



濱化集團股份有限公司 Befar Group Co., Ltd

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6 7 4 5

2026
Interim Report

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CORPORATE INFORMATION

Registered Office and Head Office in the PRC	No. 888 Huanghe 5th Road Bincheng District Binzhou City Shandong Province PRC
Principal Place of Business in Hong Kong	46/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	www.befar.com
Executive Directors	Mr. Yu Jiang (<i>Chairman</i>) Mr. Dong Hongbo Dr. Liu Hongan Mr. Ren Yuanbin (<i>resigned on August 14, 2026</i>)
Non-executive Director	Mr. Song Shuhua
Independent non-executive Directors	Mr. Hao Yinping Ms. Li Haixia Mr. Wang Qian Mr. Cao Chunmeng
Joint Company Secretaries	Ms. Sun Shufang Ms. Liu Shengyun
Authorised Representatives	Mr. Dong Hongbo Ms. Liu Shengyun
Audit Committee	Mr. Hao Yinping (<i>Chairman</i>) Ms. Li Haixia Mr. Wang Qian
Remuneration and Performance Appraisal Committee	Ms. Li Haixia (<i>Chairman</i>) Mr. Yu Jiang Mr. Hao Yinping Mr. Wang Qian Mr. Cao Chunmeng

CORPORATE INFORMATION

Nomination Committee

Mr. Wang Qian (*Chairman*)
Mr. Yu Jiang
Mr. Hao Yinping
Ms. Li Haixia

Development Strategy Committee

Mr. Yu Jiang (*Chairman*)
Dr. Liu Hongan
Mr. Hao Yinping
Mr. Wang Qian
Mr. Ren Yuanbin (*resigned on August 14, 2026*)

Legal Adviser

King & Wood

13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditors

KPMG

Certified Public Accountants
Public Interest Entity Auditor registered in
accordance with the Accounting and
Financial Reporting Council Ordinance
8/F, Prince's Building
10 Charter Road, Central
Hong Kong

Compliance Adviser

Gram Capital Limited

Room 1209, 12th Floor
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Central, Hong Kong

Hong Kong H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

CORPORATE INFORMATION

Principal Banks

China Construction Bank Binzhou Branch

No. 513-5, Huanghe Fifth Road
Bincheng District, Binzhou City
Shandong Province, PRC

Industrial Bank Co., Ltd. Binzhou Branch

No. 391 Huanghe Fifth Road
Bincheng District, Binzhou City
Shandong Province, PRC

Stock Code

6745 (H Share)
601678 (A Share)

DEFINITIONS

“2024 Restricted A Share Incentive Scheme”	the restricted share incentive plan adopted by the Shareholders in November 2024
“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 Company
“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 Investment”	Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司), a limited liability company established in the PRC on September 15, 2018 and a substantial Shareholder of the Company
“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
“Binzhou Heyi”	Binzhou Heyi Industrial Investment Partnership (Limited Partnership)* (濱州和宜產業投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 24, 2021 and a substantial Shareholder of the Company
“Binzhou Heyuan”	Binzhou Heyuan Investment Management Co., Ltd.* (濱州和遠投資管理有限公司), a limited liability company established in the PRC on September 8, 2021 and a substantial Shareholder of the Company
“Binzhou Zhichangwen”	Binzhou Zhichangwen Enterprise Management Partnership Enterprise (Limited Partnership)* (濱州知常穩企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on August 13, 2024 and a substantial Shareholder of the Company
“Board” or “Board of Directors”	the board of Directors

DEFINITIONS

“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 chlorohydration, 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 a non-wholly owned subsidiary of our Company
“Employee Shareholding Schemes”	collectively, the Employee Shareholding Scheme I, the Employee Shareholding Scheme II and the Employee Shareholding Scheme III
“Employee Shareholding Scheme I”	the Phase One Employee Shareholding Scheme of Befar Group Co., Ltd (濱化集團股份有限公司—首期員工持股計劃) adopted by the Shareholders in January 2022

DEFINITIONS

“Employee Shareholding Scheme II”	the Phase Two Employee Shareholding Scheme of Befar Group Co., Ltd (濱化集團股份有限公司－第二期員工持股計劃) adopted by the Shareholders in December 2023
“Employee Shareholding Scheme III”	the Phase Three Employee Shareholding Scheme of Befar Group Co., Ltd (濱化集團股份有限公司－第三期員工持股計劃) adopted by the Shareholders in March 2026
“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
“Hetai Enterprise”	Shandong Hetai Enterprise Management Co., Ltd.* (山東和泰企業管理有限公司) a limited liability company established in the PRC on June 20, 2024 and a substantial Shareholder of the Company
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“kWh”	kilowatt-hour
“Latest Practicable Date”	September 18, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report prior to its publication
“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

DEFINITIONS

“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 C_3H_6O , 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 ending 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
“Shareholder(s)”	holder(s) of the Shares, including the A Shares and H Shares
“Single Largest Shareholder Group”	refers to Binzhou Heyi and Binzhou Heyuan
“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

DEFINITIONS

“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
“Yellow River Delta Thermal”	Yellow River Delta (Binzhou) Thermal Power Co., Ltd.* (黃河三角洲(濱州)熱力有限公司), a limited liability company established in the PRC on May 16, 2013 and a non-wholly owned subsidiary of our Company
“Zhanhua Base”	Zhanhua New Energy Base (沾化新能源基地), a base located in Binzhou, Shandong Province
“%”	percent

In this interim report, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “core connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

FINANCIAL SUMMARY

I. PRINCIPAL ACCOUNTING DATA UNDER IFRS ACCOUNTING STANDARDS

Unit: RMB'000

Major accounting data	The Reporting Period	The same period last year	Increase/decrease for the Reporting Period as compared to the same period last year (%)
Revenue	8,259,686	7,353,861	12.32
Profit before taxation	516,127	182,354	183.04
Net profit attributable to shareholders of the listed company	372,931	136,100	174.01
Net cash flows generated from operating activities	908,655	1,311,596	-30.72

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease of the end of the Reporting Period as compared to the end of last year (%)
Net assets attributable to shareholders of the listed company	11,851,503	11,520,780	2.87
Total assets	24,276,652	24,259,291	0.07

II. PRINCIPAL FINANCIAL INDICATORS UNDER IFRS ACCOUNTING STANDARDS

Major financial indicators	The Reporting Period	The same period last year	Increase/decrease for the Reporting Period as compared to the same period last year (%)
Basic earnings per share (RMB/share)	0.19	0.07	171.43
Diluted earnings per share (RMB/share)	0.19	0.07	171.43

FINANCIAL SUMMARY

III. PRINCIPAL ACCOUNTING DATA UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES (“CAS”)

Unit: RMB

Key accounting data	The Reporting Period	The same period last year	Increase/decrease for the Reporting Period as compared to the same period last year (%)
Operating income	8,259,685,676.01	7,353,860,688.51	12.32
Total profit	486,027,519.61	157,700,085.73	208.20
Net profit attributable to shareholders of the listed company	343,592,573.58	111,466,794.55	208.25
Net profit net of non-recurring profit or loss attributable to shareholders of the listed company	286,394,480.65	(13,275,200.33)	
Net cash flows from operating activities	908,654,710.03	1,311,595,582.04	(30.72)

	As at the end of the Reporting Period	As at the end of last year	Increase/decrease of the end of the Reporting Period as compared to the end of last year (%)
Net assets attributable to shareholders of the listed company	11,851,502,892.66	11,520,779,747.93	2.87
Total assets	24,276,651,117.90	24,259,290,778.20	0.07

FINANCIAL SUMMARY

IV. DIFFERENCES IN ACCOUNTING DATA UNDER IFRS ACCOUNTING STANDARDS AND CAS

Unit: RMB

	Net profit attributable to shareholders of the listed company	
	For the six months ended	For the six months ended
	June 30, 2026	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.

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 innovation-driven development, green and low-carbon development and internationalization, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 Latest Practicable Date. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.* (黄河三角洲(滨州)热力有限公司), 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 acquisition and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Latest Practicable Date, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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.

VII. MAJOR INVESTMENT AND FINANCING

Equity Financing

During the Reporting Period, save for the Company's application for listing on the Main Board of the Stock Exchange, the Company did not conduct any equity financing.

Use of Proceeds

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 Latest Practicable Date, 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 Latest Practicable Date, the proposed use of the net proceeds remains consistent with that previously disclosed in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

Bond Financing

For details of the debt financing of the Group during the Reporting Period, please refer to the section headed “Information on Bonds” in this interim report.

Future Plans for Material Investments or Purchase of Capital Assets

Save as disclosed in the Prospectus and the section headed “Use of Proceeds” in this interim report, as of the Latest Practicable Date, the Company has no plans for material investments or purchase of capital assets in the future.

VIII. 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.

As at June 30, 2026, the Group did not have any significant investments required to be disclosed pursuant to paragraph 32(4A) of Appendix D2 to the Listing Rules.

IX. EMPLOYEE AND REMUNERATION

As of June 30, 2026, the Group had 3,756 employees, as compared with 3,743 employees as of June 30, 2025. Total staff costs, including but not limited to salaries, wages, bonuses and other benefits, equity-settled share-based payment expenses/(reversal) and contributions to defined contribution retirement plans, were RMB439.11 million for the six months ended June 30, 2026 (for the six months ended June 30, 2025: RMB428.79 million).

The remuneration of employees was based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry. In addition to basic salaries, employees may be offered with discretionary bonus and share incentives based on individual performance.

The remuneration of employees was governed by a fair and impartial remuneration and incentive system which supports of professional development of employees. In addition to statutory holidays, the Group introduces supplementary leave entitlements, including parental birthday leave, accompanying leave for college/gaokao examinations (for employees with children taking such exams), and flexible leave (for work-hour adjustment), and offers various training programs to comprehensively enhance our employees' individual capabilities.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL MATTERS

I. CHANGE OF DIRECTORS AND SENIOR MANAGEMENT

On January 14, 2026, the Company held the eleventh meeting of the sixth session of the Board. Following the resignation of Mr. Ren Yuanbin as vice chairman with immediate effect, Mr. Dong Hongbo was elected as vice chairman of the sixth session of the Board with immediate effect. Upon the recommendation of the nomination committee of the Board, Mr. Sun Qingwei was appointed as a vice president of the Company with immediate effect.

On February 13, 2026, the Company held the twelfth meeting of the sixth session of the Board. Ms. Sun Shufang resigned as the secretary of the Board with immediate effect due to a change in her work responsibilities, and Mr. Sun Qingwei was appointed as the secretary of the Board with immediate effect.

Following the resignation of Ms. Chen Yan as an independent non-executive Director with effect from March 6, 2026, the Company held the thirteenth meeting of the sixth session of the Board on March 6, 2026 and the first extraordinary shareholders' meeting of 2026 on April 13, 2026, respectively, at which Mr. Cao Chunmeng was elected as an independent non-executive Director of the Company. His term of office shall commence from the date on which the H Shares issued by the Company are listed on the Main Board of the Stock Exchange and expire on the date of expiry of the term of the sixth session of the Board.

On August 14, 2026, Mr. Ren Yuanbin tendered his resignation as an executive Director of the Company and a member of the development strategy committee of the Board with immediate effect due to adjustment of work duties. On the same day, the Board resolved to propose the appointment of Mr. Sun Huiqing as an executive Director of the sixth session of the Board, with his term commencing from the date of approval by the shareholders at an extraordinary shareholders' meeting of the Company and ending on the expiry of the term of the sixth session of the Board. The circular for the extraordinary shareholders' meeting will be despatched by the Company in due course. For details, please refer to the announcement of the Company dated August 14, 2026.

On August 14, 2026, the Company held the nineteenth meeting of the sixth session of the Board, at which Mr. Du Hui and Mr. Zhang Xueqi were appointed as vice presidents of the Company with immediate effect.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL MATTERS

II. 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, save for holder(s) of H Shares investing through the Southbound Trading (as defined below), the cash dividend payable to holder(s) of H Shares will be paid in Hong Kong dollars. For holder(s) of H Shares investing through the Southbound Trading, the cash dividend will be paid in Renminbi. 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 HKD0.2312 (tax inclusive) per 10 H Shares.

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.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL MATTERS

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%.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL MATTERS

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 interim report 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.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL MATTERS

III. ENVIRONMENTAL INFORMATION OF THE LISTED COMPANY AND ITS SIGNIFICANT SUBSIDIARIES INCLUDED IN THE LIST OF ENTERPRISES SUBJECT TO STATUTORY ENVIRONMENTAL INFORMATION DISCLOSURE

Number of enterprises included in the list of enterprises subject to mandatory environmental information disclosure:

5

No.	Name of enterprise	Query index for environmental information disclosure report
1	The Company	http://221.214.62.226:8090/EnvironmentDisclosure/
2	Dongrui Chemical	http://221.214.62.226:8090/EnvironmentDisclosure/
3	Yellow River Delta Thermal	http://221.214.62.226:8090/EnvironmentDisclosure/
4	Shandong Binzhou Jiayuan Environmental Protection Co., Ltd.	http://221.214.62.226:8090/EnvironmentDisclosure/
5	Shandong Binhua New Materials Co., Ltd.	http://221.214.62.226:8090/EnvironmentDisclosure/

IV. SPECIFIC MEASURES TO CONSOLIDATE AND EXPAND THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND PROMOTE RURAL REVITALIZATION

During the Reporting Period, the Company actively responded to the requirements of the CPC Binzhou Municipal Committee and the Binzhou Municipal Government regarding assistance work, participated in the “Ten Thousand Enterprises into Ten Thousand Villages” campaign, purchased navel oranges in an amount of RMB141,900 to support rural revitalization, and continued to carry out consumption-based poverty alleviation activities.

V. 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 Latest Practicable Date, 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.

CORPORATE GOVERNANCE, ENVIRONMENTAL AND SOCIAL MATTERS

VI. 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 Latest Practicable Date.

VII. 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 Latest Practicable Date, 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 since the Listing Date.

SIGNIFICANT INFORMATION

I. PERFORMANCE OF UNDERTAKINGS

(1) CAPITAL COMMITMENTS

Unit: RMB'000

Item	June 30, 2026	2025
Authorized commitment for acquisition and construction of long-term assets	2,792,328	368,980

(2) As of June 30, 2026, various outstanding letters of guarantee issued by the Company and its subsidiaries were set out below:

Unit: RMB'000

Issuing banks	Application Unit	Types of Letters of Guarantee	Guaranteed Amount	Amount of Deposits
Bank of Communications Co., Ltd. Binzhou Branch	Dongrui Chemical	Prepayment guarantee	10,000.00	10,000.00
China Merchants Bank Co., Ltd. Binzhou Branch	Binhua Antong Engineering Equipment (Shandong) Co., Ltd.	Prepayment guarantee	2,085.00	2,085.00
Ping An Bank Co., Ltd. Qingdao Branch	The Company	Performance guarantee	20,000.00	

II. MISAPPROPRIATION OF FUNDS BY THE SINGLE LARGEST SHAREHOLDER GROUP AND OTHER RELATED PARTIES ON A NON-OPERATING BASIS

During the Reporting Period, there was no misappropriation of funds of the Company by any Shareholder in the Single Largest Shareholder Group or other related parties for non-operating purposes.

III. PROVISION OF GUARANTEES IN VIOLATION OF REGULATIONS

During the Reporting Period, the Company did not provide any guarantee which is in violation of regulations.

SIGNIFICANT INFORMATION

IV. AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

As of the Latest Practicable Date, 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.

The interim financial report has also 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.

V. CHANGES IN AND HANDLING OF MATTERS INVOLVED IN THE NON-STANDARD AUDIT OPINION ON THE 2025 ANNUAL REPORT

The Company's 2025 Annual Report published on the website of the Shanghai Stock Exchange did not contain any non-standard audit opinion.

VI. MATTERS RELATING TO BANKRUPTCY REORGANIZATION

During the Reporting Period, the Company had no matters relating to bankruptcy reorganization.

VII. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration required to be disclosed under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange where the amount involved exceeded RMB10 million and represented more than 10% of the absolute value of the Company's latest audited net assets.

VIII. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SENIOR MANAGEMENT AND SINGLE LARGEST SHAREHOLDER GROUP

During the Reporting Period, there was no instance where the Company or any of its Directors, senior management or any Shareholder from the Single Largest Shareholder Group was suspected of violating laws or regulations, subject to punishment or required to take rectification measures.

IX. DESCRIPTION OF THE INTEGRITY OF THE COMPANY, ITS SINGLE LARGEST SHAREHOLDER GROUP AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, the Company, its Single Largest Shareholder Group and de facto controller maintained good integrity, and there was no failure to comply with any effective court judgment or to repay any substantial debt when due.

SIGNIFICANT INFORMATION

X. MATERIAL RELATED PARTY/CONNECTED TRANSACTIONS

The Company conducted related party/connected transactions in strict accordance with the relevant requirements, and its related party/connected transactions followed the principles of fairness, openness and impartiality.

During the Reporting Period, the Company's daily related party transactions were conducted in accordance with the Estimated Daily Related Party Transactions for 2026 considered and approved by the Board of Directors on December 31, 2025. For details, please refer to Note 23 to the financial statements in this interim report. Since the Company listed on the Stock Exchange after the Reporting Period, the Group did not conduct any non-exempt connected transactions or continuing connected transactions during the Reporting Period.

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

The Company did not enter into any other material contracts under the Shanghai Stock Exchange Listing Rules during the Reporting Period.

XII. INTERIM RESULTS

The reviewed consolidated financial statements for the Reporting Period were approved by the Board on August 27, 2026. The interim results announcement of the Group for the six months ended June 30, 2026 were published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.befar.com) on August 27, 2026.

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

During the Reporting Period, the Company's H Shares were not yet listed on the Stock Exchange, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities (including sales of treasury shares) of the Company in the Shanghai Stock Exchange.

As of June 30, 2026, the Company held 61,450,726 A Shares as treasury share, which the Company expects to use for its share incentive schemes and Employee Shareholding Schemes, and the Company did not hold any H Shares of the Company as treasury shares (as defined in the Hong Kong Listing Rules).

XIV. CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in the section headed "Change of Directors and Senior Management" in this interim report, there has been no change in the information of Directors which is required to be disclosed pursuant to Rule 13.51B (1) of the Hong Kong Listing Rules during the Reporting Period and up to the Latest Practicable Date.

XV. 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 24 to the financial statements, there have been no significant events affecting the Group from the end of the Reporting Period to the Latest Practicable Date.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGE IN SHARE CAPITAL

During the Reporting Period, there were no changes to the total number of Shares or share capital of the Company.

II. TOTAL NUMBER OF SHAREHOLDERS

During the Reporting Period, the Company's H Shares were not yet listed on the Stock Exchange. As at the end of the Reporting Period, the Company had a total of 117,848 Shareholders, including 117,848 holders for A Shares and 0 holders for H Shares.

III. SHAREHOLDINGS OF THE TOP TEN HOLDERS OF A SHARES

Shareholdings of the top ten Shareholders (excluding Shares lent through refinancing)

Unit: Share

Name of Shareholder (Full name)	Increase/ decrease during the Reporting Period	Number of Shares held at the end of the period	Percentage of the Company's issued A Shares as at June 30, 2026 (%)	Pledged, marked or frozen			
				Number of restricted Shares held	Status of Shares	Number	Nature of Shareholder
Binzhou Heyi	18,823,490.00	231,686,772	11.26		Pledged	72,000,000	Others
Zhang Zhongzheng	(50,364,263.00)	52,477,537	2.55		Nil		Domestic natural person
Binzhou Antai Holding Group Co., Ltd.	0	42,274,565	2.06		Nil		State-owned legal person
Shi Qinling	99,600.00	40,755,400	1.98		Nil		Domestic natural person
Yu Jiang	0	36,331,000	1.77	10,250,000	Pledged	6,300,000	Domestic natural person
Zhang Qian	31,000,000.00	31,000,000	1.51		Nil		Domestic natural person
Befar Group Co., Ltd – Phase I							
Employee Stock Ownership Plan	0	22,899,000	1.11		Nil		Others
National Social Security Fund							
Portfolio 413	12,030,000.00	21,450,000	1.04		Nil		Others
Hong Kong Securities Clearing							
Company Limited	(26,347,860.00)	18,764,395	0.91		Nil		Others
Wang Liming	(4,200,000.00)	18,100,000	0.88		Nil		Domestic natural person

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten Shareholders of non-restricted circulating Shares (excluding Shares lent through refinancing)

Name of Shareholder	Number of non-restricted circulating Shares held	Type and number of Shares	
		Type	Number
Binzhou Heyi	231,686,772	Ordinary RMB Shares	231,686,772
Zhang Zhongzheng	52,477,537	Ordinary RMB Shares	52,477,537
Binzhou Antai Holding Group Co., Ltd.	42,274,565	Ordinary RMB Shares	42,274,565
Shi Qinling	40,755,400	Ordinary RMB Shares	40,755,400
Zhang Qian	31,000,000	Ordinary RMB Shares	31,000,000
Yu Jiang	26,081,000	Ordinary RMB Shares	26,081,000
Befar Group Co., Ltd – Phase I Employee Stock Ownership Plan	22,899,000	Ordinary RMB Shares	22,899,000
National Social Security Fund Portfolio 413	21,450,000	Ordinary RMB Shares	21,450,000
Hong Kong Securities Clearing Company Limited	18,764,395	Ordinary RMB Shares	18,764,395
Wang Liming	18,100,000	Ordinary RMB Shares	18,100,000

Description of special accounts for repurchase purpose among the top ten Shareholders	The Company's special account for repurchase held 61,450,726 Shares, representing a shareholding proportion of 2.99%, which was not presented as a Shareholder in this table pursuant to relevant regulations
Explanation of proxy voting rights, entrusted voting rights and waiver of voting rights of the above Shareholders	Nil
Notes on the connected relationship or parties acting in concert among the above Shareholders	Among the above Shareholders, Yu Jiang indirectly holds partnership interest in Binzhou Heyi, but there is no relationship of parties acting in concert between them, or between them and other Shareholders in the table. There is no relationship of parties acting in concert between Binzhou Heyi, Binzhou Antai Holding Group Co., Ltd. and other Shareholders. Zhang Qian is the son of Zhang Zhongzheng. Except for the above, it is not known to the Company whether there is any relationship of parties acting in concert or connected relationship among other Shareholders in the table.
Description of preferred Shareholders with restored voting rights and the number of Shares they hold	Nil

Note: The Company disclosed the "Befar Group Co., Ltd Announcement in relation to the Plan on Increase in Shareholding in the Company by the Largest Shareholder" on February 28, 2026, and Binzhou Heyi, the largest Shareholder of the Company, planned to increase its holdings of Shares in the Company by way of centralised bidding through the system of the Shanghai Stock Exchange within 12 months from February 28, 2026, with the total amount of the shareholding increase of not less than RMB85.00 million (inclusive) and not exceeding RMB166.67 million (inclusive). As of August 27, 2026, Binzhou Heyi accumulatively increased its shareholding in the Company by 26,383,404 A Shares through centralized bidding trading via the trading system of the Shanghai Stock Exchange, utilizing funds of RMB140.5429 million, and held 239,246,686 A Shares of the Company after such increase.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

IV. DISCLOSURE OF INTERESTS

Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

As of the Listing Date, the interests and/or short positions (as applicable) of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which had been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be separately notified to the Company and the Stock Exchange pursuant to the Model Code, were set out as follows:

Interest in the Company

Name	Capacity	Class of Shares	Number of Shares ⁽¹⁾	Percentage of the Company's Total Issued A Shares/ H Shares ⁽²⁾	Percentage of the Company's Total Issued Shares ⁽²⁾
Mr. Yu Jiang ⁽³⁾⁽⁴⁾	Beneficial Owner	A Shares	36,331,000 (L)	1.77%	1.51%
	Interest in controlled corporation	A Shares	238,546,686 (L)	11.60%	9.90%
Mr. Dong Hongbo ⁽⁵⁾	Beneficial Owner	A Shares	1,210,000 (L)	0.06%	0.05%
Mr. Ren Yuanbin ⁽⁶⁾	Beneficial Owner	A Shares	2,973,275 (L)	0.14%	0.12%
Dr. Liu Hongan ⁽⁷⁾	Beneficial Owner	A Shares	3,563,960 (L)	0.17%	0.15%

Notes:

- (1) "L" denotes long position.
- (2) The calculation is based on the total number of 2,408,962,276 Shares in issue (including 2,056,836,276 A Shares and 352,126,000 H Shares) as of the Listing Date.
- (3) See note (3) under "Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" below for details.
- (4) As of the Listing Date, Mr. Yu Jiang (i) directly held 15,831,000 A Shares, and (ii) was interested in (a) 20,500,000 restricted A Shares granted to him under the 2024 Restricted A Share Incentive Scheme, of which 10,250,000 A Shares vested on December 19, 2025 and the remaining 10,250,000 A Shares are subject to vesting, and (b) 2,200,000 A Shares as a participant of the Employee Shareholding Scheme II. Mr. Yu Jiang pledged 6,300,000 A Shares as collateral for his personal use and such pledged A Shares accounted for approximately 0.26% of our total issued Shares as of the Listing Date.
- (5) As of the Listing Date, Mr. Dong Hongbo (i) directly held 10,000 A Shares, and (ii) was interested in (a) 1,200,000 restricted A Shares granted to him under the 2024 Restricted A Share Incentive Scheme, of which 600,000 A Shares were vested on December 19, 2025 and the remaining 600,000 A Shares are subject to vesting, and (b) 180,000 A Shares as a participant of the Employee Shareholding Schemes.
- (6) Mr. Ren Yuanbin resigned as an executive Director on August 14, 2026. For further details, please refer to the announcement of the Company dated August 14, 2026.
- (7) As of the Listing Date, Dr. Liu Hongan (i) directly held 3,563,960 A Shares, and (ii) was interested in 180,000 A Shares as a participant of the Employee Shareholding Scheme II.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Save as disclosed above, as of the Listing Date, none of the Directors and chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of the Listing Date, to the knowledge of the Directors, the following persons (not being a Director or chief executives of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interest in the Company

Name	Capacity	Class of Shares	Number of Shares ⁽¹⁾	Percentage of the Company's Total Issued A Shares/H Shares ⁽²⁾	Percentage of the Company's Total Issued Shares ⁽²⁾
Binzhou Heyi	Beneficial Owner ⁽³⁾	A Shares	238,546,686 (L)	11.60%	9.90%
Binzhou Heyuan	Interest in controlled corporation ⁽³⁾	A Shares	238,546,686 (L)	11.60%	9.90%
Binhua Investment	Interest in controlled corporation ⁽³⁾	A Shares	238,546,686 (L)	11.60%	9.90%
Binzhou Zhichangwen	Interest in controlled corporation ⁽³⁾	A Shares	238,546,686 (L)	11.60%	9.90%
Hetai Enterprise	Interest in controlled corporation ⁽³⁾	A Shares	238,546,686 (L)	11.60%	9.90%
Mr. Sun Yongfeng	Interest in controlled corporation ⁽³⁾	A Shares	238,546,686 (L)	11.60%	9.90%

Notes:

(1) "L" denotes long position.

(2) The calculation is based on 2,408,962,276 Shares in issue (including 2,056,836,276 A Shares and 352,126,000 H Shares) as of the Listing Date.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

- (3) As of the Listing Date, Binzhou Heyi was owned as to 0.10% by Binzhou Heyuan as its general partner and 99.90% by Binhua Investment as its limited partner. Binhua Investment was owned as to 59.20% equity interests by Binzhou Zhichangwen, which was owned as to approximately 1.27% by Hetai Enterprise as its general partner which in turn owned as to 44.94% by Mr. Yu Jiang, and approximately 46.00% by Mr. Sun Yongfeng as its limited partner. Binzhou Heyuan was owned as to 40% by Mr. Yu Jiang. As such, Binzhou Heyuan, Binhua Investment, Binzhou Zhichangwen, Hetai Enterprise, Mr. Yu Jiang and Mr. Sun Yongfeng are deemed to be interested in the Shares held by Binzhou Heyi under the SFO.

As of the Listing Date, Binzhou Heyi pledged 72,000,000 A Shares to CITIC Securities Co., Ltd. (中信證券股份有限公司) and China Construction Bank Corporation (中國建設銀行股份有限公司) as collateral for its commercial and general corporate purpose and such pledged A Shares accounted for approximately 2.99% of our total issued Shares as at the Latest Practicable Date.

Interest in member of the Group

As of the Listing Date, the following persons or entities were, directly or indirectly, interested in 10% or more of the issued voting shares of other members of the Group which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Member of the Group	Name of substantial shareholder	Approximate percentage of interest
Yellow River Delta Thermal	CDB Development Fund Co., Ltd.* (國開發基金有限公司)	21.82%
Dongrui Chemical	Xingyin Financial Asset Investment Co., Ltd.* (興銀金融資產投資有限公司)	16.13%
Shandong Xindingcheng Technology Development Co., Ltd.* (山東新鼎成技術發展有限公司)	Chuangfengwei (Beijing) Technology Co., Ltd.* (創豐維(北京)科技有限公司)	40.00%
Shandong Binhua Changying Aquatic Science and Technology Co., Ltd.* (山東濱化長盈水產科技有限公司)	Tangshan Caofeidian Huitong Aquatic Products Technology Co., Ltd.* (唐山曹妃甸惠通水產科技有限公司)	49.00%
Binzhou Lanrun Environmental Resources Co., Ltd.* (濱州藍潤環境資源有限公司)	Binzhou Beikun New Kinetic Energy Investment Partnership (Limited Partnership)* (濱州北鯤新動能投資合夥企業(有限合夥))	62.50%

Save as disclosed above, as of the Listing Date, so far as the Directors are aware and based on publicly available information, no person had any interests or short positions in the Shares, underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or, were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

INFORMATION ON BONDS

PARTICULARS OF BONDS

Basic information of debt financing instruments of non-financial enterprises

Unit: RMB

Name of bond	2026 Sci-Tech Innovation Bonds (First Tranche) of Befar Group Co., Ltd.
Abbreviation	26 Befar Co., Ltd. MTN001 (Sci-Tech Innovation Bond)
Code	102681733
Date of Issuance	2026.04.27
Date of Initial Interest Accrued	2026.04.28
Maturity Date	2029.04.28
Balance of Bond	200,000,000.00
Coupon Rate (%)	2.6
Payment of Principal and Interest	Interest to be paid annually, principal to be repaid at maturity
Place of Trading	National Association of Financial Market Institutional Investors
Investor Suitability Arrangements (if any)	None
Mechanism of Trading	Centralised book building system
Whether There is a Risk of Termination of Listing and Trading	No

INDEPENDENT REVIEW REPORT



Review report to the board of directors of Befar Group Co., Ltd

(incorporated in PRC with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 46 to 70, which comprises the consolidated statement of financial position of Befar Group Co., Ltd (the “**Company**”) and its subsidiaries (the “**Group**”) as of June 30, 2026 and the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended June 30, 2026 and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and IAS 34 *Interim financial reporting* as issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in IAS 34, *Interim financial reporting*.

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information* performed by the independent auditor of the entity as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at June 30, 2026 is not prepared, in all material respects, in accordance with IAS 34 *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
August 27, 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2026 – unaudited

(Expressed in RMB)

	Note	Six months ended June 30,	
		2026 RMB'000	2025 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
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

The accompanying notes form part of this interim financial report.

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
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

The accompanying notes form part of this interim financial report.

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 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
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

Approved and authorized for issue by the Board of Directors on August 27, 2026.

Yu Jiang
Chairman

Dong Hongbo
Executive director

The accompanying notes form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended June 30, 2026 – unaudited

(Expressed in RMB)

	Attributable to equity shareholders of the Company							Non-		Total equity
	Share capital	Treasury shares	Capital reserves	Statutory reserves	Special reserves	Other reserves	Retained earnings	Total	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2026	2,056,836	(431,634)	2,867,267	859,749	5,383	237,015	5,926,164	11,520,780	631,989	12,152,769
Changes in equity for the six months ended June 30, 2026:										
Profit for the period	-	-	-	-	-	-	372,931	372,931	15,285	388,216
Other comprehensive income	-	-	-	-	-	(2,099)	-	(2,099)	-	(2,099)
Total comprehensive income	-	-	-	-	-	(2,099)	372,931	370,832	15,285	386,117
Appropriation to reserves	-	-	-	-	21,479	-	(21,479)	-	-	-
Dividends declared by the Company	-	-	-	-	-	-	(79,815)	(79,815)	-	(79,815)
Dividends declared by a subsidiary	-	-	-	-	-	-	-	-	(27,500)	(27,500)
Equity-settled share-based payments	-	-	26,518	-	-	-	-	26,518	-	26,518
Treasury shares granted for Restricted Share Incentive Scheme	-	13,188	-	-	-	-	-	13,188	-	13,188
Balance at June 30, 2026	2,056,836	(418,446)	2,893,785	859,749	26,862	234,916	6,197,801	11,851,503	619,774	12,471,277

	Attributable to equity shareholders of the Company							Non-		Total equity
	Share capital	Treasury shares	Capital reserves	Statutory reserves	Special reserves	Other reserves	Retained earnings	Total	controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2025	2,058,036	(348,232)	2,824,559	857,205	6,684	215,838	5,769,591	11,383,681	(967)	11,382,714
Changes in equity for the six months ended June 30, 2025:										
Profit for the period	-	-	-	-	-	-	136,100	136,100	(471)	135,629
Other comprehensive income	-	-	-	-	-	(681)	-	(681)	-	(681)
Total comprehensive income	-	-	-	-	-	(681)	136,100	135,419	(471)	134,948
Capital injection from non-controlling interests	-	-	-	-	-	-	-	-	15,000	15,000
Appropriation to reserves	-	-	-	-	24,633	-	(24,633)	-	-	-
Dividends declared by the Company	-	-	-	-	-	-	(60,401)	(60,401)	-	(60,401)
Equity-settled share-based payments	-	-	23,983	-	-	-	-	23,983	-	23,983
Treasury shares granted for Restricted Share Incentive Scheme	(1,200)	(65,708)	(2,892)	-	-	-	-	(69,800)	-	(69,800)
Changes in equity items of associates	-	-	9,881	-	-	-	-	9,881	-	9,881
Balance at June 30, 2025	2,056,836	(413,940)	2,855,531	857,205	31,317	215,157	5,820,657	11,422,763	13,562	11,436,325

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended June 30, 2026 – unaudited

(Expressed in RMB)

	Note	Six months ended June 30,	
		2026 RMB'000	2025 RMB'000
Operating activities			
Cash generated from operations		961,230	1,351,528
Income tax paid		(52,575)	(39,932)
Net cash generated from operating activities		908,655	1,311,596
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		(366,734)	(295,510)
Proceeds from sale of property, plant and equipment and intangible assets		6,642	–
Proceeds from disposal of equity investments and capital reduction of an associate		84,163	952
Investments in a joint venture		(31,000)	–
Proceeds from disposal of financial assets at FVTPL		448,250	118,289
Acquisition of financial assets at FVTPL		(389,255)	(37,343)
Dividends from investments		–	8,468
Net cash used in investing activities		(247,934)	(205,144)

The accompanying notes form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended June 30, 2026 – unaudited

(Expressed in RMB)

	Note	Six months ended June 30,	
		2026 RMB'000	2025 RMB'000
Financing activities			
Proceeds from bank and other borrowings		2,367,404	2,469,287
Repayment of bank and other borrowings		(2,766,357)	(2,058,599)
Repayment of related party borrowings		(100,403)	(32,480)
Proceeds from issuance of a unsecured bond issues		200,000	–
Payment of underwriting fee of a unsecured bond issues		(400)	–
Payment for repurchase of shares		–	(70,466)
Capital injection from non-controlling interests		–	15,000
Payment of bill deposits		(252,500)	(383,558)
Refund of bill deposits		202,424	80,000
Proceeds from granting restricted shares		19,760	–
Refund of expired share subscription payment		(1,568)	(69,724)
Interests paid		(125,832)	(101,685)
Capital element of lease rentals paid		(8,556)	(14,809)
Interest element of lease rentals paid		(184)	(578)
Dividends paid to shareholders of the Company		(79,815)	(80,707)
Dividends paid to a non-controlling shareholder		(27,500)	–
Payment of listing expenses		(6,455)	–
Net cash used in financing activities		(579,982)	(248,319)
Net increase in cash and cash equivalents		80,739	858,133
Cash and cash equivalents at January 1,	16	1,701,588	475,715
Effect of foreign exchange rate changes		(20,495)	(839)
Cash and cash equivalents at June 30,	16	1,761,832	1,333,009

The accompanying notes form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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**”).

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. KPMG’s independent review report to the Board of Directors is included on page 45.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Geographic information (Continued)

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 RMB'000	As at December 31, 2025 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 RMB'000	2025 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 RMB'000	2025 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended June 30,	
	2026 RMB'000	2025 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 RMB'000	2025 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

13 INVENTORIES AND CONTRACT COSTS (Continued)

- (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	2025
	RMB'000	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	As at December 31, 2025
	RMB'000	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	As at December 31, 2025
	RMB'000	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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

17 BANK AND OTHER BORROWINGS

	As at June 30, 2026 RMB'000	As at December 31, 2025 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 RMB'000	As at December 31, 2025 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

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 RMB'000	2025 RMB'000
Interim dividend declared after the interim period of RMB0.20 per 10 shares (2025: RMB0.10 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 June 30 2026 RMB'000	2025 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements			
	At June 30, 2026 categorized into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Trade and bills receivables	–	116,751	–	116,751
Equity securities designated at FVOCI	–	–	710,710	710,710
Financial assets measured at FVTPL	7,927	–	5,107	13,034

	Fair value measurements			
	At December 31, 2025 categorized into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Trade and bills receivables	–	125,199	–	125,199
Equity securities designated at FVOCI	–	–	710,776	710,776
Financial assets measured at FVTPL	8,789	–	5,271	14,060

During the six months ended June 30, 2026, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended June 30, 2025: nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

Level 2 financial assets at FVOCI comprise bank acceptance bills that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Financial assets measured at FVTPL – Wealth management products (i)	Discounted cash flow approach	Estimated yield rates
Equity securities designated at FVOCI – Unlisted equity securities (ii)	Comparable ratios adjusted approach	Changing trend of medium market multiples of comparable companies
Equity securities designated at FVOCI – Unlisted equity securities (iii)	Comparable transactions adjusted approach	Changing trend of medium market multiples of comparable companies
Equity securities designated at FVOCI – Unlisted equity security (iv)	Net asset value	Net asset value of underlying investments

(i) As at June 30, 2026 and December 31, 2025, it is estimated that with all other variables held constant, an increase/decrease in change of the estimated yield rates of the wealth management products by 5% would have increased/decreased the Group's profit or loss by RMB192,000 and RMB208,000, respectively.

(ii) The fair value of certain unlisted equity security is determined using the average market multiples of comparable companies. As at June 30, 2026 and December 31, 2025, it is estimated that with all other variables held constant, an increase/decrease in medium market multiple of comparable companies by 5% would have decreased/increased the Group's other comprehensive income by RMB12,589,000.

(iii) The fair value of certain unlisted equity security is determined using the average market multiples of comparable transactions. As at June 30, 2026 and December 31, 2025, it is estimated that with all other variables held constant, an increase/decrease in medium market multiple of comparable companies by 5% would have decreased/increased the Group's other comprehensive income by RMB6,209,000.

(iv) The fair value of an unlisted security is determined by referencing the net asset value of the underlying investment. As at June 30, 2026 and December 31, 2025, it is estimated that with all other variables held constant, an increase/decrease in net asset value of the underlying investment by 5% would have increased/decreased the Group's profit or loss for the year by RMB4,809,000.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

21 FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortized cost were not materially different from their fair values as at the end of each reporting period.

22 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).

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration:

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
Short-term employee benefits	5,718	4,921
Share-based payment	10,286	18,427
Post-employment benefits	237	482
	16,241	23,830

(b) Relationships of the related parties that had material transactions with the Group:

The Group's related parties include associates and joint ventures of the Group, companies controlled and jointly controlled, by same investors with significant influence to the Group, and companies controlled, jointly controlled or significantly influenced by key management personnel of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with related parties

	Six months ended June 30,	
	2026 RMB'000	2025 RMB'000
Trading, servicing transactions		
Sales of goods	57,422	61,424
Provision of services	4,259	–
Rental income	513	–
Purchase of goods	35,978	6,461
Purchase of services	58,913	54,870
Assets and equity transactions		
Acquisition of non-current assets	–	89,233
Disposal of a subsidiary*	–	–
Financing arrangements and other transactions		
Repayment to related parties	100,403	32,480
Interest paid	2,139	874
Interest expense	885	1,445
Donation	2,435	–

* In June 2026, the Group disposed of a subsidiary with net liabilities amount of RMB1,348,000 to a related party at zero consideration.

(d) Balances with related parties

	As at June 30, 2026 RMB'000	As at December 31, 2025 RMB'000
Other non-current assets	22,114	–
Trade and bills receivables	10,834	12,903
Prepayments and other receivables	4,328	2,472
Trade and bills payables	6,047	10,388
Accrued expenses and other payables	10	101,803
Contract liabilities	1,059	732
Dividend receivable	21,208	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

24 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.

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 30, 2026

A number of amendments and new standards are not yet mandatory for annual periods beginning January 1, 2026. Earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The following updates the information provided in the last annual financial statements about the possible impacts of IFRS 18 which may have a significant impact on the Group's consolidated financial statements when adopted.

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1, *Presentation of financial statements*, and is first effective for annual reporting periods beginning on or after January 1, 2027.

IFRS 18 introduces new requirements for presentation and disclosure in financial statements, including new categories and defined subtotals in the statement of profit or loss, enhanced requirements for aggregation and disaggregation of information, and specific disclosures about management-defined performance measures. The Group is assessing the expected impact that the initial application of IFRS 18 will have on its consolidated financial statements.

The Group expects that the adoption of IFRS 18 will not change the Group's net assets or net profit. However, it is expected to affect the presentation of the Group's consolidated statement of profit or loss and related note disclosures. Based on the work performed to date, the Group's assessment on the expected impact of the initial application of IFRS 18 is summarized below. The assessment remains subject to change as the Group continues its implementation work.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 30, 2026 (Continued)

(a) Structure of the statement of profit or loss

IFRS 18 requires entities to classify income and expenses into specified categories in the statement of profit or loss, including operating, investing, and financing categories. It also requires entities to present two newly defined subtotals, which are “operating profit” and “profit or loss before financing and income taxes”. The operating profit subtotal is expected to differ from the current profit from operations subtotal presented by the Group. Based on the work performed to date, the Group also expects the following changes to the consolidated statement of profit or loss:

- Classification of income and expenses depends on the Group’s main business activities;
- Dividend and interest income, and, which are currently presented in the Group’s other net income subtotal, as well as the share of profits less losses of associates and joint venture are expected to be classified in the investing category. The income and expenses classified in the investing category, together with the subtotal “operating profit”, will form the new subtotal “profit or loss before financing and income taxes”;
- The Group is assessing the classification of income and expenses as currently included in the finance cost line item and expects that this line item will be disaggregated into “income and expenses on liabilities arising solely from raising of finance” and “interest expenses on other liabilities” in the financing category;
- The Group is required to assess the classification of foreign exchange differences in the same category as the income and expenses from the items that gave rise to the differences, unless doing so would involve undue cost or effort; and
- The Group currently presents operating expenses by function. The Group is assessing whether its current presentation, or a mixed presentation by nature and function, will provide the most useful structured summary of its operating expenses under IFRS 18. If the Group continues to present one or more operating expense line item by function, information about five specific expenses by nature will be provided in a single note to the financial statements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED JUNE 30, 2026 (Continued)

(b) Management-defined performance measures (“MPM”)

MPMs are subtotals of income and expenses used in public communications outside the financial statements that communicate management’s view of an aspect of the financial performance of the entity as a whole to users. The Group is developing a process to identify its public communications and assess whether any measures reported in those communications meet the definition of an MPM.

The Group will be required to disclose specific information about MPMs in a single note in the financial statements. The MPMs disclosed by the Group following adoption of IFRS 18 will be determined based on public communications issued by the Group relating to the same reporting period.

(c) Principles of aggregation and disaggregation

IFRS 18 provides enhanced principles on how to Group information in the financial statements, including the primary financial statements and the notes. It also introduces guidance on labelling and describing items presented in the primary financial statements or disclosed in the notes.

The Group has been consistently applied the principles of aggregating and disaggregating the items on the basis of similar and dissimilar characteristics. The Group is also assessing line items currently labelled as “other” across the primary financial statements and the notes and expects to use more informative labels where material information would otherwise be obscured.

IFRS 18 also introduces consequential amendments to IAS 7, *Statement of cash flows*. The Group is assessing the impact of those amendments, including the requirement to use the newly defined operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method and the classification of interest and dividend cash flows.

The actual impact of applying IFRS 18 may change as the Group continues to assess the new requirements and finalizes any changes to its reporting processes, controls and accounting policies before the date of initial application.

