantly increased the yield of the Q250 grade products. The phenoxy resin project completed the preparation of laboratory-scale products. The Company entered into an agreement with Shanghai Jiao Tong University to jointly establish a Joint Laboratory for Synthetic Biology, and technologies for a number of products have entered the laboratory development stage or the evaluation and trial-use stage at production facilities. The wet electronic chemicals rectification platform operated steadily and achieved breakthroughs in key generic technologies for wet electronic chemicals. The "Research, Development and Application of Key Technologies for High-end Stripping Solutions for the Semiconductor Sector" project was officially selected for the "2026 Shandong Provincial Key Research and Development Program (Major Technological Innovation Project)", marking the Company's accelerated strategic extension from purification-type electronic chemicals into formulated electronic chemicals.

(IV) Successful completion of the H Share listing and formal establishment of the dual capital platform

In line with the needs of its internationalization strategy, the Company seized the threefold window of opportunity arising from policies, the market and industry recovery, and its H Shares were successfully listed on the Main Board of the Stock Exchange on July 10, 2026. A total of 352,126,000 H Shares were issued, raising net proceeds of approximately HK$1.160 billion. The successful Listing of the H Shares on the Main Board of the Stock Exchange does not only provides ample funding for the Company's new energy and chemicals coupling projects, enhancement of research and development capabilities, high-end electronic chemicals projects and overseas market expansion, but also lays a solid foundation for further broadening its international financing channels, enhancing the international influence of its brand, improving its corporate governance and connecting with global technological innovation resources.

(V) Continuous optimization of management and operations with continued improvement in organizational efficiency

During the Reporting Period, with a focus on implementing the Company's strategy, the Company optimized and adjusted its organizational structure and functional positioning, gradually established a "Three Showcases" dynamic management mechanism for middle and senior management, and implemented performance management reform to ensure the orderly implementation of its strategy. The Company removed barriers among systems, policies and processes and enhanced overall coordination. It completed internal audits of seven major management systems, including the ISO five-in-one integrated management system, the Authorized Economic Operator Advanced Certification and the chemical process safety management, and revised a total of 48 policy documents and 55 process documents. The Company continued to improve its green and low-carbon management system, completed International Sustainability and Carbon Certification PLUS certification for Dongrui Chemical, and continuously enhanced its carbon footprint management system, providing support for the Company's green and low-carbon transformation and enhancement of the international competitiveness of its products.

(VI) Strengthening the foundations of safety and environmental protection and upgrading closed-loop risk management

In terms of safety, the safety situation remained stable during the Reporting Period, and no safety accidents involving serious injury or above, major liability or significant social impact occurred. The Company further implemented the "Hui'an Project", under which 68 key intrinsic safety and digital and intelligent transformation projects have been implemented as of the date of this announcement. In particular, the emergency command center has established an interconnected digital emergency communication system, achieving linkage and integration among command systems across multiple bases. The Company also completed Internet of Things upgrades for 43 fire alarm control panels, enabling centralized monitoring and early warning of fire alarm signals. In terms of environmental protection, the Company completed internal environmental protection reviews for 51 projects and completed the relevant procedures for nine projects. Its solid waste management capabilities continued to improve, with the self-disposal rate of hazardous waste reaching 96.1%, providing a solid environmental foundation for the Company's green and low-carbon development.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

(I) Solid technological innovation capabilities

The Company adheres to technology-driven development and strives to achieve breakthroughs. Guided by the "Beikun Plan" as its strategic framework, the Company has established a "421" technological development strategy system to empower industrial transformation and upgrading. The Company currently has 687 research and development personnel, representing 18.25% of its total workforce, of whom 107 hold a master's degree or above. The Company has continuously increased its research and development investment, which recorded a compound annual growth rate of approximately 59% over the past three years. The Company has established cooperative relationships with 20 universities and research institutes, including Shanghai Jiao Tong University, Zhejiang University, the Dalian Institute of Chemical Physics of the Chinese Academy of Sciences and Shandong University, and has undertaken one national key research and development program and seven provincial-level or above scientific research projects. The Company has established the Strategic Innovation Research Institute. Through initiatives such as organizing the "Beikun Young Scientists Award" and implementing the "Double Ten Technological Innovation Acceleration Plan", the Company attracts and nurtures top scientists and high-quality technological innovation projects, and accelerates the commercialization of scientific research achievements through its two major platforms, namely the research and development center and pilot-scale base. In recent years, the Company has achieved multiple technological innovation breakthroughs, with one technological achievement reaching an internationally leading level, ten reaching an internationally advanced level and five reaching a domestically leading level.

(II) Diversified and synergistic integrated industrial chain operation model

The Company has built a multi-category, circular product portfolio with deep synergy across product chains. In the chlor-alkali chemicals sector, leveraging its self-owned salt pans, the Company has an annual production capacity of approximately 500,000 tons of crude salt and 5,750 tons of bromine, and has established a full-industrial-chain circular economy system of "crude salt-sodium hydroxide-high-value-added chlorine-consuming chemicals", creating a sustainable cost leadership advantage. In the C3-C4 chemicals sector, the Company has established two high-end carbon chains, namely "propane-propylene-propylene oxide" and "butane-isobutane-TBA-high-purity isobutylene", achieving a high degree of self-sufficiency in core raw materials. The Company's diversified product portfolio and extensive downstream applications allow it to balance input and output based on market conditions. It also has a flexible production management system to adjust output in response to market demand, enabling it to mitigate market volatility risks. Leveraging the Binzhou Port, being the Company's hub connecting domestic and international cycles, the Company has developed an integrated "Port-Industry-Ship-Trade" advantage and constructed 330,000 cubic meters of low-temperature LPG storage tanks near the port, establishing a seamless closed loop of "port storage and unloading-pipeline direct delivery-industrial park production". Binzhou Port is currently advancing the expansion of its waterway from 30,000 tonnage to 50,000 tonnage, which, upon completion, will significantly enhance its capacity to absorb bulk raw materials and distribute end products.

(III) Advantages in green and low-carbon development and energy transformation

The Lubei Saline-Alkali Beach Wind-Solar-Storage-Transmission Integrated Base, where the Company is located, is one of Shandong Province's five major clean energy bases. The Company has made forward-looking arrangements for green and low-carbon transformation, deeply implemented a development pathway integrating green electricity with chemicals, advanced the source-grid-load-storage integrated project and established a closed-loop system of "green power generation – energy storage and peak shaving – consumption by chemical operations", thereby securing a first-mover advantage in the industry's green transformation. The 260MW source-grid-load-storage integrated project, with a total investment of RMB1.421 billion, is being accelerated. Upon completion and commencement of operation, it will directly supply 424 million kWh of green electricity annually. In addition, through establishing the "Kun Energy No. 1" intelligent control hub, the Company deeply integrates various physical facilities and automation systems and connects with power grid dispatching, the electricity market and energy and carbon management systems, achieving the integration and closed-loop management of four flows, namely energy flow, information flow, value flow and carbon flow.

(IV) A management team with strong strategic vision and profound industry experience

The Company takes "innovation and hard work" as its core values and has fostered a core team with strong strategic vision, capable of addressing industrial challenges and efficiently delivering project implementation. From the initial submission of its H Share listing application to the passing of the hearing of the Stock Exchange, the entire process took only 8 months. The period from groundbreaking to producing qualified products for the Company's PO/MTBE unit was significantly shorter than that for similar units in the industry. Furthermore, in response to the urgent demand of China's semiconductor industry for technological breakthroughs in high-purity wet electronic chemicals, the Company overcame international technological barriers in ultra-high-purity technology for electronic grade hydrofluoric acid and achieved comprehensive results from theoretical research to stable industrial-scale mass production and then to validation by leading domestic semiconductor customers, fully demonstrating the Company's comprehensive capabilities in converting innovation achievements into market competitiveness.

(V) Stable, reliable and efficiently synergistic management system

The Company has absorbed international management standards, integrated its years of management experience and pursued continuous innovation to develop an efficient and synergistic management system covering the entire operational chain. This system enables full-process control of quality, environment, occupational health and safety, food safety and energy management systems, effectively ensuring stable production and cost control. This management system represents an advantage of the Company in reducing costs and improving efficiency, establishing stable sources of profit and developing a diversified and stable customer base. For example, the Company implements a "cash-on-delivery" sales model for major products and adopts efficient inventory management, continuously optimizing capital turnover efficiency and enhancing cash flow stability.

IV. ANALYSIS OF FINANCIAL STATEMENTS

(1) Analysis of Profit or Loss

Revenue

The Group recorded revenue of RMB8,259.69 million for the six months ended June 30, 2026, representing an increase of approximately 12.32% from RMB7,353.86 million for the same period in 2025, primarily due to an increase in product sales resulting from the stable operation of new facilities of Binhua New Materials and higher prices of the Company's main products of propylene oxide, allyl chloride and epichlorohydrin than those in the same period last year.

The table below sets out the breakdown of the revenue for the periods indicated:

	For the six months ended June 30, 2026		For the six months ended June 30, 2025	
	RMB'000	**%**	*RMB'000*	%
Chlor-alkali chemicals	**3,348,050**	**40.53**	3,085,019	41.95
C3-C4 chemicals	**4,039,727**	**48.91**	3,486,715	47.41
Electronic chemicals	**38,711**	**0.47**	27,019	0.37
Energy	**488,107**	**5.91**	425,969	5.79
Others[(1)]	**345,091**	**4.18**	329,139	4.48
Total revenue	**8,259,686**	**100.00**	7,353,861	100.00

Notes:

(1) Others primarily represented rental income and other chemicals, such as liquid ammonia, as well as other services including design, technical and installation services the Group provided to third-party manufacturers for their production facilities.

Cost of Sales

Cost of sales of the Group increased by approximately 7.57% from RMB6,736.80 million for the six months ended June 30, 2025 to RMB7,246.86 million for the same period in 2026. The increase was primarily attributable to an increase in product sales resulting from the stable operation of new facilities of Binhua New Materials and higher procurement costs of the main raw materials of propane and butane than those in the same period last year.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of RMB1,012.83 million for the six months ended June 30, 2026, representing a 64.14% increase from a gross profit of RMB617.06 million for the same period in 2025. The increase was primarily attributable to higher prices of the Company's main products of propylene oxide, allyl chloride, and epichlorohydrin during the Reporting Period than those in the same period last year. During the Reporting Period, the gross profit margin of the Group was approximately 12.26%, representing an increase of 3.87 percentage points compared to 8.39% for the same period in 2025.

Other Net Income

For the six months ended June 30, 2026, the other net income of the Group increased by approximately 64.41% from RMB25.45 million for the six months ended June 30, 2025 to RMB41.85 million for the same period in 2026. The increase was primarily attributable to an increase in income from the transfer of carbon emissions quota of Yellow River Delta (Binzhou) Thermal Power Co., Ltd.* (黃河三角洲(濱州)熱力有限公司), a non-wholly owned subsidiary of the Company, during the Reporting Period.

Selling Expenses

Selling expenses decreased by approximately 2.11% from RMB12.68 million for the six months ended June 30, 2025 to RMB12.41 million for the same period in 2026, primarily attributable to a decrease in labor costs and travelling expenses for the Company's sales staff during the Reporting Period.

General and Administrative Expenses

General and administrative expenses of the Group increased by approximately 10.01% from RMB264.83 million for the six months ended June 30, 2025 to RMB291.34 million for the same period in 2026, primarily attributable to an increase in the Company's consulting fees and taxes during the Reporting Period.

Research and Development Costs

Research and development costs of the Group increased by approximately 34.45% from RMB60.70 million for the six months ended June 30, 2025 to RMB81.61 million for the same period in 2026, primarily attributable to increased investment in research and development personnel, direct materials, and core processes.

Impairment Losses Reversed/(Recognized) on Trade and Other Receivables

For the six months ended June 30, 2026, an impairment loss on trade and other receivables of RMB2.33 million was reversed, compared with an impairment loss on trade and other receivables of RMB1.01 million recognized for the six months ended June 30, 2025. This was primarily due to the reversal of allowance for doubtful debts on trade receivables.

Other (Losses)/Gains

Other gains of the Group decreased by approximately 56.71% from RMB81.82 million for the six months ended June 30, 2025 to RMB35.42 million for the same period in 2026. This was primarily attributable to a decrease in gains on financial assets at FVTPL and gains on disposal of assets.

Finance Costs

Finance costs of the Group decreased by approximately 8.02% from RMB150.44 million for the six months ended June 30, 2025 to RMB138.37 million for the same period in 2026. This was primarily attributable to a decrease in interest on bank and other borrowings.

Share of Losses of Associates

The share of losses of associates represents the losses attributable to the Group from the equity interest in associates. The Group recorded a share of losses of associates of RMB52.32 million for the six months ended June 30, 2025 and RMB52.56 million for the same period in 2026. This was primarily attributable to changes in profits of associates.

Income Tax

The Group recorded income tax expense of RMB46.73 million for the six months ended June 30, 2025 while it recorded income tax expense of RMB127.91 million for the same period in 2026, primarily attributable to an increase in the Company's profit before taxation for the Reporting Period.

Profit For the Period

As a result of the foregoing, the Group recorded a profit of RMB388.22 million for the six months ended June 30, 2026, as compared to a profit of RMB135.63 million for the same period in 2025.

(2) Analysis of Financial Position

Property, Plant and Equipment

The property, plant and equipment consist of plant and buildings, machinery and equipment, vehicles, electronic equipment and others, and construction in progress. Property, plant and equipment of the Group decreased by approximately 2.32% from RMB14,039.17 million as of December 31, 2025 to RMB13,712.93 million as of June 30, 2026. Such decrease was primarily due to asset depreciation.

Right-of-Use Assets

The right-of-use assets primarily represent the Group's lease rights in land, properties and equipment. The Group recorded right-of-use assets of RMB1,398.35 million and RMB1,419.00 million as of December 31, 2025 and June 30, 2026, respectively. Such increase was primarily due to a combination of the addition of land use rights of RMB60.65 million held by Binhua New Materials (Hubei) Co., Ltd.* (濱化新材料(湖北)有限公司), a wholly-owned subsidiary of the Company, in the Reporting Period, a reduction of RMB10.87 million arising from the transfer of land by Shandong Changyuan New Materials Co., Ltd.* (山東長源新材料有限公司), a wholly-owned subsidiary of the Company, and normal depreciation and amortization of RMB29.23 million.

Goodwill

The goodwill remained stable at RMB45.54 million as of December 31, 2025 and RMB45.54 million as of June 30, 2026, respectively.

Interests in Associates

The interests in associates decreased by approximately 21.17% from RMB2,185.40 million as of December 31, 2025 to RMB1,722.77 million as of June 30, 2026, primarily attributable to the Company's disposal of an associate to a third party in April 2026.

Equity Securities Designated at FVOCI

The equity securities designated at FVOCI primarily represent the Group's investments in unlisted equity securities for strategic purposes. The equity securities designated at FVOCI remained stable at RMB710.78 million and RMB710.71 million as of December 31, 2025 and June 30, 2026, respectively.

Inventories and Contract Costs

The inventories and contract costs primarily consist of raw materials, finished goods, goods in transit and contract costs. The inventories and contract costs increased by approximately 41.02% from RMB1,356.85 million as of December 31, 2025 to RMB1,913.46 million as of June 30, 2026, primarily attributable to an increase of RMB354.46 million in inventories of propane and butane as compared with the beginning of the period, and an increase of RMB60.25 million in glycerine inventories.

Trade and Bills Receivables

The trade and bills receivables mainly represent outstanding amounts due from the Group's customers for the purchase of products in the ordinary course of business, less allowance for doubtful debts, and increased by approximately 23.28% from RMB917.80 million as of December 31, 2025 to RMB1,131.44 million as of June 30, 2026. This was primarily attributable to an increase in third-party receivables of RMB176.00 million as compared with the beginning of the period, arising from higher revenue from the Company's export business. Certain export products are settled by letters of credit, and payments are generally received in the month following receipt of the letters of credit.

Financial Assets at FVTPL

The financial assets measured at FVTPL primarily consist of investments in wealth management products and derivative financial instruments. The financial assets at FVTPL amounted to RMB14.06 million and RMB13.03 million as of December 31, 2025 and June 30, 2026, respectively. Such decrease was primarily attributable to a decrease of RMB0.86 million in futures contracts as compared with the beginning of the year.

Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables primarily represent advances to suppliers and input value-added tax deductible. As of December 31, 2025 and June 30, 2026, the prepayments, deposits and other receivables were RMB433.08 million and RMB540.59 million, respectively. Such increase was primarily attributable to an increase in prepayments, dividend receivable and equity transfer receivable.

Trade and Bills Payables

The trade and bills payables, where other payables mainly consist of trade payables and bills payables, decreased by approximately 29.96% from RMB2,257.14 million as of December 31, 2025 to RMB1,580.92 million as of June 30, 2026, primarily attributable to a decrease of RMB467.58 million in trade payables as compared to the beginning of the year and the redemption of RMB208.64 million in bills payable upon maturity.

Accrued Expenses and Other Payables

The accrued expenses and other payables decreased by approximately 5.82% from RMB374.89 million as of December 31, 2025 to RMB353.06 million as of June 30, 2026, primarily attributable to a decrease in borrowings from related parties.

Contract Liabilities

The Group's contract liabilities primarily represent advances received from customers for purchase of products. As of December 31, 2025 and June 30, 2026, the contract liabilities were RMB139.20 million and RMB352.01 million, respectively. Such increase was primarily attributable to contract liabilities arising from the sale of propane and butane products by Befar Evertrust Singapore Pte. Ltd., a wholly-owned subsidiary of the Company.

(3) Analysis of Cash Flows

Net Cash Flows from Operating Activities

During the Reporting Period, the Group's net cash flow generated from operating activities amounted to approximately RMB908.65 million, representing a decrease of approximately 30.72% as compared to the RMB1,311.60 million for the same period in 2025, primarily attributable to a decrease in tax refunds received compared to the same period last year.

Net Cash Flows from Investing Activities

During the Reporting Period, the Group's net cash flow used in investing activities amounted to approximately RMB247.93 million, representing an upward trend as compared to RMB205.14 million for the same period in 2025, primarily attributable to a combination of higher expenditures on the construction of long-term assets as compared to the same period last year, and a decrease in investment income.

Net Cash Flows from Financing Activities

During the Reporting Period, the Group's net cash flow used in financing activities amounted to approximately RMB579.98 million, representing an upward trend as compared to RMB248.32 million for the same period in 2025, primarily attributable to an increase in repayment of various debts during the Reporting Period as compared to the same period last year.

Sources of Liquidity and Working Capital

During the Reporting Period, the Group's primary sources of liquidity included cash generated from operating activities, investing activities and financing activities. The Group's cash and cash equivalents comprise cash at bank and on hand, time deposits with banks and other financial institutions that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

The Group's current assets increased from RMB5,085.68 million as of December 31, 2025 to RMB5,451.65 million as of June 30, 2026, primarily due to an increase in inventories of RMB556.61 million. The Group's current ratio, which equals the current assets divided by the current liabilities at the end of the respective period, increased from approximately 0.70 as at December 31, 2025 to approximately 0.77 as at June 30, 2026.

(4) Other Matters

Foreign Exchange Risk and Hedging

The Group operates in the PRC with most of the transactions settled in Renminbi. Foreign currency risk arises when commercial transactions or recognized assets or liabilities are denominated in a currency other than the entities' functional currency. The Group is exposed to foreign currency risk primarily with respect to USD and HKD.

As of the date of this announcement, the Group does not use any derivative contracts to hedge against its exposure to foreign currency exchange risks but has closely managed its foreign currency risk by performing regular reviews of its net foreign currency exposures and may enter into currency forward contracts, when necessary, to manage its foreign exchange exposure.

Contingent Liabilities

As of June 30, 2026, the Group did not have any material contingent liabilities or guarantees, nor was there any material litigation or claim pending or threatened against any member of the Group that was likely to have a material adverse effect on its business, financial condition or results of operations.

Capital Expenditures

The capital expenditures are primarily related to the acquisition of property, plant and equipment and intangible assets. The capital expenditures increased by approximately 24.1% from RMB295.51 million for the six months ended June 30, 2025 to RMB366.73 million for the six months ended June 30, 2026, primarily due to the commencement of construction on the Company's source-grid-load-storage integrated project during the Reporting Period, resulting in a corresponding increase in capital expenditure due to reasons such as equipment procurement.

Pledge of Assets

As of June 30, 2026, bank deposits and bills receivables of approximately RMB447.07 million (as at December 31, 2025: approximately RMB981.66 million) were pledged to banks to secure the Group's bills payables, letters of guarantee, acceptance bills, letters of credit and bank borrowings, etc. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as of June 30, 2026 was approximately the same as the carrying amount. As of June 30, 2026, fixed assets and right-of-use assets of approximately RMB8,917.23 million (as at December 31, 2025: approximately RMB9,094.23 million) were also pledged by the Group to secure bank borrowings.

Gearing Ratio

Gearing ratio equals the total borrowings divided by the total equity at the end of the respective period, multiplied by 100%. The gearing ratio of the Group decreased from 76.5% as of December 31, 2025 to 74.9% as of June 30, 2026, which was primarily due to an increase in total equity as of June 30, 2026 as compared to that as of December 31, 2025.

Differences in Accounting Data under IFRS Accounting Standards and China Accounting Standards for Business Enterprises ("CAS")

Unit: *RMB*

	Net profit attributable to shareholders of the listed company	
	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Under CAS	**343,592,573.58**	111,466,794.55
Items and amounts adjusted under IFRS Accounting Standards:		
Adjustment for safety production expenses	**29,338,773.61**	24,632,635.13
Under IFRS Accounting Standards	**372,931,347.19**	136,099,429.68

As a hazardous chemicals production and storage enterprise, the Company accrues safety production expenses in accordance with the relevant provisions of the Measures for the Withdrawal and Use of Safety Production Expenses of Enterprises (Cai Zi (2022) No. 136) (《企業安全生產費用提取和使用管理辦法》(財資(2022) 136號)) issued by the Ministry of Finance and the Ministry of Emergency Management. Under IFRS Accounting Standards, however, such expenses are recognised when incurred. In addition, the Company's joint ventures and associates have also accrued special reserves which have not yet been utilized, resulting in different amounts of investment income recognized under the different accounting standards. The deferred tax effects arising from the above differences are also reflected accordingly.

V. PROSPECT AND OUTLOOK

In the second half of 2026, the Company will remain focused on its full-year targets, accelerate the implementation of the core strategies under the "Beikun Plan", tap the potential for efficiency enhancement across the entire value chain, strengthen technology-driven innovation and promote the high-quality development of the Company.

(I) Tackling key projects and strengthening support for development. The Company will accelerate the implementation of key projects under the "Beikun Plan". It will accelerate the design and construction of the 240,000 tons/year polyether project, complete the construction and grid connection of certain wind turbines under the source-grid-load-storage integrated project by the end of the year, ensure the completion of the intermediate handover of the high-end electronic chemicals production facility project in Yangxin by the end of November, and accelerate the preliminary work for the butyl rubber project. Meanwhile, the Company will coordinate with relevant authorities to advance the construction of the 50,000-tonnage waterway at Binzhou Port, striving to enable fully laden very large gas carriers to enter the port by taking advantage of tidal windows as scheduled.

(II) Tapping production and sales potential and reducing costs and enhancing efficiency across the entire value chain. On the production side, the Company will ensure full-load production and strive to maintain stable production volumes of its major products. On the marketing side, the Company will strengthen market analysis and tactical operations in response to market fluctuations, deepen the coordination mechanism with industry peers and improve the mutual visit mechanism with strategic customers. On the procurement side, the Company will ensure the stable supply of various raw materials and supplies and promote cost reduction and efficiency enhancement across the entire supply chain. The Company will fully leverage the port-side resource advantages in northern Binzhou and steadily advance the planning and implementation of integrated "Port-Industry-Ship-Trade" development.

(III) Focusing on scientific research breakthroughs and accelerating the commercialization of achievements. The Company will accelerate the launch of the first cohort of the Beikun technological innovation class and advance the preparations for the second "Beikun Young Scientists Award" to a high standard. It will focus on advancing the development of a new low-chlorine, high-melt-flow-index PPS grade and the establishment of pilot-scale projects for phenoxy resin and polyarylene ether nitrile, and accelerate process optimization for G5-grade electronic grade isopropyl alcohol. The Company will promote the launch of the operations testing and simulations ("**OTS**") dynamic model for the 100,000 tons/year epichlorohydrin ("**ECH**") unit, put the smart thermal project into operation, and advance the commercialization of benzenediol and ECH technologies.

(IV) Enhancing safety and environmental protection capabilities and comprehensively strengthening intrinsic safety safeguards. The Company will continue to further advance the "Hui'an Project", strengthen the development of key projects including the emergency command center and corpus, and enhance the control of major hazard sources and prevention of work-related injuries. It will strictly implement environmental protection controls and ensure compliant disposal of the "three wastes". The Company will accelerate the ultra-low-emission retrofits of coal-fired boilers at the Bincheng and Beihai Bases and ensure that clean transportation of raw coal accounts for over 80%.

(V) Stimulating reform vitality and enhancing operational excellence. The Company will further improve performance management and optimize incentive and appraisal rules. It will strengthen budget management and monthly review and diagnostic analysis, and accelerate the digital transformation of finance. It will optimize the dynamic carbon trading operating mechanism and ensure 100% compliance with carbon emissions verification. Focusing on business pain points and practical operating scenarios, the Company will comprehensively deepen the application of AI across all scenarios. It will further improve the development of its digital platforms and deepen the application of OTS, manufacturing of execution systems, digital twin systems, energy and carbon digital platforms and other systems.

VI. POTENTIAL RISKS

(I) Risk of macroeconomic fluctuations. As a basic raw material industry, the chlor-alkali industry has a high degree of correlation with the development of the national economy in terms of its industry cycle, as its products are widely used in various sectors of the national economy. If the growth of the domestic economy slows down or the economy experiences cyclical fluctuations, resulting in a decline in infrastructure investment and reduced demand for downstream products, the Company's future profitability may be adversely affected.

(II) Risk of industry competition. Homogeneous competition among domestic chlor-alkali enterprises is becoming increasingly intense. As there are relatively small differences in the quality and performance of chlor-alkali products, product competitiveness is mainly reflected in production costs. Although the Company currently enjoys certain cost advantages, if it is unable to continue to consolidate and enhance such cost advantages, the Company may face the risk of declining product competitiveness.

(III) Risk of fluctuations in prices of major raw materials. The major raw materials for the Company's products include propylene, propane, crude salt and raw coal. If the costs of the Company's raw materials increase, its production costs will increase accordingly; if raw material costs decrease, the Company may incur impairment losses on raw material inventories. Although the Company strengthens the management of raw material inventories through measures such as controlling inventory levels, significant fluctuations in raw material costs within a short period of time may still adversely affect the Company's production and operations.

(IV) Policy risk. The National Development and Reform Commission and other relevant national regulatory authorities have successively introduced a number of industrial policies to regulate the development of the industry in which the Company operates in respect of industrial layout, scale and processes, energy consumption, safety and environmental protection, supervision and administration and other aspects, with a view to curbing low-level redundant construction and encouraging leading enterprises in the industry to vigorously develop the circular economy through large-scale and intensive operations. The Company's existing products and investment projects funded by the proceeds comply with the requirements of national industrial policies in respect of industrial layout, facility scale and processes, energy consumption, environmental protection and production safety. However, as industry competition evolves, any adjustments to national industrial or environmental protection policies may pose risks to the Company's production and operations.

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

During the Reporting Period, the Company had no significant investments and/or material acquisitions or disposals of subsidiaries, associates or joint ventures.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company successfully listed on the Stock Exchange on July 10, 2026. As an A Share and H Share listed company, the Company has strictly complied with the requirements of the laws, regulations and normative documents of the places where its Shares are listed, and has continuously improved its corporate governance structure. Each of the Company's shareholders' meeting, the Board of Directors and executive management fulfills their respective roles and duties with the utmost diligence. The Company has also continuously strengthened its compliance operation to ensure the sustained and standardized development of its various businesses, including the establishment and improvement of a corresponding system framework, and the optimization and enhancement of its internal organizational structure and authorization management mechanism.

As the H Shares were not listed on the Stock Exchange during the Reporting Period, the CG Code as set out in Appendix C1 to the Listing Rules was not applicable to the Company during that period, but has been applicable to the Company since the Listing Date. From the Listing Date to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct for securities transactions by the Directors. As the H Shares were not listed on the Hong Kong Stock Exchange during the Reporting Period, the relevant rules under the Model Code were not applicable to the Directors during the Reporting Period. Having made specific enquiries to all Directors, each Director has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date and up to the date of this announcement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save for the completion of the H Share global offering and listing of the Company on July 10, 2026, which is disclosed in Note 22 to the financial statements, there have been no significant events affecting the Group from the end of the Reporting Period to the date of this announcement.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The 352,126,000 H Shares issued by the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange on July 10, 2026. After deducting the underwriting commissions, listing expenses and other charges, the net proceeds received by the Company from the global offering amounted to approximately HK$1.160 billion, which will be used for the purposes set out in the Prospectus.

Since the H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on July 10, 2026, there was no utilization of the net proceeds from the global offering during the Reporting Period. As of the date of this announcement, there has been no change to the intended use of the net proceeds as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Should the net proceeds not be immediately utilized for their intended purposes, the Company will only deposit such net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

As of the date of this announcement, the proposed use of the net proceeds remains consistent with that previously disclosed in the Prospectus.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of RMB0.20 (tax inclusive) per 10 Shares for the six months ended June 30, 2026 (for the six months ended June 30, 2025: RMB0.10 (tax inclusive) per 10 Shares). Such interim dividend has been approved by the Board under the authorisation of the Company's shareholders at the annual general meeting held on Wednesday, May 13, 2026. The Company expects to distribute the interim dividend on or before Monday, December 28, 2026 to Shareholders whose names appear on the Company's register of members of H Shares on Thursday, October 15, 2026. Regarding the distribution of the interim dividend, the dividend payable to H Shareholders of the Company will be in RMB or Hong Kong dollars. The exchange rate shall be calculated on the basis of the average of the mid-point of the exchange rate between RMB and Hong Kong dollars as announced by the People's Bank of China for the five working days prior to the date of the Board meeting approving the interim dividend. Accordingly, the interim dividend will be 0.2312 Hong Kong Dollar (tax inclusive) per 10 H Share.

Closure of Register of Members

In order to determine the entitlement of holders of H Shares to the interim dividend, the H Share registrar of the Company will suspend registration of transfers of H Shares from Thursday, October 8, 2026 to Thursday, October 15, 2026 (both days inclusive), during which period no transfer of H Shares will be registered. Shareholders whose names appear on the register of members of H Shares of the Company on Thursday, October 15, 2026 shall be entitled to the interim dividend. In order to qualify for the interim dividend, holders of H Shares of the Company are required to deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday October 7, 2026.

Tax Information

Individual Income Tax

In accordance with provisions of the Notice of the State Administration of Taxation on Individual Income Tax Collection Issues after the Document with the Number of Guo Shui Fa [1993] No. 045 Has Been Abolished (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348), withholding and paying obligor will withhold and pay individual income tax for dividends and bonuses income of overseas resident individual shareholders from the domestic non-foreign-funded enterprises by issuing shares in Hong Kong. When the domestic non-foreign-funded enterprise issues shares in Hong Kong, its overseas resident individual shareholders will enjoy relevant tax preference in accordance with tax convention signed by the PRC and the country stated in the residential identity and tax arrangement between Mainland China and Hong Kong (Macau). The tax rate for dividend is generally 10% in accordance with relevant tax conventions and provisions on tax arrangement. To simplify tax collection and management, when a domestic non-foreign-funded enterprise that has issued shares in Hong Kong distributes dividends and bonuses, individual income tax will be generally withheld and paid at the tax rate of 10% and application is not necessary. Situations in which tax rate for dividends is not 10% will be handled in accordance with the following provisions: (1) as for residents of countries under the convention whose tax rate is less than 10%, withholding and paying obligor can handle the application for enjoying relevant convention treatment and excessive tax will be refunded upon approval of competent taxation authority; (2) as for residents of countries under the convention whose tax rate is between 10% and 20%, withholding and paying obligor shall withhold and pay individual income tax as per actual tax rate under the convention when distributing dividends and bonuses and no need to handle approval issues; (3) as for residents of countries without tax convention and other situations, withholding and paying obligor shall withhold and pay individual income tax at the tax rate of 20% when distributing dividends and bonuses.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), the Implementation Regulations of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) and the Notice of the State Administration of Taxation on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), when a PRC resident enterprise pays dividends for 2008 or any year thereafter to overseas non-PRC resident enterprise shareholders of H Shares, it shall withhold and pay enterprise income tax thereon at a uniform rate of 10%.

Profit Distribution to Investors of Northbound Trading

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares listed on the Shanghai Stock Exchange (the "**Northbound Trading**"), their dividends and bonuses will be distributed in Renminbi by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the accounts of the nominees holding such shares. The Company will withhold income taxes at the rate of 10% on behalf of the investors and will report to the competent tax authorities for the withholding. For investors of Northbound Trading who are tax residents of other countries and whose country of domicile has entered into a tax treaty with the PRC stipulating a dividend and bonus tax rate lower than 10%, those enterprises or individuals may, or may entrust a withholding and paying obligor to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authorities, the paid tax in excess of the tax payable based on the tax rate under such tax treaty will be refunded.

The registration date of the equity interest and the date of distribution of cash dividends and other schedule arrangements for the investors of Northbound Trading will be the same as those for the holders of A Shares.

Profit Distribution to Investors of Southbound

Trading for investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares listed on the Hong Kong Stock Exchange (the "**Southbound Trading**"), the cash dividends will be paid in RMB. Relevant tax policies are subject to the relevant requirements under the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2014] 81號)》) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016] 127號)》). For dividends and bonuses received by domestic individual investors from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the companies shall withhold individual income tax at the rate of 20% on behalf of the investors. For dividends and bonuses received by domestic securities investment funds from investing in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The companies will not withhold the income tax of dividends and bonuses for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The registration date of the equity interest and the date of distribution of cash dividends and other schedule arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares.

All investors are requested to read this announcement carefully. Shareholders are recommended to consult their tax consultants regarding the tax impacts in the PRC, Hong Kong and other countries (regions) for holding and selling shares.

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

During the Reporting Period, as the Company's H Shares were not yet listed on the Stock Exchange, the Listing Rules were not applicable to the Company during such period. From the Listing Date up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange (including sale of treasury shares). As at the date of this announcement, the Company did not hold any H Shares as treasury shares.

SUFFICIENCY OF PUBLIC FLOAT

During the Reporting Period, as the H Shares were not yet listed on the Stock Exchange, the Listing Rules were not applicable to the Company during such period. Based on the information publicly available to the Company and to the knowledge of the Directors, from the Listing Date up to the date of this announcement, the H Shares listed on the Hong Kong Stock Exchange and held by the public accounted for not less than 5% of the total issued share capital of the Company (excluding treasury shares). The Company has at all times maintained sufficient public shareholding as required under Rule 19A.28B(2)(b) of the Hong Kong Listing Rules.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Hao Yinping, Ms. Li Haixia and Mr. Wang Qian. Mr. Hao Yinping is the chairman of the Audit Committee who possesses appropriate professional qualifications as required by Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules. The Audit Committee has reviewed and confirmed the interim report and the unaudited interim results of the Group for the six months ended June 30, 2026. The Audit Committee and the Company's management have also reviewed, with no disagreement, the accounting principles and practices adopted by the Group; and discussed matters in relation to risk management, internal control and financial reporting.

PUBLICATION OF 2026 INTERIM RESULTS AND H SHARE INTERIM REPORT

This 2026 interim results announcement is published on the website of HKEXnews (www.hkexnews.hk) and the Company's website (www.befar.com). The H Share interim report of the Company for the six months ended June 30, 2026 will be made available on the above websites for inspection in due course, and will be despatched to shareholders of the Company who have indicated their wish to receive a printed copy in due course.

DEFINITIONS

"A Share(s)"	ordinary share(s) issued by the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in RMB
"allyl chloride"	an organic compound with the chemical symbol of C_3H_5Cl. It is primarily used in the production of epichlorohydrin, allyl alcohol, and other such products, and also serves as a raw material for pesticides, pharmaceuticals and coatings
"Articles" or "Articles of Association"	the articles of association of the Company, as amended from time to time
"Audit Committee"	the audit committee of the Board
"Beihai Base"	Beihai New Materials Base (北海新材料基地), a base located in Beihai Economic Development Zone of Binzhou, Shandong Province
"Bincheng Base"	Bincheng Basic Chemicals and Electronic Chemicals Base (濱城基礎化工和電子化學品基地), a base located in Binzhou, Shandong Province
"Binhua New Materials"	Shandong Binhua New Materials Co., Ltd.* (山東濱華新材料有限公司), a limited liability company established in the PRC on September 15, 2018 and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of Directors
"butane"	a type of alkane organic compound, with two isomers, n-butane and isobutane, is often used as fuel, solvent or chemical raw material
"butane isomerization"	the process that converts butane into isobutane, utilizing catalysts such as platinum on gamma alumina or zeolite, with the operation favoring branched isomers at appropriate temperatures
"C3-C4 chemicals"	a major category of important chemical products derived from hydrocarbon molecules containing three or four carbon atoms (as basic raw materials) through a series of chemical reactions
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules

"chlorohydrin process propylene oxide"	an organic compound produced using propylene, chlorine, and water as raw materials, through the processes of chlorohydrination, saponification and purification, with the chemical symbol of C_3H_6O
"chlor-alkali"	an industrial process that produces chlorine, sodium hydroxide and hydrogen on a large scale through the electrolysis of saturated brine (sodium chloride solution). Products from the chlor-alkali process serve as basic raw materials for downstream industries such as papermaking, plastics, textiles, water treatment and metallurgy
"Company" or "our Company"	Befar Group Co., Ltd* (濱化集團股份有限公司), a limited liability company established in the PRC on May 21, 1998, whose A Shares are listed on the Shanghai Stock Exchange (stock code: 601678) and H Shares are listed on the Hong Kong Stock Exchange (stock code: 6745)
"Director(s)"	the director(s) of the Company
"Dongrui Chemical"	Shandong Befar Dongrui Chemical Co., Ltd.* (山東濱化東瑞化工有限責任公司), a limited liability company established in the PRC on March 20, 2007 and 83.87% owned by the Company as of the date of this announcement
"epichlorohydrin"	an organic compound with the chemical symbol of C_3H^5ClO. It is widely used in the production of plastics, epoxy glues and resins, and elastomers
"Group", "our Group" or "Befar"	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"H Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, subscribed for and traded in Hong Kong on the Main Board of the Stock Exchange
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"kWh"	kilowatt-hour
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange

"Listing Date"	July 10, 2026, the date on which the H Shares were listed on the Hong Kong Stock Exchange and from which dealings in the H Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LPG"	liquefied petroleum gas, primarily comprising propane and butane
"Main Board"	the Main Board of the Stock Exchange
"MW"	megawatt
"PRC" or "China"	the People's Republic of China
"propylene"	an organic compound with a carbon-carbon double bond in its molecule, capable of undergoing addition, polymerization, oxidation and other reactions. It is the second-largest olefin feedstock after ethylene
"propylene oxide"	an organic compound with the chemical symbol of C3H6O, which is a colorless, flammable cyclic ether and a key intermediate in the chemical industry. It is primarily produced by the chlorohydrin process, co-oxidation process or halcon process and is widely used in manufacturing polyether polyols, propylene glycol and non-ionic surfactants. These downstream products are further used in sectors including furniture, automotive, construction, and coatings
"Prospectus"	the prospectus of the Company dated June 30, 2026
"Province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC government
"Reporting Period"	for the six months ended June 30, 2026
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

"Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including the A Shares and H Shares
"sodium hydroxide"	an inorganic compound with the chemical symbol NaOH, also commonly known as caustic soda. It is a white, hygroscopic solid or aqueous solution and a strong alkali and is widely used in textile fiber processing, chemical synthesis, metallurgical ore refining, pharmaceutical manufacturing and petroleum refining
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US$" or "USD"	United States dollar, the lawful currency of the United States
"Zhanhua Base"	Zhanhua New Energy Base (沾化新能源基地), a base located in Binzhou, Shandong Province
"%"	percent

By order of the Board
Befar Group Co., Ltd
Mr. Yu Jiang
Chairman of the Board and Executive Director

Hong Kong, August 27, 2026

As of the date of this announcement, the Board comprises: (i) Mr. Yu Jiang, Mr. Dong Hongbo and Dr. Liu Hongan as executive Directors; (ii) Mr. Song Shuhua as non-executive Director; and (iii) Mr. Hao Yinping, Ms. Li Haixia, Mr. Wang Qian and Mr. Cao Chunmeng as independent non-executive Directors.

* *for identification purposes only*