



Zhejiang Chang'an Renheng Technology Co., Ltd.*
浙江长安仁恒科技股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 8139

2025

INTERIM REPORT

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This report, for which the directors (the “Directors”) of Zhejiang Chang'an Renheng Technology Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”, “we”, “our” or “us”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“the GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

* For identification purpose only

RESULTS HIGHLIGHTS

For the six months ended 30 June 2025, the results highlights were as follows:

- Revenue increased by 7.6% to approximately RMB98,023,000 (2024: RMB91,123,000).
- Gross profit decreased by 1.8% to approximately RMB36,507,000 (2024: RMB37,184,000).
- Gross profit margin was 37.2% (2024: 40.8%).
- Loss for the period attributable to the equity holders of the Company was approximately RMB3,005,000 (2024: Profit for the period was RMB2,805,000).
- Basic loss per share was approximately RMB0.078 (2024: Earnings per share was RMB0.073).
- The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2025 (2024: nil).

UNAUDITED CONSOLIDATED INTERIM RESULTS OF 2025

The board (the “Board”) of Directors of Zhejiang Chang'an Renheng Technology Co., Ltd. is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2025 (the “Reporting Period”) and selected explanatory notes, together with the comparative unaudited figures of the corresponding period in 2024 as follows:

Unaudited condensed consolidated statement of comprehensive (loss)/income

For the six months ended 30 June 2025

	Note	(unaudited) Six months ended 30 June	
		2025 RMB	2024 RMB
Revenue	5	98,022,700	91,123,166
Cost of sales		(61,515,653)	(53,939,153)
Gross profit		36,507,047	37,184,013
Distribution costs		(17,011,145)	(12,938,361)
Administrative expenses		(12,653,893)	(11,048,469)
Research and development expenses		(6,264,694)	(8,068,052)
Net impairment reversal on financial assets		55,684	—
Other income and gains – net	6	544,721	1,048,497
Operating profit		1,177,720	6,177,628
Finance income		28,712	49,628
Finance costs		(3,900,129)	(3,189,919)
Finance costs – net	7	(3,871,417)	(3,140,291)
(Loss)/profit before income tax	8	(2,693,697)	3,037,337
Income tax expense	9	(311,549)	(232,794)
(Loss)/profit for the period attributable to the equity holders of the Company		(3,005,246)	2,804,543
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(11,952)	—
Total comprehensive (loss)/income for the period attributable to the equity holders of the Company		(3,017,198)	2,804,543
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
– Basic and diluted	10	(0.078)	0.073
Dividends	11	—	—

Unaudited condensed consolidated balance sheet*As at 30 June 2025*

		30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	12	105,816,689	106,342,049
Right-of-use assets		6,447,235	6,926,943
Leasehold improvements and other non-current assets		33,781,763	30,481,050
Deferred income tax assets		3,026,183	3,205,870
		149,071,870	146,955,912
Current assets			
Inventories		75,066,887	72,915,022
Trade and other receivables, prepayments and other current assets	13	84,351,417	84,016,939
Financial assets at fair value through other comprehensive income		9,058,162	7,979,375
Financial assets at fair value through profit or loss		7,909,167	7,781,394
Restricted cash		16,201	2,002,696
Cash and cash equivalents		19,862,374	16,330,972
		196,264,208	191,026,398
Total assets		345,336,078	337,982,310
EQUITY			
Capital and reserve attributable to equity holders of the Company			
Share capital		38,400,000	38,400,000
Other reserves		50,335,452	50,342,050
Retained earnings		26,946,974	29,952,220
Total equity		115,682,426	118,694,270

		30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred government grants		1,869,054	1,882,358
Provisions for environmental rehabilitation		3,169,585	3,169,585
Borrowings		8,366,000	14,766,000
Lease liabilities		1,115,926	1,456,180
		14,520,565	21,274,123
Current liabilities			
Deferred government grants		280,970	280,970
Trade and other payables	14	38,273,516	39,221,460
Borrowings		176,238,347	158,191,669
Lease liabilities		340,254	319,818
		215,133,087	198,013,917
Total liabilities		229,653,652	219,288,040
Total equity and liabilities		345,336,078	337,982,310

Unaudited condensed consolidated statement of changes in equity*For the six months ended 30 June 2025*

	(Unaudited)			
	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
As at 1 January 2024	38,400,000	50,347,405	28,682,282	117,429,687
Comprehensive income				
Profit for the period	–	–	2,804,543	2,804,543
As at 30 June 2024	38,400,000	50,347,405	31,486,825	120,234,230
As at 1 January 2025	38,400,000	50,342,050	29,952,220	118,694,270
Comprehensive income				
Loss for the period	–	–	(3,005,246)	(3,005,246)
Other comprehensive loss	–	(6,598)	–	(6,598)
As at 30 June 2025	38,400,000	50,335,452	26,946,974	115,682,426

Unaudited condensed consolidated cash flow statement*For the six months ended 30 June 2025*

	(Unaudited)	
	Six months ended 30 June	
	2025	2024
	RMB	RMB
Net cash (used in)/generated from operating activities	(340,739)	11,427,084
Net cash used in investing activities	(3,764,645)	(3,998,033)
Net cash generated from financing activities	7,582,914	5,100,483
Net increase in cash and cash equivalents	3,477,530	12,529,534
Cash and cash equivalents at beginning of the period	16,330,972	14,888,159
Exchange difference on cash and cash equivalents	53,872	(99,655)
Cash and cash equivalents at end of the period	19,862,374	27,318,038

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 June 2025

1 GENERAL INFORMATION

Zhejiang Chang'an Renheng Technology Co., Ltd. (浙江長安仁恒科技股份有限公司, the "Company") and its subsidiaries (together, the "Group") are principally engaged in the business of development, production and sale of bentonite fine chemicals. The Group uses bentonite as its basic raw materials to manufacture paper chemicals, bentonite for metallurgy pellet, quality calcium-bentonite and other products.

The Company was established as a company with limited liability under the name of Changxing Renheng Fine Bentonite Co., Ltd. (長興仁恒精製膨潤土有限公司) in the People's Republic of China (the "PRC") on 4 December 2000. Mr. Zhang Youlian (張有連) is the controlling shareholder of the Company (the "Controlling Shareholder").

On 31 December 2008, the Company was converted into a joint stock company with limited liability and changed to its current name.

The address of the Company is Laoyatang, Si'an, Changxing, Zhejiang Province, PRC.

The English names of companies mentioned in this report represented the best effort by the Directors of the Company in translating their Chinese names as they may not have official English names.

The Company issued a total of 8,000,000 H shares with a par value of RMB1.00 each at a price of HKD9.70 per share on the GEM of The Stock Exchange on 16 January 2015 (the "Listing").

On 29 November 2018, the Company issued 6,400,000 new shares at a price of HKD3.50 per share by way of placement to not less than six parties, who and whose ultimate beneficial owners are independent third parties.

The unaudited condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2025 has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’, and the disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2024, which have been prepared in accordance with IFRS Accounting Standards.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2024, as described in those annual financial statements.

Except for IFRS 18 which will mainly impact the presentation of statement of profit and loss, the Directors anticipate that the adoption of the amendments to IFRSs effective for the financial year ending 31 December 2025 do not have a material impact on the results and financial position of the Group.

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

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 SEGMENT INFORMATION

The chief operating decision-maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of production and sales of bentonite clay products. Therefore, management considers there is only one operating segment, under the requirements of IFRS 8, Operating Segments. In this regard, no segment information is presented.

5 REVENUE

	(unaudited)	
	Six months ended 30 June	
	2025	2024
	RMB	RMB
Organic bentonite	52,981,658	47,778,559
Papermaking chemicals	17,085,650	19,653,930
Inorganic gel	15,144,080	14,926,620
Dry strength agent	5,854,968	5,137,843
Putty powder	2,991,464	207,618
Quality calcium-bentonite	2,280,351	807,965
Others (Note)	1,684,529	2,610,631
	98,022,700	91,123,166

Note: Others mainly comprise flocculating agents which are principally applied in the coating preparation industry.

6 OTHER INCOME AND GAINS – NET

	(unaudited)	
	Six months ended 30 June	
	2025 RMB	2024 RMB
Government grants		
– Relating to costs	346,610	993,846
– Relating to assets	–	196,734
Others	198,111	(142,083)
	544,721	1,048,497

7 FINANCE COSTS – NET

	(unaudited)	
	Six months ended 30 June	
	2025 RMB	2024 RMB
Finance income		
– Interest income derived from bank deposits	28,712	49,628
Finance costs		
– Interest expenses on borrowings	(3,895,296)	(3,251,827)
– Foreign exchange gains on borrowings and cash and cash equivalents – net	53,872	61,908
– Interest expenses on lease liabilities	(58,705)	–
	(3,900,129)	(3,189,919)
Finance costs – net	(3,871,417)	(3,140,291)

8 PROFIT FOR THE PERIOD

	(unaudited)	
	Six months ended 30 June	
	2025	2024
	<i>RMB</i>	<i>RMB</i>
(Loss)/profit for the period has been arrived after charging:		
Depreciation	3,484,314	3,211,070
Amortisation of prepaid leasing expenses	107,992	91,254
Amortisation of mining rights	57,800	57,800
Amortisation of leasehold improvements	1,577,272	1,212,070

9 INCOME TAX EXPENSE

	(unaudited)	
	Six months ended 30 June	
	2025	2024
	<i>RMB</i>	<i>RMB</i>
Current income tax expense	(131,862)	(232,794)
Deferred income tax expense	(179,687)	–
Income tax expense	(311,549)	(232,794)

The Company renewed the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Zhejiang province, which granted tax preferential rate of 15% for three years from 8 December 2024 to 7 December 2026.

The subsidiary “Renheng Refined Clay Co., Ltd.” obtained the certificates of High and New Tech Enterprises from the Ministry of Science and Technology, Ministry of Finance and office of the State Administration of Taxation and local taxation bureau of Hebei province, which granted tax preferential rate of 15% for three years from 11 November 2024 to 10 November 2027.

The subsidiary Zhejiang Chang'an Renheng Chemical Co., Ltd. (“Renheng Chemicals”) are subject to “small and thin profit enterprises” under the CIT Law, and accordingly, a preferential income tax rate of 20% for the six months ended 30 June 2025. As a result, such PRC subsidiary were eligible for a preferential enterprise income tax rate for its respective tax holiday.

Corporate income tax in other jurisdictions mainly represented the income tax on profit arising from the United States, which had been calculated on the estimated assessable profit for the period at the rate of 21% (2024: not applicable) prevailing in the relevant jurisdictions.

10 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the six months ended 30 June 2025 and 2024.

	(unaudited)	
	Six months ended 30 June	
	2025	2024
(Loss)/profit attributable to the equity holders of the Company (RMB)	(3,005,246)	2,804,543
Weighted average number of ordinary shares in issue	38,400,000	38,400,000
Basic (loss)/earnings per share (RMB per share)	(0.078)	0.073

(b) Diluted

The fully diluted (loss)/earnings per share for the six months ended 30 June 2025 and 2024 is the same as the basic (loss)/earnings per share as there is no dilutive potential ordinary share for the six months ended 30 June 2025 and 2024.

11 DIVIDENDS

The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2025 (2024: nil).

12 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2025, the Group acquired property, plant and equipment of approximately RMB10,656,702 (2024: RMB14,035,835).

13 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
Trade receivables	74,449,174	77,868,421
Less: provision for impairment	(5,388,930)	(6,262,187)
Trade receivables – net	69,060,244	71,606,234
Other receivables	2,477,769	2,917,000
Less: provision for impairment	(288,384)	(202,749)
Other receivables – net	2,189,385	2,714,251
Prepayments	12,733,150	8,898,261
Other current assets	368,638	798,193
Trade and other receivables, prepayments and other current assets – net	84,351,417	84,016,939

As at 30 June 2025 and 31 December 2024, the fair values of the trade and other receivables of the Group, except for the prepayments and other current assets which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables mentioned above.

	30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
RMB	66,665,338	69,478,736
USD	4,584,291	4,841,749
	71,249,629	74,320,485

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

	30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
– Within 180 days	54,315,596	54,627,569
– Over 180 days and within 1 year	12,710,874	12,961,088
– Over 1 year and within 2 years	4,223,054	6,699,565
– Over 2 years and within 3 years	226,813	262,213
– Over 3 years	2,972,837	3,317,986
	74,449,174	77,868,421

The credit period granted to customers is normally between 90 days to 180 days. No interest is charged on the trade receivables. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from the sales of goods. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

14 TRADE AND OTHER PAYABLES

	30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
Trade payables	21,910,049	18,994,736
Other payables	10,559,412	11,612,247
Staff salaries and welfare payables	4,318,431	7,395,042
Accrued taxes other than income tax	1,485,624	1,219,435
	38,273,516	39,221,460

As at 30 June 2025 and 31 December 2024, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate their carrying amounts due to their short maturities.

As at 30 June 2025 and 31 December 2024, trade and other payables were all denominated in RMB.

The ageing analysis of the trade payables is as follows:

	30 June 2025 RMB (unaudited)	31 December 2024 RMB (audited)
Trade payables		
– Within 6 months	18,477,698	15,225,818
– Over 6 months and within 1 year	38,169	99,152
– Over 1 year and within 2 years	37,605	75,116
– Over 2 years and within 3 years	33,552	22,291
– Over 3 years	3,323,025	3,572,359
	21,910,049	18,994,736

MANAGEMENT DISCUSSION AND ANALYSIS

Market and Industry Review

The Group's main business is the research, development, production and sale of bentonite fine chemicals. The products are used in many fields such as paint coatings, paper manufacturing, water treatment and oil field.

The demand for non-metallic mineral products in our country is in a period of demand growth opportunity of "improving the quality and quantity of traditional fields, accelerating the expansion of emerging fields, and effectively promoting demand and supply". The "14th Five-Year" Development Plan and Long Range Objectives Through the Year 2035 of the Non-metallic Minerals Industry" proposes to focus on the development of mineral functional materials and related products for key areas such as "national defense and military industry, aerospace, new energy, electronic information, energy conservation and environmental protection, biomedicine, agriculture and rural areas, additive manufacturing and green building materials" and emerging industries, comprehensively optimize the supply structure of non-metallic mineral products, and focus on guaranteeing the supply of non-metallic mineral underlying raw materials and mineral functional materials for the construction of major national projects, national defense and security, national economy and peoples livelihood and other important fields.

In recent years, our country's bentonite industry has developed rapidly, and has successfully developed bentonite-based edible oil decolorizers, drilling mud viscosifiers, mycotoxin detoxifiers, toughening and reinforcement fillers and other products, having a certain market share at home and abroad.

In accordance with the requirements of the National Mineral Resources Plan (2021-2025) and the "three rates" indicators of mineral resources, the Group guided the classified mining of bentonite mineral resources, improved technology R&D and innovation capabilities, strengthened underlying research and deep processing technology innovation, and promoted the processing equipment for large-scale and intelligent development, so as to improve product quality and resource utilization efficiency, and promote the transformation of bentonite mines in our country from "resource advantages" to "technical advantages" and "economic advantages".

The Company's bentonite for product retention agent is applied in paper production. Due to the constraints of resources, environment and other aspects, papermaking enterprises have intensified their efforts in energy conservation and consumption reduction, environmental protection, product quality improvement, economic efficiency enhancement and other aspects, and are continuing to develop in the direction of modern large industries with high efficiency, high quality, high efficiency, low consumption and low emissions, showing the trend of enterprise scaling-up, technology integration, product diversification and functionalization, clean production, resource conservation, forestry and paper industries integration and industrial globalization. The paper industry is an important basic raw material industry closely related to the development of the national economy and social undertakings. The paper industry, featuring in capital and technology intensive, significant scale efficiency, strong industrial correlation, large market capacity, is an important force to drive the development of forestry, agriculture, printing, packaging, machinery manufacturing and other industries, and has become a new growth point for our country's national economic development. The paper industry uses virgin plant fibers and waste paper recycled fibers as raw materials, which can partially replace non-renewable resources such as plastics, steel and non-ferrous metals, and is an important industry with sustainable development characteristics in our country's national economy.

Business Review

In the first half of 2025, the business focus of the Group was to promote products such as bentonite for paints and coatings, bentonite for oil fields and grease mortar. The Group's bentonite for oil fields is made of bentonite modified and compounded under sodium treatment, applicable to oil drilling and geothermal drilling with excellent plugging and wall protection, and have the advantages of high slurry rate, good thixotropy and excellent lubrication and support properties. The Group's bentonite products for oil fields have been awarded supply contracts by Sinopec, PetroChina and other companies.

In the first half of 2025, the subsidiary of the Group in the U.S.A. was under normal operation, and focused on the promotion of bentonite products for oil fields and bentonite products for paints and coatings. In July 2025, Yangyuan Renheng Fine Clay Co., Ltd. (陽原縣仁恒精細黏土有限責任公司), a subsidiary of the Group, successfully passed the review of and applied for the mining license for each five-year.

The Group attaches great importance to R&D investment in new products, and the Group's R&D expenses in the first half of 2025 amounted to approximately RMB6,265,000.

Financial Review

Revenue

The following table sets out revenue by product categories and the corresponding percentage of total revenue for the periods indicated:

Product	For the six months ended 30 June			
	2025		2024	
	RMB'000	%	RMB'000	%
Organic bentonite	52,982	54.1	47,778	52.4
Papermaking chemicals	17,086	17.4	19,654	21.6
Inorganic gel	15,144	15.4	14,927	16.4
Dry strength agent	5,855	6.0	5,138	5.6
Putty powder	2,991	3.1	208	0.2
Quality calcium-bentonite	2,280	2.3	808	0.9
Others	1,685	1.7	2,610	2.9
Total	98,023	100.0	91,123	100.0

Revenue from sales of papermaking chemicals decreased by approximately RMB2,568,000 or 13.1% from approximately RMB19,654,000 for the six months ended 30 June 2024 to approximately RMB17,086,000 for the six months ended 30 June 2025. As the average unit selling price remained similar for the comparative periods, the decrease in revenue was mainly due to the decrease in sales volume, which decreased by approximately 12.7% from approximately 4,833 tonnes for the six months ended 30 June 2024 to approximately 4,219 tonnes for the six months ended 30 June 2025.

Revenue from sales of organic bentonite increased by approximately RMB5,204,000 or 10.9% from approximately RMB47,778,000 for the six months ended 30 June 2024 to approximately RMB52,982,000 for the six months ended 30 June 2025. The increase was mainly due to the increase in the sales volume.

Revenue from sales of inorganic gel increased by approximately RMB217,000 or 1.5% from approximately RMB14,927,000 for the six months ended 30 June 2024 to approximately RMB15,144,000 for the six months ended 30 June 2025. The increase was mainly due to the increase in sales volume.

Revenue of dry strength agent increased by approximately RMB717,000 or 14.0% from approximately RMB5,138,000 for the six months ended 30 June 2024 to approximately RMB5,855,000 for the six months ended 30 June 2025.

Revenue of putty powder increased by approximately RMB2,783,000 or 1,338.0% from approximately RMB208,000 for the six months ended 30 June 2024 to approximately RMB2,991,000 for the six months ended 30 June 2025.

Revenue of quality calcium-bentonite increased by approximately RMB1,472,000 or 182.2% from approximately RMB808,000 for the six months ended 30 June 2024 to approximately RMB2,280,000 for the six months ended 30 June 2025. While the average unit selling price remained steady for these two periods, the increase in revenue was mainly due to the increase in sales volume.

Revenue of other chemicals decreased by approximately RMB925,000 or 35.4% from approximately RMB2,610,000 for the six months ended 30 June 2024 to approximately RMB1,685,000 for the six months ended 30 June 2025. Other chemicals mainly comprise flocculating agents which are principally applied in the coating preparation industry.

Cost of sales

The cost of sales mainly comprised of cost of raw materials, direct labour costs and manufacturing overhead costs such as depreciation and utility charges. The following table sets out the breakdown of the cost of sales of the Group for the periods indicated:

	For the six months ended 30 June			
	2025		2024	
	RMB'000	%	RMB'000	%
Cost of raw materials	48,058	78.1	42,180	78.2
Manufacturing overhead costs	9,166	14.9	7,929	14.7
Direct labour costs	3,322	5.4	3,021	5.6
Others	970	1.6	809	1.5
Total	61,516	100.0	53,939	100.0

The cost of sales increased by approximately RMB7,577,000 or 14.0% from approximately RMB53,939,000 for the six months ended 30 June 2024 to approximately RMB61,516,000 for the six months ended 30 June 2025.

Cost of raw materials accounted for approximately 78.1% and 78.2% of cost of sales for the six months ended 30 June 2025 and 2024 respectively. The cost of raw materials increased by approximately RMB5,878,000 or 13.9% from approximately RMB42,180,000 for the six months ended 30 June 2024 to approximately RMB48,058,000 for the six months ended 30 June 2025. The increase was mainly due to the increase in average purchase unit cost and the increase in quantity consumed of CPAM. CPAM was the major raw material for a kind of product in bentonite with a relatively high unit price. As sales volume of this kind of product increased for the six months ended 30 June 2025, the cost of sales for CPAM increased accordingly.

Manufacturing overhead costs accounted for approximately 14.9% and 14.7% of cost of sales for the six months ended 30 June 2025 and 2024 respectively. Manufacturing overhead costs increased by approximately RMB1,237,000 or 15.6% from approximately RMB7,929,000 for the six months ended 30 June 2024 to approximately RMB9,166,000 for the six months ended 30 June 2025.

Direct labour costs accounted for approximately 5.4% and 5.6% of cost of sales for the six months ended 30 June 2025 and 2024, respectively. Direct labour costs increased by approximately RMB301,000 or 10.0% during the comparative periods.

Gross profit and gross profit margin

The gross profit decreased by approximately RMB677,000 or 1.8% from approximately RMB37,184,000 for the six months ended 30 June 2024 to approximately RMB36,507,000 for the Reporting Period.

Gross profit margin decreased from 40.8% for the six months ended 30 June 2024 to 37.2% for the six months ended 30 June 2025. The decrease in gross profit margin was mainly due to the change in sales mix and the fact that the average cost of the raw materials and energy for the Reporting Period were higher than those in the prior year, which led to a relatively higher cost of sales for the six months ended 30 June 2025.

Distribution costs

The distribution costs for the six months ended 30 June 2025 and 2024 amounted to approximately RMB17,011,000 and RMB12,938,000, respectively. The distribution costs increased by approximately RMB4,073,000 or 31.5% mainly because of the increase in transportation costs for the six months ended 30 June 2025.

Administrative expenses

The administrative expenses increased by approximately RMB1,606,000 or 14.5% from approximately RMB11,048,000 for the six months ended 30 June 2024 to approximately RMB12,654,000 for the six months ended 30 June 2025. The increase was mainly due to the increase in staff cost and professional service fees.

Research and development expenses

The research and development expenses decreased by approximately RMB1,803,000 or 22.3% from approximately RMB8,068,000 for the six months ended 30 June 2024 to approximately RMB6,265,000 for the six months ended 30 June 2025. The decrease was mainly due to the decrease in scale of the research and development project for the environmental protection field with Jilin Design and Research Institute for Petrochemical Engineering.

Other income and gains – net

Other income and gains – net for the six months ended 30 June 2025 and 2024 amounted to approximately RMB545,000 and RMB1,048,000, respectively. The decrease in other gains – net mainly due to the decrease in government grants from approximately RMB1,191,000 for the six months ended 30 June 2024 to approximately RMB347,000 for the six months ended 30 June 2025.

Finance costs – net

The finance costs – net increased from approximately RMB3,140,000 for the six months ended 30 June 2024 to approximately RMB3,871,000 for the Reporting Period mainly as a result of an increase in average bank borrowing.

Income tax expense

The income tax expenses for the six months ended 30 June 2025 was approximately RMB312,000, while there was a income tax expense of approximately RMB233,000 for the six months ended 30 June 2024. The details are set out in note 9 to the financial statements.

(Loss)/profit for the period attributable to the equity holders of the Company

As a result of the foregoing, loss for the period attributable to the equity holders of the Company was approximately RMB3,005,000 for the six months ended 30 June 2025, while there was a profit for the period attributable to the equity holders of the Company of approximately RMB2,805,000 for the six months ended 30 June 2024.

Liquidity and Capital Resources

The Group has met its working capital needs mainly through cash generated from operations and various long-term and short-term bank borrowings and other borrowings. Other borrowings were obtained from financial institutions by discounting bank acceptance notes. For the Reporting Period, the weight average effective annual interest rate of bank borrowings and other borrowings was 4.29% and 4.22% respectively. The currency of the borrowings is in Renminbi. Taking into account the cash flow generated from operations and the long-term and short-term bank borrowing facilities available to the Group, the Directors are of the view that the Group has sufficient working capital to meet its current liquidity demand and the liquidity demand within at least 12 months from the date of this report.

As at 30 June 2025, the Group had cash and cash equivalents of RMB19,862,000 which was mainly generated from operations of the Group and bank borrowings.

Cash Flows

The Group's cash is primarily used to meet the demand of financing its working capital requirement, repaying interest and principal due on its indebtedness and providing funds for capital expenditures and growth of the Group's operations.

During the Reporting Period, the Group's cash and cash equivalents increased by approximately RMB3,531,000, which mainly comprised the net cash used in operating activities of approximately RMB341,000, net cash used in investing activities of approximately RMB3,765,000, net cash generated from financing activities of approximately RMB7,583,000, and the foreign exchange gain of approximately RMB54,000. Details of cash flows of the Group are set out on page 7 of the "Unaudited condensed consolidated cash flow statement" of this report.

Capital Structure

Indebtedness

The total indebtedness of the Group as at 30 June 2025 was approximately RMB184,604,000 (as at 31 December 2024: approximately RMB172,958,000). During the Reporting Period, the Group did not experience any difficulties in renewing its banking facilities with its lenders.

Gearing ratio

As at 30 June 2025, the Group's gearing ratio was approximately 142.4% (as at 31 December 2024: 132.0%), calculated as the total interest-bearing bank and other borrowings, less cash and cash equivalents, divided by total equity as at the end of relevant period/year multiplied by 100%. The decrease was mainly due to increase in total equity.

Pledge of assets

As at 30 June 2025, the Group had pledged certain buildings, fixtures and facilities, land use rights and time deposits with aggregate carrying amount of approximately RMB13,477,000 (as at 31 December 2024: approximately RMB15,463,000).

Capital expenditures

The capital expenditures of the Group primarily included purchases of plant and equipment, and construction in progress. The Group's capital expenditures amounted to approximately RMB10,657,000 and RMB14,036,000 for the six months ended 30 June 2025 and 2024, respectively.

Foreign exchange risk

The Group's principal business is located in the PRC and its major transactions are conducted in Renminbi. Most of its assets and liabilities are denominated in Renminbi, except for certain payables to professional parties that are denominated in Hong Kong dollars.

The Renminbi is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK\$, US\$ and RMB.

Contingent Liabilities, Legal and Potential Proceedings

As at 30 June 2025, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

Major Acquisition and Disposal

For the six months ended 30 June 2025, the Group had not made any material acquisition or disposal.

Going Concern

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a “going concern” basis.

Future Outlook

The Group develops the following strategic new products based on bentonite mines and their associated mines. The products are divided into three categories: organic bentonite series; water-based bentonite series; and inorganic gel series.

The Group will continue to focus on the development of bentonite from the traditional low-quality and low-end utilization to the high-value and high-end utilization, develop bentonite mineral functional materials and related products to transform bentonite resource advantages into economic advantages.

The Group will continue to develop products such as high-solid coating rheological additives and high-solid oil-based pesticide suspension agents, and attach importance to the R&D investment in green and environmental-friendly products. The Group will develop bentonite products for deep wells, ultra-deep wells, and offshore drilling, and strive to establish cooperative relations with R&D institutions in the petroleum industry and jointly develop new products.

The Group will focus on developing overseas customer markets, expanding foreign trade business, and focusing on developing sales markets in North America, Europe, and Southeast Asia. The Group will continue to adhere to the profit-centered and innovation-driven development strategy. We will actively develop new products, open up new markets, and create maximum value for shareholders.

Human Resources and Training

As at 30 June 2025, the Group had a total of 232 employees, of which 59 worked at the Group's headquarters in Changxing, and 173 stationed in Yangyuan and various regions with main responsibility of production, sales and marketing. Total staff cost for the Reporting Period amounted to approximately RMB17,637,000 (2024: approximately RMB16,959,000). The Group releases an annual sales guideline on a yearly basis, setting out the annual sales target and formulating quarterly sales strategies, so as to provide sales and marketing guidelines for all representative offices and their staff to observe. The Group has a management team with extensive industry experience (including the Sales Director and Product Manager). They are responsible for coordinating front-line sales and marketing teams to meet the annual sales target.

During the Reporting Period, the Group adopted a "human-oriented" management concept to have its staff closely involved in the management and development of the Group. The Group has implemented a strict selection process for hiring its employees and adopted a number of incentive mechanisms to enhance the productivity of its employees. The Group conducts periodic performance review on its employees, and revises their salaries and bonuses accordingly.

OTHER INFORMATION

Directors', supervisors' and chief executive's interest in shares, debentures and underlying shares of the Company or any associated corporation

As at 30 June 2025, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the 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 (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company:

Name of Director/ Supervisor	Nature of interest	Number of shares in the Company held	Approximate percentage of Issued Share Capital
Mr. Zhang Youlian	Beneficial owner	19,220,600	50.05%
Ms. Zhang Jinhua	Beneficial owner	398,400	1.04%
Mr. Xu Qinsi (i)	Interest of spouse	100,000	0.26%

- (i) Mr. Xu Qinsi, the supervisor of the Company, is deemed (by virtue of the SFO) to be interested in 100,000 shares in the Company held by his spouse, Ms. Ling Weixing.

Save as disclosed above, as at 30 June 2025, none of the Directors, supervisors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 June 2025, so far as the Directors, having made all reasonable enquiries, are aware, the following interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors, supervisors and chief executive of the Company as disclosed above) were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of interest	Number of shares in the Company held	Interest in Underlying Shares	Total number of shares in the Company held	Approximate percentage of Issued Share Capital
Ms. Yu Hua	Beneficial Owner	3,576,000	–	3,576,000	9.31%

Saved as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2025.

Directors' and supervisors' rights to acquire shares or debentures

During the Reporting Period, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or supervisors or their respective spouse or minor children, or were any such rights exercised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors or supervisors of the Company to acquire such rights in any other body corporate.

Connected transaction

During the Reporting Period, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the GEM Listing Rules.

Directors', supervisors' and controlling shareholders' interest in competing business and conflict of interest

During the Reporting Period, none of the Directors or supervisors or controlling shareholders' or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group and any other conflicts of interests with the Group.

Public float

According to the information disclosed publicly and as far as the Directors are aware, during the Reporting Period and up to the date of this report, at least 25% of the issued shares of the Company was held by public shareholders.

Purchases, sale or redemption of the Company's listed securities

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

Capital commitment

As at 30 June 2025, the Group had capital commitment amounted to approximately RMB1,254,000 (as at 31 December 2024: RMB1,672,000).

Dividends

The Board resolved not to recommend the payment of any interim dividends for the six months ended 30 June 2025 (2024: nil).

Corporate governance practice

The Board strives to uphold the principles of corporate governance set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 to the GEM Listing Rules, and adopted various measures to enhance the internal control system, the Directors’ continuous professional development and other areas of practice of the Company. While the Board strives to maintain a high level of corporate governance, it also works hard to create value and achieve maximum return for its shareholders. The Board will continue to conduct review and improve the quality of corporate governance practices with reference to local and international standards.

During the Reporting Period, the Company has complied with the code provisions, other than code provisions C.2.1 and C.1.8 of the CG Code.

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Zhang Youlian is the Chairman of the Board and the chief executive officer. The Board is in the opinion that having Mr. Zhang to carry out both roles can bring about strong and consistent leadership for the Group, and can be more effective in planning and implementing long-term business strategies. The Board also considers that since members of the Board include competent and independent non-executive Directors, this structure will not impair the balance of power and authority between the Board and its management in the business of the Group. The Board is in the opinion that the structure described above will be beneficial to the Company and its business.

In addition, according to the code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors and officers. As the Board needed time to consider quotes from different insurers, during the Reporting Period, the Company did not take out directors and officers liability insurance to cover liabilities arising from legal action against its Directors.

Model code for securities transactions

The Company has adopted the model code on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the model code during the Reporting Period.

Nomination committee

The Company established a nomination committee on 26 March 2014 with written terms of reference, which was amended and adopted by the Board on 30 June 2025 and the contents of which are in compliance with the provisions of the CG Code. Please refer to the announcement of the Company dated 30 June 2025 for details. The Nomination Committee currently has three members, namely Mr. Fan Fang, an Executive Director, Mr. Zhang Lei and Mr. Tang Jingyan, both Independent Non-executive Directors. Mr. Tang has been appointed as the chairman of the nomination Committee.

Audit committee

The Company established an audit committee (the “Audit Committee”) on 26 March 2014 and has formulated its written terms of reference, which have from time to time been modified in accordance with the prevailing provisions of the CG Code. As at the date of this report, the Audit Committee has three members, namely Mr. Zhang Lei, Mr. Chen Jianping, and Mr. Tang Jingyan, who are independent non-executive Directors. Mr. Zhang Lei, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The primary duties of the Audit Committee are (among other things) to provide an independent review and supervision of financial reporting, and examine the effectiveness of the internal controls of the Group and to ensure the external auditor is independent and the audit process is effective. The Audit Committee examines all matters relating to the accounting principles and policies adopted by the Group, auditing functions, internal controls, risk management and financial reporting. The Audit Committee also serves as a channel of communication between the Board and the external auditor. External auditor and the Directors are invited to attend the committee meetings as and when necessary.

The Audit Committee has reviewed the unaudited consolidated financial statements, the results announcement and this interim report of the Company for the six months ended 30 June 2025 with the management of the Group and agreed with the accounting treatments adopted by the Group, and was of the opinion that the preparation of the financial statements in this interim report complies with the applicable accounting standards and the requirements under the GEM Listing Rules and adequate disclosure have been made.

Events after the Reporting Period

There is no material events after the Reporting Period as at the date of this report.

Disclosure of information

The interim report for the six months ended 30 June 2025 will be dispatched to shareholders of the Company and published on the Company's website at www.renheng.com and the website of the Stock Exchange at www.hkexnews.hk in due course.

By order of the Board
Zhejiang Chang'an Renheng Technology Co., Ltd.*
Zhang Youlian
Chairman

Zhejiang, the PRC, 29 August 2025

As at the date of this report, the executive Directors are Mr. Zhang Youlian, Mr. She Wenjie and Mr. Fan Fang; the non-executive Director is Ms. Zhang Jinhua and the independent non-executive Directors are Mr. Zhang Lei, Mr. Chen Jianping and Mr. Tang Jingyan.

** For identification purpose only*