



中國三江精細化工有限公司
CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2198



INTERIM REPORT
2024



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Management Discussion and Analysis

During the six months ended 30 June 2024 (the “**period under review**”), although the oil and chemical sector (the “**Sector**”) as well as the economy of the People’s Republic of China (“**PRC**”) were still in the process of recovering to pre-COVID-19 levels, China Sanjiang Fine Chemicals Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) successfully turned around from a gross loss margin of approximately -2.4% to a gross profit margin of approximately 4.2%. This improvement was driven primarily by the ramp-up and commencement of the operations of the Group’s 6th phase EO/EG production facilities, with a 1,000,000 MT yearly output, and the Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility with a 1,250,000 MT yearly output. These facilities increased production output by approximately 80%, lowered EO/EG production processing costs by around 20%, and boosted revenue through the sale of new product — Butadiene generated from the new upstream facilities. Consequently, the Group’s revenue surged by more than 100% to approximately RMB9,239.8 million, with significant increases in production capacities of major products such as ethylene oxide (“**EO**”), Ethylene glycol (“**EG**”), and polypropylene (“**PP**”), compared to the same period in 2023. The overall gross profit margin of the Group improved by approximately 6.6%, reaching to approximately 4.2% as compared to a gross loss margin of -2.4% in the corresponding period of 2023. Despite these positive developments, the Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 in order to retain sufficient liquidity to cope for any unexpected economic turbulence in the near future.

The completion of the 6th phase EO/EG production facilities, alongside the upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility, has significantly enhanced our overall production efficiency at the EO/EG level. This advancement has also empowered the Group to flexibly adjust its product mix, allowing the Group to capitalize on favorable market conditions and maximize revenue and it also has enabled a substantial recalibration of the feedstock composition. Our ability to navigate the challenges within the sector and the broader PRC economy during the review period underscores the effectiveness of our established strategy, positioning the Group as a diversified, vertically integrated chemical enterprise with broad risk diversification. The Group’s management believes that maintaining high production efficiency will be critical to sustaining profitability in the future. The proactive approach in preserving these efficiencies, along with the successful integration of the new production facilities with the existing ones, was pivotal in achieving this turnaround. Additionally, by streamlining production and procurement processes, the Group is now better positioned to swiftly adjust its production mix in response to market demands. Furthermore, the greater impact of the 6th phase EO/EG production facilities and their ancillary upstream facilities is anticipated to be reflected in the second half of 2024.



FINANCIAL REVIEW

Revenue

The breakdown by line of business in terms of revenue, sales volume, average selling price and gross profit margin during the periods under review are set forth below:

	First Half year 2024	% of revenue	First Half year 2023	% of revenue	Variance +/(−)
REVENUE (RMB'000)					
Ethylene oxide	1,042,308	11%	745,844	16%	39.7%
Ethylene glycol	1,685,508	18%	457,476	10%	>100%
Polypropylene	1,784,769	19%	1,463,004	32%	22.0%
Ethylene	702,378	8%	—	0%	>100%
Surfactants	1,578,465	17%	917,249	20%	72.1%
MTBE	612,275	7%	439,053	10%	39.5%
Propylene butane mixture	290,066	3%	202,905	4%	42.9%
Butadiene	358,984	4%	—	0%	>100%
Ethanolamine	172,559	2%	—	0%	>100%
Polypropylene processing service	—	—	6,787	0%	N/A
Surfactants processing service	42,968	0%	34,873	1%	23.2%
Others	969,553	11%	323,951	7%	>100%
	9,239,833	100%	4,591,142	100%	>100%
SALES VOLUME (MT)					
Ethylene oxide	175,767		128,923		36.3%
Ethylene glycol	427,091		124,243		>100%
Polypropylene	280,455		229,052		22.4%
Ethylene	102,827		—		>100%
Surfactants	267,639		139,808		91.4%
MTBE	100,999		69,511		45.3%
Propylene butane mixture	56,119		32,674		71.8%
Butadiene	36,809		—		>100%
Ethanolamine	26,497		—		>100%
Polypropylene processing service	—		16,291		N/A
Surfactants processing service	143,963		104,532		37.7%
AVERAGE SELLING PRICE (RMB)					
Ethylene oxide	5,930		5,785		2.5%
Ethylene glycol	3,946		3,682		7.2%
Polypropylene	6,364		6,387		−0.4%
Ethylene	6,831		—		>100%
Surfactants	5,898		6,561		−10.1%
MTBE	6,062		6,316		−4.0%
Propylene butane mixture	5,169		6,210		−16.8%
Butadiene	9,753		—		>100%
Ethanolamine	6,512		—		>100%
Polypropylene processing service	—		417		N/A
Surfactants processing service	298		334		−10.8%
GROSS PROFIT MARGIN (%)					
Ethylene oxide	11.6%		−8.6%		20.2%
Ethylene glycol	2.4%		−15.6%		18.0%
Polypropylene	−3.1%		−3.6%		0.5%
Ethylene	9.2%		—		>100%
Surfactants	6.3%		2.2%		4.1%
MTBE	7.9%		16.6%		−8.7%
Propylene butane mixture	−4.9%		−2.6%		−2.3%
Butadiene	34.0%		—		>100%
Ethanolamine	9.4%		—		>100%
Polypropylene processing service	—		57.3%		N/A
Surfactants processing service	68.1%		55.8%		12.3%



Ethylene oxide

During the period under review, the revenue from EO line of business amounted to approximately RMB1,042.3 million, representing an increase of approximately 39.7% when comparing to the corresponding period of 2023. The increase in EO revenue was primarily due to the increase in EO output by approximately 36.3% as the Group increased the production volume in view of improving spread and improving market conditions.

Ethylene glycol

During the period under review, the revenue from EG line of business amounted to approximately RMB1,685.5 million, representing an increase of approximately 268.4% when comparing to the corresponding period of 2023. The increase in EG revenue was primarily due to the increase in EG output by approximately 243.8% as the Group increased the production volume in view of improving spread and improving market conditions.

Polypropylene

During the period under review, the revenue from PP line of business increased by approximately 22.0% when compared to the corresponding period of 2023, which was primarily due to the increase in the production volume by approximately 22.4% during the period under review.

Butadiene

During the period under review, the Group initialised the sale of Butadiene after the ramp up of the Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility with 1,250,000 MT output on a yearly basis as upstream level and the revenue from Butadiene sale contributed approximately RMB359.0 million revenue with a gross profit margin of approximately 34.0%.

Gross profit margin

Overall gross profit margin of the Group increased by approximately 6.6% to a gross profit margin position of approximately 4.2% when compared to a gross loss margin position of approximately 2.4% during the corresponding period of 2023. The improvement of the gross profit margin was primarily due to increases in gross profit margins of major line of businesses namely the EO line of business, EG line of business and PP line of business by approximately 20.2%, 18.0% and 0.5% respectively as a result of the combined effects of: 1) the improvement of pricing for the major products of the Group; and 2) the full period impact after the ramp-up and commercial operation of the Group's new production facilities — the 6th phase EO/EG production facilities with 1,000,000 MT output on a yearly basis and the Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility with 1,250,000 MT output on a yearly basis as upstream level (the “**6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility**”) during 2023, which contributed the increments of approximately 80% in terms of production output; the improvements of approximately 20% in terms of the saving from EO/EG production processing costs; and the increase in revenue from Butadiene.

Administrative expenses

Administrative expenses mainly consist of staff related costs, various local taxes and educational surcharge, depreciation, audit fee and miscellaneous expenses.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
REVENUE	4	9,239,833	4,591,142
Cost of sales		(8,853,401)	(4,700,380)
Gross profit/(loss)		386,432	(109,238)
Other income and gains	4	217,398	763,996
Selling and distribution cost		(2,195)	(1,715)
Administrative expenses		(109,591)	(82,523)
Other expenses	4	(103,894)	(494,823)
Finance costs	5	(223,721)	(120,154)
PROFIT/(LOSS) BEFORE TAX	6	164,429	(44,457)
Income tax (expense)/credit	7	(10,065)	51,824
PROFIT FOR THE PERIOD		154,364	7,367
Attributable to:			
Equity holders of the parent		154,055	26,121
Non-controlling interests		309	(18,754)
		154,364	7,367
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
— Basic and diluted (RMB)	8	13.30 fens	2.22 fens

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June 2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	154,364	7,367
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	154,364	7,367
Attributable to:		
Equity holders of the parent	154,055	26,121
Non-controlling interests	309	(18,754)
	154,364	7,367

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		12,735,101	13,007,735
Investment properties		77,988	79,369
Right-of-use assets		720,358	744,421
Other intangible assets		40,843	47,008
Advance payments for property, plant and equipment		176,762	55,553
Equity investments designated at fair value through other comprehensive income		3,409	3,409
Pledged deposits	13	520,408	761,193
Deferred tax assets		10,383	19,522
Total non-current assets		14,285,252	14,718,210
CURRENT ASSETS			
Inventories	11	2,348,506	1,949,953
Trade and notes receivables	12	1,438,784	1,430,794
Prepayments, other receivables and other assets		995,943	1,022,526
Due from related parties	16	602	3,373
Derivative financial instruments		3,765	6,303
Financial assets at fair value through profit or loss	10	57,747	15,897
Pledged deposits and time deposit	13	1,833,310	1,490,566
Cash and cash equivalents	13	514,286	364,150
Total current assets		7,192,943	6,283,562
CURRENT LIABILITIES			
Trade and bills payables	14	1,687,736	2,134,154
Other payables and accruals		2,451,799	2,537,140
Derivative financial instruments		21,159	1,026
Interest-bearing bank and other borrowings	15	6,963,251	5,914,736
Long-term loan within one year	15	1,679,200	1,199,132
Lease liabilities		36,425	32,958
Due to related parties	17	507,208	545,682
Tax payable		54,106	54,809
Total current liabilities		13,400,884	12,419,637
NET CURRENT LIABILITIES		(6,207,941)	(6,136,075)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,077,311	8,582,135

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	2,899,303	3,076,147
Due to related parties	17	577,572	675,569
Lease liabilities		30,560	48,552
Deferred tax liabilities		55,664	55,335
Other payables		—	365,190
Total non-current liabilities		3,563,099	4,220,793
Net assets		4,514,212	4,361,342
EQUITY			
Equity attributable to owners of the parent			
Issued capital		102,662	102,662
Reserves		4,430,612	4,278,051
Non-controlling interests		4,533,274 (19,062)	4,380,713 (19,371)
Total equity		4,514,212	4,361,342

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
Net cash flows in respect of operating activities		162,992	(337,562)
Net cash flows in respect of investing activities		(915,561)	(811,957)
Net cash flows in respect of financing activities		902,464	1,451,310
Net increase in cash and cash equivalents		149,895	301,791
Cash and cash equivalents at beginning of period		364,150	217,493
Effect of foreign exchange rate change, net		241	3,206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	514,286	522,490

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 — unaudited

	Attributable to owners of the parent											
		Statutory surplus & safety			Capital	Financial assets at FV through OCI		Shares repurchased			Non-	
	Share Capital	production reserve	Special reserve	Share premium	redemption reserve	revaluation reserve	Merger reserve	for share award plan	Retained profits	Total	controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023	102,662	855,396	(38,363)	1,352,311	2,371	2,409	(627,092)	(45,339)	2,776,358	4,380,713	(19,371)	4,361,342
Profit for the period	—	—	—	—	—	—	—	—	154,055	154,055	309	154,364
Total comprehensive income for the period	—	—	—	—	—	—	—	—	154,055	154,055	309	154,364
Repurchase of shares for the share award	—	—	—	—	—	—	—	(1,494)	—	(1,494)	—	(1,494)
Appropriation to statutory surplus/safety production reserve	—	70,835	—	—	—	—	—	—	(70,835)	—	—	—
Safety production reserve used	—	(6,701)	—	—	—	—	—	—	6,701	—	—	—
At 30 June 2024	102,662	919,530	(38,363)	1,352,311	2,371	2,409	(627,092)	(46,833)	2,866,279	4,533,274	(19,062)	4,514,212
At 31 December 2022	102,662	795,387	(38,363)	1,352,311	2,371	2,409	(627,092)	(36,852)	2,744,890	4,297,723	27,972	4,325,695
Profit for the period	—	—	—	—	—	—	—	—	26,121	26,121	(18,754)	7,367
Total comprehensive income for the period	—	—	—	—	—	—	—	—	26,121	26,121	(18,754)	7,367
Appropriation to statutory surplus/safety production reserve	—	35,279	—	—	—	—	—	—	(35,279)	—	—	—
Safety production reserve used	—	(4,855)	—	—	—	—	—	—	4,855	—	—	—
At 30 June 2023	102,662	825,811	(38,363)	1,352,311	2,371	2,409	(627,092)	(36,852)	2,740,587	4,323,844	9,218	4,333,062



Notes to Condensed Consolidated Financial Information

1 CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 30 January 2009. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the “Group”) was principally engaged in the manufacture and supply of ethylene oxide (“EO”), ethylene glycol (“EG”), polypropylene (“PP”), methyl tert-butyl ether (“MTBE”) and surfactants in the PRC. The Group was also engaged in the provision of processing services for PP, MTBE and surfactants to its customers and the production and supply of other chemical products such as Butadiene, Ethanolamine and industrial gases, namely oxygen, nitrogen and argon in the PRC. EO is a key intermediary component for the production of ethylene derivative products such as ethanolamines and glycol ethers and a wide range of surfactants. EG is a type of semi-finished goods that is used to produce other bio-organic chemical products such as mono ethylene glycol which is used to produce polyester and anti-frozen chemical liquids. PP is a kind of thermoplastic resin, which can be used in knitting products, injection molding products, film products, fiber products, pipes etc. Surfactants are widely applied in different industries as scouring agents, moisturising agents, emulsifiers and solubilisers. MTBE is a gasoline additive, used as an oxygenate to raise the octane number and is almost exclusively used as a fuel component in fuel for gasoline engines.

2.1 BASIS OF PRESENTATION AND PREPARATION

The Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting*. The Group's unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023. The unaudited condensed consolidated interim financial information has been prepared under the historical cost convention, except for certain equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, and derivative financial instruments which have been measured at fair value. These financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The Group's unaudited condensed consolidated interim financial information has been reviewed by the audit committee of the Company.

Going concern assumption

As at 30 June 2024, the Group's net current liabilities amounted to approximately RMB6,207,941,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial information, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements. Accordingly, the condensed consolidated financial information has been prepared on a basis that the Group will be able to continue as a going concern.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the " 2020 Amendments ")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the " 2022 Amendments ")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3 SEGMENT INFORMATION

For management purpose, the Group did not organise into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Information about products and services

The following table sets forth the total revenue from external customers by product and service during the periods:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sales of goods	9,189,036	4,541,659
Provision of services	42,968	41,660
Others	7,829	7,823
Total	9,239,833	4,591,142

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Chinese Mainland	9,054,834	4,591,142
Singapore	183,357	—
Others	1,642	—
Total revenue	9,239,833	4,591,142

(b) The Group's non-current assets are all located in Chinese Mainland.

4 REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of valued-added tax and government surcharges, and after allowances for returns and trade discounts.

An analysis of revenue is shown in Note 3 above.

An analysis of other income and gains and other expenses is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Other income and gains		
Additional deduction for input value-added tax	77,018	—
Interest/investment income derived from banks&related parties, financial assets at fair value through profit or loss and fair value changes of financial instruments	49,767	81,320
Reveal of write-down of inventories to net realisable value — silver (being part of catalyst)	46,589	—
Sales in respect of trading of oil and chemicals	5,588	448,023
Gains from bargain purchase of a subsidiary	—	198,265
Others	38,436	36,388
	217,398	763,996

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Other expenses		
Disposal of property, plant and equipment	50,141	—
Foreign exchange loss, net	43,460	39,004
Fair value loss, net:		
Financial assets at fair value through profit or loss — mandatorily classified as such	2,949	4,050
Cost of sales in respect of trading of oil and chemicals	949	425,026
Write-down of inventories to net realisable value — silver (being part of catalyst)	—	18,699
Others	6,395	8,044
Total	103,894	494,823

5 FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interest on bank and other borrowings	167,032	75,569
Interest on discounted notes receivables	55,087	44,263
Interest on lease liabilities	1,602	322
Total	223,721	120,154

6 LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Cost of inventories sold	8,836,748	4,680,373
Cost of service provided	16,653	20,007
Depreciation of property, plant and equipment	508,988	235,220
Depreciation of right-of-use assets	24,482	10,202
Amortisation of other intangible assets	6,165	14,735

7 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expense of the Group for the periods are analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current		
Charge for the period	597	4,950
Effect of additional tax deduction enacted by tax authority	—	(44,695)
Deferred	9,468	(12,079)
Total tax charge/(credit) for the period	10,065	(51,824)

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

7 INCOME TAX *(continued)*

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain entities who are entitled to preferential tax rates of 15%, subject to the approval of the relevant tax bureaus.

8 EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the period. The number of shares for the current period has been arrived at after eliminating shares repurchased.

No adjustment has been made to the basic profit per share amount presented for the period ended 30 June 2023 and the period ended 30 June 2024 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	154,055	26,121
	Number of shares	
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period	1,157,909	1,176,119

9 DIVIDENDS

The Board did not recommend to declare an interim dividend during the period ended 30 June 2024 and the period ended 30 June 2023.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has investments in certain wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

11 INVENTORIES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Raw materials	2,104,082	1,750,385
Finished goods	244,424	199,568
Total	2,348,506	1,949,953

12 TRADE AND NOTES RECEIVABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Trade receivables	142,895	173,652
Notes receivable	1,303,653	1,263,999
Impairment	1,446,548 (7,764)	1,437,651 (6,857)
Net carrying amount	1,438,784	1,430,794

The credit period is generally 15 to 60 days, extending up to three months for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The maturity of notes receivables is due within six months.

An aged analysis of the trade receivables of the Group as at the end of each of the reporting periods, based on the transaction dates and net of loss allowance, is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
1 to 30 days	92,333	105,495
31 to 60 days	16,200	51,816
61 to 90 days	20,755	6,752
91 to 360 days	5,843	865
Over 360 days	—	1,867
Total	135,131	166,795

13 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Cash and bank balances	514,286	364,150
Time deposits and pledged deposits	2,353,718	2,251,759
Total	2,868,004	2,615,909
Less: Pledged time deposits:		
Pledged for forward contract	—	40,162
Pledged for options	22,315	—
Pledged for bills payable	101,378	593,083
Pledged for letters of credit	113,878	53,383
Pledged for bank loans	1,893,063	1,344,960
Pledged of letter of guarantee	223,084	220,171
	2,353,718	2,251,759
Cash and cash equivalents	514,286	364,150

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged short term time deposits are made for periods with a maturity of the underlying notes payable, letters of credit and bank loans secured by these deposits. Time deposits earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

14 TRADE AND BILLS PAYABLES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Bills payable	821,352	1,268,911
Trade payable	866,384	865,243
Total	1,687,736	2,134,154

An aged analysis of the trade and bills payables as at the end of the reporting periods, based on the invoice date for trade and bills payables is as follows:

	30 June 2024 RMB'000	31 December 2023 RMB'000
Within 3 months	1,523,951	1,052,795
3 to 6 months	103,271	1,001,985
6 to 12 months	15,291	36,416
12 to 24 months	26,433	33,538
24 to 36 months	13,793	4,463
Over 36 months	4,997	4,957
Total	1,687,736	2,134,154

Trade payables are non-interest-bearing and have an average credit term of three months and bills payable were all aged within one year.

15 INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	30 June 2024 RMB'000	31 December 2023 RMB'000
Current				
Bank loans — unsecured	2.700–4.400	within one year	1,576,831	1,453,729
US\$ secured bank loans	5.477–6.000	within one year	486,200	66,532
US\$ unsecured bank loans	5.412–7.500	within one year	312,868	878,581
EUR secured bank loans	1.500–4.150	within one year	—	126,467
Other loans — secured	4.800–5.200	within one year	151,857	101,309
Current portion of long-term loans — unsecured	3.200–4.000	within one year	304,000	190,000
Current portion of long-term loans — secured	3.200–5.412	within one year	634,000	589,000
Current portion of long-term other loans — secured	4.800–5.200	within one year	741,200	420,132
Discounted notes receivable	0.750–3.550	within one year	2,402,745	1,477,712
Discounted letter of credit	0.959–5.930	within one year	2,032,750	1,810,406
Total — current			8,642,451	7,113,868
Non-current				
Bank loans — secured	3.200–5.142	2025	351,000	536,000
Bank loans — secured	3.600–5.142	2026	709,000	639,000
Bank loans — secured	3.600–5.292	2027	831,000	971,000
Bank loans — secured	3.600	2028	16,000	16,000
Bank loans — secured	3.600	2029	16,000	16,000
Bank loans — secured	3.600	2030	14,000	14,000
Bank loans — unsecured	3.200–4.000	2025	221,000	335,000
Bank loans — unsecured	3.200–4.000	2026	196,000	111,000
Bank loans — unsecured	3.200–4.600	2027	27,000	27,000
Other loans — secured	4.396–5.131	2025	276,983	332,100
Other loans — secured	4.396–4.857	2026	241,320	79,047
Total — non-current			2,899,303	3,076,147
Total			11,541,754	10,190,015
Analysed into:				
Bank loans repayable:				
Within one year			8,642,451	7,113,868
In the second year			1,503,441	1,203,100
In the third to fifth years, inclusive			1,388,862	1,843,047
Beyond five years			7,000	30,000
Total			11,541,754	10,190,015

15 INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes:

Certain of guarantees of the Group's bank borrowings are secured by:

- (i) mortgages over the Group's leasehold lands, which had an aggregate carrying value at the end of the reporting period of approximately RMB469,494,000 as at 30 June 2024 and approximately RMB475,578,000 as at 31 December 2023;
- (ii) mortgages over the Group's property, plant and equipment, which had an aggregate carrying value at the end of the reporting period of approximately RMB5,605,808,000 as at 30 June 2024 and approximately RMB5,128,497,000 as at 31 December 2023;
- (iii) the Group's financial assets at fair value through profit or loss which had an aggregate carrying value amounting to approximately RMB50,000,000 as at 30 June 2024 and RMB4,000,000 as at 31 December 2023;
- (iv) the Group's pledged deposit, which had an aggregate carrying value amounting to approximately RMB2,006,941,000 as at 30 June 2024 and RMB1,398,343,000 as at 31 December 2023;
- (v) guarantees from Hangzhou Haoming Investment Co., Ltd. ("**Hangzhou Haoming**"), a related company and a company established in the PRC with limited liability, for an amount not exceeding approximately RMB650,000,000 as at 30 June 2024 and RMB650,000,000 as at 31 December 2023; and
- (vi) mortgages over 100% of the equity interest of Hangzhou Haoming.

16 DUE FROM RELATED PARTIES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Grand Novel	—	2,577
Jiahua Import Export	376	376
Jiahua New Materials	226	419
Sure Capital	—	1
Total	602	3,373

The amount due from related parties are unsecured, interest-free and repayable on demand.

17 DUE TO RELATED PARTIES

	30 June 2024 RMB'000	31 December 2023 RMB'000
Current:		
Jiahua Energy	384,769	409,485
Mei Fu Port	85,817	72,056
Gangan Intelligent	25,830	50,597
Haoxing Energy Conservation	3,690	6,080
Hangzhouwan Petro	2,935	3,319
Jiaxing Rewang	1,823	1,693
Jianghao Eco-agriculture	890	1,057
Jiahua Group	742	830
Jiafu New Materials	712	565
Subtotal	507,208	545,682
Non-current:		
Mei Fu Petrochemical	529,572	555,569
Zhejiang Zhongxin	48,000	120,000
Subtotal	577,572	675,569
Total	1,084,780	1,221,251

The amount current due to related parties are unsecured, interest-free and repayable on demand.
Non-current due to related parties are unsecured, interest-free and repayable after one year.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests and short positions of the Directors and/or chief executives of the Company in any shares of the Company (the **"Shares"**), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required 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 in which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors (the **"Model Code"**) are as follows:

Interests in shares of the Company:

Name of Directors	Number of Shares			Total	Approximate% of issued share capital ³
	Personal Interest	Family Interest	Trust/ Corporate Interest		
Han Jianhong ("Ms. Han")	—	20,738,000 ²	536,936,000 ¹	557,674,000	46.86%
Rao Huotao ("Mr. Rao")	659,000	—	—	—	0.06%
Chen Xian ("Ms. Chen")	3,500,000	—	—	—	0.29%

Notes:

- (1) The 536,936,000 Shares were held by Sure Capital Holdings Limited (**"Sure Capital"**), the entire issued ordinary shares of which were owned as to 84.71% by Mr. Guan Jianzhong (**"Mr. Guan"**) and 15.29% by Ms. Han, the spouse of Mr. Guan. By virtue of the SFO, Mr. Guan was deemed to be interested in the Shares held by Sure Capital, and Ms. Han was deemed to be interested in the Shares in which Mr. Guan was interested for the purposes of Divisions 2 and 3 of Part XV of the SFO.
- (2) These Shares were held by Mr. Guan, the spouse of Ms. Han. As such, Ms. Han is deemed to be interested in those Shares held by Mr. Guan for the purposes of Divisions 2 and 3 of Part XV of the SFO.
- (3) Based on 1,190,000,000 Shares in issue as at 30 June 2024.

Interest in shares of associated corporation of the Company

Name of the directors	Name of associated corporation	Capacity/ Nature of interest	Long/Short position	Number of shares held	Approximate % of issued share capital
Mr. Guan	Sure Capital	Beneficial owner	Long position	8,473	84.71%
Ms. Han	Sure Capital	Beneficial owner	Long position	1,529	15.29%

Save as disclosed above, none of the Directors and the chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, are as follows:

Name of the substantial shareholders	Capacity/ Nature of interest	Long/Short position	Number of shares held	Approximate % of issued share capital
Sure Capital	Beneficial owner	Long position	536,936,000 (Note 1)	45.12%

Note:

- The entire issued ordinary shares of Sure Capital were owned as to approximately 84.71% by Mr. Guan and approximately 15.29% by Ms. Han, the spouse of Mr. Guan. By virtue of the SFO, Mr. Guan was deemed to be interested in the Shares held by Sure Capital and Ms. Han was deemed to be interested in the Shares in which Mr. Guan was interested for the purposes of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, no other interest or short position in the shares and underlying shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30 June 2024.

SHARE AWARD PLAN

The Company adopted a share award plan on 31 March 2011 (the “**Share Award Plan**”). The purposes of the Share Award Plan are to recognise and reward the contribution of certain eligible employees for the growth and development of the Group, to give incentives thereto in order to retain them for the continual growth and development of the Group, and to attract suitable personnel for further development of the Group. The eligible employees include any employee (whether full time or part time, including any executive director) of the Company, any subsidiary or any invested entity.

The Share Award Plan will be valid and effective for a term of 50 years commencing on the date on which the Share Award Plan was adopted.

Under the rules of the Share Award Plan (the “**Plan Rules**”), the Share Award Plan will be subject to the administration of the board or the plan administrator, who is authorised by the board to render supports in all respects to the Board in connection with the implementation of the Share Award Plan, whose decisions on all matters arising in relation to the Share Award Plan or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby.

The Group has appointed a trustee (the “**Trustee**”) for the purposes of administering the Share Award Plan. The Trustee will be notified by the directors in writing upon making an award to an eligible employee under the Share Award Plan. Upon the receipt of such notice, the Trustee will set aside the appropriate number of awarded shares out of a pool of shares comprising the following:

- (A) such shares as may be (i) transferred to the Trustee from any person (other than the Group) by way of gift, or (ii) purchased by the Trustee on the Stock Exchange by utilising the funds received by the Trustee from any person (other than the Group) by way of gift;
- (B) such shares as may be purchased by the Trustee on the Stock Exchange by utilising the funds allocated by the board out of the Company's resources;
- (C) such shares as may be subscribed for at par value by the Trustee by utilising the funds allocated by the board out of the Company's resources; and
- (D) such shares which remain unvested and reverted to the Trustee.

The legal and beneficial ownership of the relevant awarded shares shall vest in the relevant selected employee within 10 business days after the later of: (a) the earliest vesting date as specified in the award notice to which such award relates; and (b) where applicable, the date on which the conditions or performance targets (if any) to be attained by such selected employee as specified in the related award notice have been attained and notified to the Trustee by the board in writing.

Under the Plan Rules, the employees of the Group shall not have any right to receive any shares awarded to them under the Share Award Plan and all other interests attributable thereto unless and until the Trustee has transferred the legal and beneficial ownership of such awarded shares to them and the legal and beneficial ownership of those awarded shares vested in them. When the participant ceased to be the Group's employee, the unvested shares would be retained by the Trustee.

In accordance with the Plan Rules, the total number of shares available for issue under the share award plan of the Company should not exceed 5% of the total number of issued shares as at the beginning of any financial year, being 59,500,000 shares of the Company for the year ended 31 December 2023.

In accordance with the Plan Rules, the maximum entitlement of any selected employee shall not exceed the difference between (A) the total number of Shares held under the pool of Shares and (B) the aggregate number of (i) the Shares which have been provisionally awarded under the share award plan of the Company; and (ii) the Shares which are proposed to be considered and approved at the same meeting to be provisionally awarded to other selected employees.

As at 30 June 2024, the total number of Shares held under the pool of Shares were 32,125,000. Accordingly, the maximum entitlement of any one selected employee under the share award plan of the Company will be 32,125,000 Shares, representing approximately 1.88% of the issued Shares of the Company. No shares have been granted for the year ended 31 December 2023 and the six months ended 30 June 2024.

In accordance with the Plan Rules, the vesting period of any awarded shares to any selected employee shall be within ten (10) Business Days after the latest of: (i) the earliest date specified by the Board on which the Trustee may vest the legal and beneficial ownership of the award shares in the relevant selected employee; and (ii) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related award notice have been attained and notified to the Trustee by the Board in writing. No amount is payable on the acceptance of an award.

During any particular financial year, the Board shall at the beginning of such financial year determine the maximum amount of the contribution to be allocated to the Trustee for the purchase of Shares to constitute the pool of shares to be held by the Trustee. The Trustee shall purchase the Shares at the prevailing market price and in off-market transactions, the purchase price shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of the shares granted is measured at the grant date at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period.

The following awarded shares were outstanding under the Share Award Plan during the year/period:

	Number of shares purchased and held for the Share Award Plan	Number of awarded shares
At 1 January 2023	22,424,000	—
Purchased and withheld	8,350,000	—
At 31 December 2023 and 1 January 2024	30,774,000	—
Purchased and withheld	1,351,000	—
At 30 June 2024	32,125,000	—

No share award plan expense was charged to the condensed consolidated statement of profit or loss during the six months ended 30 June 2024 (30 June 2023: Nil).

CHANGE IN DIRECTORS' INFORMATION

For the six months ended 30 June 2024 and up to the date of this report, there was no significant change in Directors' information since the date of the last annual report of the Company for the year ended 31 December 2023 pursuant to Rule 13.51B(1) of the Listing Rules.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had capital commitments amounted to approximately RMB982.8 million which primarily related to the procurements of plant and machinery for the construction of additional production capacities and for regular repair and maintenances.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have material contingent liabilities not provided for in the financial information.



As at 30 June 2024, the Group employed a total of 1,350 full time employees. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions, housing fund contributions and share award scheme. The remuneration committee of the Company (the **"Remuneration Committee"**) reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of salaries, bonuses and other allowances.

The Group's gearing, expressed as a percentage of total interest-bearing borrowings to total assets maintained in a similar level during the period under review (30 June 2024: 53.7%; 31 December 2023: 48.5%). The Group has a gearing guidance of not more than 66.7% on total interest-bearing borrowings to total assets basis, which management considers is a better measure when comparing to total interest-bearing borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

The inventory turnover days maintained in a similar level during the period under review (30 June 2024: 43.7 days; 31 December 2023: 42.6 days).

The trade and notes receivables turnover days maintained at a relatively low level during the period under review (30 June 2024: 28.0 days; 31 December 2023: 28.3 days).

The trade and notes payables turnover days maintained at a similar level during the period under review (30 June 2024: 38.9 days; 31 December 2023: 48 days).

The Board does not recommend an interim dividend for the six months ended 30 June 2024.

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Government Report (“**CG Code**”), including any revisions and amendments from time to time, as set out in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the six months ended 30 June 2024 and up to the date of this report.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 June 2024 and up to the date of this report.

AUDIT COMMITTEE

As at the date of this report, the audit committee of the Company (the “**Audit Committee**”) has three members, namely Shen Kaijun and Kong Liang and Pei Yu, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Shen Kaijun. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2024, including the accounting principles and practices adopted by the Group, and the Group’s internal control functions.

REMUNERATION COMMITTEE

As at the date of this report, the Remuneration Committee has three members, namely Pei Yu, Han Jianhong and Kong Liang of whom Kong Liang and Pei Yu are independent non-executive Directors and Han Jianhong is the Chairlady of the Board and an executive Director. The chairman of the Remuneration Committee is Pei Yu. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

As at the date of this report, the nomination committee of the Company (the “**Nomination Committee**”) consists of three members, namely Han Jianhong, Shen Kaijun and Ms. Pei Yu, of whom Shen Kaijun and Pei Yu are independent non-executive Directors and Han Jianhong is the Chairlady of the Board and an executive Director. The chairlady of the Nomination Committee is Han Jianhong. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

PUBLICATION OF INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company’s Interim Report for the six months ended 30 June 2024 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinasanjiangfinechemicals.com) in due course.

Corporate Information

DIRECTORS

Executive Directors

HAN Jianhong (Chairlady)
RAO Huotao
GUAN Siyi
CHEN Xian

Independent non-executive Directors

SHEN Kaijun
PEI Yu
KONG Liang

SHARE LISTING

Main Board of The Stock Exchange of
Hong Kong Limited
Stock code: 2198

AUDITORS

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YIP Ngai Hang, FCPA, FCCA

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Bank of Communications
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325 Xinhua Road, Pinghu City
Zhejiang Province, PRC

Industrial and Commercial Bank of China
Pinghu City Branch
338 Yashan Road Central, Pinghu City
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Bank of China
Pinghu City Branch
40 Chengnan Road West, Pinghu City
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China CITIC Bank
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