



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

# ANNUAL REPORT 2025





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# CHAIRLADY'S STATEMENT



# Chairlady's Statement

## Business Review

### Overview

During the year ended 31 December 2025 (the “**year under review**”), the Group operated in a market environment that remained profitable in selected product chains but materially more challenging overall than in 2024. Revenue decreased by approximately 5.7% year on year to approximately RMB18,468.2 million, while gross profit decreased by approximately 19.1% to approximately RMB898.2 million and net profit attributable to owners of the parent decreased by approximately 23.5% to approximately RMB407.3 million. The gross profit margin reduction was mainly attributable to the profit margin compression in Ethylene Oxide (“**EO**”) and several olefin and aromatics by-products line of businesses, together with lower ethylene contribution, notwithstanding the continued resilience of the Group’s core Ethylene Glycol (“**EG**”) and surfactant line of business and the positive contribution from processing services and butadiene. The performance pattern was also uneven across the year with the first half of the year remained comparatively strong and the second half of the year softened in a certain extent. The Board has recommended a final dividend of HK5 cents per share for the year ended 31 December 2025. The Group intends to progressively increase its dividend payout ratio, taking into account its stable and growing operating performance and a prudent and improving gearing position. The Company is committed to balancing the overall interests of shareholders with the requirements for sustainable long-term development.

The Group’s business strategies are to achieve as a vertically integrated olefin and derivatives manufacturer. At the upstream level, the Group can procure and process naphtha, ethane, propane and methanol into ethylene and propylene, and at the downstream level it converts those intermediates into EO, EG, Polypropylene (“**PP**”), surfactants, ethanolamines, MTBE, butadiene and other chemical products, while also providing selected processing services. This business model allows the Group to manage feedstock risk, optimize production allocation between upstream and downstream products, capture margin at multiple points of the value chain and respond more quickly to changes in product spreads than a single-product producer. The 6th phase EO/EG facilities and the upstream naphtha/ethane/propane-to-ethylene/propylene facilities, which completed ramp-up in 2023 and ran through a full operating cycle in 2024 and 2025, remained the operational backbone of this model.

Against a lower-margin environment, management’s 2025 strategy was more defensive and cash-focused than expansionary. Management placed priority on (i) maintaining high utilization of core assets, (ii) using feedstock and product-mix flexibility to direct volumes toward better-spread products, (iii) protecting base sales through annual contract arrangements while keeping a smaller spot component for tactical optimization, (iv) reducing leverage primarily through operating cash flow, and (v) preserving medium-term upside by continuing logistics optimization and downstream integration rather than launching a new large-scale expansion cycle.

### Industry environment and changes in 2025

Industry conditions in 2025 were mixed. On the supportive side, according to the National Bureau of Statistics of China, for the year 2025, China’s GDP grew by 5.0%, national ethylene output increased by 6.4%, chemical fibre output increased by 4.9%, and motor vehicle output increased by 9.8%, indicating continued activity in several important downstream sectors. Daily necessities retail sales also increased by 6.3% during 2025, which was supportive of detergent- and homecare-related demand. On the adverse side, according to the National Bureau of Statistics of China, for the year 2025, fixed-asset investment declined by 3.8% in 2025, manufacturing investment slowed to growth of only 0.6%, infrastructure investment declined by 2.2%, real-estate development investment fell by 17.2%, building and decoration materials retail sales declined by 2.7%, and petroleum and petroleum products retail sales declined by 5.7%. At the industry-profit level, profit of China’s manufacture of raw chemical materials and chemical products decreased by 7.3% in 2025. The above industry developments in 2025 were generally consistent with the Group’s performance, under which detergent- and polyester-related product segments remained comparatively resilient, while fuel-related and construction-sensitive segments continued to experience pressure.

## Chairlady's Statement

### Industry benchmarks and competitive positioning

With its core production facilities operating at full capacity, the Group maintained high operating efficiency and a cost-competitive position among leading domestic producers. By comparison, the capacity utilisation rate of the manufacture of raw chemical materials and chemical products in China was 73% in 2025, according to data released by the National Bureau of Statistics of China. The Group's core EO/EG and surfactants business lines also outperformed broad sector profitability in that year. The Group's benchmarking in 2025 was bifurcated — its integrated core lines showed clear operational competitiveness, but commodity oversupply in selected product lines still constrained consolidated margin quality.

### Critical business risks and uncertainties, and the Group's response

#### Feedstock, oil-price and logistics volatility

The Group remains exposed to volatility in naphtha, liquefied petroleum gas (“LPG”), methanol and ethane markets, as well as to ocean freight and port logistics. This risk became more pronounced after the reporting period because the Middle East conflict that began on 28 February 2026 severely disrupted flows through the Strait of Hormuz, one of the world's most important oil chokepoints. For the Group, the practical risk is not only absolute feedstock prices but also shipping availability, war-risk insurance and delivery timing. The Group's response is to maintain feedstock diversification, continue dynamic procurement, preserve liquidity buffers, and pursue logistics optimization including the planned vessels acquisition expected by management to commence in 2027.

#### Commodity oversupply and margin compression

China's commodity chemicals market continues to face oversupply in certain extent in selected chains, especially PP and some olefins derivatives. Where supply additions outpace domestic demand growth, average selling prices and utilization-driven margins come under pressure. The Group's response is to tilt production toward higher-spread products, deepen downstream integration, maintain long-term customer arrangements, and emphasize operating-cost leadership rather than pure volume expansion.

#### Downstream demand weakness in property-related sectors

The Group's water-reducing reagent and construction-chemical exposures remain linked to infrastructure spending, cement activity and real-estate construction. Although public policy support may stabilize parts of the demand chain, the sharp decline in 2025 real-estate investment remained a drag on volume growth and pricing in these applications. The Group's response is to balance consumer-linked surfactant demand against construction-linked demand, to push higher-value formulations where possible and to continue close customer management rather than rely on a single end-market recovery.

#### Liquidity and refinancing risk

As at 31 December 2025, the Group remained in a net-current-liability position and its borrowings were concentrated in short-dated facilities. While the directors considered the going-concern basis appropriate, this balance-sheet structure requires disciplined treasury execution. Management's stated approach has been to rely on operating cash flow, multiple-bank relationships, rolling renewals and continued shareholder support.

#### Impairment and return-on-capital risk

Long-lived assets impairment has been identified as a key audit matter because the carrying amount of the Group's net assets exceeded the Company's market capitalisation at year end. This does not mean that an impairment is required, but it highlights the importance of forecast selling prices, volumes, margins and discount rates. The Group's response is to continue improving utilization, lowering operating and logistics costs, and prioritising products and projects that can support recoverable value.

### Regulatory, environmental and tax risk

The regulatory environment for petrochemicals is tightening. The 2025–2026 policy plan for China's petrochemical and chemical industries places emphasis on high-end products, green upgrading, innovation and lower emissions. The Group's response is to maintain compliance investment, strengthen energy-efficiency programmes and keep close control over environmental and tax qualification matters.

### Prospect for 2026

The principal upside catalysts for 2026 include: (i) continued resilience in polyester-chain demand supporting EG; (ii) continued resilience in homecare and daily-consumption demand supporting surfactants; (iii) policy-led improvement in domestic consumption, manufacturing activity and selected infrastructure demand; (iv) any further operating, energy and logistics efficiencies; (v) medium-term freight savings from the vessel programme expected by management from 2027 onwards and seizing new export opportunities by deepening penetration of methyl tert-butyl ether ("MTBE") and polyether products for water-reducing agents in emerging markets, while effectively leveraging both domestic and international markets and resources. The principal downside risks include: (a) prolonged disruption in the Middle East and the Strait of Hormuz; (b) renewed volatility in U.S.-China ethane trade arrangements or feedstock availability; (c) exposure to tax uncertainties arising from international trade, including anti-dumping measures and unilateral tariff adjustments; (d) continued weakness in property-linked demand.

Looking into 2026, the industry backdrop is likely to remain two-speed. On the one hand, China's 2026 government work report targets GDP growth of 4.5% to 5% and a more proactive fiscal stance, and the 2025–2026 petrochemical work plan targets average annual added-value growth of more than 5% for the sector, especially in higher-end and greener products. On the other hand, February 2026 producer prices in China remained negative year on year, and the post-year-end Middle East conflict has materially increased uncertainty in crude oil, freight and supply-chain costs.

## ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my thanks to our shareholders, banks, customers and vendors for their supports and trusts as well as our management and all staffs for their hard workings and commitments during the year.

**HAN Jianhong**

*Chairlady*

PRC, 27 March 2026

# MANAGEMENT DISCUSSION AND ANALYSIS



# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The breakdown by line of business in terms of revenue, sales volume, average selling price and gross profit margin during the year under review and the year ended 31 December 2024 for comparison purposes are set forth below:

	Full year 2025	% of revenue	Full year 2024	% of revenue	Variance + / (-)
Ethylene oxide	1,934,073	10%	2,152,787	11%	(10.2%)
Ethylene glycol	4,105,085	22%	3,463,776	18%	18.5%
Polypropylene	3,560,671	19%	4,024,397	21%	(11.5%)
Ethylene	714,479	4%	1,642,422	8%	(56.5%)
Surfactants	3,616,937	20%	3,588,500	18%	0.8%
MTBE	1,191,206	6%	1,107,436	6%	7.6%
Gas, diethylene glycol and others	890,243	5%	1,005,794	5%	(11.5%)
Butadiene	577,131	3%	767,239	4%	(24.8%)
Ethanolamine	110,269	1%	202,148	1%	(45.5%)
Processing service	83,754	0%	80,859	0%	3.6%
Others	1,684,324	10%	1,550,694	8%	8.6%
<b>Total revenue</b>	<b>18,468,172</b>	<b>100%</b>	<b>19,586,052</b>	<b>100%</b>	<b>(5.7%)</b>

Sales volume (MT)				Variance + / (-)
Line of business	2025	2024		
Ethylene oxide	342,851	359,192		(4.5%)
Ethylene glycol	1,009,456	868,951		16.2%
Polypropylene	590,429	624,154		(5.4%)
Ethylene	117,926	246,271		(52.1%)
Surfactants	602,232	594,507		1.3%
MTBE	258,635	196,058		31.9%
Gas, diethylene glycol and others	N/A	N/A		N/A
Butadiene	68,508	74,732		(8.3%)
Ethanolamine	19,822	31,830		(37.7%)
Processing service	276,588	275,182		0.5%

## Management Discussion and Analysis

Average selling price (RMB per MT, VAT non-inclusive)			
Line of business	2025	2024	Variance + / (-)
Ethylene oxide	<b>5,641</b>	5,993	(5.9%)
Ethylene glycol	<b>4,067</b>	3,986	2.0%
Polypropylene	<b>6,031</b>	6,448	(6.5%)
Ethylene	<b>6,059</b>	6,669	(9.1%)
Surfactants	<b>6,006</b>	6,036	(0.5%)
MTBE	<b>4,606</b>	5,649	(18.5%)
Gas, diethylene glycol and others	<b>N/A</b>	N/A	N/A
Butadiene	<b>8,424</b>	10,267	(18.0%)
Ethanolamine	<b>5,563</b>	6,351	(12.4%)
Processing service	<b>303</b>	294	3.1%

Gross profit margin (%)			
Line of business	2025	2024	Variance + / (-)
Ethylene oxide	<b>12.1%</b>	15.3%	(3.2%)
Ethylene glycol	<b>14.7%</b>	6.3%	8.4%
Polypropylene	<b>0.2%</b>	0.7%	(0.5%)
Ethylene	<b>(0.2%)</b>	6.4%	(6.6%)
Surfactants	<b>12.8%</b>	9.5%	3.3%
MTBE	<b>(3.8%)</b>	4.9%	(8.7%)
Gas, diethylene glycol and others	<b>9.4%</b>	18.1%	(8.7%)
Butadiene	<b>30.6%</b>	39.0%	(8.4%)
Ethanolamine	<b>13.3%</b>	6.6%	6.7%
Processing service	<b>72.6%</b>	68.9%	3.7%

## Financial Review

### Revenue and gross profit

For the year ended 31 December 2025, the Group recorded revenue of approximately RMB18,468.2 million, representing a year-on-year decrease of approximately 5.7%. Gross profit was approximately RMB898.2 million and gross profit margin was approximately 4.9%, compared with gross profit of approximately RMB1,110.6 million and gross profit margin of approximately 5.7% in 2024. The year-on-year movement reflected a combination of stronger contribution from EG and surfactants, lower contribution from EO, weaker near-breakeven PP economics, and gross margin losses in certain fuel and by-product lines, especially and selected cracking by-products.

### Product mix

EG became the Group's largest revenue contributor in 2025, accounting for approximately 22.2% of total revenue, followed by surfactants at approximately 19.6%, PP at approximately 19.0%, EO at approximately 10.5% and MTBE at approximately 6.5%. These five lines together accounted for approximately 77.8% of total revenue. The 2025 mix therefore remained concentrated in the Group's EO/EG and surfactants platform, but the contribution from butadiene and other non-core by-products remained significant enough to affect consolidated margin quality.

### Product and business line review

#### EO and EG chain

The EO/EG chain remained the Group's most important earnings pillar in 2025. EO revenue decreased by approximately 10.2% to approximately RMB1,934.1 million because of a lower average selling price and a lower sales volume, and EO gross profit margin moderated to approximately 12.1% from 15.3% in 2024. Even so, EO remained solidly profitable and continued to support downstream surfactant and ethanolamine integration. EG revenue increased by approximately 18.5% to approximately RMB4,105.1 million, sales volume increased by approximately 16.2% to approximately 1.01 million MT, average selling price increased by approximately 2.0%, and gross profit margin improved markedly to approximately 14.7% from 6.3% in 2024.

#### Surfactants

Surfactants revenue was broadly stable at approximately RMB3,616.9 million, with sales volume increasing by approximately 1.3% and gross profit margin improving to approximately 12.8% from 9.5% in 2024. This line benefited from the Group's deeper downstream positioning and from comparatively resilient homecare and daily-consumption demand, although construction-chemical applications remained constrained by weak real-estate activity.

#### Polypropylene and basic olefins

PP remained the Group's largest single product by revenue after EG and surfactants, but market conditions were difficult. PP revenue decreased by approximately 11.5% to approximately RMB3,560.7 million, sales volume decreased by approximately 5.4%, and gross profit margin stayed close to breakeven at approximately 0.2%. This reflected the continued oversupply of PP in China and the region. Industry research during 2025 pointed to a substantial expansion of China's PP surplus and lower sector operating rates, which remained a cap on spreads even where end-market demand was not collapsing. Ethylene revenue decreased sharply by approximately 56.5% to approximately RMB714.5 million and turned slightly loss-making at the gross margin line, showing that the Group intentionally prioritized downstream conversion and more profitable outlets over merchant sales of upstream intermediates.

## Management Discussion and Analysis

### MTBE, butadiene and by-products

MTBE revenue increased by approximately 7.6% to approximately RMB1,191.2 million due mainly to higher volume. Butadiene remained profitable, with revenue of approximately RMB577.1 million and gross profit margin of approximately 30.6%, but both revenue and margin were below the exceptionally strong 2024 base as prices normalized. Outside the core lines, several cracking by-products and aromatics products — including, mixed C4, industrial pyrolysis C5 and C9, benzene and mixed xylene — were loss-making on a gross basis in 2025 and offset part of the earnings contribution from the Group's core chains. This split between strong integrated core products and weak non-core by-products is an important feature of the 2025 result.

### Other income and gains

Other income and gains increased to approximately RMB364.1 million in 2025. This item included bank interest income, additional VAT deductions, trading income and, importantly, silver-related items, including reversal of prior write-downs and gains on disposal of silver catalysts. These items supported reported profit for the year, but they should be read together with the underlying product-margin trends when assessing recurring operating performance.

### Other expenses, administrative expenses and finance costs

Administrative expenses increased to approximately RMB268.1 million in 2025 from approximately RMB229.8 million in 2024, reflecting the larger operating platform and ongoing control, compliance and support requirements of the business. Other expenses, net, decreased to approximately RMB94.9 million from approximately RMB197.2 million in 2024, which partly cushioned the decline in gross profit. Finance costs decreased to approximately RMB371.4 million from approximately RMB414.7 million, but remained substantial in absolute terms and continued to weigh on net profit.

### Profitability

Profit before tax was approximately RMB522.6 million and profit attributable to owners of the parent was approximately RMB407.3 million, representing a year-on-year decrease of approximately 23.5%. Basic earnings per share were approximately RMB35.2 fen, as compared with approximately RMB45.99 fen in 2024.

### Liquidity, capital resources and treasury management

The Group continued to operate with a short-term-liability-heavy capital structure. As at 31 December 2025, cash and cash equivalents amounted to approximately RMB638.7 million, time deposits amounted to approximately RMB72.7 million, and pledged deposits amounted to approximately RMB1,666.5 million. Interest-bearing bank and other borrowings amounted to approximately RMB11,796.9 million, of which approximately RMB10,438.7 million were stated to fall due within twelve months of the reporting date. The Group therefore remained dependent on continuing operating cash inflow, borrowings rollover, bank credit lines and the support measures described in the going-concern note.

Operating cash inflow remained positive at approximately RMB912.5 million in 2025. Net cash used in investing activities was approximately RMB1,549.1 million, mainly reflecting continuing capital expenditure. Management's treasury approach are: (i) preserve liquidity through multiple-bank relationships rather than rely on a single funding source; (ii) use operating cash flow and profit to reduce leverage over time; (iii) maintain restricted deposits where required to support bank facilities and bills; and (iv) use selected derivative instruments to manage foreign-currency and commodity-price exposures.

Treasury management also included active use of financial instruments. The Group maintained a silver-leasing contract for 18.8 tons of silver at a fixed annual rate of 2.8% to hedge the fair-value exposure of silver catalyst inventory. These arrangements support risk management, but they also require tight control, clear authorisation limits and disciplined monitoring of counterparties, margining and valuation effects.

### Working capital and key ratios

Using year-end and comparative year-end balances, inventory turnover days increased to approximately 59 days in 2025 from approximately 46 days in 2024, reflecting the softer second-half market and the build-up of stock in a weaker pricing environment. Trade and notes receivable turnover days remained relatively contained at approximately 28 days, broadly consistent with the Group's historical credit discipline, while trade and bills payable turnover days were approximately 36 days. The current ratio was approximately 0.55 times and the quick ratio was approximately 0.35 times.

The Group's asset-based gearing ratio, expressed as total interest-bearing borrowings divided by total assets, increased to approximately 52.7% as at 31 December 2025 from approximately 49.5% as at 31 December 2024. However, the net-debt gearing ratio disclosed in the capital-management note improved to approximately 72.9% from 74.9%, reflecting lower net debt and higher equity attributable to owners of the parent. Interest cover, measured as EBIT divided by finance costs, was approximately 2.35 times and EBITDA to finance costs was approximately 5.34 times.

### Internal control and risk-management framework

The Group continued to operate under a Board-led internal control and risk-management framework in which the Board retains responsibility for internal control and effectiveness review, while the Audit Committee oversees financial reporting, internal control and external audit. For 2025, the most material areas for control emphasis should continue to be: (i) working-capital forecasting and rollover of short-term borrowings; (ii) capex approval and post-investment performance review; (iii) environmental, safety and emissions compliance; and (vii) related-party balances and continuing connected transaction compliance where applicable. Given the post-year-end geopolitical backdrop, the Group would also be well advised to enhance war-risk, shipping disruption and emergency-procurement scenario monitoring.

## LIQUIDITY AND FINANCIAL RESOURCES

### Financial position and bank borrowings

The Group had cash and bank balances of approximately RMB638.7 million (2024: approximately RMB564.3 million), most of which were denominated in Renminbi. The Group had interest-bearing borrowings of approximately RMB11,797 million as at 31 December 2025 (2024: approximately RMB10,945 million). Please refer to note 17 to the consolidated financial statements of this announcement for the details of borrowings and the respective charge of assets.

The Group's gearing ratio, expressed as a percentage of total interest-bearing borrowings to total assets, was approximately 52.7% as at 31 December 2025 as compared to approximately 49.5% as at 31 December 2024. The Group has internal gearing guidance, which takes into account various factors, including the typical time lag of around two years between the construction period of new production facilities and the generation of corresponding profits and revenue and the estimated buffer by the management of the Group to maintain sufficient liquidity in response to potential market fluctuations.

## Management Discussion and Analysis

### Working capital

The inventory turnover days increase during the year under review (2025: 59.1 days; 2024: 46.2 days).

The trade and notes receivables turnover days maintained at a relatively low level during the year under review (2025: 28.0 days; 2024: 27.1 days).

The trade and notes payables turnover days maintained at a similar level during the year under review (2025: 36.1 days; 2024: 38.9 days).

### CAPITAL COMMITMENTS

As at 31 December 2025, the Group had capital commitments of approximately RMB4,260.3 million (2024: RMB4,510.3 million).

Included in the above approximately RMB4,260.3 million for the year ended 31 December 2025 and RMB4,510.3 million for the year ended 31 December 2024, approximately RMB4,142.1 million was attributable to the vessel-related commitments pursuant to the chartered agreements as disclosed in the circular of the Company dated 14 May 2025 (the “**Circular**”), in relation to the leasing of vessels for the transportation of liquefied gases, including ethane, which are key feedstocks of the Group. Such arrangements are expected to enhance the Group’s logistics capabilities, secure stable supply of critical raw materials and improve cost efficiency over the long term.

Upon delivery of the vessels in or around 2027, the Group is expected to recognise the corresponding right-of-use assets and lease liabilities on its consolidated statement of financial position, representing the present value of the lease payments over the charter period.

### CONTINGENT LIABILITIES

As at 31 December 2025 and 31 December 2024, the Group did not have any significant contingent liabilities.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2025, the Group employed a total of 1,466 full-time employees (2024: 1,430 employees). The Group’s employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company 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 fees, salaries, bonuses and other allowances.

### DIVIDEND

The Board recommends the payment of a final dividend of HK5.0 cents per share in respect of the year, for the year ended 31 December 2025.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be distributed on or about 23 June 2026 to the shareholders whose names appear on the register of members of the Company as at 2 June 2026.

### OTHER INFORMATION

#### Total Number of Shares Available for Issue

In accordance with the rules of the share award plan adopted by the Company on 31 March 2011 (“**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 2025. No Shares have been issued during the year under review.

#### Maximum Entitlement of Any Selected Employee

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 31 December 2025, 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 22,424,000 Shares, representing approximately 2.59% of the issued Shares of the Company. No Shares have been granted during the year under review.

#### Vesting Period

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.

#### Amounts Payable

No amount is payable on the acceptance of an award.

#### Basis of the Purchase Price of Awarded Shares

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.

# Directors and Senior Management

## BIOGRAPHIES OF DIRECTORS

### HAN Jianhong (韓建紅)

aged 51, has been an executive Director since 22 March 2010. Ms. Han is one of the founders of the Group.

Ms. Han has been serving as the chairlady of the board of directors of both Zhejiang Jiahua Group Co., Ltd.\* (浙江嘉化集團股份有限公司) and Zhejiang Jiahua Energy Chemical Co., Ltd. (“**Jiahua Energy**”) since 2020. Zhejiang Jiahua Group Co., Ltd. and Jiahua Energy are principally engaged in the manufacturing and supply of agrochemicals and desalinated water and steam in Zhejiang Province, the PRC and both companies are not in competition with the Group. Please refer to the “Directors’ and Chief Executive’s interests and short positions in Shares, Underlying Shares and debentures of the Company and its Associated Corporations” Section of the Report of Directors for further details regarding Ms. Han’s Shareholdings.

Ms. Han is primarily responsible for the overall business planning, business structuring and restructuring, overseeing legal matters and investor relations of the Group. Ms. Han is also a director of various subsidiaries of the Group and has over 25 years of experience in the chemical industry.

### RAO Huotao (饒火濤)

aged 52, has been an executive Director since 15 March 2017. He is primarily responsible for the overall production and project management of the Group. Mr. Rao obtained a bachelor’s degree in chemical process from Wuhan Institute of Technology in 1996 and a master’s degree in chemical engineering from Zhejiang University in 2008 and has over 25 years of experience in the chemical manufacturing industry. Mr. Rao joined the Group in 2010.

### CHEN Xian (陳嫻)

aged 51, has been an executive Director since 26 August 2021. She is primarily responsible for the financial management of the Group. Ms. Chen graduated with a diploma in accounting from the Hangzhou Institution of Commerce of Zhejiang Gongshang University (浙江工商大學杭州商學院) in 1996 and a bachelor’s degree in accounting from Renmin University of China (中國人民大學) in 2013. She joined the Group in 2009.

### GUAN Siyi (管思怡)

aged 27, has been an executive Director since 26 August 2021. she is primarily responsible for the administrative matters and overall management of the Group. Ms. Guan graduated with a bachelor’s degree with double major in Nutrition and Media from the University of Washington in 2019. She joined the Group in August 2020.

### SHEN Kaijun (沈凱軍)

aged 58, has been an independent non-executive Director since 24 August 2010. He is the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Shen graduated with a bachelor’s degree in accounting from Hangzhou Institute of Electronic Engineering (杭州電子工業學院) in 1995 and was admitted as a certified public accountant in China in December 1993. Mr. Shen was further awarded the qualifications as a licensed certified accountant to engage in securities-related businesses in July 1997 and a certified tax agent in June 2000. Mr. Shen has over 30 years of experience in accounting and corporate management.

### PEI Yu (裴愚)

aged 54, has been an independent non-executive Director since 30 June 2014. She is a member of all the audit committee, the remuneration committee and the nomination committee. Ms. Pei graduated from the Beijing Normal University (北京師範大學) with a bachelor degree in arts in June 1992 and obtained a double degree in laws from China University of Political Science and Law (中國政法大學) in June 1997. Ms. Pei has more than 25 years of experience in the legal field in China.

### KONG Liang (孔良)

aged 60, has been an independent non-executive Director since 25 July 2016. He is a member of the audit committee and the remuneration committee. Mr. Kong obtained a bachelor's degree in management science from the Fudan University in 1988, a master's degree in economics from the University of International Business and Economics in 1991, a master's degree in business administration from the Nyenrode Business Universiteit in 1995 and a doctrine degree in education economics and management from Peking University in 2011. Mr. Kong has more than 25 years of experience in providing higher education course in business management.

## BIOGRAPHIES OF SENIOR MANAGEMENT

### DING Rong Guo (丁嶸國)

aged 50, is the head of production department of the Group. Mr. Ding is primarily responsible for the production management and safety and environment protection of the Group. He joined the Group in 2004.

### YIP Ngai Hang (葉毅恒)

aged 49, is the financial controller and company secretary of the Group. Mr. Yip is primarily responsible for the overall planning, financial reporting and budgeting and implementing business strategies of the Group. Mr. Yip graduated with a bachelor's degree in Accounting with Honours from the University of Hertfordshire in the United Kingdom in 1999.

*If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with "\*" is for identification purpose only.*

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

The Company and its subsidiaries (collectively, the “**Group**”, “**We**”, or “**Our**”) present this Environmental, Social and Governance (“**ESG**”) Report for the financial year ended 31 December 2025, in accordance with the ESG Reporting Guide (the “**Guide**”) as set out in Appendix C2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). It details the Group’s approach, strategy, priorities and objectives in relation to the Group’s operational practices, social impact and environmental protection. Corporate governance is addressed separately in the “Corporate Governance Report” of our annual report.

This report has been reviewed and approved by the board (the “**Board**”) of directors (the “**Directors**”) of the Company after their discussion with the relevant management of the Group regarding the effectiveness of the relevant ESG systems.

The Group is committed to undertake corporate social responsibility (“**CSR**”) and considers CSR as a long-term worthy commitment. The Group is also committed to incorporate the concept of sustainable development into its business operations and management processes to better achieve an all-win situation and comprehensive development for the economy, society and the environment.

## REPORT SCOPE

This report covers the core business of the Group in the PRC, namely the manufacturing and supplying of ethylene oxide, ethylene glycol, polypropylene, methyl tert-butyl ether and surfactants and the provision of processing services. This report covers the Company and all its subsidiaries.

## BASIS OF PREPARATION

This report is prepared and presented with reference to the Guide, in particular, in terms of:

1. **Materiality:** ESG issues that become sufficiently important to investors and other stakeholders should be reported. The materiality assessment has ensured the report presents the most material ESG topics pertaining to our businesses.
2. **Quantitative:** KPIs, if any, need to be measurable and should be accompanied by a narrative, explaining their purposes, impacts, and giving comparative data where appropriate.
3. **Balance:** This ESG report should provide an unbiased picture of the Company’s ESG performance on environmental, social and governance aspects and avoid selections, omissions, or presentation formats that may inappropriately influence readers’ decisions or judgments.
4. **Consistency:** This report should use consistent methodologies to allow for meaningful comparisons of relevant data over time. The issuer should disclose any subsequent changes to such methodologies in the report.

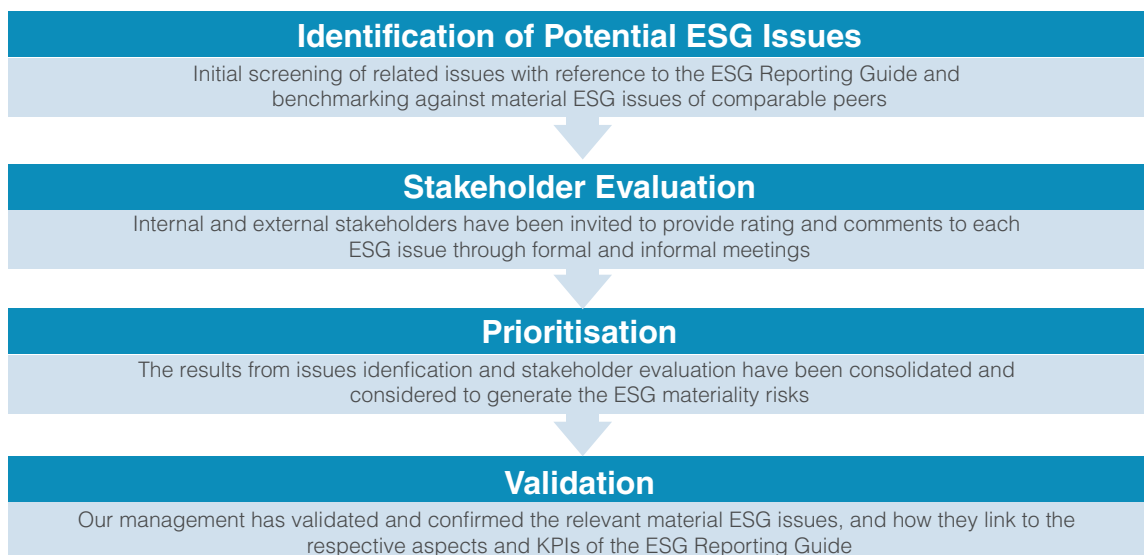
## STAKEHOLDER ENGAGEMENT

The Group recognises the importance of stakeholders' participation during ESG processes and values the opinions of various stakeholders on operations and ESG matters. As such, the Group has close communications with all stakeholders, including but not limited to, shareholders/potential investors, customers, suppliers, employees, the government and regulators, industry associations, non-government institutions, media and etc. and takes into account the opinions and expectations of all stakeholders during our operation and ESG matters. The Group maintains close contact with all stakeholders through various channels, enabling all stakeholders to have an in-depth understanding of the Group's operations. Through constructive communications, the Group strives to strike a balance between the opinions and interests of such stakeholders, so as to determine its long-term development direction.

Major stakeholders	Demands and expectations	Engagement channels
Shareholders/potential investors	Transparency on corporate information Sound corporate governance Investment return	Company visits/meetings Shareholders' meetings Company website
Customers	High-quality products Timing customer services Stable production and source of supply	Customer feedback Business communication and meetings
Suppliers	Stable demand Stable production	Business communication and meetings Company visits Supplier vetting procedures
Employees	Remuneration and benefits Working environment Career development	Employee trainings Meetings and briefings Company policies Company activities
Government and regulators	Compliance with the laws and regulations	Statutory reporting Written correspondences Meetings and visits
Industry associations	Following industry norms	Industry exhibition Meetings and visits
Media	Timing communication and response	Company's website Business interviews Press release and announcements

## MATERIALITY ASSESSMENT

Through stakeholder engagement processes based on the aforementioned channels, we have conducted a comprehensive materiality assessment with our stakeholder groups to identify corresponding ESG issues and assess the materiality to the Group's operations. The following outlines the procedures of the assessment:



A materiality assessment matrix is plotted to present the results:

<b>Importance to Stakeholders</b>	<b>High</b>		Staff Development and Training Employee Remuneration and Benefits Prevention of Bribery, Blackmail Greenhouse Gas Emissions	Product Quality Inspection Customer Satisfaction Supplier Quality Management Occupational Health and Safety Health and Safety related to Products Fraud and Money Laundering Anti-corruption Mechanism
	<b>Medium</b>	Community Investment	Electricity Consumption Water Consumption Waste Recycling and Reuse Waste Management Impacts on the Environment and Natural Resources	Customer Information and Privacy Sewage Management Exhaust Gas Emissions
	<b>Low</b>		Use of Packaging Materials	
		<b>Low</b>	<b>Medium</b>	<b>High</b>
<b>Importance to the Group</b>				

## ENVIRONMENTAL ASPECTS

### Emission

The Group has a policy in place to monitor emission reduction vigorously and to the best of knowledge of the Directors, during the year ended 31 December 2025 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations regarding emissions including air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The air emission, discharges and handling of hazardous and non-hazardous wastes have been managed in compliance with relevant emission law and regulations.

The Group has emission reduction targets for all gas emissions, industrial wastewater discharge and industrial water consumption that the emission quantities for all gas emissions, industrial wastewater discharge and industrial water consumption (in terms of tonnes) per RMB1 million of revenue after adjusting with changes of average selling prices of respective relevant products (which basically defines the intensity on sales volume basis), will not be higher by more than 5% when comparing with the emission quantities on the same basis of previous year. Being a vertical-integrated chemical group, the management of the Group always looks for ways to improve emission reduction and believes any outputs from its production processes can be reused/recycled in a certain extent as inputs in other production processes.

During the year under review, the Group has been implementing certain test-run fine-tuning programs for the purpose of reusing certain heats/gas generated during the production processes since 2015.

For non-hazardous waste, the waste generated by the Group is mainly paper waste from office operation for administrative purposes and sales material. The Group requires all departments and employees that generate solid wastes to take measures in collecting and storing solid wastes.

The Group has been reminding employees to take sensible measures when photocopying; encouraging employees to use both sides of the paper; separating paper from other wastes for recycling; and placing a carton and a paper tray next to the photocopier to collect single-sided paper for recycling to enhance paper efficiency, and thereby reducing carbon footprint and the impact on the environment.

## Environmental, Social and Governance Report

For hazardous waste, the Group has been strictly following the requirements and regulations imposed by local authorities as to handling and recycling of hazardous waste during the course of our production.

Key performance indicators	2025 (tonnes)	2024 (tonnes)
Industrial wastewater discharge	<b>2,775,481</b>	2,456,299
Industrial water consumption	<b>14,209,010</b>	13,401,114
COD in wastewater discharge	<b>81</b>	69
SO <sub>2</sub> emission	—	—
Nitrogen oxides emission	<b>127</b>	60
Ammoniac nitrogen emission	—	—
Particulate Matter (PM) emission	<b>24</b>	9
Greenhouse Gas — Scope 1 emissions <sup>(note)</sup>	<b>2,935,819</b>	3,828,641
— Scope 1 emissions intensity		
— Quantity (tonnes) per RMB1 million of revenue	<b>159</b>	195
Greenhouse Gas — Scope 2 emissions <sup>(note)</sup>	<b>1,809,692</b>	905,984
— Scope 2 emissions intensity		
— Quantity (tonnes) per RMB1 million of revenue	<b>98</b>	46
Hazardous waste	<b>4,126</b>	4,290
— Hazardous waste intensity		
— Quantity (tonnes) per RMB1 million of revenue	<b>0.22</b>	0.22
Non-hazardous waste	<b>7,146</b>	8,516
— Non-hazardous waste intensity		
— Quantity (tonnes) per RMB1 million of revenue	<b>0.38</b>	0.43
Investment in environmental protection (RMB million)	<b>60.3</b>	94.2

Note: Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (《溫室氣體盤查議定書：企業會計與報告標準》) published by the World Resources Institute and the World Business Council for Sustainable Development and the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標彙報指引》) published by the Stock Exchange.

### USE OF RESOURCES

The Group has a policy in place to pursue energy conservation and improvement of resource utilization rate vigorously.

Being a vertical-integrated chemical group, the management of the Group always looks for ways to improve energy conservation and resource utilization rate as the management of the Group believes improvement of energy conservation or resource utilization rate can lead to the increase in production efficiency and in turn an increase in the gross profit margin.

The Group has electricity consumption intensity and steam consumption intensity targets (the Group defines the intensity on sales volume basis) that majority of KPIs in 2025 will maintain in a similar level when comparing to 2024.

## Environmental, Social and Governance Report

The Group has been fine-tuning the structure of certain pipelines in order to use spare heats from certain production facilities to generate low pressure steam as well as exploring ways to use low pressure steam to replace high pressure steam for the chemical reactions of other facilities and for certain production processes respectively which will reduce the overall energy/heat losses and save operating costs. The management of the Group considers it as a long-term ongoing measure, which leads to the procurement requirement on low pressure steam on a group basis decreasing over times.

The Group's use of water resources mainly comprises of recycling water used during the course of production and the Group does not heavily rely on the use of water resources.

Due to industry nature, the Group does not require the usage of packaging materials in general.

Key performance indicators	2025	2024
Electricity consumption (kWh)	<b>1,529,736,292</b>	1,400,813,410
– Electricity consumption intensity		
– Quantity (kWh) per RMB1 million of revenue	<b>82,832</b>	71,521
Water consumption (cubic metre)	<b>14,337,974</b>	13,006,817
– Water consumption intensity		
– Quantity (cubic metre) per RMB1 million of revenue	<b>776</b>	664
Steam consumption (tonnes)	<b>3,663,780</b>	2,926,052
– Steam consumption intensity		
– Quantity (tonnes) per RMB1 million of revenue	<b>198</b>	149

### The Environment and Natural Resources

The Group has a policy in place to pursue the minimisation of the Group's impact on the environment and natural resources.

The Group puts continuing efforts in raising the environmental consciousness of its employees by imposing various measures. For instance, (i) when outdoor temperature drops to 25°C, all air-conditioners in production facilities would be turned off; and (ii) the Group has been working towards a no-paper working environment since 2015, with the transaction/agreement approval system substantially upgraded to paperless since 2016.

### Climate Change

The Group has a policy in place to pursue the minimisation of the Group's impact on the global climate change as the Group recognises that global climate change is one of the top environmental concerns and challenges in the future, which leads to extreme weathers appearing more frequently year by year in recent years.

The Group has been putting continuing efforts in fine-tuning the structure of certain pipelines in order to use spare heats from certain production facilities to generate low pressure steam and optimizing the production efficiencies, which will save energies/resources and reduce emissions ultimately for each unit of output.

# Environmental, Social and Governance Report

## SOCIAL

### Employment

The Group has a policy in place to cover employee compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. To the best of knowledge of the Directors, during the year ended 31 December 2025 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations regarding employee compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Key performance indicators	2025	2024
<b>Total number of employees</b>	<b>1,466</b>	1,430
By gender:		
Total number of male employees	<b>1,296</b>	1,260
Total number of female employees	<b>170</b>	170
By employment type:		
Total number of full-time employees	<b>1,466</b>	1,430
Total number of part-time employees	—	—
By age group:		
Within the age group of 18–35	<b>751</b>	764
Within the age group of 36–55	<b>665</b>	615
Within the age group of >55	<b>50</b>	51
By geographic region:		
PRC	<b>1,466</b>	1,430
Overseas	—	—
<b>Turnover rate of employees</b>	<b>5.9%</b>	6.2%
By gender:		
Turnover rate of male employees	<b>6.3%</b>	6.0%
Turnover rate of female employees	<b>2.4%</b>	8.2%
By employment type:		
Turnover rate of full-time employees	<b>59%</b>	6.2%
Turnover rate of part-time employees	—	—
By age group:		
Turnover rate of employees within the age group of 18–35	<b>7.7%</b>	9.0%
Turnover rate of employees within the age group of 36–55	<b>2.6%</b>	2.9%
Turnover rate of employees within the age group of >55	<b>22.0%</b>	3.9%
By geographic region:		
PRC	<b>5.9%</b>	6.26%
Overseas	—	—

## Health and Safety

The Group has a policy in place to ensure a safe working environment and protect employees from occupational hazards.

To the best of knowledge of the Directors, during the year ended 31 December 2025 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations in terms of providing a safe working environment and protecting employees from occupational hazards.

Being a vertical-integrated chemical group, the management of the Group always put safe working environment and safe production as its highest priority as the management of the Group believes it is the key of ensuring the sustainability of the Group on a long-term basis. The management of the Group regularly reinforces the importance of safe working environment and safe production in managerial meetings that are usually held on a quarterly basis. In addition, the Group also regularly reviews procedures and provides training to its employees as to safe working environment and safe production in order to raise their awareness and cautiousness.

Since 2016, the Group has launched a long-term campaign called “safety and healthy cup” encouraging competitions among all operating departments in terms of safe working environment and safe production. The “safety and healthy cup” is a reward system that departments and staff with outstanding performance would be rewarded, while departments and staff with poor performance would be penalised. Besides, in order to raise the health awareness of all employees, the Group has also launched an annual health check-up programme since 2013, in which the Group provides additional day-off and full medical subsidies to ensure all employees can have a thorough health check-up in hospital each year.

Key performance indicators	2025	2024
Number of work-related fatalities	—	—
Rate of work-related fatalities (as a% of total employees)	—	—
Lost days due to work injury	—	—

# Environmental, Social and Governance Report

## Development and Training

The Group has a policy in place to ensure that comprehensive trainings are provided to employees on a regular basis. The Group fully understands the importance of provision of training to its employees and how it creates value to the Group in the long run. The Group is committed to hire different external training institutions to provide relevant and comprehensive trainings to its employees at all grades in each year.

Key performance indicators	2025	2024
Total number of employees received training	<b>1,466</b>	1,430
Total number of male employees received training	<b>1,296</b>	1,260
Total number of female employees received training	<b>170</b>	170
Total number of senior management received training	<b>17</b>	18
Total number of middle management received training	<b>16</b>	98
Total number of the rest of staffs received training	<b>1,433</b>	1,313
Average training hours for male employee	<b>96 hours</b>	96 hours
Average training hours for female employee	<b>96 hours</b>	96 hours
Average training hours for senior management	<b>160 hours</b>	160 hours
Average training hours for middle management	<b>160 hours</b>	160 hours
Average training hours for the rest of staffs	<b>160 hours</b>	160 hours

## Labour Standards

The Group has a policy in place to prevent child and forced labour from hiring and working within the Group. To the best of knowledge of the Directors, during the year ended 31 December 2025 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations in terms of hiring and having child and forced labour work within the Group.

The Group has rigorous recruitment procedures and guidelines which set out the basic requirements of each post, including the education background, age, probation period, promotion path etc. Each job applicant would be required to fill in his/her information on a recruitment questionnaire, which would then be checked and verified by the Group's human resources department to ensure the accuracy of the information provided and to ensure the Group's compliance of relevant laws and regulations in terms of hiring child and forced labour, working permission etc. Such exercise enables the Group to hire suitable candidates in accordance with the job requirements.

## Supply Chain Management

The Group has a policy in place to manage the environmental and social risks of the supply chain of the Group. The Group implements a set of strict procedures as to suppliers selection, product/service selection and timing of procurement for raw materials and all these decisions are required to be approved by the Board and whether the suppliers are environmental-friendly or are committed to environmental-friendly is one of the most weighted selection criteria in the Group's suppliers selection process, followed by other factors such as commitment to social responsibilities and compliance with laws and regulations. The Group maintains a supplier Enterprise Resource Planning ("ERP") system which requires vetting and registration for every supplier and the finance department of the Group would only be able to process payments to suppliers that have been properly registered and approved in the supplier ERP system. The supplier ERP system sets out a list of procedures and questionnaires to be documented, requiring a certain level of due diligence works to be performed on company background, credibility, operation capacity and track record, management background etc. As at 31 December 2025, all suppliers have been registered in the ERP system.

## Environmental, Social and Governance Report

The Group also implements a set of strict procedures as to tendering for construction works for production facilities, buildings and properties in order to provide a fair and transparent platform for securing the best suppliers and the best pricing. The Boards attend and chair every meeting as to bid opening to ensure a fair tendering process.

Key performance indicators	2025	2024
Number of suppliers (i.e. major suppliers with annual procurement amount of more than RMB1 million) in PRC	<b>304</b>	306
Number of suppliers (i.e. major suppliers with annual procurement amount of more than RMB1 million) Overseas	<b>31</b>	25

### Product Responsibility

The Group has a policy regarding product responsibility in place to cover issues like product safety, advertising, labeling and intellectual property rights and etc. To the best of knowledge of the Directors, during the year ended 31 December 2025 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations relating to product safety, advertising, labeling, labeling and intellectual property rights, and privacy matters regarding products and services provided and methods of redress.

Being a vertical-integrated chemical group, the Group's major products like ethylene oxide, ethylene glycol and polypropylene are all crude oil derivatives, standardised and intermediate products and given the nature of these product, the Group focuses its businesses with long-term recurring customers and it is the Group's practice to enter into long-term volume contracts with these customers. Similar to the Group's supplier ERP system, the Group implements a customer ERP system to facilitate customer selection which requires vetting and registration for every customer and the production department of the Group would only be in the position to deliver the goods to customers that have been properly registered and approved in the customer ERP system. The customer ERP system sets out a list of procedures and questionnaires requiring a certain level of due diligence to be conducted on the company's background, credibility, operation capacity and track record, management background etc. The Group would go through and confirm the product specification details with new customers during the course of setting up accounts in the customer ERP system as well as entering into long-term volume contracts with new customers.

### Customer Data Protection

The Group recognizes the importance of customer data protection. We require our staff to comply with the Group's internal rules and regulations on information protection and handle and store customer-related information with prudence and care. The Group has also implemented various computer controls to protect customer information in our computer systems. Such internal control measures are reviewed on a regular basis to ensure their effectiveness.

Key performance indicators	2025	2024
Percentage of total products sold or shipped subject to recalls for safety and health reasons	<b>0%</b>	0%
Number of products and services related complaints received	<b>—</b>	—

# Environmental, Social and Governance Report

## Anti-corruption

The Group has a policy in place to prohibit from any wrongdoing in respect of bribery, extortion, fraud and money laundering. To the best of knowledge of the Directors, during the year ended 31 December 2025 and up to the date of this report, the Directors are not aware of any non-compliance with relevant laws and regulations regarding bribery, extortion, fraud and money laundering.

The Group implements a code of conduct that requires all Directors and employees of the Group adhering to a high standard of integrity, avoiding situations that would compromise with conflicts of interest, assets misappropriation and making appropriate declarations/reporting to the Directors in due course and the Group also provides regular trainings to all Directors and employees of the Group covering anti-corruption.

Key performance indicators	2025	2024
Number of concluded legal cases regarding corrupt practices brought against the Group	—	—

## Community Investment

The Group has a policy in place as to community engagement where the Group has been working closely with the local government in providing various assistances to the local community. The Group has been providing funding assistance to run a regular direct bus line between Zhapu, the local region where the headquarters of the Group is located at, and Shanghai to improve the communication of people with Shanghai since 2013. The Group has been keeping the dialogues with local education institutions and local labour unions as to the employment needs and the Group has been providing the accommodative measures in this aspects.

# Corporate Governance Report

The board of directors (the “**Board**”) of the Company believes that good corporate governance will not only improve management accountability and investor confidence, but also will lay a good foundation for the long-term development of the Group. The Board reviews the corporate governance practices of the Group from time to time in order to fulfill its commitment to excellence in corporate governance and comply with the increasingly stringent regulatory requirements.

The Company has adopted the code provisions in the Corporate Governance Code (“**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 year ended 31 December 2025 and up to the date of this annual report.

## BOARD OF DIRECTORS

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

The following is the Board’s composition during the year under review and up to the date of this report:

### Executive Directors:

Ms. Han Jianhong (*Chairlady*)  
Mr. Rao Huotao  
Ms. Chen Xian  
Ms. Guan Siyi

### Independent non-executive Directors:

Mr. Shen Kaijun  
Ms. Pei Yu  
Mr. Kong Liang

The Board currently comprises four executive Directors and three independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the “Directors and Senior Management” section in this annual report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

Ms. Guan Siyi (“**Ms. Guan**”) is the daughter of Ms. Han Jianhong (“**Ms. Han**”), who is the Chairlady of the Board and one of the executive Directors. Save as disclosed, there is no other relationship (whether financial, business, family or other material/relevant relationship) among members of the Board.

The Company has received from each of Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

## Corporate Governance Report

The Board has established various Board committees including the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination Committee (the “**Nomination Committee**”) with written terms of reference as suggested under the CG Code. Further details of these committees are set out below.

### BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly for at least four times in a period of 12 months at approximately quarterly intervals to discuss, among other matters, the financial performance and the business operation and strategic development of the Group. Ad-hoc meetings will also be held if necessary. Notice of Board meeting will be sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice will be given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers with complete and reliable information are sent to all the Directors in a timely manner before the meetings. All the Directors are provided with sufficient resources to discharge their duties and there are agreed procedures for the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances. All Directors will have the opportunity to include matters in the agenda for Board meetings. The company secretary of the Company is responsible for keeping the minutes of Board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a period of three years and each of the independent non-executive Directors has been appointed for a period of two years.

In accordance with the Company's Articles of Association, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Director(s) newly appointed by the Board shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company under the Listing Rules and applicable laws.

### BOARD COMMITTEES

#### Audit Committee

As at the date of this report, the Audit Committee consists of three members, namely Messrs. Shen Kaijun, Kong Liang and Ms. Pei Yu, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. 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.

During the year ended 31 December 2025 and up to the date of this annual report, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2025 and the annual results of the Group for the year ended 31 December 2025, 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 consists of three members, namely Mr. Kong Liang, Ms. Han Jianhong and Ms. Pei Yu of whom Mr. Kong Liang and Ms. Pei Yu are independent non-executive Directors and Ms. Han Jianhong is the Chairlady of the Board and an executive Director. The chairlady of the Remuneration Committee is Ms. 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.

During the year ended 31 December 2025 and up to the date of this annual report, one meeting was held by the Remuneration Committee to review the remuneration packages of the Directors and senior management for the year ended 31 December 2025.

## Nomination Committee

As at the date of this report, the Nomination Committee consists of three members, namely Ms. Han Jianhong, Mr. Shen Kaijun and Ms. Pei Yu, of whom Mr. Shen Kaijun and Ms. Pei Yu are independent non-executive Directors and Ms. Han Jianhong is the Chairlady of the Board and an executive Director. The chairlady of the Nomination Committee is Ms. 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 and the diversity of a board and setting out the objectives and monitoring the achievement of the board diversity policy on a regular basis and as required.

During the year ended 31 December 2025 and up to the date of this annual report, two meetings were held by the Nomination Committee to discharge duties, including assessing the independency of independent non-executive directors under the Listing Rules and reviewing the Board diversity policy and terms of reference.

The attendance of individual members of the Board and other Board committees meetings during the year ended 31 December 2025 and up to the date of this annual report is set out below:

	Meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>				
Ms. Han Jianhong ( <i>Chairlady</i> )	7/7	N/A	1/1	2/2
Mr. Rao Huotao	4/7	N/A	N/A	N/A
Ms. Chen Xian	4/7	N/A	N/A	N/A
Ms. Guan Siyi	7/7	N/A	N/A	N/A
<b>Independent Non-Executive Directors</b>				
Mr. Shen Kaijun	4/7	2/2	N/A	2/2
Ms. Pei Yu	4/7	2/2	1/1	2/2
Mr. Kong Liang	4/7	2/2	1/1	N/A

# Corporate Governance Report

## BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a Board diversity policy. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Board recognises the importance and benefits of gender diversity at the Board level to enhance the gender diversity among the Board members. Having reviewed the Board composition, the Board is of the view that there is gender diversity in the Board.

## MODEL CODE FOR SECURITIES TRANSACTIONS

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 model 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 during the year ended 31 December 2025 and up to the date of this annual report.

## FINANCIAL REPORTING AND INTERNAL CONTROL

### Financial reporting

The Board, supported by the head of finance and the finance department of the Group, is responsible for the preparation of the financial statements of the Group. The Board has prepared the financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Appropriate accounting policies have also been used and applied consistently. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcement in a timely manner.

The Directors consider that the Group has adequate resources to continue the business for the foreseeable future and are not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as going concern.

### Independent auditors

During the year ended 31 December 2025, the professional fees paid or payable to the independent auditors, Ernst & Young, for services rendered are set out below:

	RMB'000
Annual audit service	2,980
Tax and other services	125

The independence of the external auditors is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditors as well as approving their terms of engagement and remuneration.

### Internal controls

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

For the year under review, the Board has reviewed the effectiveness of the Group's internal control system. The Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for during the year ended 31 December 2025.

### DIRECTORS' RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2025, and confirm that the financial statements give a true and fair view of the results of the Group and are prepared in accordance with the applicable statutory requirements and accounting standards.

The statement made by the external auditors regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 53 and 56 of this annual report.

### NON-COMPETITION UNDERTAKINGS

The Company has received a declaration from Ms. Han and Sure Capital Holdings Limited (the "**Covenantors**"), the controlling shareholder of the Company, of their compliance with the terms of the non-competition undertaking ("**Undertaking**"). The Covenantors declared that they have fully complied with the Undertaking during the year ended 31 December 2025 and up to the date of this annual report.

The independent non-executive Directors have also reviewed the compliance of the Undertaking by the Covenantors and formed the opinion that the Covenantors have not breached any terms of the Undertaking during the year under review.

### SHAREHOLDERS' RIGHTS

Shareholders who wish to move a resolution may, however, request the Company to convene an extraordinary general meeting ("**EGM**") in accordance with the "Procedures for Shareholders to convene an EGM" set out below.

### PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings of the Company ("**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition. Eligible Shareholders who wish to convene an EGM for the purpose of moving a resolution at the EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned at the principal place of business of the Company in Hong Kong at 5/F, United Centre, Admiralty, Hong Kong for the attention of the Board or the company secretary. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the resolution intended to be put forward at the EGM.

## Corporate Governance Report

The Company will check the Requisition and the identity of the Eligible Shareholder(s). The shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar and transfer office in Hong Kong. If the Requisition is found to be proper and in order, the Board will convene an EGM within 2 months after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, the Board will not call for an EGM.

If within 21 days of the deposit of the Requisition the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) by the Company.

For including a resolution to propose a person for election as a Director at general meeting, the Shareholders are requested to follow the Articles of Association. A notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been lodged at the Company's principal place of business in Hong Kong or at the Hong Kong branch share registrar and transfer office of the Company. The period for lodgment of the notices required under this Article will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for the Shareholders to propose a person for election as a Director are posted on the Company's website.

### PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar in Hong Kong. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong 5/F, United Centre, Admiralty, Hong Kong by post or by email to [henry.yip@chgholding.com](mailto:henry.yip@chgholding.com) or [chenx@jxsjchem.com](mailto:chenx@jxsjchem.com).

Upon receipt of the enquiries, the Company Secretary will forward the communications relating to:

1. matters within the Board's purview to the Directors;
2. matters within a committee's area of responsibility to the chairperson of the appropriate committee; and
3. ordinary business matters, such as suggestions, enquiries and consumer complaints, to the appropriate management of the Company.

### COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a Shareholders' communication policy with the objective of ensuring that the Shareholders can have equal and timely access to information about the Company in order to enable the Shareholders to exercise their rights in an informed manner and to allow them to engage actively with the Company. The Group's website [www.chinasanjiangfinechemicals.com](http://www.chinasanjiangfinechemicals.com) contains an "Investor Relations" section which offers timely access to the Company's press releases, financial reports and announcements. Information will be communicated to the Shareholders through the Company's financial reports, circulars and announcements, AGMs and other general meetings that may be convened, as well as all the disclosures submitted to the Stock Exchange for publication.

The Company will continue to maintain an open and effective investor communication policy and to update investors with relevant information of the Group in a timely manner.

# Report of the Directors

The board (the “**Board**”) of directors (the “**Directors**”) presents its report and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the manufacturing and supplying of ethylene oxide, ethylene glycol, polypropylene and surfactants and the provision of processing services. The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2025 and the state of the Company’s and the Group’s affairs as at that date are set out in the consolidated financial statements on pages 57 to 150 of this annual report.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 151 of this annual report.

## DIVIDENDS

The Board recommends the payment of a final dividend of HK5.0 cents per share in respect of the year, for the year ended 31 December 2025.

Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be distributed on or about 23 June 2026 to the shareholders whose names appear on the register of members of the Company as at 2 June 2026.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2026 to 22 May 2026, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. The record date will be 22 May 2026. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 15 May 2026.

In addition, the register of members of the Company will be closed from 1 June 2026 to 2 June 2026, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. The record date will be 2 June 2026. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 29 May 2026.

## RESERVES

Movements among profit attributable to equity shareholders and reserves and other movements in reserves are set out in the Consolidated Statement of Changes in Equity.

## Report of the Directors

### NON-CURRENT ASSETS

Movements in non-current assets (including property, plant and equipment, investment property, goodwill, right-of-use assets and other intangible assets) during the financial year are set out in notes 12 to 15 to the financial statements.

### BANK BORROWINGS

Particulars of the bank borrowings of the Group as at the end of the financial year are set out in note 25 to the financial statements.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year under review, the Company repurchased a total of 3,000,000 of its ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited at prices ranging from approximately HK\$1.72 to HK\$2.58 per share, for an aggregate consideration of approximately HK\$6,807,000. All repurchased shares will be subsequently cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2025.

### ANNUAL GENERAL MEETING

The forthcoming 2026 annual general meeting (“**AGM**”) of the Company will be held at Hong Kong on Friday, 22 May 2026. Notice of the AGM will be published and, if necessary, despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this annual report were:

#### Executive Directors:

Ms. Han Jianhong (*Chairlady*)  
Mr. Rao Huotao  
Ms. Chen Xian  
Ms. Guan Siyi

#### Independent non-executive Directors:

Mr. Shen Kaijun  
Ms. Pei Yu  
Mr. Kong Liang

Details of the Directors' biographies are set out on pages 14 and 15 of this annual report.

Pursuant to article 105 of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting of the Company. Ms. Han Jianhong, Mr. Rao Huotao and Ms. Pei Yu shall retire from office by rotation at the AGM and, being eligible, offer themselves for re-election as Directors at the AGM.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors namely, Ms. Han Jianhong, Mr. Rao Huotao, Ms. Chen Xian and Ms. Guan Siyi has entered into a service contract with the Company for a term of three years and is subject to termination by either party giving not less than three months' written notice.

Each of the independent non-executive Directors, namely Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, has been appointed for a term of two years and is subject to termination by either party giving not less than three months' written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' REMUNERATION**

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in the section headed "Connected Transactions/Continuing Connected Transactions" in this report and note 34 (Related Party Transactions) to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2025, 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 <sup>3</sup>
	Personal Interest	Family Interest	Corporate Interest		
Han Jianhong (“ <b>Ms. Han</b> ”)	—	20,738,000 <sup>2</sup>	536,936,000 <sup>1</sup>	557,674,000	46.86%
Rao Huotao (“ <b>Mr. Rao</b> ”)	659,000	—	—	—	0.06%
Chen Xian (“ <b>Ms. Chen</b> ”)	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 31 December 2025.

## 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 31 December 2025.

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

As at 31 December 2025, 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.

## Report of the Directors

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 31 December 2025.

### 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 2025.

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 31 December 2025, 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 2.70% of the issued Shares of the Company. No shares have been granted for the year ended 31 December 2025.

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:

	Number of shares purchased and held for the Share Award Plan	Number of awarded shares
At 1 January 2025	32,125,000	—
Purchased and withheld	—	—
At 31 December 2025	32,125,000	—

## Report of the Directors

No share award plan expense was charged to the consolidated statement of profit or loss during the year ended 31 December 2025 (2024: Nil).

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases attributable to the Group's major customers and suppliers respectively during the year are as follows:

	2025	2024
As a percentage of the Group's total sales		
The largest customer	4.3%	4.1%
Five largest customers in aggregate	15.4%	15.3%
As a percentage of Group's total purchases		
The largest supplier	10.0%	9.9%
Five largest suppliers in aggregate	31.9%	33.6%

During the year ended 31 December 2025, Wuchan Zhongda Qianrui Energy Chemical (Zhejiang) Co., Ltd. was the largest customer and Hainan Kaidayu Energy Co., Ltd. was the largest supplier. Save as disclosed above, none of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers during the year ended 31 December 2025.

### SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Share Option Scheme**"), which was adopted on 21 December 2021 (the "**Adoption Date**"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible Persons of the Share Option Scheme include the following:

- (i) any employee (whether full time or part time) of the Group or any entity (the "**Invested Entity**") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);
- (ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 119,000,000, representing approximately 10.00% of the issued share capital of the Company as at the date of this annual report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

- (i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and
- (iii) the nominal value of the Shares.

Since the Adoption Date and up to 31 December 2025, no share option has been granted by the Company.

### SHARE AWARD PLAN – SUPPLEMENTAL INFORMATION

#### Total Number of Shares Available for Issue

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 2025.

#### Maximum Entitlement of Any Selected Employee

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.

#### Vesting Period

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.

## Report of the Directors

### Amounts Payable

No amount is payable on the acceptance of an award.

### Basis of the Purchase Price of Awarded Shares

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.

### CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed “Connected Transactions/Continuing Connected Transactions” in this annual report and note 34 (Related Party Transactions) to the financial statements, no contracts of significance in relation to the Company’s business to which the Company, or its subsidiaries was a party and in which a Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

### MANAGEMENT CONTRACTS

Save as disclosed in the section headed “Connected Transactions/Continuing Connected Transactions” in this annual report and note 34 (Related Party Transactions) to the financial statements, no contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### CONNECTED TRANSACTIONS/CONTINUING CONNECTED TRANSACTIONS

Sanjiang Chemical and Sanjiang New Material are wholly-owned subsidiaries of the Company. Xing Xing is a company established in the PRC with limited liability on 19 January 2011 and a non-wholly owned subsidiary of the Company, which is indirectly owned as to 87% by the Company and 13% by Independent Third Parties. Jiahua Energy Chemical Co is a non-wholly owned subsidiary of Zhejiang Jiahua Group Co., Ltd., which is ultimately controlled by Ms. Han, an executive Director and Mr. Guan, a controlling shareholder of the Company. Jiahua Energy Chemical Co is an associate of Ms. Han, Ms. Guan and Mr. Guan and is thus a connected person of our Company under Rule 14A.11(4) of the Listing Rules.

Mei Fu Petrochemical is owned as to approximately 80% by Mr. Guan indirectly through a number of investment holding companies controlled by Mr. Guan and his family. Given that Ms. Han is an executive Director and the spouse of Mr. Guan, and that Mr. Guan is a director and a controlling shareholder of Mei Fu Petrochemical as well as a controlling shareholder of the Company, Mei Fu Petrochemical constitutes an associate of Mr. Guan and Ms. Han and is therefore a connected person of the Company.

The following related party transactions entered into during the year ended 31 December 2025 constitutes continuing connected transactions for the Company under the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules:

### 1. Desalinated Water and Miscellaneous Materials Supply Agreement

Pursuant to the desalinated water and miscellaneous materials supply agreements entered into by the Group with Zhejiang Jiahua Energy Chemical Co., Ltd.\* (浙江嘉化能源化工股份有限公司) (“**Jiahua Energy Chemical Co**”) on 29 December 2023, Jiahua Energy Chemical Co has agreed to supply desalinated water and miscellaneous materials such as sodium hydroxide and sodium hypochlorite to the Group at a price which is the weighted average of those offered by Jiahua Energy Chemical Co. to its independent purchasers for desalinated water and miscellaneous materials of comparable quality during the same month of supply. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 29 December 2023.

### 2. Steam Purchase Agreement

Pursuant to the steam purchase agreement entered into by the Group with Jiahua Energy Chemical Co on 25 December 2023, Jiahua Energy Chemical Co agreed to supply low pressure steam (i.e. 0.8MPa and 1.3MPa), medium pressure steam (i.e. 3.4MPa) and high pressure steam (i.e. 4.6MPa) to the Group for a term of three years ending 31 December 2026. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 25 December 2023.

### 3. (Not in Use)

### 4. (Not in Use)

### 5. (Not in Use)

### 6. Rewang Low Pressure Steam Supply Agreement

Pursuant to the renewed Rewang low pressure steam supply agreement entered into by Sanjiang Chemical with Jiaying Xinggang Rewang Co., Ltd.\* (嘉興興港熱網有限公司) (“**Rewang**”) on 30 December 2024, Rewang agreed to supply low pressure steam to Sanjiang Chemical at market price. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 30 December 2024.

### 7. Condensate Water Purchase Agreement

Pursuant to the condensate water purchase agreement entered into by each of Xing Xing and Sanjiang Chemical with Jiahua Energy Chemical Co on 29 December 2023, each of Xing Xing and Sanjiang Chemical agreed to supply condensate water to Jiahua Energy Chemical Co at a price which is the weighted average of those obtained by Jiahua Energy Chemical Co. from its independent suppliers for the relevant product of comparable quality during the same month of supply. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 29 December 2023.

### 8. (Not in Use)

## Report of the Directors

9. (Not in Use)

10. (Not in Use)

11. (Not in Use)

12. **Jiahua Energy Port Loading and Service and Storage Services Agreement**

Pursuant to the Jiahua Energy Port Loading and Service and Storage Services Agreement, Jiahua Energy Chemical Co. has agreed to provide the Port Loading and unloading and Storage Services to the Group for a period of approximately three years ending 31 December 2026. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 25 December 2023.

13. **Fatty Alcohol Supply Agreement**

Pursuant to the fatty alcohol supply agreement entered into by the Group with Jiahua Energy Chemical Co on 25 December 2023, Jiahua Energy Chemical Co agreed to supply fatty alcohol to the Group on an ongoing basis at market price to be calculated with reference to the weighted average price of the fatty alcohol purchased by Jiahua Energy Chemical Co.'s independent customers with comparable purchase level of the Group during the same month of supply taking into account the additional transportation costs of RMB10 per tonne in the case for pipeline customers. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 25 December 2023.

14. **Sanjiang Chemical Ethylene Storage Service Agreement**

Pursuant to the Sanjiang Chemical Ethylene Storage Service Agreement entered into by Sanjiang Chemical with Jiahua Energy Chemical Co on 29 December 2023, Sanjiang Chemical has agreed to provide ethylene storage services to Jiahua Energy Chemical Co.. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 29 December 2023.

15. **Ethylene Sales Agreement**

Pursuant to the Ethylene Sales Agreement entered into by the Group with Jiahua Energy Chemical Co on 25 December 2023, the Group has agreed to supply ethylene to Jiahua Energy Chemical Co. for a period of approximately three years ending 31 December 2026. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 25 December 2023.

16. (Not in Use)

17. **Framework Agreement**

Pursuant to the framework agreement entered into between the Company and Zhejiang Gangan Intelligent Technology Co., Ltd. ("**Gangan Intelligent**") on 12 January 2023, Gangan Intelligent agreed to provide repair and maintenance services in respect of chemical plant and machineries for the Group for a term commencing from 12 January 2023 and expiring on 31 December 2025. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcements dated 12 January 2023.

### 18. Oxygen And Miscellaneous Supply Agreement

Pursuant to the supply agreement entered into by the Group with Jiahua Energy Chemical Co on 25 December 2023, the Group has agreed to supply oxygen gas and nitrogen gas together with other miscellaneous materials to Jiahua Energy Chemical Co. for the approximately three years ending 31 December 2026. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 25 December 2023.

### 19. (Not in Use)

### 20. (Not in Use)

### 21. Sanjiang Chemical Energy Management Agreement

Pursuant to the energy management agreement entered into by Sanjiang Chemical with Zhejiang Haoxing Energy Conservation Technology Co. Ltd.\* (浙江浩星節能科技有限公司) ("**Haoxing Energy Conservation**"), a company established on the PRC with limited liability on 12 August 2011, on 1 August 2025. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 1 August 2025.

Haoxing Energy Conservation is owned as to approximately 55.5% by Mr. Guan, a controlling shareholder of the Company. Haoxing Energy Conservation is an associate of Mr. Guan and is thus a connected person of our Company under Rule 14A.11(4) of the Listing Rules.

### 22. Sanjiang Haojia Energy Management Agreement

Pursuant to the energy management agreement entered into by Sanjiang Haojia High Polymer Material Technology Co., Ltd.\* (三江浩嘉高分子材料科技有限公司) ("**Sanjiang Haojia**") with Haoxing Energy Conservation on 1 January 2023, Haoxing Energy Conservation has agreed to modify the drive motors of the circulation pumps of Sanjiang Haojia by using/installing the technology and equipment developed by Haoxing Energy Conservation to increase the efficiency and output of the drive motors of the circulation pumps of Sanjiang Haojia for each unit of electricity consumed which enables Sanjiang Haojia to save electricity costs and in return, Sanjiang Haojia has agreed to pay Haoxing Energy Conservation the energy saving costs at an annual cap not exceeding RMB2.0 million (on an agreed profit sharing basis which is fixed at 40: 60 for Sanjiang Haojia and Haoxing Energy Conservation respectively), for a term from 1 January 2023 to 31 December 2025. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 3 January 2023.

Sanjiang Haojia, a company established in the PRC with limited liability on 28 December 2018, is an indirect wholly-owned subsidiary of the Company.

### 23. Xing Xing and Haoxing Energy Management Agreement

Pursuant to the energy management agreement entered into by Xing Xing with Haoxing Energy Conservation on 1 January 2023, Haoxing Energy Conservation has agreed to modify the drive motors of the circulation pumps of Xing Xing by using/installing the technology and equipment developed by Haoxing Energy Conservation to increase the efficiency and output of the drive motors of the circulation pumps of Xing Xing for each unit of electricity consumed which enables Xing Xing to save electricity costs and in return, Xing Xing has agreed to pay Haoxing Energy Conservation the energy saving costs at an annual cap not exceeding RMB3.0 million (on an agreed profit sharing basis which is fixed at 48: 52 for Xing Xing and Haoxing Energy Conservation respectively), for a term from 1 January 2023 to 31 December 2025. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 3 January 2023.

24. (Not in Use)

25. (Not in Use)

### 26. Pipeline Network Usage Service Framework Agreement

Pursuant to the Framework Agreement entered into between the Group and Jiahua Energy Chemical Co., (including and covering its subsidiaries) on 29 December 2023, the Group agreed to provide pipeline network usage service to Jiahua Energy Chemical Co. (including and covering its subsidiaries) at the purchase price in accordance with the notice namely 嘉興港區公共管廊使用收費標準 (Jiaxing Port Area Public Pipeline Usage Standard Fee Rates\*) issued by the local authority. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 29 December 2023.

### 27. Hangzhou Bay Petrochemical Port Services Framework Agreement

Pursuant to the Framework Agreement entered into between the Company and Hangzhou Bay Petrochemical Logistics on 29 December 2023, Hangzhou Bay Petrochemical Logistics has agreed to provide unloading/loading/storage services in respect of liquified chemical products for the Group. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 29 December 2023.

28. (Not in use)

29. (Not in use)

30. (Not in use)

### 31. Sanjiang Chemical Toluene Sales Agreement

Pursuant to the Sanjiang Chemical Toluene Sales Agreement entered into between Sanjiang Chemical and Jiafu New Material (a wholly-owned subsidiary of Jiahua Energy Chemical Co.), on 27 July 2023, Sanjiang Chemical has agreed to supply Toluene to Jiafu New Material for a term from 27 July 2023 to 31 December 2023 at the purchase price which is the weighted average of quotes obtained by Jiafu New Material from its independent suppliers for the relevant product of comparable quality and volume during the same period of supply. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 27 July 2023.

### 32. Naphtha Transportation Agreement

Pursuant to the Naphtha Transportation Agreement entered into between Sanjiang Chemical and Gaoyu Shipping (a Connected Person), on 27 July 2023, Gaoyu Shipping has agreed to provide naphtha transportation service to Sanjiang Chemical for a term from 27 July 2023 to 31 December 2025 at the purchase price which is negotiated on an arm's length basis and shall be fair and reasonable. The consideration for the Services shall be calculated by multiplying the tonnage of goods to be transported at a unit rate determined with reference to the prevailing market rate by comparing quotations from other independent service providers for the naphtha transportation service for the same itinerary and analysing such market information and after arm's length negotiation between Gaoyu Shipping and Sanjiang Chemical. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 27 July 2023.

### 33. Propylene Sale and Purchase Agreement

On 4 April 2023, Mei Fu Petrochemical and Sanjiang Haojia (an indirectly wholly-owned subsidiary of the Company) entered into the Propylene Sale and Purchase Agreement pursuant to which Sanjiang Haojia has agreed to purchase propylene from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 34. Propane Sale and Purchase Agreement

On 4 April 2023, Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Propane Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase propane from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 35. Naphtha Sale and Purchase Agreement

On 4 April 2023, Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Naphtha Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase naphtha from Mei Fu Petrochemical for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 36. Commissioned Processing and Rental Agreement

On 4 April 2023, Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Commissioned Processing and Rental Agreement pursuant to which Sanjiang Chemical has agreed to commission Mei Fu Petrochemical to process mixed aromatics and to use certain facilities provided by Mei Fu for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 37. Liquefied Petroleum Gas Sale and Purchase Agreement

On 4 April 2023, Mei Fu Petrochemical and Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) entered into the Liquefied Petroleum Gas Sale and Purchase Agreement pursuant to which Sanjiang Chemical has agreed to purchase liquefied petroleum gas from MeiFu Petrochemical for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 38. Mixed C4 Supply Agreement

On 4 April 2023, Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) and Mei Fu Petrochemical entered into the Mixed C4 Supply Agreement pursuant to which Sanjiang Chemical has agreed to supply mixed C4 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 39. Industrial Cracking C9 Supply Agreement

On 4 April 2023, Sanjiang Chemical (an indirectly wholly-owned subsidiary of the Company) and Mei Fu Petrochemical entered into the Industrial Cracking C9 Supply Agreement pursuant to which Sanjiang Chemical has agreed to supply Industrial Cracking C9 to Mei Fu Petrochemical for the approximately three years ending 31 December 2025. Relevant details of the agreements and the transactions contemplated thereunder are set out in the announcement dated 4 April 2023.

### 40. Crude Hydrogen Supply Agreement

On 30 August 2024, Sanjiang Chemical entered into Crude Hydrogen Supply Agreement with Mei Fu Petrochemical pursuant to which, Mei Fu Petrochemical has agreed to purchase crude hydrogen gas from Sanjiang Chemical for a term of approximately 4 months and one year from the date of that announcement to 31 December 2025 with a consideration not exceeding RMB50 million on an annual basis. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 30 August 2024.

### 41. MTBE Processing Agreement

On 30 August 2024, Sanjiang Chemical entered into MTBE Processing Agreement with Mei Fu Petrochemical pursuant to which, Mei Fu Petrochemical has agreed to provide MTBE processing services to Sanjiang Chemical for a term of approximately 4 months and one year from the date of that announcement to 31 December 2025 with a consideration not exceeding RMB18 million on an annual basis. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 30 August 2024.

### 42. Storage Tank Lease Agreement

On 30 August 2024, Sanjiang Chemical entered into Storage Tank Lease Agreement with Mei Fu Petrochemical pursuant to which, Mei Fu Petrochemical has agreed to let storage tank to Sanjiang Chemical for a term of approximately 4 months and one year from the date of that announcement to 31 December 2025 with a consideration not exceeding RMB12 million on an annual basis. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 30 August 2024.

#### 43. Mei Fu Petrochemical Loading and Unloading Service Agreement

On 30 August 2024, Sanjiang Chemical entered into Mei Fu Petrochemical Loading and Unloading Service Agreement with Mei Fu Petrochemical pursuant to which, Mei Fu Petrochemical has agreed to provide loading and unloading services to Sanjiang Chemical for a term of approximately 4 months and one year from the date of that announcement to 31 December 2025 with a consideration not exceeding RMB6 million on an annual basis. Relevant details of the agreement and the transaction contemplated thereunder are set out in the announcement dated 30 August 2024.

The actual amount of the transactions and approved annual caps for the above mentioned continuing connected transactions during the year ended 31 December 2025 are as follows:

Nature of transaction	Actual transaction amount RMB	Annual Cap amount RMB	Annual Cap period
1. Desalinated Water and Miscellaneous Materials Supply Agreement	20,926,000	49,200,000	2025/01/01–2025/12/31
2. Steam Purchase Agreement	687,242,000	1,000,000,000	2025/01/01–2025/12/31
3. (not in use)			
4. (not in use)			
5. (not in use)			
6. Rewang Low Pressure Steam Supply Agreement	7,758,510	40,000,000	2025/01/01–2025/12/31
7. Condensate Water Purchase Agreement	3,526,000	5,500,000	2025/01/01–2025/12/31
8. (not in use)			
9. (not in use)			
10. (not in use)			
11. (not in use)			
12. Jiahua Energy Port Loading and Service and Storage Services Agreement	178,229,000	270,000,000	2025/01/01–2025/12/31
13. Fatty Alcohol Supply Agreement	254,000,000	250,000,000	2025/01/01–2025/12/31
14. Sanjiang Chemical Ethylene Storage Service Agreement	29,010,000	34,500,000	2025/01/01–2025/12/31
15. Ethylene Sale Agreement	458,465,000	1,765,000,000	2025/01/01–2025/12/31
16. (not in use)			
17. Framework Agreement	56,030,000	70,500,000	2025/01/12–2025/12/31
18. Oxygen and Miscellaneous Supply Agreement	63,083,000	235,000,000	2025/01/01–2025/12/31
19. (not in use)			
20. (not in use)			
21. Sanjiang Chemical Energy Management Agreement	9,968,141	12,500,000	2025/08/01–2025/12/31
22. Sanjiang Haojia Energy Management Agreement	—	2,000,000	2025/01/01–2025/12/31
23. Xing Xing and Haoxing Energy Management Agreement	—	3,000,000	2025/01/01–2025/12/31
24. (not in use)			
25. (not in use)			

## Report of the Directors

Nature of transaction	Actual transaction amount RMB	Annual Cap amount RMB	Annual Cap period
26. Pipeline Network Usage Service Framework Agreement	4,602,000	5,500,000	2025/01/01-2025/12/31
27. Hangzhou Bay Petrochemical Port Services Framework Agreement	17,435,000	49,500,000	2025/01/01-2025/12/31
28. (not in use)			
29. (not in use)			
30. (not in use)			
31. Sanjiang Chemical Toluene Sales Agreement	18,503,000	145,000,000	2025/01/01-2025/12/31
32. Naphtha Transportation Agreement	22,450,450	31,200,000	2025/01/01-2025/12/31
33. Propylene Sale and Purchase Agreement	276,000	375,000,000	2025/01/01-2025/12/31
34. Propane Sale and Purchase Agreement	—	120,000,000	2025/01/01-2025/12/31
35. Naphtha Sale and Purchase Agreement	2,105,267,000	5,600,000,000	2025/01/01-2025/12/31
36. Commissioned Processing and Rental Agreement	36,744,000	200,000,000	2025/01/01-2025/12/31
37. Liquefied Petroleum Gas Sale and Purchase Agreement	—	150,000,000	2025/01/01-2025/12/31
38. Mixed C4 Supply Agreement	—	105,000,000	2025/01/01-2025/12/31
39. Industrial Cracking C9 Supply Agreement	—	520,000,000	2025/01/01-2025/12/31
40. Crude Hydrogen Supply Agreement	24,938,000	50,000,000	2025/01/01-2025/12/31
41. MTBE Processing Agreement	—	18,000,000	2025/01/01-2025/12/31
42. Storage Tank Lease Agreement	7,080,000	12,000,000	2025/01/01-2025/12/31
43. Mei Fu Petrochemical Loading and Unloading Service Agreement	1,892,000	6,000,000	2025/01/01-2025/12/31

The Board, including the independent non-executive Directors, has reviewed the continuing connected transactions and confirmed that the transactions were entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms no less favourable to the Company than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA.

The auditors of the Company also confirmed that:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of each of the continuing connected transactions, based on the procedures performed and the evidence obtained by them, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

The independent non-executive directors of the Company have reviewed the relevant continuing connected transactions and confirmed that the transaction amounts during annual cap periods ended in 2025 had not exceeded the respective annual caps.

The Company confirms that the related party transactions as disclosed in pages 130 to 134 of the Annual Report have complied with Rule 14A.72 such that the connected transactions and/or continuing connected transactions which did not fall under the de minimis transactions exemption were all stated and listed out in pages 42 to 51 of the Annual Report. Those connected transactions and/or continuing connected transactions which did fall under the de minimis transactions exemption were, on the other hand, fully exempt under Rule 14A.76 of the Listing Rules.

Save as disclosed above, there were no other connected transactions/continuing connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of the Listing Rules.

The Company confirms that it has complied with the requirements in Chapter 14A regarding the related party transactions that constituted connected transactions during the year ended 31 December 2025.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

### **RETIREMENT AND PENSION SCHEMES**

The Group participates certain defined contribution retirement schemes which cover all the Group's eligible employees in the PRC, and a Mandatory Provident Fund scheme for the employees in Hong Kong.

### **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of Mr. Shen Kaijun, Ms. Pei Yu and Mr. Kong Liang, the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

## Report of the Directors

### PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2025, the Company has purchased liability insurance for all directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are provided in such directors liability insurance in respect of potential liability and costs associated with legal proceedings that may be brought against such directors.

### AUDITORS

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the AGM.

By order of the Board

**HAN Jianhong**

*Chairlady*

People's Republic of China, 27 March 2026

# Independent Auditor's Report



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Independent auditor's report

**To the shareholders of China Sanjiang Fine Chemicals Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Sanjiang Fine Chemicals Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 57 to 150, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

# Independent Auditor's Report

## KEY AUDIT MATTERS (continued)

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment of long-lived assets*

The carrying amount of the net assets of the Group was higher than the market capitalisation of the Company as at 31 December 2025, which represented an indication of impairment of long-lived assets. For this reason, the Group performed impairment testing on such long-lived assets by determining the recoverable amounts of various cash-generating units ("CGUs") to which the long-lived assets were allocated. The impairment testing was significant to our audit since the estimation process was complex and subjective and based on assumptions. The assumptions included expectations for sales volumes, unit selling prices of products, budgeted gross margins and discount rates applied to these forecasted future cash flows.

The Group's disclosures about impairment of assets are included in notes 2.4 and 3, which explain the accounting policies and management's accounting estimates to the consolidated financial statements. The Group's disclosures about long-lived assets are included in notes 12 and 15 to the consolidated financial statements.

We evaluated management's assessment of impairment indications and management's identification of CGUs within the Group. We reviewed and assessed management's future forecasted cash flows and key assumptions, which included, amongst others, the future sales volumes, product prices and budgeted gross margin by comparing to the Group's recent historical results, development plan and the market trend forecasted by external industry analysts. In addition, we involved our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts.

We also evaluated the sensitivity of the significant assumptions described above by assessing the changes to the recoverable amounts of the CGUs resulting from changes in these assumptions.

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairlady's Statement, the Report of the Directors, the Corporate Governance Report and the Environmental, Social and Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong (practising certificate number: P06108).

*Certified Public Accountants*  
Hong Kong  
27 March 2026

# Consolidated Statement of Profit or Loss

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>REVENUE</b>	5	<b>18,468,172</b>	19,586,052
Cost of sales		<b>(17,569,973)</b>	(18,475,489)
Gross profit		<b>898,199</b>	1,110,563
Other income and gains	5	<b>364,149</b>	284,832
Selling and distribution expenses		<b>(4,692)</b>	(5,828)
Administrative expenses		<b>(268,061)</b>	(229,778)
Impairment losses on financial assets, net	7	<b>(635)</b>	(795)
Other expenses, net	5	<b>(94,926)</b>	(197,191)
Finance costs	6	<b>(371,415)</b>	(414,656)
<b>PROFIT BEFORE TAX</b>	7	<b>522,619</b>	547,147
Income tax expense	10	<b>(112,956)</b>	(13,207)
<b>PROFIT FOR THE YEAR</b>		<b>409,663</b>	533,940
Attributable to:			
Owners of the parent		<b>407,258</b>	532,550
Non-controlling interests		<b>2,405</b>	1,390
		<b>409,663</b>	533,940
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	11	<b>RMB35.2 fen</b>	RMB45.99 fen

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>PROFIT FOR THE YEAR</b>	<b>409,663</b>	533,940
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>409,663</b>	533,940
Attributable to:		
Owners of the parent	<b>407,258</b>	532,550
Non-controlling interests	<b>2,405</b>	1,390
	<b>409,663</b>	533,940

# Consolidated Statement of Financial Position

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	12,854,476	13,083,421
Investment properties	13	73,847	76,608
Right-of-use assets	14(a)	648,490	693,976
Other intangible assets	15	33,338	35,404
Advance payments for long-lived assets		245,998	292,628
Equity investments designated at fair value through other comprehensive income	17	3,409	3,409
Pledged deposits	21	156,054	175,665
Deferred tax assets	26	7,586	16,630
Total non-current assets		14,023,198	14,377,741
<b>CURRENT ASSETS</b>			
Inventories	18	2,965,354	2,722,295
Trade and notes receivables	19	1,357,211	1,473,105
Prepayments, other receivables and other assets	20	1,797,177	1,189,019
Due from related parties	34(b)	—	372
Derivative financial instruments	24	1,494	3,474
Financial assets at fair value through profit or loss	16	4,741	2,647
Pledged deposits	21	1,510,450	1,742,210
Time deposits	21	72,733	30,680
Cash and cash equivalents	21	638,719	564,328
Total current assets		8,347,879	7,728,130
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	22	1,670,797	1,807,675
Other payables and accruals	23	1,893,643	2,599,102
Derivative financial instruments	24	45,870	24,831
Financial liabilities at fair value through profit or loss	16	331,360	87,812
Interest-bearing bank and other borrowings	25	8,184,915	6,665,496
Long-term loans within one year	25	2,253,805	1,846,396
Lease liabilities	14(b)	5,993	35,871
Due to related parties	34(b)	728,055	571,564
Tax payable		109,819	55,680
Total current liabilities		15,224,257	13,694,427
<b>NET CURRENT LIABILITIES</b>	2.1	<b>(6,876,378)</b>	(5,966,297)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,146,820</b>	8,411,444

# Consolidated Statement of Financial Position

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	14(b)	13,870	15,356
Deferred tax liabilities	26	67,146	62,374
Interest-bearing bank and other borrowings	25	1,358,228	2,433,241
Due to related parties	34(b)	343,866	942,932
Other payables	23	66,486	63,753
<b>Total non-current liabilities</b>		<b>1,849,596</b>	3,517,656
<b>Net assets</b>		<b>5,297,224</b>	4,893,788
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	27	102,662	102,662
Reserves	29	5,210,138	4,809,107
<b>Non-controlling interests</b>		<b>5,312,800</b>	4,911,769
		<b>(15,576)</b>	(17,981)
<b>Total equity</b>		<b>5,297,224</b>	4,893,788

**Han Jianhong**  
Director

**Rao Huotao**  
Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Attributable to owners of the parent													
	Issued capital	Treasury shares*	Capital redemption reserve*	Shares repurchased		Merger reserve*	Fair value reverse of financial assets at fair value through other comprehensive income*	Statutory surplus reserve*	Safety production reserve*	Retained profits*	Special reserve*	Total	Non-controlling interests	Total equity
				award plan*	Share premium*									
				RMB'000	RMB'000									
At 1 January 2025	102,662	—	2,371	(46,833)	1,352,311	(627,092)	2,409	836,334	112,332	3,215,638	(38,363)	4,911,769	(17,981)	4,893,788
Profit for the year	—	—	—	—	—	—	—	—	—	407,258	—	407,258	2,405	409,663
Total comprehensive income for the year	—	—	—	—	—	—	—	—	—	407,258	—	407,258	2,405	409,663
Repurchase of ordinary shares	—	(6,227)	—	—	—	—	—	—	—	—	—	(6,227)	—	(6,227)
Appropriation to statutory surplus reserve	—	—	—	—	—	—	74,458	—	—	(74,458)	—	—	—	—
Appropriation to safety production reserve	—	—	—	—	—	—	—	92,415	—	(92,415)	—	—	—	—
Safety production reserve used	—	—	—	—	—	—	—	(59,356)	—	59,356	—	—	—	—
At 31 December 2025	102,662	(6,227)	2,371	(46,833)	1,352,311	(627,092)	2,409	910,792	145,391	3,515,379	(38,363)	5,312,800	(15,576)	5,297,224

	Attributable to owners of the parent													
	Issued capital	Share premium*	Capital redemption reserve*	Shares repurchased		Merger reserve*	Fair value reverse of financial assets at fair value through other comprehensive income*	Statutory surplus reserve*	Safety production reserve*	Retained profits*	Special reserve*	Total	Non-controlling interests	Total equity
				award plan*	Share premium*									
				RMB'000	RMB'000									
At 1 January 2024	102,662	1,352,311	2,371	(45,339)	(627,092)	2,409	756,717	98,679	2,776,358	(38,363)	4,380,713	(19,371)	4,361,342	
Profit for the year	—	—	—	—	—	—	—	—	532,550	—	532,550	1,390	533,940	
Total comprehensive income for the year	—	—	—	—	—	—	—	—	532,550	—	532,550	1,390	533,940	
Repurchase of shares for the share award	—	—	—	(1,494)	—	—	—	—	—	—	(1,494)	—	(1,494)	
Appropriation to statutory surplus reserve	—	—	—	—	—	—	79,617	—	(79,617)	—	—	—	—	
Appropriation to safety production reserve	—	—	—	—	—	—	—	75,242	(75,242)	—	—	—	—	
Safety production reserve used	—	—	—	—	—	—	—	(61,589)	61,589	—	—	—	—	
At 31 December 2024	102,662	1,352,311	2,371	(46,833)	(627,092)	2,409	836,334	112,332	3,215,638	(38,363)	4,911,769	(17,981)	4,893,788	

\* These reserve accounts comprise the consolidated reserves of RMB5,210,138,000 (2024: RMB4,809,107,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>522,619</b>	547,147
Adjustments for:			
Finance costs	6	<b>371,415</b>	414,656
Bank interest income	5	<b>(31,912)</b>	(57,757)
Investment income from derivative financial instruments	5	<b>(25,498)</b>	(16,126)
Fair value loss, net:			
Derivative instruments	5	<b>22,933</b>	3,965
Foreign exchange differences, net		<b>6,363</b>	(869)
Depreciation of property, plant and equipment	12	<b>1,025,848</b>	1,023,572
Depreciation of investment properties	13	<b>2,761</b>	2,761
Depreciation of right-of-use assets	14(a)	<b>49,528</b>	51,389
Loss on disposal of items of property, plant and equipment	7	<b>16,510</b>	53,983
Amortisation of other intangible assets	15	<b>7,335</b>	12,362
Impairment of trade receivables, net	19	<b>635</b>	795
Impairment of items of property, plant and equipment	12	<b>21,460</b>	—
		<b>1,989,997</b>	2,035,878
Increase in inventories		<b>(66,856)</b>	(772,342)
Decrease/(increase) in trade and notes receivables		<b>111,944</b>	(57,626)
Increase in prepayments, other receivables and other assets		<b>(614,846)</b>	(163,748)
(Increase)/decrease in amounts due from related parties		<b>372</b>	3,001
Decrease/(increase) in pledged deposits		<b>22,241</b>	(22,241)
Decrease in trade and bills payables		<b>(136,878)</b>	(326,479)
Increase/(decrease) in other payables and accruals		<b>90,766</b>	(18,208)
(Decrease)/increase in amounts due to related parties		<b>(439,260)</b>	379,765
		<b>957,480</b>	1,058,000
Cash generated from operations		<b>957,480</b>	1,058,000
Income tax paid		<b>(45,001)</b>	(2,405)
		<b>912,479</b>	1,055,595
Net cash flows from operating activities		<b>912,479</b>	1,055,595

# Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(1,584,910)	(1,453,713)
Purchases of intangible assets		(5,269)	(758)
Proceeds from disposal of property, plant and equipment		789	9,234
Purchases of financial assets at fair value through profit or loss		(6,200)	(5,000)
Proceeds from disposal of investments at fair value through profit or loss		4,106	18,250
Exercise of options and forward contracts		(10,142)	41,724
Bank interest received		31,912	57,757
Increase in time deposits		(42,053)	(30,680)
Decrease/(increase) in pledged deposits		39,428	(42,500)
Investment income from derivative financial instruments		23,269	16,126
Net cash flows used in investing activities		(1,549,070)	(1,389,560)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans and other borrowings		13,568,829	10,616,224
Repayment of bank loans and other borrowings		(12,715,720)	(9,860,800)
Interest paid for bank loans and other borrowings		(368,145)	(408,874)
Interest paid for lease liabilities		(1,676)	(3,051)
Loans from related parties		644,234	1,064,911
Repayment of loans from related parties		(644,234)	(1,136,911)
Advances from third parties		—	38,026
Repayment of advances to third parties		(9,561)	(6,499)
Principal portion of lease payments		(35,406)	(31,227)
Deposits for other borrowings		16,916	(21,800)
Addition of silver leasing		78,633	99,339
Advance payment for right-of-use assets		—	(213,195)
Decrease in pledged deposits		189,702	398,625
Repurchase of ordinary shares		(6,227)	—
Repurchase of shares held for the share award plan		—	(1,494)
Net cash flows used in financing activities		717,345	533,274
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		564,328	364,150
Effect of foreign exchange rate changes, net		(6,363)	869
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	21	<b>638,719</b>	564,328
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	638,719	564,328

# Notes to Financial Statements

31 December 2025

## 1. CORPORATE AND GROUP INFORMATION

China Sanjiang Fine Chemicals Company Limited (the “Company”) was incorporated with limited liability in the Cayman Islands on 30 January 2009. The registered address of the Company is Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands. The principal place of business in China is located at Pinghai Road, Jiaxing Port Area, Zhejiang Province, People’s Republic of China (the “PRC”).

During the year, the Company and its subsidiaries (the “Group”) were principally engaged in the manufacture and supply of ethylene, ethylene oxide (“EO”), ethylene glycol (“EG”), propylene, polypropylene (“PP”), methyl tert-butyl ether (“MTBE”), surfactants and ethanolamine (“ETA”) 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 carbon four (“C4”), crude pentene and industrial gases, namely oxygen, nitrogen and argon in the PRC.

In the opinion of the directors, the ultimate holding company of the Company is Sure Capital Holdings Limited (“Sure Capital”), which was incorporated in the British Virgin Islands.

### Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered share capital	Percentage of equity attributable to the Company	Principal activities
Capitol International (“Capitol International”)	Hong Kong 18 July 2003	HK\$1,000,000	100% (direct)	Investment holding Limited
Sanjiang Chemical Co., Ltd. (“Sanjiang Chemical”) (note (ii))	PRC/Chinese mainland 9 December 2003	US\$606,001,300	100% (indirect)	Manufacture and sale of EO, surfactants, EG, MTBE, polymer grade ethylene, industrial gases, provision of processing services, and lease and storage services
Zhejiang Sanjiang Chemical New Material Co., Ltd. (“Sanjiang New Material”) (note (i))	PRC/Chinese mainland 23 December 2011	RMB424,573,480	100% (indirect)	Manufacture and sale of EO and EG
Zhejiang Xingxing New Energy Technology Co., Ltd. (“Xingxing New Energy”) (note (i))	PRC/Chinese mainland 19 January 2011	RMB800,000,000	87% (indirect)	Manufacture and sale of ethylene and polyethylene
Sanjiang Haojia High Polymer Material Technology Co., Ltd. (“Sanjiang Haojia”) (note (ii))	PRC/Chinese mainland 30 December 2018	US\$40,000,000	100% (indirect)	Manufacture and sale of PP
Zhejiang Sanjiang Siyi New Material Co., Ltd. (“Siyi”) (note (iii))	PRC/Chinese mainland 11 November 2020	US\$150,000,000	100% (indirect)	Manufacture and sale of surfactants

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Notes:

- (i) These entities are limited liability enterprises established under PRC law.
- (ii) These entities are wholly-foreign-owned enterprises established under PRC law.

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have 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 statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

#### Going concern assumption

As at 31 December 2025, the Group’s net current liabilities amounted to approximately RMB6,876,378,000, which comprised current assets of approximately RMB8,347,879,000 and current liabilities of approximately RMB15,224,257,000. 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 statements, the directors of the Company have considered the Group’s sources of liquidity and believe that adequate funding is available to fulfil the Group’s debt obligations and capital expenditure requirements.

As at 31 December 2025, the Group’s total borrowings amounted to RMB10,438,720,000, all of which will be due within twelve months from 31 December 2025. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal. As at the reporting date, the Group had unutilised credit facilities from banks of RMB813,398,000 to meet the debt obligations and capital expenditure requirements. In order to improve the Group’s liquidity and cash flows, the Group is also entering into new borrowing discussions with certain financial institutions. Additionally, Mr. Guan Jianzhong, the controlling shareholder, has confirmed to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations as and when they fall due for a period of not less than twelve months from the date of the reporting date.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.1 Basis of preparation (continued)

#### Going concern assumption (continued)

The directors of the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2025. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2. ACCOUNTING POLICIES (continued)

### 2.2 Changes in accounting policies and disclosures

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

### 2.3 Issued but not yet effective HKFRS accounting standards

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>2</sup>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> <sup>2</sup>
<i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>3</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Issued but not yet effective HKFRS accounting standards (continued)

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 its amendments in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Issued but not yet effective HKFRS accounting standards (continued)

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the “own-use” requirement for in scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity’s financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation’s comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- **HKFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Issued but not yet effective HKFRS accounting standards (continued)

- **HKFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- **HKAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

### 2.4 Material accounting policies

#### Fair value measurement

The Group measures its derivative financial instruments, certain equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and debt instrument at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Plant and machinery	5% to 7%
Office equipment	18% to 20%
Motor vehicles	18% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Commercial properties	3%
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#### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

#### Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 years.

#### Technology use rights

Purchased technology use rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

#### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Leases (continued)

##### Group as a lessee (continued)

##### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	45 to 50 years
Pipes	10 to 20 years
Offices	3 to 4 years
Motor vehicles	6 years
Equipment	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

##### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statement of financial position.

##### (c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Leases (continued)

##### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income in the statement of profit or loss due to its non-operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### Investments and other financial assets

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Investments and other financial assets (continued)

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

##### Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss, except for the financial assets related to hedge accounting.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Investments and other financial assets (continued)

##### Subsequent measurement (continued)

##### Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

##### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than one year.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Impairment of financial assets (continued)

##### General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

##### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related parties, derivative financial instruments, financial liabilities at fair value through profit or loss, lease liabilities and interest-bearing bank borrowings.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Financial liabilities (continued)

##### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

##### Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

##### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Derivative financial instruments and hedge accounting

##### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as options for silver, forward contracts for silver, options for foreign currency and forward contracts for foreign currency to hedge the commodity price risk and foreign currency risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Derivative financial instruments and hedge accounting (continued)

##### Initial recognition and subsequent measurement (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

##### Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

##### Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

##### Treasury shares

Own equity instruments that are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

##### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

#### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

#### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Revenue recognition

##### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### (a) Sale of industrial products

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

#### (b) Provision of processing services

Revenue from the provision of processing services is recognised at the point in time when the services have been rendered to the customer, generally on delivery of the processed products.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Revenue recognition (continued)

##### Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

##### Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

##### Contract liabilities (included under other payables and accruals)

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

##### Share-based payments

The Company operates a share-based payment scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value of the shares at the date at which they are granted. The fair value is measured at the market value of the shares, adjusted for the exclusion of expected dividends to be received in the vesting period, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding non-vested ordinary shares is reflected as additional share dilution in the computation of earnings per share.

#### Other employee benefits

##### Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 14% of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as a part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging 4.5% has been applied to the expenditure on the individual assets.

#### Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

#### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 30 to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

# Notes to Financial Statements

31 December 2025

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

#### Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

#### Estimation uncertainty (continued)

##### Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Groups historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

##### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there is any indicator of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. All non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 12 to the financial statements.

##### Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries. Any write-down of inventories to net realisable value or reversal of write-down of inventories will impact on the carrying values of the inventories and the expenses of that period. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories carried at net realisable value as at 31 December 2025 was RMB2,965,354,000 (2024: RMB2,722,295,000).

# Notes to Financial Statements

31 December 2025

## 3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2025 was RMB2,897,741,000 (2024: RMB2,546,792,000). The amount of unrecognised deductible temporary differences at 31 December 2025 was RMB286,726,000 (2024: RMB268,675,000). Further details are contained in note 26 to the financial statements.

#### Income tax

The Group is subject to income taxes in various regions. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgements based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income tax. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences are realised. Further details are disclosed in note 10 to the financial statements.

#### Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of the Group's 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 year:

	2025 RMB'000	2024 RMB'000
PP	3,560,671	4,024,397
Surfactants	3,616,937	3,588,500
EG	4,105,085	3,463,776
EO	1,934,073	2,152,787
Ethylene	714,479	1,642,422
MTBE	1,191,206	1,107,436
Gas, diethylene glycol and others	890,243	1,005,794
Aromatic hydrocarbon	765,621	776,616
Butadiene	577,131	767,239
C4 and crude pentene	444,275	458,194
Industrial cracking C5	272,256	299,517
Polyethylene glycol	186,055	—
ETA	110,269	202,148
Processing services	83,754	80,859
Rental income	16,117	16,367
<b>Total revenue</b>	<b>18,468,172</b>	<b>19,586,052</b>

##### Geographical information

###### (a) Revenue from external customers

	2025 RMB'000	2024 RMB'000
Chinese mainland	17,697,280	19,256,801
Singapore	568,003	308,927
United Arab Emirates	121,594	—
Hong Kong	75,787	—
Others	5,508	20,324
<b>Total revenue</b>	<b>18,468,172</b>	<b>19,586,052</b>

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

# Notes to Financial Statements

31 December 2025

## 4. OPERATING SEGMENT INFORMATION (continued)

### Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2025 and 2024.

## 5. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES

An analysis of revenue is as follows:

	2025 RMB'000	2024 RMB'000
<i>Revenue from contracts with customers</i>	<b>18,452,055</b>	19,569,685
<i>Revenue from other sources</i>		
Rental income from operating leases:		
Lease payments, including fixed payments	<b>16,117</b>	16,367
Total revenue	<b>18,468,172</b>	19,586,052

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

	2025 RMB'000	2024 RMB'000
<b>Types of goods or services</b>		
Sale of industrial products	<b>18,368,301</b>	19,488,826
Processing services	<b>83,754</b>	80,859
Total	<b>18,452,055</b>	19,569,685
<b>Timing of revenue recognition</b>		
At a point in time		
Sale of industrial products	<b>18,368,301</b>	19,488,826
Processing services	<b>83,754</b>	80,859
Total	<b>18,452,055</b>	19,569,685

**5. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES (continued)**

## Revenue from contracts with customers (continued)

## (b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2025 RMB'000	2024 RMB'000
Advance from customers for sale of industrial products and processing services*	<b>509,154</b>	350,464

\* Included in "Other payables and accruals" in the consolidated statement of financial position.

## (i) Significant changes in contract liabilities

Contract liabilities represent the obligations to transfer goods or services to a counterparty for which the Group has received a consideration. The changes in the contract liabilities are mainly attributable to the receipt of advances from customers and the recognition of revenue when fulfilling the performance obligations.

## (ii) Revenue recognised in relation to contract liabilities

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2025 RMB'000	2024 RMB'000
Sale of industrial products and processing services	<b>350,464</b>	348,086

## (c) Performance obligations

At 31 December 2025, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

# Notes to Financial Statements

31 December 2025

## 5. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES (continued)

	Notes	2025 RMB'000	2024 RMB'000
<b>Other income</b>			
Additional deduction for input value-added tax		<b>63,470</b>	116,918
Bank interest income		<b>31,912</b>	57,757
Reversal of write-down of inventories to net realisable value		<b>84,460</b>	—
Sales in respect of trading of oil and chemicals		<b>20,091</b>	33,745
Investment income from derivative financial instruments, net		<b>25,498</b>	16,126
Gross rental income from operating leases:		<b>6,714</b>	8,852
Lease payments, including fixed payments			
Government subsidies	(a)	<b>7,734</b>	5,319
Utility income		<b>4,439</b>	1,648
Reimbursement from insurance company		<b>17,063</b>	—
Others		<b>33,457</b>	21,174
<b>Total other income</b>		<b>294,838</b>	261,539
<b>Gains</b>			
Gains on disposal of silver catalysts, net	(b)	<b>69,311</b>	23,293
<b>Total gains</b>		<b>69,311</b>	23,293
<b>Total other income and gains</b>		<b>364,149</b>	284,832

Notes:

- (a) Government subsidies mainly represent incentives provided by the local government to the Group for its operation in Jiaxing, Zhejiang Province, the PRC. There are no unfulfilled conditions or contingencies attached to these government grants.
- (b) Gains on disposal of silver catalysts represent the gains from disposal of silver catalysts used in production which were replaced during overhaul for the EO production line.

**5. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES (continued)**

	2025 RMB'000	2024 RMB'000
<b>Other expenses, net</b>		
Foreign exchange losses, net	13,115	77,221
Loss on disposal of items of property, plant and equipment	16,510	53,983
Write-down of inventories to net realisable value	—	34,834
Cost of sales in respect of trading of oil and chemicals	28	22,381
Fair value loss on derivative financial instruments, net	22,933	3,965
Impairment of items of property, plant and equipment	21,460	—
Others	20,880	4,807
<b>Total other expenses</b>	<b>94,926</b>	197,191

**6. FINANCE COSTS**

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest on bank and other borrowings	302,371	324,328
Interest on lease liabilities	1,676	3,051
Interest on discounted notes receivable and discounted letter of credit	67,368	87,277
<b>Total</b>	<b>371,415</b>	414,656

# Notes to Financial Statements

31 December 2025

## 7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold		<b>17,544,814</b>	18,447,808
Cost of services provided		<b>25,159</b>	27,681
Depreciation of property, plant and equipment*	12	<b>1,025,848</b>	1,023,572
Depreciation of investment properties	13	<b>2,761</b>	2,761
Depreciation of right-of-use assets	14(a)	<b>49,528</b>	51,389
Amortisation of other intangible assets**	15	<b>7,335</b>	12,362
(Reversal of write-down)/write-down of inventories to net realisable value***		<b>(67,582)</b>	45,442
Impairment of trade receivables, net		<b>635</b>	795
Impairment of items of property, plant and equipment	12	<b>21,460</b>	—
Loss on disposal of items of property, plant and equipment	5	<b>16,510</b>	53,983
Auditor's remuneration		<b>2,980</b>	2,980
Lease payments not included in the measurement of lease liabilities	14(c)	<b>584</b>	439
Employee benefit expense (including directors' remuneration (note 8)):****			
Wages and salaries		<b>203,548</b>	179,172
Pension scheme contributions*****		<b>12,969</b>	11,554
Staff welfare expenses		<b>34,480</b>	28,814
<b>Total</b>		<b>250,997</b>	219,540

\* The depreciation of property, plant and equipment of RMB1,019,284,000 (2024: RMB1,016,567,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

\*\* The amortisation of other intangible assets of RMB2,155,000 (2024: RMB2,106,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

\*\*\* The write-down of inventories to net realisable value of RMB16,878,000 (2024: RMB10,608,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

\*\*\*\* The employee benefit expense of RMB186,243,000 (2024: RMB162,875,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

\*\*\*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2025 RMB'000	2024 RMB'000
Fees	330	327
Other emoluments:		
Salaries, allowances and benefits in kind	2,726	3,615
Pension scheme contributions	64	54
Subtotal	2,790	3,669
Total fees and other emoluments	3,120	3,996

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2025 RMB'000	2024 RMB'000
Shen Kaijun	110	109
Pei Yu	110	109
Kong Liang	110	109
Total	330	327

There were no other emoluments payable to the independent non-executive directors during the year (2024: Nil).

# Notes to Financial Statements

31 December 2025

## 8. DIRECTORS' REMUNERATION (continued)

### (b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Management fee paid to a related company RMB'000	Equity-settled share award plan expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2025</b>						
Han Jianhong	—	199	—	—	16	215
Rao Huotao	—	921	—	—	24	945
Guan Siyi	—	128	—	—	—	128
Chen Xian	—	1,478	—	—	24	1,502
<b>Total</b>	<b>—</b>	<b>2,726</b>	<b>—</b>	<b>—</b>	<b>64</b>	<b>2,790</b>

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Management fee paid to a related company RMB'000	Equity-settled share award plan expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
<b>2024</b>						
Han Jianhong	—	328	—	—	16	344
Rao Huotao	—	1,522	—	—	19	1,541
Guan Siyi	—	219	—	—	—	219
Chen Xian	—	1,546	—	—	19	1,565
<b>Total</b>	<b>—</b>	<b>3,615</b>	<b>—</b>	<b>—</b>	<b>54</b>	<b>3,669</b>

Note:

The Group did not appoint a chief executive, and the duty of a chief executive was performed by the chairlady Han Jianhong.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included two (2024: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2024: three) non-director highest paid employees for the year are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	4,326	4,028
Pension scheme contributions	72	57
<b>Total</b>	<b>4,398</b>	4,085

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2025	2024
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$2,000,001 to HK\$2,500,000	1	1
<b>Total</b>	<b>3</b>	3

## 10. 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 year is analysed as follows:

	2025 RMB'000	2024 RMB'000
Current — Chinese mainland		
Charge for the year	84,723	20,705
Effect of additional tax deduction enacted by tax authority	(4,026)	(17,429)
Deferred (note 26)	32,259	9,931
<b>Total tax expense for the year</b>	<b>112,956</b>	13,207

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

# Notes to Financial Statements

31 December 2025

## 10. INCOME TAX (continued)

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% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2024: Nil).

The applicable income tax rate of the Group's subsidiaries operating in Chinese mainland is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for the following entities which are entitled to preferential tax rates.

Pursuant to the approval of the tax bureau, Sanjiang Chemical has been qualified as a High and New Technology Enterprise and enjoys a preferential corporate income tax rate of 15% from 2022 to 2024. And Sanjiang Chemical has been continuously qualified as a High and New Technology Enterprise on 19 December 2025 and enjoys a preferential corporate income tax rate of 15% from 2025 to 2027. Therefore, Sanjiang Chemical was subject to corporate income tax at a rate of 15% for the year ended 31 December 2025 (2024: 15%).

Pursuant to the approval of the tax bureau, Sanjiang New Material has been qualified as a High and New Technology Enterprise and enjoys a preferential corporate income tax rate of 15% from 2022 to 2024. And Sanjiang New Material has been continuously qualified as a High and New Technology Enterprise on 19 December 2025 and enjoys a preferential corporate income tax rate of 15% from 2025 to 2027. Therefore, Sanjiang New Material was subject to corporate income tax at a rate of 15% for the year ended 31 December 2025 (2024: 15%).

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the Chinese mainland to the tax expense at the effective tax rate is as follows:

	2025 RMB'000	2024 RMB'000
Profit before tax	<b>522,619</b>	547,147
Tax at the statutory tax rate	<b>130,655</b>	136,787
Lower tax rates enacted by local authority or in other regions	<b>(80,978)</b>	(55,762)
Additional deduction for research and development activities	<b>(47,939)</b>	(114,019)
Expenses not deductible for tax	<b>1,783</b>	12,936
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	<b>26,913</b>	10,739
Tax losses utilised from previous periods	<b>(5,332)</b>	(12,874)
Temporary differences not recognised	<b>4,513</b>	(6,662)
Tax losses not recognised	<b>87,367</b>	59,491
Effect of additional tax deduction enacted by tax authority	<b>(4,026)</b>	(17,429)
Tax charge at the Group's effective rate	<b>112,956</b>	13,207

## 10. INCOME TAX (continued)

### Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under the Hong Kong Inland Revenue (Amendment) (Minimum Tax for Multinational Enterprise Groups) Ordinance 2025 for its earnings in Hong Kong. The Group will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted but not yet in effect as at 31 December 2025 in certain jurisdictions in which the Group operates.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group should benefit from the transitional safe harbour for the jurisdictions in which the Group operates. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

## 11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2025 and 2024 in respect of a dilution as the Group had no potentially dilutive ordinary shares outstanding during the years.

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

	2025 RMB'000	2024 RMB'000
<b>Earnings</b>		
Profit for the year attributable to ordinary equity holders of the parent	407,258	532,550
	Number of shares 2025 '000	2024 '000
<b>Shares</b>		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation <sup>#</sup>	1,157,132	1,157,892

<sup>#</sup> The weighted average number of shares was after taking into account the effect of shares repurchased for the ordinary shares and share award arrangement.

# Notes to Financial Statements

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## 12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>31 December 2025</b>						
At 1 January 2025:						
Cost	3,768,594	13,588,290	95,117	14,727	837,678	18,304,406
Accumulated depreciation and impairment	(766,930)	(4,389,701)	(50,900)	(13,454)	—	(5,220,985)
Net carrying amount	3,001,664	9,198,589	44,217	1,273	837,678	13,083,421
At 1 January 2025, net of accumulated depreciation and impairment	3,001,664	9,198,589	44,217	1,273	837,678	13,083,421
Additions	(38,162)	227,333	859	—	645,632	835,662
Disposals	—	(17,206)	(37)	(56)	—	(17,299)
Depreciation provided during the year	(174,595)	(839,764)	(11,180)	(309)	—	(1,025,848)
Impairment	(8,501)	(12,959)	—	—	—	(21,460)
Transfers	14,643	76,845	—	—	(91,488)	—
At 31 December 2025, net of accumulated depreciation and impairment	2,795,049	8,632,838	33,859	908	1,391,822	12,854,476
At 31 December 2025:						
Cost	3,745,075	13,657,082	95,268	14,168	1,391,822	18,903,415
Accumulated depreciation and impairment	(950,026)	(5,024,244)	(61,409)	(13,260)	—	(6,048,939)
Net carrying amount	2,795,049	8,632,838	33,859	908	1,391,822	12,854,476

**12. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	3,677,510	13,424,999	98,178	15,488	176,716	17,392,891
Accumulated depreciation and impairment	(640,097)	(3,687,330)	(44,291)	(13,438)	—	(4,385,156)
Net carrying amount	3,037,413	9,737,669	53,887	2,050	176,716	13,007,735
At 1 January 2024, net of accumulated depreciation and impairment	3,037,413	9,737,669	53,887	2,050	176,716	13,007,735
Additions	145,525	161,943	1,445	—	853,562	1,162,475
Disposals	(41,593)	(13,988)	—	(44)	(7,592)	(63,217)
Depreciation provided during the year	(167,963)	(843,761)	(11,115)	(733)	—	(1,023,572)
Transfers	28,282	156,726	—	—	(185,008)	—
At 31 December 2024, net of accumulated depreciation and impairment	3,001,664	9,198,589	44,217	1,273	837,678	13,083,421
At 31 December 2024:						
Cost	3,768,594	13,588,290	95,117	14,727	837,678	18,304,406
Accumulated depreciation and impairment	(766,930)	(4,389,701)	(50,900)	(13,454)	—	(5,220,985)
Net carrying amount	3,001,664	9,198,589	44,217	1,273	837,678	13,083,421

As at 31 December 2025, the Group's buildings, plant and machinery and construction in progress of RMB6,449,927,000 (2024: RMB6,221,679,000) were pledged to secure the bank and other borrowings of the Group (note 25). As at 31 December 2025, the Group's buildings, plant and machinery and construction in progress of RMB70,195,000 (2024: 73,647,000) were pledged to secure the advance from third parties of the Group (note 23).

# Notes to Financial Statements

31 December 2025

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### Impairment tests

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment tests based on each cash-generating unit (“CGU”) to which these non-current assets belong. The carrying amounts of these individual CGUs were compared to the recoverable amounts of the CGUs and impairment was recognised if the recoverable amount of the CGU is lower than the carrying amount.

Due to the carrying amount of the net assets of the Group was higher than the market capitalisation of the Company as at 31 December 2025, the Company performed impairment assessments for the relevant CGUs. The recoverable amount of the cash-generating units has been determined based on the present value of expected future cash flows based on financial budgets covering a five-year period approved by management. The cash flow beyond the budget period is estimated based on the market trend and by reference to the relevant market trend report. The key assumptions and bases used to estimate the present value of future cash flows are as follows.

- The management of the Group predicts the present value based on the past performance of the relevant assets, as well as future industry conditions and operations, including the future sales volumes, product prices and budgeted gross margin and other related factors.
- The discount rate used is a long-term weighted-average cost of capital, which is based on management’s best estimation of the investment returns that industry would require for the relevant assets. The pre-tax discount rate applied to the cash flow projections is in the range of 11.67% to 13.61% (31 December 2024: 10.93% to 16.60%).

Based on the impairment assessment, an impairment was recognised as the recoverable amount of Polyethylene Glycol production facility of Zhejiang Jiahao Chemical Co., Ltd. is lower than the carrying amount and, therefore, an impairment amounting to approximately RMB21,460,000 (2024: Nil) for property, plant and equipment was recognised in profit or loss. The recoverable amount of such CGU was approximately RMB191,233,000 as at 31 December 2025.

As a result of the impairment assessment, the Group has not provided for impairment of property, plant and equipment for other CGUs for the year ended 31 December 2025 (2024: Nil).

**13. INVESTMENT PROPERTIES**

	2025 RMB'000	2024 RMB'000
At the beginning of the year		
Cost	<b>85,350</b>	85,350
Accumulated depreciation	<b>(8,742)</b>	(5,981)
Net carrying amount	<b>76,608</b>	79,369
At the beginning of the year, net of accumulated depreciation	<b>76,608</b>	79,369
Depreciation provided during the year	<b>(2,761)</b>	(2,761)
At the end of the year, net of accumulated depreciation	<b>73,847</b>	76,608
At the beginning of the year		
Cost	<b>85,350</b>	85,350
Accumulated depreciation	<b>(11,503)</b>	(8,742)
Net carrying amount	<b>73,847</b>	76,608

The Group's investment properties consist of commercial properties located in the Chinese mainland held to earn rentals.

At 31 December 2025, the Group has not obtained building ownership certificates for the commercial properties with an aggregate net book value of RMB73,847,000 (2024: RMB76,608,000). The Group is not able to assign, transfer or mortgage these assets until the certificates are obtained.

The investment properties are measured at cost. The fair value of the investment properties was RMB75,000,000 as at 31 December 2025 (2024: RMB77,162,000) based on valuation performed by the Company.

# Notes to Financial Statements

31 December 2025

## 14. LEASES

### The Group as a lessee

The Group has lease contracts for pipes, offices, motor vehicles and equipment. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 45 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of pipes have lease terms of 10 to 20 years. Certain offices have lease terms of 3 to 4 years, while other offices have lease terms of 12 months or less. Leases of motor vehicles have lease terms of 6 years. Leases of equipment have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	Pipes RMB'000	Offices RMB'000	Motor vehicles RMB'000	Equipment RMB'000	Total RMB'000
As at 1 January 2024	667,719	14,111	2,275	2,559	57,757	744,421
Additions	—	944	—	—	—	944
Depreciation charge	(18,601)	(1,445)	(1,186)	(1,279)	(28,878)	(51,389)
As at 31 December 2024 and 1 January 2025	<b>649,118</b>	<b>13,610</b>	<b>1,089</b>	<b>1,280</b>	<b>28,879</b>	<b>693,976</b>
Additions	—	726	—	3,316	—	4,042
Depreciation charge	<b>(16,193)</b>	<b>(1,529)</b>	<b>(1,089)</b>	<b>(1,838)</b>	<b>(28,879)</b>	<b>(49,528)</b>
As at 31 December 2025	<b>632,925</b>	<b>12,807</b>	—	<b>2,758</b>	—	<b>648,490</b>

As at 31 December 2025, the Group's leasehold land of RMB451,243,000 (2024: RMB463,410,000) was pledged to secure the bank loans of the Group (note 25).

**14. LEASES (continued)****The Group as a lessee (continued)****(b) Lease liabilities**

The carrying amount of lease liabilities and the movements during the year are as follows:

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	51,227	81,510
New leases	4,042	944
Accretion of interest recognised during the year	1,676	3,051
Payments	<b>(37,082)</b>	(34,278)
Carrying amount at 31 December	<b>19,863</b>	51,227
Analysed into:		
Current portion	<b>5,993</b>	35,871
Non-current portion	<b>13,870</b>	15,356

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements.

**(c) The amounts recognised in profit or loss in relation to leases are as follows:**

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	1,676	3,051
Depreciation charge of right-of-use assets	49,528	51,389
Expense relating to short-term leases (included in administrative expenses)	584	439
Total amount recognised in profit or loss	<b>51,788</b>	54,879

**(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 31(c) to the financial statements.**

# Notes to Financial Statements

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## 14. LEASES (continued)

### The Group as a lessor

The Group leases its investment properties and property, plant and equipment consisting of certain pipes and equipment in the Chinese mainland under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB22,831,000 (2024: RMB25,249,000), details of which are included in note 5 to the financial statements.

At 31 December 2025, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025 RMB'000	2024 RMB'000
Within one year	<b>16,973</b>	15,983
After one year but within two years	<b>15,858</b>	14,392
After two years but within three years	<b>10,001</b>	13,310
After three years but within four years	<b>7,241</b>	12,694
After four years but within five years	<b>3,446</b>	12,280
After five years	<b>12,088</b>	25,040
Total	<b>65,607</b>	93,699

## 15. OTHER INTANGIBLE ASSETS

	Software RMB'000	Technology use rights RMB'000	Others RMB'000	Total RMB'000
31 December 2025				
Cost at 1 January 2025, net of accumulated amortisation	656	24,358	10,390	35,404
Additions	—	5,075	194	5,269
Amortisation provided during the year	(186)	(3,512)	(3,637)	(7,335)
At 31 December 2025	470	25,921	6,947	33,338
At 31 December 2025:				
Cost	1,936	159,197	34,155	195,288
Accumulated amortisation	(1,466)	(133,276)	(27,208)	(161,950)
Net carrying amount	470	25,921	6,947	33,338
31 December 2024				
Cost at 1 January 2024 net of accumulated amortisation	847	32,958	13,203	47,008
Additions	—	—	758	758
Amortisation provided during the year	(191)	(8,600)	(3,571)	(12,362)
At 31 December 2024	656	24,358	10,390	35,404
At 31 December 2024:				
Cost	2,092	218,438	35,930	256,460
Accumulated amortisation	(1,436)	(194,080)	(25,540)	(221,056)
Net carrying amount	656	24,358	10,390	35,404

# Notes to Financial Statements

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## 16. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

### Financial assets at fair value through profit or loss

	2025 RMB'000	2024 RMB'000
Unlisted investments, at fair value	4,741	2,647

The above unlisted investments were wealth management products issued by banks in the Chinese mainland. The wealth management products 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.

### Financial liabilities at fair value through profit or loss

	2025 RMB'000	2024 RMB'000
Hedging instruments — silver leasing contracts	331,360	—
Derivative financial liabilities without designated hedging relationship — silver leasing contracts	—	87,812
	331,360	87,812

The silver leasing contracts were classified as financial liabilities designated upon initial recognition as at fair value through profit or loss.

There is no hedging instruments designated as at 31 December 2024.

The guarantee of the Group's silver leasing is secured by the Group's pledged deposit, which had an aggregate carrying value amounting to RMB192,057,000 (2024: Nil) as at 31 December 2025 (note 21).

### Fair value hedges

At 31 December 2025, the Group had a silver leasing contract in place whereby it rents a fixed quantity of silver of 18.8 tons from the domestic bank via futures exchange and pays annual fixed interest rate of 2.8%. The silver leasing contract is used to hedge the exposure to changes in the fair value of silver, which is one of the key components in the catalysts in inventories.

An economic relationship exists between the hedged item and the hedging instrument because the Group's silver catalyst can be refined into standard silver products that match the specifications of the silver specified in the leasing contracts. The basic variables of the hedging instruments (silver leasing contracts) and the hedged items (silver catalysts in inventories) are standard precious metal prices. The effect of credit risk does not dominate the value changes. The Group determines the ratio of the number of hedging instruments to the hedged items for silver to be 1:1.

**16. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

## Financial liabilities at fair value through profit or loss (continued)

## Fair value hedges (continued)

Changes in the book value and fair value of hedging instruments are as follows:

**As at 31 December 2025**

	Notional amount of hedging instruments RMB'000	Book value of hedging instruments		Line items in the statement of financial position including hedging instruments	Change in fair value of the hedging instruments used for measuring hedge ineffectiveness for 2025 RMB'000
		Assets	Liabilities RMB'000		
Silver leasing contracts	155,157		331,360	Financial liabilities at fair value through profit or loss	—

The book value of the hedged items and the associated adjustments are as follows:

**As at 31 December 2025**

	Book value of hedged items		Accumulated fair value adjustments on the hedged items (included in the carrying amount of hedged items)		Line items in the statement of financial position including hedged items	Change in fair value of the hedging items used for measuring hedge ineffectiveness for 2025 RMB'000
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000		
Inventories	282,060		176,203		Inventories	—

There is no ineffective portion of the hedges in the changes in fair value of hedging instruments.

**17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2025 RMB'000	2024 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Jiaxing Port Antong Public Pipe Gallery Co., Ltd.	3,409	3,409

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

During the year ended 31 December 2025, the Group did not receive any dividend from Jiaxing Port Antong Public Pipe Gallery Co., Ltd. (“嘉興港安通公共管廊有限公司”) (2024: Nil).

# Notes to Financial Statements

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## 18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	2,260,021	2,535,271
Finished goods	705,333	187,024
<b>Total</b>	<b>2,965,354</b>	<b>2,722,295</b>

## 19. TRADE AND NOTES RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	226,415	170,670
Notes receivable	1,137,675	1,310,087
<b>Impairment</b>	<b>1,364,090 (6,879)</b>	<b>1,480,757 (7,652)</b>
<b>Net carrying amount</b>	<b>1,357,211</b>	<b>1,473,105</b>

The credit period is generally 10 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 Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2025 RMB'000	2024 RMB'000
1 to 30 days	204,116	141,492
31 to 60 days	5,050	7,506
61 to 90 days	156	2,647
91 to 360 days	9,996	8,312
Over 360 days	218	3,061
<b>Total</b>	<b>219,536</b>	<b>163,018</b>

**19. TRADE AND NOTES RECEIVABLES (continued)**

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 RMB'000	2024 RMB'000
At beginning of year	7,652	6,857
Impairment losses, net (note 7)	635	795
Amount written off as uncollectible	(1,408)	—
At end of year	6,879	7,652

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2025**

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit loss RMB'000
Trade receivables aged based on the invoice date:			
Less than 1 year	223,156	1.72%	3,838
Between 1 and 2 years	249	12.45%	31
Over 2 years	3,010	100.00%	3,010
Total	226,415		6,879

# Notes to Financial Statements

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## 19. TRADE AND NOTES RECEIVABLES (continued)

As at 31 December 2024

	Gross carrying amount RMB'000	Expected credit loss rate	Expected credit loss RMB'000
Trade receivables aged based on the invoice date:			
Less than 1 year	163,020	1.88%	3,063
Between 1 and 2 years	3,506	12.69%	445
Over 2 years	4,144	100.00%	4,144
<b>Total</b>	<b>170,670</b>		<b>7,652</b>

As at 31 December 2025, notes receivable of RMB1,137,675,000 (2024: RMB1,310,087,000), whose fair values approximate to their carrying values, were classified as financial assets at fair value through other comprehensive income under HKFRS 9. The fair value changes of these notes receivable at fair value through other comprehensive income were insignificant in 2025 and 2024.

At 31 December 2025, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the “Endorsed Notes”) to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB2,082,733,000 (2024: RMB2,460,763,000). In addition, the Group discounted certain notes receivable (the “Discounted Notes”) with a carrying amount in aggregate of RMB2,569,218,000 (2024: RMB1,873,674,000). The Endorsed Notes and the Discounted Notes had a maturity from one to twelve months as at 31 December 2025. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks or the counterparties default (the “Continuing Involvement”).

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes and the Discounted Notes accepted by large and reputable banks with amounts of RMB1,210,149,000 (2024: RMB1,550,913,000) and RMB244,824,000 (2024: RMB307,864,000), respectively (the “Derecognised Notes”). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed Notes. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Notes are not significant.

For the rest of the Endorsed Notes and the Discounted Notes, because the directors believed that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes. The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade and other payables settled with an amount of RMB872,584,000 as at 31 December 2025 (2024: RMB909,850,000). The Group recognised the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB2,324,394,000 as short-term loans at 31 December 2025 (2024: RMB1,565,810,000). And intra-group notes receivables of RMB2,210,250,000 (2024: RMB1,345,128,000) were discounted.

**20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS**

	2025 RMB'000	2024 RMB'000
Deposits and other receivables	248,302	291,140
Refund of consumption tax receivable	659,554	789,117
Prepayments	888,209	107,649
Others	1,112	1,113
<b>Total</b>	<b>1,797,177</b>	1,189,019

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2025 and 2024, the loss allowance was assessed to be minimal.

**21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	2025 RMB'000	2024 RMB'000
Cash and bank balances	638,719	564,328
Time deposits and pledged deposits	1,739,237	1,948,555
<b>Subtotal</b>	<b>2,377,956</b>	2,512,883
Less: Pledged time deposits:		
Pledged for silver leasing contracts (note 16)	192,057	—
Pledged for options	3,072	42,500
Pledged for bills payable (note 22)	358,224	404,790
Pledged for letters of credit (note 25)	—	84,531
Pledged for bank loans (note 25)	993,693	1,138,125
Pledged of letter of guarantee	119,458	225,688
Pledged for lawsuit	—	22,241
Time deposits	72,733	30,680
	<b>1,739,237</b>	1,948,555
<b>Cash and cash equivalents</b>	<b>638,719</b>	564,328
Denominated in RMB	483,464	499,250
Denominated in United States dollars ("US\$")	82,796	56,325
Denominated in Japanese yen ("JPY¥")	67,088	—
Denominated in Hong Kong dollars ("HK\$")	5,335	8,721
Denominated in Euro ("EUR")	36	32
<b>Cash and cash equivalents</b>	<b>638,719</b>	564,328

# Notes to Financial Statements

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## 21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The RMB is not freely convertible into other currencies, however, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 payables, letters of credit and bank loans secured by these deposits, and non-pledged short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group. 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.

## 22. TRADE AND BILLS PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables	882,856	904,772
Bills payable	787,941	902,903
Total	1,670,797	1,807,675

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

	2025 RMB'000	2024 RMB'000
Within 3 months	1,228,379	1,379,731
3 to 6 months	394,158	374,417
6 to 12 months	15,503	15,213
12 to 24 months	18,397	17,117
24 to 36 months	6,416	15,873
Over 36 months	7,944	5,324
Total	1,670,797	1,807,675

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

As at 31 December 2025, the bills payable of RMB787,941,000 (2024: RMB902,903,000) were secured by the Group's pledged deposits with a carrying amount of RMB358,224,000 (2024: RMB404,790,000) (note 21).

**23. OTHER PAYABLES AND ACCRUALS**

	2025 RMB'000	2024 RMB'000
<b>Current</b>		
Other payables	1,302,936	2,102,705
Contract liabilities (note 5)	509,154	350,464
Taxes payable other than income tax	35,021	104,935
Payroll payable	46,532	40,998
	<b>1,893,643</b>	2,599,102
<b>Non-current</b>		
Other payables	66,486	63,753
Total	<b>1,960,129</b>	2,662,855

Other payables are unsecured, non-interest-bearing and current portion is repayable on demand and non-current portion are repayable after the year of 2026.

**24. DERIVATIVE FINANCIAL INSTRUMENTS**

	2025	
	Assets RMB'000	Liabilities RMB'000
Forward contracts for foreign currency	1,494	—
Options for foreign currency	—	45,870
Unlisted investments, at fair value	<b>1,494</b>	<b>45,870</b>
	2024	
	Assets RMB'000	Liabilities RMB'000
Forward contracts for foreign currency	3,474	—
Options for foreign currency	—	24,831
Unlisted investments, at fair value	3,474	24,831

The Group has entered into various foreign currency options and forward contracts to manage its exchange rate exposures. These foreign currency options and forward contracts are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging currency derivatives amounting to RMB22,933,000 were charged to the statement of profit or loss during the year (2024: RMB3,965,000).

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## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2025 RMB'000	2024 RMB'000
<b>Current</b>				
Bank loans — unsecured	2.400–3.800	2026	<b>3,431,577</b>	—
Bank loans — unsecured	3.000–4.350	2025	—	1,935,312
Bank loans of US\$15,724,373 — secured	4.192–4.605	2026	<b>110,523</b>	—
Bank loans of US\$10,997,657 — secured	4.760–5.023	2025	—	79,056
Bank loans of US\$71,195,886 — unsecured	4.233–6.600	2026	<b>500,421</b>	—
Bank loans of US\$141,565,966 — unsecured	4.900–7.500	2025	—	1,017,633
Other loans — secured	2.448–6.015	2026	<b>1,068,165</b>	—
Other loans — secured	3.880–5.892	2025	—	887,296
Current portion of long term bank loans — secured	2.448–6.015	2026	<b>769,600</b>	—
Current portion of long term bank loans — secured	3.200–5.892	2025	—	561,600
Current portion of long term bank loans — unsecured	2.500–4.000	2026	<b>511,040</b>	—
Current portion of long term bank loans — unsecured	3.050–3.650	2025	—	472,500
Discounted notes receivable	0.600–2.800	2026	<b>2,324,394</b>	—
Discounted letter of credit	1.000–2.830	2026	<b>1,723,000</b>	—
Discounted notes receivable	0.500–3.500	2025	—	1,565,810
Discounted letter of credit	1.200–3.327	2025	—	1,992,685
<b>Total — current</b>			<b>10,438,720</b>	8,511,892

**25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)**

	Effective interest rate (%)	Maturity	2026 RMB'000	2025 RMB'000
<b>Non-current</b>				
Bank loans — secured	3.600–5.142	2026	—	772,600
Bank loans — secured	3.000–4.692	2027	<b>789,600</b>	840,600
Bank loans — secured	3.000–3.700	2028	<b>25,600</b>	25,600
Bank loans — secured	3.000–3.700	2029	<b>25,600</b>	25,600
Bank loans — secured	3.000–3.000	2030	<b>14,000</b>	14,000
Bank loans — unsecured	3.050–4.000	2026	—	283,000
Bank loans — unsecured	2.850–3.450	2027	<b>116,920</b>	27,000
Other loans — secured	4.384–5.891	2026	—	444,841
Other loans — secured	2.448–6.015	2027	<b>329,798</b>	—
Other loans — secured	4.167–4.273	2028	<b>56,710</b>	—
Total — Non-current			<b>1,358,228</b>	2,433,241
Total			<b>11,796,948</b>	10,945,133
<b>Analysed into:</b>				
Bank and other borrowings repayable:				
Within one year			<b>10,438,720</b>	8,511,892
In the second year			<b>1,236,318</b>	1,500,441
In the third to fifth years, inclusive			<b>121,910</b>	918,800
Beyond five years			—	14,000
Total			<b>11,796,948</b>	10,945,133

# Notes to Financial Statements

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## 25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

Certain of guarantees of the Group's bank and other 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 RMB451,243,000 (2024: RMB463,410,000) as at 31 December 2025 (note 14(a));
- (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 RMB6,449,927,000 (2024: RMB6,221,679,000) as at 31 December 2025 (note 12);
- (iii) the pledge of certain of the Group's pledged deposits amounting to RMB993,693,000 (2024: RMB1,222,656,000) as at 31 December 2025 (note 21);
- (iv) 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 RMB650,000,000 (2024: RMB650,000,000);
- (v) mortgages over 100% of the equity interest in Hangzhou Haoming; and
- (vi) mortgages over Guanlang's collection rights of trade receivables from 2025 to 2029.

Sanjiang Chemical Company Limited, one of the Group's wholly-owned subsidiaries, entered into a syndicated loan agreement with Bank of Communications Corporation Limited, China CITIC Bank Corporation Limited, Agricultural Bank of China Limited and China Minsheng Banking Corporation Limited in 2020 in relation to the funding requirement for the construction of an additional EO/EG production facility with a total loan amount of RMB3,160,000,000, out of which RMB2,649,000,000 (2024: RMB2,649,000,000) has been used as at 31 December 2025.

## 26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

	Fair value charge on derivative financial instruments	Capitalised trial production gain	Withholding tax on distributable profits	Fair value adjustments arising from acquisition of a subsidiary	Fair value adjustments on the hedged item	Accelerated depreciation for tax purposes	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	—	1,371	20,247	35,088	—	20,361	17,471	94,538
Deferred tax (credited)/ charged to the statement of profit or loss during the year (note 10)	508	(76)	10,739	(3,700)	—	(1,307)	(7,557)	(1,393)
At 31 December 2024 and 1 January 2025	<b>508</b>	<b>1,295</b>	<b>30,986</b>	<b>31,388</b>	<b>—</b>	<b>19,054</b>	<b>9,914</b>	<b>93,145</b>
Deferred tax (credited)/ charged to the statement of profit or loss during the year (note 10)	(508)	(123)	26,913	(3,698)	26,431	(1,307)	(7,579)	40,129
Settlement during the year	—	—	(18,443)	—	—	—	—	(18,443)
At 31 December 2025	—	1,172	39,456	27,690	26,431	17,747	2,335	114,831

# Notes to Financial Statements

31 December 2025

## 26. DEFERRED TAX (continued)

### Deferred tax assets

	Fair value charge on derivative financial instruments	Impairment of financial assets	Government grants	Provision for inventories	Capitalised trial production gain	Tax losses	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	945	712	9,000	12,149	861	17,587	17,471	58,725
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	120	259	2,244	11,239	(42)	(17,587)	(7,557)	(11,324)
At 31 December 2024 and 1 January 2025	<b>1,065</b>	<b>971</b>	<b>11,244</b>	<b>23,388</b>	<b>819</b>	<b>—</b>	<b>9,914</b>	<b>47,401</b>
Deferred tax credited/ (charged) to the statement of profit or loss during the year (note 10)	<b>26,984</b>	<b>(115)</b>	<b>475</b>	<b>(11,811)</b>	<b>(84)</b>	<b>—</b>	<b>(7,579)</b>	<b>7,870</b>
At 31 December 2025	<b>28,049</b>	<b>856</b>	<b>11,719</b>	<b>11,577</b>	<b>735</b>	<b>—</b>	<b>2,335</b>	<b>55,271</b>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2025 RMB'000	2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<b>7,586</b>	16,630
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>67,146</b>	62,374

## 26. DEFERRED TAX (continued)

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the Chinese mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

Pursuant to the approval of the tax bureau in 2013, a 5% withholding tax is levied on dividends declared from the profits of 2010 and 2011 of Sanjiang Chemical according to the related tax arrangement between the Chinese mainland and Hong Kong. In the opinion of the directors, the lower withholding tax rate of 5% should be applied for the dividends declared since 2012 in view of the fact that Capitol International engages in substantive operation activities in Hong Kong and is the beneficial owner of the dividends.

Deferred tax liabilities are recognised based on 50% (2024: 50%) of the accumulated distributable earnings of the subsidiaries established in the Chinese mainland. In the opinion of the directors, it is not probable that these subsidiaries established in the Chinese mainland will distribute the remaining 50% (2024: 50%) of such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the Chinese mainland for which deferred tax liabilities have not been recognised was approximately RMB3,472,547,000 as at 31 December 2025 (2024: RMB3,303,133,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

Deferred tax assets have not been recognised in respect of tax losses of RMB2,897,741,000 (2024: RMB2,546,792,000) and deductible temporary differences of RMB286,726,000 (2024: RMB268,675,000) as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group has tax losses arising in the Chinese mainland of RMB2,895,705,000 (2024: RMB2,542,415,000) that will expire in one to ten years for offsetting against future taxable profits.

The Group also has tax losses arising in Hong Kong of RMB2,036,000 (2024: RMB4,377,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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## 27. SHARE CAPITAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 January 2009 with authorised share capital of HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.1 each.

The issued capital of the Company is as follows:

	Number of shares	Amount RMB'000
Issued and fully paid ordinary shares of HK\$0.1 each:		
At 1 January 2024, 31 December 2024 and 1 January 2025	1,190,000,000	102,662
Shares repurchased (note (a))	(3,000,000)	—
At 31 December 2025	1,187,000,000	102,662

Note:

- (a) The Company purchased 3,000,000 of its shares on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) at a total consideration of HK\$6,807,000. As at 31 December 2025, the Group had 3,000,000 (2024: Nil) purchased shares classified as treasury shares held for the cancellation in the future.

## 28. 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.

**28. SHARE AWARD PLAN (continued)**

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.

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:

	Number of shares purchased for the Share Award Plan	Number of awarded shares
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	32,125,000	—

There was no share award plan expense was charged to the consolidated statement of profit or loss during the year 2025 (2024: Nil).

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## 29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 61 of the financial statements.

Pursuant to the PRC Company Law and the respective entities' articles of association, the Group's subsidiaries established in the PRC shall appropriate 10% of their annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve must be maintained at a minimum of 25% of the share capital after usage.

## 30. DIVIDENDS

	2025	2024
	RMB'000	RMB'000
Proposed final — HK5 cents (2024: Nil) per ordinary share	53,742	—

The proposed final dividend of HK\$59,500,000 (equivalent to RMB53,742,000) for the year, which is based on the Company's total number of shares as at 31 December 2025, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year of 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,042,000 (2024: RMB944,000) and RMB4,042,000 (2024: RMB944,000), respectively, in respect of lease arrangements for pipes and motor vehicles.

### (b) Changes in liabilities arising from financing activities

2025

	Bank loans	Lease liabilities	Other payable
	RMB'000	RMB'000	RMB'000
At 1 January 2025	10,945,133	51,227	121,225
Changes from financing cash flows	853,109	(35,406)	(9,561)
New leases	—	4,042	—
Interest paid	(368,145)	(1,676)	—
Interest expense	366,851	1,676	2,888
At 31 December 2025	11,796,948	19,863	114,552

**31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)****(b) Changes in liabilities arising from financing activities (continued)**

2024

	Bank loans RMB'000	Lease liabilities RMB'000	Other payable RMB'000
At 1 January 2024	10,190,015	81,510	86,661
Changes from financing cash flows	755,424	(31,227)	34,564
New leases	—	944	—
Interest paid	(408,874)	(3,051)	(3,037)
Interest expense	408,568	3,051	3,037
At 31 December 2024	10,945,133	51,227	121,225

**(c) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	584	439
Within financing activities	37,082	34,278
Total	37,666	34,717

**32. PLEDGE OF ASSETS**

Details of the Group's assets pledged for the Group's bills payable and interest-bearing bank borrowings are included in notes 12, 14(a), 21, 22 and 25 to these financial statements, respectively.

**33. COMMITMENTS**

The Group had the following capital commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
Contracted, but not provided for: Long-lived assets	4,260,330	4,510,286

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## 34. RELATED PARTY TRANSACTIONS

Details of the Company's principal related parties are as follows:

Name	Relationship with the Company
Guan Jianzhong	Ultimate controlling shareholder
Han Jianhong	Director
Zhejiang Jiahua Energy Chemical Co., Ltd. ("Jiahua Energy")	An entity controlled by the ultimate controlling shareholder
Zhejiang Meifu Petrochemical Co., Ltd. ("Mei Fu Petrochemical")	An entity controlled by the ultimate controlling shareholder
Zhejiang Zhapu Meifu Port & Storage Co., Ltd. ("Mei Fu Port")	An entity controlled by the ultimate controlling shareholder
Hangzhou Haoming Investment Co., Limited ("Hangzhou Haoming")	An entity controlled by the ultimate controlling shareholder
Jiaxing Xinggang Rewang Co., Ltd. ("Jiaxing Rewang")	An entity under significant influence of the ultimate controlling shareholder
Zhejiang Haoxing Energy Conservation Technology Co., Ltd. ("Haoxing Energy Conservation")	An entity controlled by the ultimate controlling shareholder
Zhejiang Gangan Intelligent Technology Co., Ltd. ("Gangan Intelligent")	An entity controlled by the ultimate controlling shareholder
Jiaxing Jianghao Eco-agriculture Co., Ltd. ("Jianghao Eco-agriculture")	An entity controlled by the ultimate controlling shareholder
Sure Capital	Immediately holding company
Zhejiang Jiahua New Material Co., Ltd. ("Jiahua New Material")	An entity controlled by the ultimate controlling shareholder
Jiaxing Zhapu Construction Investment Co., Ltd. ("Zhapu Construction")	A non-controlling shareholder of the subsidiary
Jiaxing Hangzhou Bay Petrochemical Logistics Co., Ltd. ("Hangzhou Bay Petro")	An entity under significant influence of the ultimate controlling shareholder
Zhejiang Jiafu New Materials Technology Co., Ltd. ("Jiafu New Materials")	An entity controlled by the ultimate controlling shareholder
Jiaxing Fancheng Chemical Co., Ltd. ("Jiaxing Fancheng")	An entity under significant influence of the ultimate controlling shareholder
Zhejiang Zhongxin Enterprise Management Co., Ltd. ("Zhejiang Zhongxin")	An entity controlled by the ultimate controlling shareholder
Zhejiang Jiahua Group Co., Ltd. ("Jiahua Group")	An entity controlled by the ultimate controlling shareholder
Blue Whale Bioenergy (Zhejiang) Co., Ltd. ("Blue Whale Bioenergy")	An entity under significant influence of the ultimate controlling shareholder
Jimoni Haijin New Energy Technology Development Co., Ltd ("Jimoni Haijin New Energy")	An entity controlled by the ultimate controlling shareholder
Zhejiang Jiajia Xingcheng New Materials Co., Ltd ("Jiajia Xingcheng New Materials")	An entity controlled by the ultimate controlling shareholder

**34. RELATED PARTY TRANSACTIONS (continued)**

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2025 RMB'000	2024 RMB'000
Sales of goods to:			
Jiahua Energy	(i)	539,381	895,942
Mei Fu Petrochemical	(i)	26,316	53,757
Jiafu New Materials	(i)	—	21,372
Mei Fu Port	(i)	6,863	5,615
Blue Whale Bioenergy	(i)	4,097	—
Jiahua New Material	(i)	2,183	2,155
Gangan Intelligent	(i)	23	50
Jiajia Xingcheng New Materials	(i)	22	—
<b>Total</b>		<b>578,885</b>	978,891
Purchases of goods from:			
Mei Fu Petrochemical	(i)	2,116,646	2,864,242
Jiahua Energy	(i)	679,973	737,518
Haoxing Energy Conservation	(i)	10,047	1,013
Jimoni Haijin New Energy	(i)	54,128	—
Jiaxing Rewang	(i)	7,759	3,534
Jianghao Eco-agriculture	(i)	2,135	1,904
Jiafu New Materials	(i)	—	754
<b>Total</b>		<b>2,870,688</b>	3,608,965
Energy management fee to:			
Haoxing Energy Conservation	(i)	—	1,315
Service income from:			
Jiahua Energy	(ii)	1,825	1,712
Hangzhou Bay Petro	(ii)	462	491
Mei Fu Port	(ii)	226	170
Jiaxing Fancheng	(ii)	189	—
Jiahua New Material	(ii)	113	113
Jiafu New Materials	(ii)	—	113
<b>Total</b>		<b>2,815</b>	2,599
Storage income from:			
Jiahua Energy	(ii)	19,503	10,435
Loading and service provided by:			
Mei Fu Port	(ii)	178,603	188,042
Hangzhou Bay Petro	(ii)	17,435	18,445
Mei Fu Petrochemical	(ii)	—	421
<b>Total</b>		<b>196,038</b>	206,908

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## 34. RELATED PARTY TRANSACTIONS (continued)

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	Notes	2025 RMB'000	2024 RMB'000
Rental income from:			
Jiahua Energy	(ii)	5,762	3,542
Mei Fu Port	(ii)	1,699	5,325
Mei Fu Petrochemical	(ii)	2,127	4,374
Gangan Intelligent	(ii)	1,936	970
Blue Whale Bioenergy	(ii)	1,688	—
Jiaxing Rewang	(ii)	851	851
Jiafu New Materials	(ii)	285	583
Hangzhou Bay Petro	(ii)	180	180
<b>Total</b>		<b>14,528</b>	15,825
Repair and maintenance services to:			
Gangan Intelligent	(ii)	56,030	52,537
<b>Total</b>		<b>56,030</b>	52,537
Rental expense to:			
Mei Fu Petrochemical	(ii)	37,944	34,404
Hangzhou Haoming	(ii)	3,868	1,395
<b>Total</b>		<b>41,812</b>	35,799
Loans from:			
Mei Fu Petrochemical	(iii)	644,234	1,064,911
<b>Total</b>		<b>644,234</b>	1,064,911
Management fees to:			
Mei Fu Petrochemical	(ii)	—	601

**34. RELATED PARTY TRANSACTIONS (continued)**

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Notes:

- (i) The sales and purchases of goods to and from the related parties were made according to the published prices and conditions offered by the related parties to their major customers and suppliers.
- (ii) The transactions were conducted at the prevailing market rates mutually agreed between the relevant parties.
- (iii) Meifu Petrochemical provided a loan of RMB644,234,000 to Sanjiang Chemical in 2025 (2024: RMB1,064,911,000) which was fully paid at the year end.

- (b) Outstanding balances with related parties:

	2025 RMB'000	2024 RMB'000
Due from related parties:		
Jiahua New Material	—	372
<b>Total</b>	<b>—</b>	<b>372</b>

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

	2025 RMB'000	2024 RMB'000
Due to related parties:		
<b>Current</b>		
Jiahua Energy	<b>390,442</b>	352,541
Mei Fu Port	<b>104,715</b>	92,444
Blue Whale Bioenergy	<b>67,269</b>	71,000
Gangan Intelligent	<b>41,931</b>	40,906
Hangzhou Bay Petro	<b>1,665</b>	4,580
Haoxing Energy Conservation	<b>53,852</b>	4,207
Jiaxing Rewang	<b>6,418</b>	4,003
Jianghao Eco-agriculture	<b>1,856</b>	658
Jiahua Group	<b>712</b>	800
Jiafu New Materials	—	362
Zhapu Construction	—	63
Jimoni Haijin New Energy	<b>59,195</b>	—
	<b>728,055</b>	571,564

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## 34. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties: (continued)

	2025 RMB'000	2024 RMB'000
<b>Non-current</b>		
Mei Fu Petrochemical	295,866	894,932
Zhejiang Zhongxin	48,000	48,000
	<b>343,866</b>	942,932
Total	<b>1,071,921</b>	1,514,496

The balances of amount due to related parties are unsecured, interest-free and repayable on demand except the non-current portion of balances of amount due to Mei Fu Petrochemical and Zhejiang Zhongxin are repayable after the year of 2026.

Except for the balances of amount due to Zhejiang Zhongxin are non-trade in nature, the balances of amount due to/from related parties above are trade in nature.

(c) Compensation of key management personnel of the Group:

	2025 RMB'000	2024 RMB'000
Short term employee benefits	5,076	6,067
Pension scheme contributions	112	78
Total compensation paid to key management personnel	<b>5,188</b>	6,145

Further details of directors' remuneration are included in note 8 to these financial statements.

The related party transactions in respect of (a)(i), (a)(ii) and (a)(iii) above, except for the purchases of goods from Jianghao Eco-agriculture, Haoxing Energy Conservation and Jiafu New Materials, service income from Hangzhouwan Petro, rental income from Gangan Intelligent, Hangzhou Bay Petro and Jiaxing Rewang, rental expense to Hangzhou Haoming, loans from Mei Fu Petrochemical, also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### 35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2025

#### Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	Mandatorily designated as such	Debt investments	Equity investments		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments at fair value through other comprehensive income	—	—	3,409	—	3,409
Derivative financial instruments	1,494	—	—	—	1,494
Financial assets at fair value through profit or loss	4,741	—	—	—	4,741
Trade and notes receivables	—	1,137,675	—	219,536	1,357,211
Financial assets included in prepayments, other receivables and other assets	—	—	—	908,968	908,968
Due from related parties	—	—	—	—	—
Pledged deposits	—	—	—	1,666,504	1,666,504
Time deposits	—	—	—	72,733	72,733
Cash and cash equivalents	—	—	—	638,719	638,719
<b>Total</b>	<b>6,235</b>	<b>1,137,675</b>	<b>3,409</b>	<b>3,506,460</b>	<b>4,653,779</b>

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### 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

**2025**

#### Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost RMB'000	Total RMB'000
	Mandatorily designated as such RMB'000		
Trade and bills payables	—	1,670,797	1,670,797
Derivative financial instruments	45,870	—	45,870
Financial liabilities at fair value through profit or loss	331,360	—	331,360
Financial liabilities included in other payables and accruals	—	1,369,422	1,369,422
Interest-bearing bank and other borrowings Due to related parties	—	11,796,948	11,796,948
	—	1,071,921	1,071,921
<b>Total</b>	<b>377,230</b>	<b>15,909,088</b>	<b>16,286,318</b>

**35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2024

## Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost RMB'000	Total RMB'000
	Mandatorily designated as such RMB'000	Debt investments RMB'000	Equity investments RMB'000		
Equity investments at fair value through other comprehensive income	—	—	3,409	—	3,409
Derivative financial instruments	3,474	—	—	—	3,474
Financial assets at fair value through profit or loss	2,647	—	—	—	2,647
Trade and notes receivables	—	1,310,087	—	163,018	1,473,105
Financial assets included in prepayments, other receivables and other assets	—	—	—	1,081,248	1,081,248
Due from related parties	—	—	—	372	372
Pledged deposits	—	—	—	1,917,875	1,917,875
Time deposits	—	—	—	30,680	30,680
Cash and cash equivalents	—	—	—	564,328	564,328
<b>Total</b>	<b>6,121</b>	<b>1,310,087</b>	<b>3,409</b>	<b>3,757,521</b>	<b>5,077,138</b>

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## 35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2024

### Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	Mandatorily designated as such		
	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	1,807,675	1,807,675
Derivative financial instruments	24,831	—	24,831
Financial liabilities at fair value through profit or loss	87,812	—	87,812
Financial liabilities included in other payables and accruals	—	2,166,458	2,166,458
Interest-bearing bank and other borrowings	—	10,945,133	10,945,133
Due to related parties	—	1,514,496	1,514,496
Total	112,643	16,433,762	16,546,405

## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and amounts due from/to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the floating interest rate or the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

### 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of long-term amounts due to a related party and the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for long-term amounts due from a related party as at 31 December 2025 were assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in the Chinese mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the notes receivables classified as debt investments at fair value through other comprehensive income as at 31 December 2025 have been estimated by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. In addition, the notes receivable will mature within one year, and thus their fair values approximate to their carrying values.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with A credit ratings. Derivative financial instruments, including options for silver and methanol, forward contracts for silver and foreign currency, options for foreign currency are measured using valuation techniques, including the Black-Scholes option pricing model and net present value of the cash flows model. The models incorporate various market observable inputs including the risk-free interest rate, implied volatility of the exchange rate, spot prices and implied volatility of silver's prices. The carrying amounts of options for silver and methanol, forward contracts for silver and foreign currency, options for foreign currency are the same as their fair values.

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## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2025, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2025 and 2024:

	Valuation technique	Significant unobservable input	Range/ Weighted average	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	2025: 19.1 to 56.3 (2024: 17.1 to 35.5)	5% (2024: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB392,000 (2024: RMB184,000)
		Discount for lack of marketability	2025: 19% (2024: 20%)	5% (2024: 5%) increase/decrease in discount would result in decrease/ increase in fair value by RMB92,000 (2024: RMB46,000)

**36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**Assets measured at fair value:**

**As at 31 December 2025**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	—	—	3,409	3,409
Derivative financial instruments	—	1,494	—	1,494
Debt investments at fair value through other comprehensive income	—	1,137,675	—	1,137,675
Financial assets at fair value through profit or loss	—	4,741	—	4,741
<b>Total</b>	<b>—</b>	<b>1,143,910</b>	<b>3,409</b>	<b>1,147,319</b>

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investments designated at fair value through other comprehensive income	—	—	3,409	3,409
Derivative financial instruments	—	3,474	—	3,474
Debt investments at fair value through other comprehensive income	—	1,310,087	—	1,310,087
Financial assets at fair value through profit or loss	—	2,647	—	2,647
<b>Total</b>	<b>—</b>	<b>1,316,208</b>	<b>3,409</b>	<b>1,319,617</b>

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## 36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

### Fair value hierarchy (continued)

#### Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2025 RMB'000	2024 RMB'000
Equity investments designated at fair value through other comprehensive income		
At 1 January and at 31 December	<b>3,409</b>	3,409

#### Liabilities measured at fair value:

##### As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	—	45,870	—	45,870
Financial liabilities at fair value through profit or loss	331,360	—	—	331,360
<b>Total</b>	<b>331,360</b>	<b>45,870</b>	<b>—</b>	<b>377,230</b>

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	—	24,831	—	24,831
Financial liabilities at fair value through profit or loss	87,812	—	—	87,812
<b>Total</b>	<b>87,812</b>	<b>24,831</b>	<b>—</b>	<b>112,643</b>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2024: Nil).

### 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings and cash and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally options for silver and methanol, forward contracts for silver and foreign currency, options for foreign currency, futures for chemical products. The purpose is to manage the commodity price risk and foreign currency risk arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings. Some of these interest-bearing bank borrowings were obtained at floating interest rates, which have exposed the Group to fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest rates and terms of repayment of borrowings are disclosed in note 25 above.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
<b>2025</b>		
RMB	5	(1,878)
RMB	(5)	1,878
<b>2024</b>		
RMB	5	(2,792)
RMB	(5)	2,792

# Notes to Financial Statements

31 December 2025

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 21.54% (2024: 13.94%) of the Group's purchases for the year ended 31 December 2025 are denominated in currencies other than the functional currencies of the operating units making the purchase, whilst almost 96% (2024: 98%) of sales for the year are denominated in the respective operating units' functional currencies. At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Hong Kong dollar and Euro exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000
<b>2025</b>		
If RMB weakens against the United States dollar	5	<b>(31,288)</b>
If RMB strengthens against the United States dollar	<b>(5)</b>	<b>31,288</b>
If RMB weakens against the Hong Kong dollar	5	267
If RMB strengthens against the Hong Kong dollar	<b>(5)</b>	<b>(267)</b>
If RMB weakens against Euro	5	2
If RMB strengthens against Euro	<b>(5)</b>	<b>(2)</b>
<b>2024</b>		
If RMB weakens against the United States dollar	5	(65,341)
If RMB strengthens against the United States dollar	(5)	65,341
If RMB weakens against the Hong Kong dollar	5	436
If RMB strengthens against the Hong Kong dollar	(5)	(436)
If RMB weakens against Euro	5	2
If RMB strengthens against Euro	(5)	(2)

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group does not offer credit terms without the specific approval of the chairlady.

**Maximum exposure and year-end staging**

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

**As at 31 December 2025**

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	RMB'000	RMB'000	RMB'000	approach	RMB'000
				RMB'000	
Trade receivables*	—	—	—	226,415	226,415
Notes receivable	1,137,675	—	—	—	1,137,675
Financial assets included in prepayments, other receivables and other assets					
— Normal**	908,968	—	—	—	908,968
Amounts due from related parties	—	—	—	—	—
Pledged deposits					
— Not yet past due	1,666,504	—	—	—	1,666,504
Time deposits					
— Not yet past due	72,733	—	—	—	72,733
Cash and cash equivalents					
— Not yet past due	638,719	—	—	—	638,719
<b>Total</b>	<b>4,424,599</b>	<b>—</b>	<b>—</b>	<b>226,415</b>	<b>4,651,014</b>

# Notes to Financial Statements

31 December 2025

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

#### Maximum exposure and year-end staging (continued)

As at 31 December 2024

	12-month	Lifetime ECLs			Total RMB'000
	ECLs	Stage 2	Stage 3	Simplified approach	
	Stage 1 RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	—	—	—	170,670	170,670
Notes receivable	1,310,087	—	—	—	1,310,087
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,081,248	—	—	—	1,081,248
Amounts due from related parties	372	—	—	—	372
Pledged deposits					
— Not yet past due	1,917,875	—	—	—	1,917,875
Time deposits					
— Not yet past due	30,680	—	—	—	30,680
Cash and cash equivalents					
— Not yet past due	564,328	—	—	—	564,328
<b>Total</b>	<b>4,904,590</b>	<b>—</b>	<b>—</b>	<b>170,670</b>	<b>5,075,260</b>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade and notes receivables, and prepayments, other receivables and other assets are disclosed in notes 19 and 20, respectively, to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables are widely dispersed.

### Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, lease liabilities borrowings to meet its working capital requirements.

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Liquidity risk (continued)**

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2025					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	620,455	262,401	787,941	—	—	1,670,797
Other payables	1,058,095	41,081	203,760	66,486	—	1,369,422
Lease liabilities	—	2,572	4,035	10,175	5,215	21,997
Derivative financial instruments	—	—	45,870	—	—	45,870
Financial liabilities at fair value through profit or loss	—	—	331,360	—	—	331,360
Interest-bearing bank and other borrowings	—	3,414,338	7,553,860	1,401,311	—	12,369,509
Due to related parties	728,055	—	—	343,866	—	1,071,921
<b>Net carrying amount</b>	<b>2,406,605</b>	<b>3,720,392</b>	<b>8,926,826</b>	<b>1,821,838</b>	<b>5,215</b>	<b>16,880,876</b>

	As at 31 December 2024					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	684,698	220,074	902,903	—	—	1,807,675
Other payables	1,920,792	25,098	156,815	63,753	—	2,166,458
Lease liabilities	—	9,130	25,075	11,921	6,956	53,082
Derivative financial instruments	—	—	24,831	—	—	24,831
Financial liabilities at fair value through profit or loss	—	—	87,812	—	—	87,812
Interest-bearing bank and other borrowings	—	3,129,518	5,628,237	2,553,342	72,785	11,383,882
Due to related parties	571,564	—	—	942,932	—	1,514,496
<b>Net carrying amount</b>	<b>3,177,054</b>	<b>3,383,820</b>	<b>6,825,673</b>	<b>3,571,948</b>	<b>79,741</b>	<b>17,038,236</b>

# Notes to Financial Statements

31 December 2025

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, lease liabilities, amounts due to related parties, trade and bills payables, other payables and accruals, less cash and cash equivalents, time deposits and pledged short-term deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2025 RMB'000	2024 RMB'000
Interest-bearing bank and other borrowings	<b>11,796,948</b>	10,945,133
Lease liabilities	<b>19,863</b>	51,227
Trade and bills payables	<b>1,670,797</b>	1,807,675
Other payables and accruals	<b>1,960,127</b>	2,662,855
Due to related parties	<b>1,071,921</b>	1,514,496
Less: Cash and cash equivalents	<b>(638,719)</b>	(564,328)
Time deposits	<b>(72,733)</b>	(30,680)
Pledged short-term deposits	<b>(1,510,450)</b>	(1,742,210)
Net debt	<b>14,297,754</b>	14,644,168
Equity attributable to owners of the parent	<b>5,312,800</b>	4,911,769
Total capital and net debt	<b>19,610,556</b>	19,555,937
Gearing ratio	<b>72.91%</b>	74.88%

**38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY**

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	<b>426,588</b>	426,588
CURRENT ASSETS		
Prepayments, other receivables and other assets	<b>2,006</b>	2,057
Due from a subsidiary	<b>71,172</b>	72,970
Cash and cash equivalents	<b>4,001</b>	1,161
Total current assets	<b>77,179</b>	76,188
CURRENT LIABILITIES		
Other payables and accruals	<b>2,123</b>	2,177
Due to a subsidiary	<b>410,890</b>	410,056
Due to a related party	<b>—</b>	27,781
Total current liabilities	<b>413,013</b>	440,014
NET CURRENT LIABILITIES	<b>(335,834)</b>	(363,826)
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>90,754</b>	62,762
Net assets	<b>90,754</b>	62,762
EQUITY		
Issued capital	<b>102,662</b>	102,662
Reserves (note)	<b>(11,908)</b>	(39,900)
Total equity	<b>90,754</b>	62,762

# Notes to Financial Statements

31 December 2025

## 38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Treasury shares RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Shares repurchased for share award plan RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	—	1,164,193	2,371	(45,339)	(1,123,001)	(1,776)
Total comprehensive loss for the year	—	—	—	—	(36,630)	(36,630)
Repurchase of shares for the share award	—	—	—	(1,494)	—	(1,494)
At 31 December 2024 and 1 January 2025	—	<b>1,164,193</b>	<b>2,371</b>	<b>(46,833)</b>	<b>(1,159,631)</b>	<b>(39,900)</b>
Total comprehensive loss for the year	—	—	—	—	34,219	34,219
Repurchase of ordinary shares	<b>(6,227)</b>	—	—	—	—	<b>(6,227)</b>
At 31 December 2025	<b>(6,227)</b>	<b>1,164,193</b>	<b>2,371</b>	<b>(46,833)</b>	<b>(1,125,412)</b>	<b>(11,908)</b>

## 39. EVENTS AFTER THE REPORTING PERIOD

There was no event causing significant impacts on the Group after 31 December 2025.

## 40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2026.

## Five Year Financial Summary

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	<b>18,468,172</b>	19,586,052	13,128,400	8,817,875	9,498,708
Gross profit/(loss)	<b>898,199</b>	1,110,563	194,336	(59,704)	652,585
Finance costs	<b>371,415</b>	414,656	214,904	168,317	131,332
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>522,619</b>	547,147	20,207	(364,483)	442,182
Income tax (expense)/credit	<b>112,956</b>	13,207	(23,927)	(10,029)	66,029
Net profit/(loss) for the year	<b>409,663</b>	533,940	44,134	(354,454)	376,153
Profit/(loss) attributable to ordinary equity holders of the parent	<b>407,258</b>	532,550	91,477	(307,880)	380,611
<b>NON-CURRENT ASSETS</b>	<b>14,023,198</b>	14,377,741	14,718,210	13,339,478	10,760,640
<b>CURRENT ASSETS</b>	<b>8,347,879</b>	7,728,130	6,283,562	4,919,118	3,517,607
<b>CURRENT LIABILITIES</b>	<b>15,224,257</b>	13,694,427	12,419,637	10,608,821	7,539,114
<b>NON-CURRENT LIABILITIES</b>	<b>1,849,596</b>	3,517,656	4,220,793	3,324,080	1,998,567
Net assets/Total equity	<b>5,297,224</b>	4,893,788	4,361,342	4,325,695	4,740,566
Cash inflow/(outflow) from operating activities	<b>912,479</b>	1,055,595	(122,008)	(910,519)	1,628,387
Cash outflow from investing activities	<b>(1,549,070)</b>	(1,389,560)	(790,280)	(1,971,947)	(3,287,901)
Cash inflow/(outflow) from financing activities	<b>717,345</b>	533,274	1,058,319	2,503,651	1,481,125
	<b>RMB fen</b>	RMB fen	RMB fen	RMB fen	RMB fen
Earnings/(loss) per share — Basic	<b>35.2</b>	45.99	7.84	(26.18)	32.36
Earnings/(loss) per share — Diluted	<b>35.2</b>	45.99	7.84	(26.18)	32.36
	<b>In %</b>	In %	In %	In %	In %
Gross profit/(loss) margin	<b>4.9%</b>	5.7%	1.5%	(0.7%)	6.9%
Gearing — total interest-bearing borrowings to total asset	<b>52.7%</b>	49.5%	48.5%	57.5%	45.7%
	<b>2025 In days</b>	2024 In days	2023 In days	2022 In days	2021 In days
<b>Inventory turnover days</b>					
— Average opening and closing inventories divided by cost of sales x 365 days	<b>59.1</b>	46.2	42.6	43.7	35.7
Trade and notes receivables turnover days					
— Average opening and closing trade and note receivables divided by revenue x 365 days	<b>28.0</b>	27.1	28.3	19.7	11.5
Trade and bills payables turnover days					
— Average opening and closing trade payables divided by cost of sales x 365 days	<b>36.1</b>	38.9	48.0	68.1	58.0

# Corporate Information

## DIRECTORS

### Executive Directors

HAN Jianhong (*Chairlady*)  
RAO Huotao  
CHEN Xian  
GUAN Siyi

### 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

Ernst & Young  
Certified Public Accountants and  
Registered Public Interest Entity Auditor

## LEGAL ADVISERS AS TO HONG KONG LAW

Withers  
30/F United Centre  
95 Queensway  
Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC AND HEADQUARTERS

Pinghai Road, Jiaxing Port Area, Zhejiang Province, PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., United Centre,  
Admiralty,  
Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D, P.O. Box 1586, Gardenia Court  
Camana Bay, Grand Cayman, KY1-1100  
Cayman Islands

## COMPANY SECRETARY

YIP Ngai Hang, Henry, FCPA FCCA

## PRINCIPAL BANKERS IN THE PRC

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

Bank of China  
Pinghu City Branch  
40 Chengnan Road West, Pinghu City  
Zhejiang Province, PRC

China CITIC Bank  
Jiaxing Branch  
639 Zhongshan Road East, Jiaxing City  
Zhejiang Province, PRC

Industrial and Commercial Bank of China  
Pinghu City Branch  
338 Yashan Road Central, Pinghu City  
Zhejiang Province, PRC

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road, Hong Kong

## CORPORATE WEBSITE

<http://www.chinasanjiangfinechemicals.com/>