



**玖源化工(集團)有限公司**  
**Ko Yo Chemical (Group) Limited**

(incorporated in the Cayman Islands with limited liability)  
(Stock code: 00827)

**ANNUAL REPORT**  
**2025**





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## Corporate Information

### DIRECTORS

#### Executive Directors

Mr. Tang Guoqiang  
Mr. Fan Chao  
Mr. Zhang Weihua

#### Independent non-executive Directors

Mr. Xu Congcai  
Mr. Le Yiren  
Ms. Lu Yi

### COMPANY SECRETARY

Mr. Chung Tin Ming, HKICPA, FCCA

### QUALIFIED ACCOUNTANT

Mr. Chung Tin Ming, HKICPA, FCCA

### AUDIT COMMITTEE

Mr. Xu Congcai  
Mr. Le Yiren  
Ms. Lu Yi

### AUTHORIZED REPRESENTATIVES

Mr. Tang Guoqiang  
Mr. Fan Chao

### COMPLIANCE OFFICER

Mr. Zhang Weihua

### REGISTERED OFFICE

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

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 02, 31st Floor, Sino Plaza  
255-257 Gloucester Road  
Causeway Bay, Hong Kong

### SHARE REGISTRAR

Union Registrars Limited  
Suites 3301-04, 33/F.  
Two Chinachem Exchange Square  
338 King's Road, North Point  
Hong Kong

### AUDITOR

ZHONGHUI ANDA CPA Limited  
23/F, Tower 2, Enterprise Square Five  
38 Wang Chiu Road  
Kowloon Bay  
Hong Kong

### PRINCIPAL BANKERS

China Everbright Bank Co., Ltd.  
— Chengdu Branch

Huaxia Bank Co., Ltd.  
— Chengdu Tianfu Branch

China Bohai Bank Co., Ltd.  
— Chengdu Branch

Gui Yang Bank  
— Chengdu Branch

### STOCK CODE

827

### WEBSITE

[www.koyochem.com](http://www.koyochem.com)



## Highlights

- For the year ended 31 December 2025, the loss attributable to owners of the Company was approximately RMB747 million, which represent an increase in loss of approximately RMB242 million as compared to the loss of approximately RMB505 million in year 2024.
- Basic loss per share was approximately RMB0.1213 for the year ended 31 December 2025.
- For the year ended 31 December 2025, sales was approximately RMB2,162 million, which represents a decrease of approximately 16.8% as compared to year 2024.
- The sales amount and quantities of main products of the Group are as follows:

Type	Sales amount (million RMB)	Sales quantities (tonnes)	% change compare with year 2024	
			Sales amount	Sales quantities
Urea	671.5	415,882	(9.5)	7.4
Ammonia	618.2	284,618	(27.2)	(18.8)
Methanol	870.9	432,251	8.1	11.0
N-methylpyrrolidone	0.2	26	(97.8)	(97.6)
N,N-dimethylformamide	1.1	324	(92.7)	(92.3)
Others — trading	Nil	N/A	(100.0)	N/A

- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2025.



# Chairman's Statement

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the period under review, the Group and its subsidiaries operated proactively and steadily under the management objective of “higher standards, better solutions, stronger execution”. The various incentive policies implemented in early stage have shown a conspicuous effect and continued to enhance foundation for production, technology, and management. Through ongoing optimisation and adjustments during operations, the Group united in concerted efforts, greatly boosting team dynamism. The Group continued to tap the energy-saving potential of its production units and reduce production costs to improve the Company's operating efficiency. In particular, the sales model underwent ongoing adjustments. Based on the performance of each product in different markets, the Group dynamically adjusted bidding strategies and order allocation ratios to further enhance corporate profitability and optimise customer structure. With the continuous advancement of technology and the deepening of operational practices, the intrinsic safety performance of equipment has been steadily improved, production costs have been consistently reduced, and the Company's risk resilience has been progressively strengthened. The new project has successfully undergone further optimisation and enhancements, standing ready to extend the industrial chain and strengthen the Company's overall competitiveness. Standardisation work, such as management standardisation, business standardisation, technology standardisation, operation standardisation, etc., was deeply rooted in our staff's minds and externalized into their action, continuously strengthening the management foundation, improving management standards, and constantly enhancing the Group's core competitiveness.

Overall, in 2025, safety, environmental protection, production, consumption, marketing and cost control all surpassed the all-time best levels achieved in 2024. In 2025, although the natural gas usage was largely guaranteed, natural gas prices rose sharply. Meanwhile, after experiencing market volatility and a downward trend, product prices have stabilised at relatively low levels. Despite the challenging external environment, the Group has maintained stable operations through concerted internal efforts, though overall business performance has fallen slightly below expectations.

### Guang'an Ko Yo Plant

After Guang'an Ko Yo Plant completed the unit overhaul, its methanol-ammonia co-production units resumed production on 3 January 2025. The plant actively responded to the Group's requirements of “higher standards, better solutions, stronger execution” by strengthening its internal management through measures such as foundation consolidation and empowerment and institutional diagnosis. Project construction proceeded in an orderly manner according to the established plan, with the energy investment pipeline project completed and commissioned. The methanol-ammonia steam energy-saving renovation project and the Lier (利爾) pipeline project were put into trial operation, which will create new profit growth points for the company. The production and operation achieved outstanding results. Through equipment technology upgrades, cost control measures, and operational stability competitions, both output and energy efficiency further improved and surpassed the all-time best levels achieved in 2024. Despite the Company's best-ever results in terms of cost control and unit operation, the operating conditions fell short of expectations due to the significant increase in the price of natural gas as well as the low sales prices of finished products.



## Chairman's Statement

### Dazhou Ko Yo Plant

This year, Dazhou Ko Yo Plant continued to organise production according to the goal of “fine management, stable growth and excellent operation” for its production units. Upon the annual overhaul at the beginning of the year, the synthetic ammonia and urea units resumed production on 13 February. With the annual overhaul, existing problems and potential hazards of the units were effectively resolved. After resuming production, and through continuous optimisation and adjustment, the output and energy consumption of synthetic ammonia and urea both reached a good level. Throughout the year, through the efficient operation and execution of the new HSE management system, production operation management system, scientific and technological progress system, equipment integrity management system, and the “Three Foundations” work system, the company has cultivated an excellent work style of strict requirements, meticulousness, innovation, and practical entrepreneurship, as well as a positive work atmosphere, taking the company's management to a new level. Despite the Company achieving good results in terms of cost control, unit operation, scientific and technological progress, and new product development, the operating conditions fell short of expectations due to the increase in the price of upstream natural gas as well as the persistently low sales prices of products.

### Guang'an Ko Yo Electronic Material Plant

Due to sluggish market demand, the units of Guang'an Ko Yo Electronic Material Plant were in a state of shutdown in 2025. To cope with the increasingly fierce market competition, the Company has always adhered to increasing production, reducing consumption, improving quality and increasing efficiency as effective measures to enhance its core competitiveness. It actively carried out optimisation and production-expanding technical transformation of its units. After the transformation, the stability of the DMF (N,N-dimethylformamide) unit and the capacity of the NMP (N-methylpyrrolidone) unit have been significantly improved, effectively reducing production costs and enhancing product competitiveness. Production will be resumed contingent on market conditions of the products.

### Jiangsu Bluestar Plant

At present, the main construction of Jiangsu Bluestar Green Technology Co., Ltd.'s 400,000 tonnes/year propylene oxide project is basically completed and has entered into the commissioning, testing, and procedure handling stage. Production and trial production will be conducted contingent on market conditions of the products. Upon commissioning of the project, it is expected to generate annual sales of approximately RMB4.0 billion.

## Industry Review and Outlook

### Methanol

#### *I. Industry overview for 2025*

In 2025, the methanol market generally showed a volatile downward trend. During the year, new production capacity of approximately 7 million tonnes was added, bringing the total capacity to over 110 million tonnes, with an average operating rate of 84% and a year-on-year output growth of 5.6%. Although periodic macroeconomic tailwinds and external procurement of olefins in the northwest supported prices, factors such as the continuous release of new capacity, poor profitability of major downstream sectors, and the backflow of high port inventories to the mainland collectively pushed prices down. On a quarterly basis, the supply-demand dynamic in the first quarter first declined and then rose; the second quarter saw a continuous decline due to external policies and high operating rates; the third quarter experienced strong fluctuations driven by maintenance and restocking; and the fourth quarter saw a slight rebound after bottoming out due to the release of new capacity and accumulation of port inventories.



## Chairman's Statement

### II. Outlook for 2026

The methanol market price in 2026 is expected to be volatile with an upward trend due to the US-Israel-Iran War, with the average price higher than the previous year. The supply of raw coal is ample, providing moderate cost support. Domestic new capacity will be around 3.3 million tonnes, but most of it is for downstream integration, limiting the increase in actual market circulation. In terms of imports, the volume may decrease due to the US-Israel-Iran War. On the demand side, several olefin and traditional downstream projects are planned for commissioning, and demand is expected to increase steadily. Overall, with expected demand growth, the market trend is likely to be strong.

### Synthetic Ammonia

#### I. Industry overview for 2025

In 2025, the overcapacity in the synthetic ammonia market intensified, and prices fluctuated downwards. New capacity of 5.9 million tonnes was added, bringing total capacity to 87.16 million tonnes, with an average operating rate of 73.16% and a year-on-year output growth of 4.9%. The supply-demand structure was weak, leading to an overall decline in prices. At the beginning of the year, the recovery of supply and weakening pre-holiday demand led to weak fluctuations; post-Chinese New Year restocking and temporary unit shutdowns pushed prices higher; after the second quarter, supply recovered and demand weakened, causing prices to continue to bottom out; at year-end, the market saw a slight recovery supported by gas-based unit maintenance and winter stockpiling demand.

#### II. Outlook for 2026

The synthetic ammonia market price in 2026 is expected to increase due to the US-Israel-Iran War; the supply of raw coal is likely to remain ample, and natural gas prices are expected to fluctuate within a narrow range, providing moderate cost support. New capacity of about 5-6 million tonnes will keep supply ample, while the demand side is unlikely to see significant improvement. In terms of imports and exports, the narrowing price gap between domestic and international synthetic ammonia led to reduced imports, which to some extent eased the domestic oversupply and provided bottom support for market prices. The overall supply-demand structure remains weak, with the market operating under pressure.

### Urea

#### I. Industry overview for 2025

In 2025, the oversupply in the urea market became prominent, with prices fluctuating downwards. New capacity of 6.24 million tonnes was added, bringing total capacity to approximately 78 million tonnes, with an average operating rate of 88% and a year-on-year output growth of 4.7%. Although export policies provided a temporary boost, high daily output and weak demand led to an overall price decline. By phase: in the first quarter, export expectations and spring ploughing restocking drove prices up; in the second quarter, export policies pushed prices to a high before they fell back; in the third quarter, prices were under pressure during the low-demand season; in the fourth quarter, prices bottomed out and rebounded, driven by maintenance, state reserves, and Indian tenders, but gains were limited by weak demand.

#### II. Outlook for 2026

The urea market price in 2026 is expected to increase due to the US-Israel-Iran War. Cost support from raw materials will be moderate. New capacity of about 5.95 million tonnes will keep supply ample.



## Chairman's Statement

### Dimethylformamide (DMF)

#### I. Industry overview for 2025

In 2025, the DMF market trended downwards, with a prominent supply-demand imbalance. Total capacity was 1.8 million tonnes, with an average annual operating rate of 49.2%. Supply grew by 9.38% year-on-year, outpacing demand growth and widening the supply-demand gap. Prices fluctuated due to operating rates in the downstream slurry industry and peak-season restocking; after surging in the first half of the year, prices fell back, the traditional peak season in the second half provided limited lift, and prices dropped to a recent low in the fourth quarter.

#### II. Outlook for 2026

The DMF market price in 2026 is expected to increase together with the increase in raw material price due to the US-Israel-Iran War. Although there is no new capacity coming online, potential units can start up at any time, putting pressure on supply; downstream demand growth is expected to be flat with 2025, with end-user exports being restricted.

### N-methylpyrrolidone (NMP)

#### I. Industry overview for 2025

In 2025, the NMP market remained sluggish, with prices fluctuating at low levels. Synthetic liquid capacity was approximately 1.07 million tonnes, with an operating rate of only 20.56%. Recycled capacity was abundant and dominant, limiting market circulation. On the demand side, the high recycling rate in the lithium battery industry resulted in slow growth in actual consumption. Throughout the year, prices only saw a brief surge following the price of raw material BDO, and the market generally lacked vitality.

#### II. Outlook for 2026

In 2026, the sluggish NMP market may become the new normal. Synthetic liquid capacity is severely excessive, and operating rates will remain low; growth in the downstream lithium battery sector will have a limited effect on actual demand; a supply-demand mismatch for the raw material BDO will put pressure on prices. The market is expected to continue fluctuating at low levels, with prices mainly influenced by BDO trends and industry operating rates.

## STRATEGIES

In 2025, due to the impact of both domestic and international factors, the fertiliser and chemical industries experienced a volatile downward trend. While natural gas prices rose to a record high, finished product prices continued to decline, squeezing the Company's profit margins and significantly exacerbating its operational challenges. Confronting numerous difficulties, the Group mainly strengthened internal reform and innovation: on the one hand, technological upgrades and overhauls effectively solved problems such as the deactivation of methanol and synthesis tower catalysts, reducing production and operation costs and reducing unit production consumption to its lowest level in history. On the other hand, by optimising the all-category bidding model, the Group dynamically adjusted the ratio between bidding and contracting to maximise the benefits. In addition, it developed the sales plans and seized opportunities in market fluctuations to increase revenue of the Company.



## Chairman's Statement

In 2026, by accurately grasping industry dynamics and implementing innovative strategies and measures, we will ensure the Company can adapt to market changes, break through difficulties, and move towards a path of sustainable development.

- I. Continue to properly organise and coordinate production raw materials such as water, electricity, and gas to ensure the long-term, high-load, and stable operation of the units at Dazhou Ko Yo Plant and Guang'an Ko Yo Plant; with safety and environmental protection as the bottom line, on the basis of ensuring long-term safe operation, conduct daily monitoring, assessment, and early warnings, and promptly adjust and optimise production organisation and operating loads to achieve optimal operational efficiency;
- II. Properly prepare for the annual overhaul of the units, reduce the number of unplanned shutdowns during the year, increase output, and reduce consumption; under the premise that the supply of natural gas is gradually eased, the Company will explore the feasibility of repairing the device from once a year to every two years;
- III. Introduce digital technologies such as intelligent monitoring and motion recognition to build a higher-level risk prevention and control system; regularly organise emergency drills and safety culture-building activities to enhance the safety awareness and emergency response capabilities of all personnel, creating an inherently safe factory;
- IV. Continue to advance special improvements, promote the implementation of various measures for "increasing revenue while reducing expenditure, cutting costs while increasing efficiency" to reduce operating costs and waste;
- V. Advance the reform of spare parts inventory to gradually reduce the amount of funds occupied by inventory. Meanwhile, continuously improve the safety stock and inventory management mechanisms to enhance the safety factor and reduce costs;
- VI. Gradually reduce the proportion of exclusive suppliers to solve industry-specific problems. Gradually implement a competitive bidding procurement model to reduce procurement costs and improve procurement quality;
- VII. Continue to advance measures such as performance assessment, compensation reform, special rewards, and skill assessment, guided by the Company's operating results, to unify the direction of the Group's personnel and stimulate the team's creativity and execution;
- VIII. Organise professional knowledge and skill competitions, establish an internal lecturer system, strengthen employee training, and enhance the technical and management capabilities of all personnel;
- IX. Promote the reform of the authorisation system to improve the decision-making efficiency of subsidiaries;
- X. Carry out the "Three Foundations" initiative, promote the frontline implementation of basic work and the specialisation of technical management, implement the "Nurse + Doctor" equipment management system and the new "Behavioural Safety + Inherent Safety" HSE management model, to enhance team work efficiency and management level;



## Chairman's Statement

- XI. Optimise the sales model, increase efforts to develop small and medium-sized end-user customers for chemical products, and broaden the high-quality customer base; develop new types of urea to promote the iteration and upgrading of fertiliser products, enhancing their market competitiveness; improve the competitive bidding model to increase sales of differentiated urea; optimise the rhythm of signing contracts, establish an internal sales competition mechanism, and maximize sales benefits;
- XII. Advance the approval, commencement, and construction of new projects, revitalise existing assets, and promote the upgrading of the enterprise's products from basic chemicals to fine chemicals based on basic chemicals, to enhance the Group's competitiveness;
- XIII. Advance the first phase of the energy-saving and carbon-reduction renovation project for the synthetic ammonia unit to reduce comprehensive energy consumption and carbon emissions per unit of product, providing impetus for sustainable development;
- XIV. For the methanol-ammonia steam energy-saving renovation project, after commissioning, continuously conduct data monitoring, efficiency assessment, and operational analysis to further tap into energy-saving potential, continuously improve operational efficiency, ensure the project's advantages are effectively translated into business results of cost reduction and efficiency improvement, and enhance sustainable development capabilities;
- XV. Strengthen the implementation of standardisation (such as management standardisation, business standardisation, technical standardisation, and operational standardisation) to continuously consolidate the management foundation and safeguard the Group's stable operation.

### ACKNOWLEDGEMENT

Looking back over the past year, we have observed significant fluctuations in the chemical fertilizer and chemical industries. Under the leadership of the Board of Directors and management, all employees were united, adhered to market-oriented production and operation activities, followed up market conditions in a timely manner, and made real-time calculations to ensure the best operating efficiency of the units and realise their long-term stable operation. In 2026, with decisions and strategies devised by the Board and under the leadership of the management, we will successfully stabilise the basic chemical business, explore new projects and capitalise on market opportunities.

On behalf of all my colleagues on the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, customers, the management and our staff. Thank you for your hard work. We will continue working hard to create more returns to our shareholders and the society.

*Chairman*

30 March 2026



## Business review

### FINANCIAL PERFORMANCE

#### Results

During the year under review, the Group recorded turnover of approximately RMB2,162 million, a decrease of 16.8% as compared to last year. The decrease in turnover was mainly due to the decrease in market price of products. The loss attributable to owners of the Company amounted to approximately RMB747 million, representing an increase in loss of approximately RMB242 million as compared to last year. Basic loss per share amounted to approximately RMB0.1213.

#### Cost and gross profit margin

Cost of sales of the Group amounted to approximately RMB2,228 million, representing a decrease of 13.2% as compared to the figure in 2024. The major reasons of decrease in cost of sales were due to the slightly decrease in sales quantities.

Gross profit margin of the Group decreased approximately from 1.3% in 2024 to -3.0% in 2025. The decrease in the gross profit margin was mainly due to the decrease in market price of products.

During the year under review, distribution costs increased approximately by 12.4% as compared with last year. The increase in distribution cost was due to inflation. The ratio of the distribution costs over sales was 1.31% in 2025 which was 0.34% higher than those in 2024.

In comparison with last year, there was a decrease in administrative expenses of the Group by approximately 16.2% from approximately RMB214.2 million in 2024 to approximately RMB179.6 million in 2025. The decrease in administrative expenses is mainly due to the suspension of production Guangan Ko Yo Electronic Material Plant and strict control in cost.

Other income increased by approximately RMB16.1 million from a loss of approximately RMB5.1 million in 2024 to approximately a gain of RMB11.0 million in 2025. The difference were mainly due to the loss on disposal of property, plant and equipment was decreased as compared to those in 2024 and the increase in subsidy income and income from sales of raw materials. Details are set out in note 10 to consolidated financial statements. Other expenses increased by approximately RMB286.5 million amounted to approximately RMB287.0 million in 2025 (2024: approximately RMB0.5 million). The increase in other expenses in 2025 was mainly due to the impairment losses on property, plant and equipment. Details are set out in note 11 to consolidated financial statements.

Finance expenses decreased by approximately RMB112 million from approximately RMB336 million in 2024 to approximately RMB224 million in 2025. The decrease was mainly due to the decrease in exchange loss on matured convertible bonds denominated in Hong Kong dollar. Details are set out in note 12 to consolidated financial statements.

The Group's income tax credit in 2025 amounted to approximately RMB0.03 million. Details of income tax are set out in note 13 to consolidated financial statements.

#### Dividends

Considering the Group's result during the year under review, the Directors do not recommend the payment of any final dividend for the year ended 31 December 2025. The Group has not declared any dividend for the year ended 31 December 2025 (2024: Nil).



## Business review

### PRODUCTS

Sales of the Group's products for the year 2025 and 2024 are as follows:

	Turnover in year 2025		Turnover in year 2024		Percentage Change in turnover %
	RMB million	Composite %	RMB million	Composite %	
Urea	<b>671.5</b>	<b>31.0</b>	742	28.5	(9.5)
Ammonia	<b>618.2</b>	<b>28.6</b>	849	32.7	(27.2)
Methanol	<b>870.9</b>	<b>40.3</b>	806	31.0	8.1
N-methylpyrrolidone	<b>0.2</b>	<b>0.0</b>	9	0.3	(97.8)
N,N-dimethylformamide	<b>1.1</b>	<b>0.1</b>	15	0.6	(92.7)
Others — Trading	<b>Nil</b>	<b>Nil</b>	179	6.9	(100.0)

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2025, the Group had net current liabilities of approximately RMB4,164,060,000. Current assets as at 31 December 2025 comprised cash and cash equivalents of approximately RMB43,513,000, pledged bank deposits of approximately RMB118,604,000, restricted bank balances of approximately RMB130,000, inventories of approximately RMB162,095,000, current tax assets of approximately RMB4,270,000, trade receivables of approximately RMB18,000, and prepayments and other receivables of approximately RMB195,430,000. Current liabilities as at 31 December 2025 comprised short-term borrowings of approximately RMB2,364,508,000, lease liabilities of approximately RMB2,163,000, trade payables of approximately RMB43,857,000, convertible bonds of approximately RMB563,209,000, contract liabilities of approximately RMB154,977,000, due to a related company of approximately RMB843,193,000 and accrual and other payables of approximately RMB716,213,000. Details of the Group's adoption of going concern basis in preparing the consolidated financial statements is set out in note 2 to the consolidated financial statements.

### CAPITAL COMMITMENTS

As at 31 December 2025, the Group had outstanding capital commitments of approximately RMB2,716 million. Details of the Group's capital commitments are set out in note 38 to the consolidated financial statements.

### FINANCIAL RESOURCES

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB43.5 million, pledged bank deposits and restricted bank balances of approximately RMB118.7 million. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing bank balances and the operation income.

As at 31 December 2025, the total borrowings and convertible bonds of the Group amounted to approximately RMB2,927.7 million.

### GEARING RATIO

The Group's gearing ratios were approximately 113% and 88% as at 31 December 2025 and 31 December 2024 respectively. The gearing ratios were calculated as net debt divided by total capital. Details of the Group's gearing ratio is set out in note 28 to the consolidated financial statements.



## Business review

### CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in note 44 to the consolidated financial statements.

### MATERIAL ACQUISITION/DISPOSAL

There was no material acquisition or disposal in the year 2025 which would have been required to be disclosed under the Rules Governing the Listing of Securities ("Listing Rules") on Stock Exchange.

### SEGMENTAL INFORMATION

The Group activities are primarily conducted in the PRC. The Group's turnover and profit are generated from manufacturing and sale of chemical products and chemical fertilisers, no segment information is therefore present in the consolidated financial statements.

### DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed of the plans stated in the chairman's statement of this annual report, the circulars dated 4 December 2020 (Dazhou new production line, Guangan new production line and the PBAT production line) and 23 March 2022 (the acquisition of Jiangsu Bluestar Green Material Co., Limited which in the establishment of production line of propylene oxide), the Directors do not have any future plans for material investment.

### EXPOSURE ON EXCHANGE RATE FLUCTUATION

Details of the Group's foreign currency exchange risk are set out in note 6 to the consolidated financial statements.

### CHARGES ON THE GROUP'S ASSETS

As at 31 December 2025, land use rights with carrying amount of approximately RMB169,299,000 (2024: approximately RMB211,152,000), property, plant and equipment with carrying amount of approximately RMB1,184,818,000 (2024: approximately RMB1,479,316,000), investment properties with a total net book value of approximately RMB862,000 (2024: approximately RMB894,000), mining right with carrying amount of approximately RMB334,306,000 (2024: approximately RMB334,306,000), and pledged bank deposits of approximately RMB118,604,000 (2024: approximately RMB624,940,000) were pledged as collateral for the Group's borrowings.

### NUMBER OF EMPLOYEES

As at 31 December 2025, the Group had 684 (2024: 773) employees, comprising 6 (2024: 6) in management, 124 (2024: 118) in finance and administration, 543 (2024: 631) in production, 11 (2024: 16) in sales and marketing and nil (2024: 2) in research and development of these employees, 678 (2024: 769) were located in the PRC and 6 (2024: 4) were located in Hong Kong.

### RETIREMENT BENEFITS SCHEME

During the years ended 31 December 2024 and 2025, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 31 December 2024 and 2025, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

For the year ended 31 December 2025, the Group's key business operations make continuous effort and investment on managing and monitoring environmental and social performance. Technology advancement, especially new materials development, continues to assist the Group achieve long-term business resilience, to achieve its economic, environmental and social sustainability. The group ensures strict compliance with and keeps a close eye on updates of any applicable regulations, laws, and standards. Engagement with stakeholders has resulted in raised concerns on key material issues, which include: Energy, Emissions, Effluents and Waste, Environmental Protection Policies, and Occupational Health and Safety. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders for advancing ESG management.

The Environmental, social, governance report is set out on pages 25 to 51 of the annual report.



## Directors and Senior Management

### EXECUTIVE DIRECTORS

Mr. Tang Guoqiang, aged 68, is an Executive Director and chairman of the Board. Mr. Tang has over 30 years of management experience. He obtained a high school diploma from Jiangsu Province Liyang Middle School in 1977. Mr. Tang was previously the general manager of Liyang Economic Development Corporation from May 1990 to August 1996. From November 2003 to April 2007, he was an executive director of Zhenjiang Runfeng Real Estate Development Company Limited. He was the chairman of Shunfeng International Clean Energy Ltd. (stock code: 1165), a listed company on the Main Board of the Stock Exchange, from July 2011 to July 2013. Since March 2015, he has been the chairman of Liyang Huakan Jianda Health Company Limited.

Mr. Fan Chao, aged 38, is an Executive Director and the chief executive officer of the Group. Mr. Fan graduated from the National University of Singapore ("NUS") with a bachelor's degree with honours in Chemical and Biological Engineering. In 2013, Mr. Fan obtained a master's degree in Chemical and Biological Engineering from NUS. In June 2010, Mr. Fan joined the oil and gas division of Siemens, Singapore, as a petrochemical process safety consultant. He was later promoted to process engineer and subsequently project manager, a role he held until his departure in July 2015. From September 2015 to November 2017, Mr. Fan served as an investment manager and was later promoted to risk control director at Jiangsu Jingrui Asset Management Co., Ltd.. From December 2017 to November 2019, Mr. Fan was the investment manager and subsequently the deputy general manager of the government investment fund management division of Changzhou Venture Capital Group. From December 2019 to September 2021, Mr. Fan served as the deputy general manager of Jiangsu Pacific Meinuoke Bio-pharmaceutical Co., Ltd. Mr. Fan joined the Group as a deputy vice president in December 2021.

Mr. Zhang Weihua, aged 63, is an Executive Director and the compliance officer of the Group. Mr. Zhang has over 33 years of management experience. He has been the deputy chairman and general manager of Changzhou Kangmei Chemical Industry Co., Ltd. since 1995, the chairman of Jiangsu Kangtai Biomedical Science Technology Co., Ltd. since 2009, and the chairman of Jiangsu Kangtai Holdings Group Co., Ltd. since 2011. Mr. Zhang was a member of the National People's Congress representing Jintan city from 2003 to 2017.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Congcai, aged 74, is an Independent Non-Executive Director of the Group. He received a bachelor degree in political economics from Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance and Trade) in 1982, and in 1998, received a doctorate in economics from the School of Economics, Fudan University. Mr. Xu was admitted to the Special Allowance Program for Outstanding Experts sponsored by the State Council. In 1996, he was recognized as a Young and Middle-aged Expert with Outstanding Contribution. In 2002, he began to serve as an instructor for doctoral candidates to be admitted to the industrial economics programs in Renmin University of China. Currently, he is a professor at Nanjing University of Finance and Economics, a vice president at the Commerce Economy Association of China, a member of the Seventh Session of the Higher Education Institution Approval Committee under the Ministry of Education (from 2017 to 2021), and an executive dean of Taihu University of Wuxi. In addition, Mr. Xu is an independent director of Daqian Ecology and Landscape Co. Ltd. He was previously an independent director of Wuxi Rural Commercial Bank. He was appointed as an Independent Non-Executive Director of the Group on 1 August 2017.



## Directors and Senior Management

Mr. Le Yiren, aged 63, is the vice chairman of the Association of China Commercial Enterprise Management since September 2019 and an independent non-executive director of Jiangyin Rural Commercial Bank Co. Ltd., whose shares are listed on the Shenzhen Stock Exchange (stock code: 002807) since April 2019. Mr. Le is currently serving as a director of each of Suzhou Aibo Venture Capital Co., Limited, Jiangsu Yangshan Silicon Material Technology Co., Limited, Suzhou Longhan Investment Management Co., Limited and Jiangsu Zhongmei Tongji Investment Co., Limited. Mr. Le was the vice president of Fengde Capital Limited from 2004 to 2005 and founded Nanjing Yuanhan Enterprise Management Co., Limited (formerly known as Nanjing Bofa Investment Consulting Co., Limited) in 2006. Mr. Le graduated from the Gradual School of Chinese Academy of Social Science with a master's degree in Monetary Banking in 1997, a doctorate degree in social sciences in 2002, then successively engaged in post-doctoral research in applied economics between August 2002 and July 2008. Mr. Le was a committee member of the Senior Technical Position Review Committee of the Industrial and Commercial Bank of China, a distinguished professor at the Graduate School of the Chinese Academy of Social Sciences and a researcher at the School of Social Development of Nanjing Normal University. He was appointed as an Independent Non-Executive Director of the Group on 1 July 2021.

Ms. Lu Yi, aged 41, is currently a professor and a doctoral advisor at Nanjing University. Ms. Lu graduated from the School of Chemistry and Chemical Engineering, Nanjing University with a bachelor's degree in science in 2006. During 2008 to 2010, Ms. Lu joined a doctorate programme at The Scripps Research Institute, the United States, sponsored by China Scholarship Council. Ms. Lu obtained a doctorate degree in science from the School of Chemistry and Chemical Engineering, Nanjing University in 2011. She was an associate professor at the School of Chemistry and Chemical Engineering, Nanjing University from 2015 to 2019. Ms. Lu was appointed as a professor at the School of Chemistry and Chemical Engineering, Nanjing University in 2020. Ms. Lu has published over 20 articles in Journal of the American Chemical Society, Angewandte Chemie International Edition, Nature Communications and other scholarly journals as author or corresponding author. She was appointed as an Independent Non-Executive Director of the Group on 1 January 2023.

### SENIOR MANAGEMENT

Mr. Chung Tin Ming, aged 55, is the financial controller and company secretary of the Group. Mr. Chung is an associate member of each of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Chung graduated from the Chinese University of Hong Kong with a bachelor degree in science, and received a master degree in Financial Engineering and Electronic Engineering from the City University of Hong Kong and a master degree in laws from University of Wolverhampton. Prior to joining the Group in January 2006, he was a director of Keen Ocean Industrial Limited in Hong Kong. Mr. Chung has over 20 years of related working experience in accounting and financial management.

Mr. Li Ciping, aged 59, is the managing vice president of the Group. He was an Executive Director of the Group from 1 July 2014 to 15 January 2017. He graduated from Fuzhou University in 1985, majoring in Chemical Engineering. Mr. Li joined Ko Yo Group in 2008. Before joining Ko Yo Group, he was the director and general manager of Max Giant International Group Limited in Hong Kong. He had an extensive experience in corporate management.



## Directors and Senior Management

Mr. Wen Jinfu, aged 63, is the vice president of the Group, who is mainly responsible for safety issues, environmental management affairs of the Group. He was a senior engineer who graduated from The Communist Party of China Sichuan Provincial Committee Party School majoring in economic management in 1996. Mr. Wen joined Koyo Group in 1999, before that, he was appointed as the deputy general manager of Xindu Nitrogen Fertilizer Plant.

Mr. Rui Yongsheng, aged 57, is the vice president of the Group, who is mainly responsible for the financial, legal and supply chain management of the Group. He was graduated from the Nanjing Audit University in 1989 with major in finance. Mr. Rui joined Koyo Group in December 2019.



## Report of the Directors

The Directors have the pleasure of presenting their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2025.

### GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 February 2002 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Group reorganized its structure on 10 June 2003 in preparation for the listing of the Company's shares on Growth Enterprise Market ("GEM") of the Stock Exchange. The Company became the holding company of the companies now comprising the Group. Details of the reorganization are set out in the prospectus of the Company dated 30 June 2003. The shares of the Company were listed on GEM of the Stock Exchange on 10 July 2003. On 25 August 2008, the Company had transferred of listing to the main board of the Stock Exchange.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in manufacture, marketing and distribution of chemical products, chemical fertilizers.

### RESULTS AND APPROPRIATIONS

Details of the Group's loss for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2025 (2024: Nil).

### SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

### RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in equity and note 30 to the consolidated financial statements respectively.

### DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2025 amounted to approximately RMB0 (2024: RMB0).

### RIGHTS OF DIRECTORS AND EMPLOYEES TO ACQUIRE SHARES OR DEBENTURES

A summary of the principle terms and conditions of the share option schemes is set out in the circulars of the Company dated 18 September 2020 and 29 August 2008.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the Company Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



## Report of the Directors

### FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in page 134.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year ended 31 December 2025 and up to the date of this report are:

#### Executive Directors

Mr. Tang Guoqiang

Mr. Fan Chao

Mr. Zhang Weihua

#### Independent Non-Executive Directors

Mr. Xu Congcai

Mr. Le Yiren

Ms. Lu Yi

In accordance with Article 87 of the articles of association of the Company, at each annual general meeting, one-third of directors for the time being shall retire from office by rotation and, will be eligible for re-election. Mr. Tang Guoqiang, Mr. Fan Chao and Mr. Xu Congcai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the Executive Directors has entered into a service contract with the Company for initial fixed term of three years, and will continue thereafter for successive terms of one year until terminated by not less than three months' notice in writing served by either party on the other. Each of the Executive Directors is entitled to a basic salary and director's fee subject to an annual review by the Board. In addition, the Executive Directors are also entitled to a discretionary bonus, which may not exceed 3% of the audited consolidated net profit of the Group attributable to shareholders in respect of that financial year of the Company. Mr. Zhang Weihua has no basic salary.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### SHARE OPTIONS

The share option schemes (the "Share Option Schemes") adopted on 9 October 2020. The details of the Share Option Schemes can be found in the circular of the Company dated 18 September 2020, and note 29 to the consolidated financial statements.



## Report of the Directors

The purpose of share option schemes are to recognize the contribution of employees and consultants to the Group and to provide an incentive to employees and consultants of the Group. There is no general requirement that an option must be held for any minimum period before it can be exercised. The period during which an option may be exercised in accordance with the terms of the Scheme shall be the period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date upon which the vesting period as described in the respective grantee's offer document commences. The exercise price shall be determined by the Board but in any event shall be at least the highest of (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; or (iii) the nominal value of a Share.

### Share Option Schemes

The Board may, subject to and in accordance with the provisions of the Share Option Schemes, grant options to any person employed by the Group, or directors (including executive directors, non-executive directors) of the Group, or trustee whose beneficiaries or objects include any employee or directors of the Group (collectively "Participants").

Where any grant of option is proposed to a substantial shareholder of the Company or an independent non-executive director of the Company or any of their respective associates and the proposed grant of option, when aggregated will result in the Shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of grant, in excess of 0.1% of the Shares in issue and having an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK\$5 million, are subject to shareholders' approval in advance in a general meeting.

No participant shall be granted share option if the total number of Shares issued and to be issued upon exercise of the share options granted and to be granted (including both exercised and outstanding Options) in 12-month period up to and including the date of grant to such participant would exceed 1% of the total number of Shares for the time being in issue unless the proposed grant has been separately approved by the shareholders of the Company in general meeting.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Share Option Schemes, the Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 21 days from the date on which the option is granted.

During the year ended 31 December 2025, no share options were exercised. Details of option outstanding and movements are disclosed in the following table:



## Report of the Directors

### Number of share options

	Held at 1 January 2025 ('000)	Grant during period ('000)	Exercised during period ('000)	Forfeited/ Lapsed during period ('000)	Held at 31 December 2025 ('000)	*Share Options A ('000)	*Share Options B ('000)	*Share Options C ('000)
Directors								
Tang Guoqiang	-	-	-	-	-	-	-	-
*Shi Jianmin	300,000	-	-	(300,000)	-	-	-	-
Fan Chao	-	-	-	-	-	-	-	-
Zhang Weihua	-	-	-	-	-	-	-	-
Xu Congcai	-	-	-	-	-	-	-	-
Le Yiren	-	-	-	-	-	-	-	-
Lu Yi	-	-	-	-	-	-	-	-
Employees	78,812	-	-	(14,820)	<b>63,992</b>	1,500	-	62,492
<b>Total</b>	<b>378,812</b>	<b>-</b>	<b>-</b>	<b>(314,820)</b>	<b>63,992</b>	<b>1,500</b>	<b>-</b>	<b>62,492</b>

- \* Share Options A: Grant at 22 June 2016, exercisable from grant date until 21 June 2026 with exercise price HK\$0.151.
- Share Options B: Grant at 23 October 2020, exercisable from grant date until 22 October 2030 with exercise price HK\$0.141 and lapsed with the resignation of Mr. Shi Jianmin.
- Share Options C: Grant at 22 November 2021 whereas the closing price of shares of the Company before the date of grant was HK\$0.199, 35% exercisable 1 year from grant date until 21 November 2031, 35% exercisable 2 years from grant date until 21 November 2031 and 30% exercisable 3 years from grant date until 21 November 2031 with exercise price HK\$0.182.
- Mr. Shi Jianmin resigned on 19 September 2025.

As at 31 January 2025 and 31 December 2025, the Company had 171,492,259 and 486,312,259 share options not yet issued under the share option scheme adopted on 9 October 2020 respectively, which represented approximately 2.84% of the Company's shares as at 31 January 2025 and 6.92% of the Company's shares as at 31 December 2025 respectively. As at the date of the Annual Report, the number of Shares available for issue under the share option schemes was 550,304,259 which represented approximately 7.83% of the issued Shares as at the date of the Annual Report. The remaining life of the share option scheme adopted on 9 October 2020 was about 4.8 years as at 31 December 2025.

### DIRECTORS' INTERESTS IN SHARES

As at 31 December 2025, the interests and short positions of the Directors and Chief Executives in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Listing Rules were as follows:



## Report of the Directors

### Long positions in the shares and the underlying shares of the Company

<b>Directors (as at 31.12.2025)</b>	<b>Personal long position in shares (beneficial owner)</b>	<b>Personal long position in share options and convertible bonds (beneficial owner)</b>	<b>Aggregate long position in shares and underlying shares</b>	<b>Total interests in the issued share capital</b>
Tang Guoqiang	1,169,800,000	6,700,000,000	7,869,800,000	111.98%
Zhang Weihua	500,000,000	–	500,000,000	7.11%

Note: As at 31 December 2025, among 69,800,000 out of the 7,869,800,000 in the aggregate long position in shares and underlying shares of Mr. Tang Guoqiang was held by Coherent Gallery International Limited which was wholly owned by Mr. Tang Guoqiang. As at 31 December 2025, China Mass Enterprises Limited is indirectly owned by Mr. Zhang Weihua through Jiangsu Kang Tai Holdings Group Limited which China Mass Enterprises Limited held a total amount of 500,000,000 shares of the Company.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, so far as is known to any Director or Chief Executive of the Company, no person (not being a director or a Chief Executive of the Company) had an interest or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### INTEREST OF OTHER PERSONS IN THE COMPANY

#### Interest in the shares or underlying shares of the Company

As at 31 December 2025, so far as is known to any Director or Chief Executive of the Company and save as disclosed above, no person had an interest or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.



## Report of the Directors

### Outstanding Convertible Securities

As at 31 December 2025, the outstanding convertible securities (“Convertible Securities”) that issued on 30 November 2021 can convert into 6,700,000,000 Shares. Assuming all outstanding Convertibles Securities converted into shares as at 31 December 2025, set out below is the shareholding structure of the Company before and after such conversion:

As at 31/12/2025	No. of shares before conversion of outstanding Convertible Securities	% of holdings	No. of shares from conversion of outstanding Convertible Securities	No. of shares after conversion of outstanding Convertible Securities	% of holdings
<b>Directors</b>					
Mr. Tang Guoqiang	1,169,800,000	16.65	6,700,000,000	7,869,800,000	57.33
Mr. Zhang Weihua	500,000,000	7.11	–	500,000,000	3.64
<b>Others</b>					
Public	5,358,242,599	76.24	–	5,358,242,599	39.03
<b>Total</b>	<b>7,028,042,599</b>	<b>100.00</b>	<b>6,700,000,000</b>	<b>13,728,042,599</b>	<b>100.00</b>

The diluted loss per shares for the year ended 31 December 2025 assuming all outstanding Convertible Securities being converted was RMB0.054 which is calculated by dividing the loss attributable to the shareholders of the Company by the total number of Shares after all outstanding convertible securities being converted. The calculation method of this diluted loss is not the same as those used in this annual report. According to Hong Kong Accounting Standard 33 paragraphs 43, potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. The conversion of outstanding convertible securities would have an antidilutive effect on earnings per share and therefore the calculation of diluted earnings per share in this annual report does not assume such conversion.

Based on the cash and cash equivalent as at 31 December 2025 and the cash flow from the operation of the Company, the Company does not have its ability to meet its redemption obligations under Convertible Securities. The maturity date of Convertible Securities is 29 November 2026.

Based on the implied internal rate of returns and other relevant parameters of Convertible Securities, the share prices at which it would be equally financially advantageous for the securities holders to convert or redeem as at 29 November 2026 was HK\$0.1134.



## Report of the Directors

### SUFFICIENCY OF PUBLIC FLOAT

Based on the public information available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 30 March 2026.

### DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competes or may compete, directly or indirectly with the business of the Company during the year under review.

### DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### AUDIT COMMITTEE

The Company established an audit committee on 10 June 2003 and has adopted the term of reference in line with the Code on Corporate Governance Practice issued by the Stock Exchange. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company and provide advice and comments to the Directors. The audit committee has three members comprising the three Independent Non-Executive Directors, namely, Mr. Xu Congcai, Mr. Le Yiren and Ms. Lu Yi.

The audit committee has reviewed with management the accounting principles and practices adopted by the Company and the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Company and the Group for the year ended 31 December 2025.

The audit committee agreed with the management with respect to the Group's ability to continue as a going concern, and in particular the actions and measures had been implemented by the management of the Group. The audit committee's views are based on a strict review of the management of the Group's actions and measures, current operating situation and future development of the Group's plants, the market price of products is expected to rise in 2026, and the cash flow position of the Group in 2025, and also the discussions with the management and the auditor regarding the auditor's disclaimer opinion relating to going concern of the Group ("Disclaimer Opinion"). On the basis of the implementation and completion of the Group's actions and measures plan as stated in the Corporate Governance Report, the Board of Directors (including the audit committee) is of the view that the Disclaimer Opinion is expected to be removed in the next coming annual financial statements.



## Report of the Directors

### PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year under review.

### CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, the five largest customers accounted for approximately 35.4% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 85.4% of the Group's total purchases. The largest customer of the Group accounted for approximately 16.6% of the Group's total turnover and the largest supplier accounted for approximately 46.0% of the Group's total purchases.

None of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

### CORPORATE GOVERNANCE

A report on the corporate governance practices adopted by the Company is set out on pages 52 to 60 of the annual report.

### AUDITORS

ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Group since 19 February 2016 and was re-appointed as the auditor of the Group on 30 May 2025.

The consolidated financial statements have been audited by ZHONGHUI ANDA CPA Limited who shall retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board,

**Tang Guoqiang**

*Chairman*

30 March 2026



# Environmental, Social and Governance Report

## SCOPE AND REPORTING PERIOD

This is the ESG report of the Ko Yo Chemical (Group) Limited (the “Company” and collectively with its subsidiaries referred as the “Group”) highlights its Environmental, Social, and Governance (“ESG”) performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix C2 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the research and development, manufacture, marketing and distribution of chemical fertilizers and chemical products. This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the Dazhou Ko Yo Chemical Industrial Co., Limited (“Dazhou”) and Guangan Ko Yo Chemical Industry Co., Limited & Guangan Lotusan Natural Gas Chemicals Co., Limited (“Guangan”) in Sichuan Province, Mainland China from 1 January 2025 to 31 December 2025 (the “Reporting Period”), unless otherwise stated. The principal activities of the above-mentioned operations are the manufacturing and sale of chemical fertilizers and chemical products, which collectively accounted for 98.2% of the Group’s total revenue during the Reporting Period.

Due to the suspension of NMP and DMF production activities, the total production area of the Group decreased from 30,392.42 m<sup>2</sup> in the Last Reporting Period to 20,282.36 m<sup>2</sup> in this Reporting Period. Other than this change, there were no major operational changes in the scope of this report compared with that for the period from 1 January 2024 to 31 December 2024 (the “Last Reporting Period”).

## BOARD STATEMENT

The Group, as a socially responsible company, adheres strictly to safety, environmental, and occupational health and safety laws, regulations, and guidelines in China and the regions where it operates. Both social and environmental benefits are given significant consideration, and efforts are made to develop garden-style production facilities and environmentally friendly enterprises. From different perspectives, the Group is committed to sustainable operations. At the economic level, the Group invests to support local economic development and create job opportunities; at the environmental level, it aims to build environmentally friendly enterprises with a focus on energy conservation and emission reduction; at the social level, it actively fulfills social responsibilities to alleviate rural poverty. We comply with laws and regulations, attach great importance to social and environmental benefits, and strive to promote economic development and capacity expansion.

In order to ensure long-term production and establish a stable market presence for its brand, the Group places great emphasis on continuous product supply. This is achieved through effective communication and coordination with the upstream natural gas industry. Additionally, the Group prioritizes production and equipment management, holding special meetings to discuss optimization of production and equipment operations, monitors production equipment efficiency, and exercises comprehensive control over product quality. At present, the Company and its subsidiaries have successfully obtained ISO 14001, ISO 50001, and ISO 9001 certifications for environmental management, energy management, and quality management, respectively. These certifications highlight the Group’s commitment to maintaining high standards in these areas.



## Environmental, Social and Governance Report

In line with its dedication to sustainability, the Group consistently evaluates the environmental, social, and stakeholder impacts of its daily operations. This ongoing evaluation enables the Group to promptly implement measures to optimize its practices. When assessing significant ESG-related topics and Group business risks, it conducts comprehensive analysis based on the standards of this system, combined with factors such as market dynamics and industry trends. During prioritization, considerations include the degree of impact on the Group and urgency. In the management process, it clarifies the responsibilities of various departments and promotes solutions collaboratively. Furthermore, the Group prioritizes effective communication with stakeholders, ensuring their active participation in identifying, evaluating, and managing material ESG (Environmental, Social, and Governance) topics. This collaborative approach aims to foster a comprehensive understanding and management of key sustainability issues.

### GOVERNANCE

The board of directors of the Company (the “Board”) recognizes its overall responsibility for the Group’s ESG strategy. To actively integrate environmental and social considerations into its corporate governance structure, the Group organizes annual management reviews. These meetings serve as a platform for the Board to assess and evaluate ESG topics and performance.

Furthermore, the Board assumes responsibility for overseeing risk management, which encompasses ESG-related risks. Regular risk assessments are conducted in accordance with national laws, regulations, standards, and the Group’s operations. The Group has established relevant risk management systems to identify, prevent, and minimize risks that could hinder the attainment of business objectives.

### SUSTAINABILITY APPROACH AND STRATEGY

The Board recognizes the significance of sustainability topics within the Group’s operations and is committed to integrating ESG concepts into its business strategies. This commitment not only aligns with the Group’s mission and vision but also fosters growth and creates long-term value for stakeholders.

The Board closely tracks the progress of ESG-related goals and indicators through regular meetings, reports, and review mechanisms. These goals and indicators are closely linked to the Group’s business, aiming to ensure that while pursuing economic benefits, the enterprise also achieves sustainable development in environmental, social, and corporate governance aspects. For example, the goal of improving energy efficiency is directly related to the Group’s production operational costs and supply chain management efficiency. Enhancing energy efficiency can reduce production costs, strengthen product market competitiveness, while also reduce environmental impact, aligning with the Group’s sustainable development strategy and promoting long-term stable business development.

The Group places strong emphasis on adhering to relevant laws and regulations concerning safety, environmental protection, and occupational health. It proactively monitors updates and changes in these regulations to ensure full compliance, thereby minimizing risks and enhancing operational integrity.

To identify material ESG topics that are relevant to the Group, the Board conducted an online survey for stakeholder materiality assessment, facilitated by a third-party consultant. This assessment involved active participation from both the Board and various stakeholders, ensuring that significant issues are prioritized for effective management and disclosure.



## Environmental, Social and Governance Report

The Group has set specific sustainability-related targets. These targets are designed not only to measure the Group's performance and progress but also to integrate sustainability into core business operations. To enhance equipment performance, the Group regularly upgrades models to reduce energy consumption and air emissions. Progress towards achieving ESG-related targets is closely monitored through various means, such as meetings, inspections, and assessments, ensuring that the Group remains accountable and transparent in its sustainability efforts.

By embedding ESG principles into its strategic framework, the Group aims to align its operational objectives with broader sustainability goals, ultimately contributing to a more sustainable future.

### AWARDS AND CERTIFICATES

The Group's performance has been recognized through awards and certificates during the Reporting Period.

Award	Awarded Company	Issuing Authority
National Green Agriculture High-Quality Brand Enterprises	Dazhou Company	National Fertilizer Robot Equipment Industry Alliance & National New Type Fertilizer Industry R&D Alliance 「全國新型肥料行業研發協助聯盟」及「全國肥料機械設備行業協助聯盟」
Grade A Premium Customer for 2025–2026	Dazhou Company	Petrochina Company Limited 「中國石油天然氣股份有限公司」
Safeguarding Economic and Social Development Award — Outstanding Unit in Work Safety Performance	Guangan Company	Guangan Economic and Technological Development Zone 「廣安經開區黨工委及管委會」
Grade AA Premium Customer for 2025–2026	Guangan Company	Petrochina Company Limited 「中國石油天然氣股份有限公司」
Vice Chairman Unit	Guangan Company	Dongbei Energy and Chemical Industry Alliance 「川東北能源化工產業聯盟」



## Environmental, Social and Governance Report

The Group was a member of the below associations during the Reporting Period:

- China Nitrogen Fertilizer Industry Association
- Sichuan Occupational Safety and Health Association Hazardous Chemicals Branch
- Sichuan Chemical Industry Association
- Sichuan Hazardous Chemicals Association
- China Chemical Safety Association member units

Certifications	Reviewed in
ISO 9001:2015 Quality Management System	2025
ISO 14001:2015 Environmental Management System	2025
ISO 50001:2018 Energy Management System	2025

### STAKEHOLDER ENGAGEMENT AND MATERIALITY

To identify the most significant aspects, the Group collects views and discusses ESG issues with its internal and external stakeholders through multiple channels. During the Reporting Period, the group specifically engaged board members, senior management, frontline staff, suppliers, business partner and clients to gain further insights into ESG material aspects and challenges.

Communication Channels with Stakeholders:

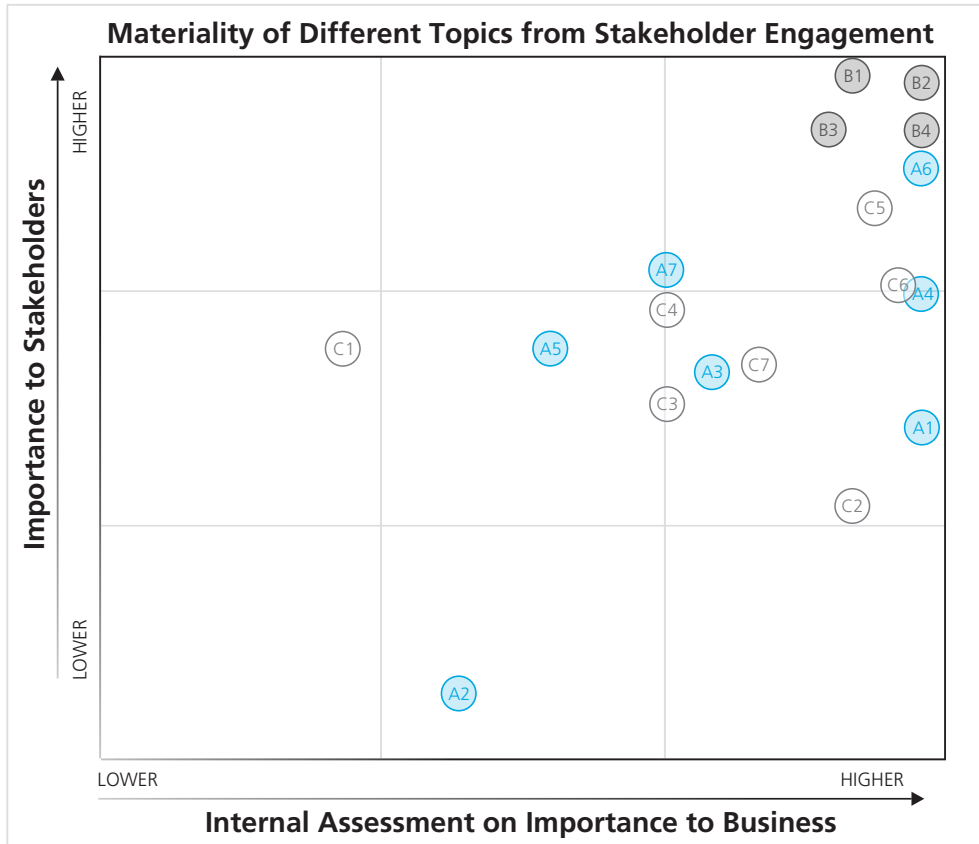
- Board members: Board meetings
- Senior Management: Monthly regular meetings
- Employees: Monthly regular meetings
- Shareholders: Announcements and news published through the company and exchange websites
- Customers and Suppliers: Communication through relevant company departments via phone and face-to-face meetings
- Government: Outreach by the company's management team

In addition to the above, the Group has also incorporated the concept of double materiality into its materiality assessment process during the Reporting Period. Double materiality comprises of impact materiality, which considers actual and potential positive or negative impacts on people and the environment connected to the Group's operations, products, services, and value chain; as well as financial materiality, which considers sustainability-related risks and opportunities that could reasonably be expected to influence the Group's financial position, performance, cash flows, access to finance, or cost of capital over the short, medium, and long term. In line with the European Sustainability Reporting Standards ("ESRS"), this assessment shall cover the Group's own operations, as well as its upstream and downstream value chain.



# Environmental, Social and Governance Report

The Materiality Matrix below shows the result of the materiality assessment process:



A Environmental	B Social	C Operational
A1 Energy	B1 Employment	C1 Supplier Management
A2 Water	B2 Occupational Health and Safety	C2 Intellectual Property
A3 Air Emission	B3 Development and Training	C3 Data Protection
A4 Waste and Effluent	B4 Labor Standards	C4 Customer Service
A5 Other Raw Materials Consumption		C5 Product/Service Quality
A6 Environmental Protection Measures		C6 Anti-corruption
A7 Climate Change		C7 Community Investment

## Assessment of Impacts

Apart from engaging the Group’s stakeholders and double materiality, the Board and the management of the Group have assessed the actual and potential impacts that the Group’s operation could have. This assessment is based on the external professional’s advice, the Materiality Finder of SASB Standards, and the list of sustainability matters in ESRS 1 AR 16. The assessment also considered the financial implications of identified impacts, dependencies, and regulatory developments, evaluating their potential effects on financial performance, cash flows, and cost of capital over short-, medium-, and long-term horizons.



# Environmental, Social and Governance Report

Among the environmental and social aspects, the following topics are identified as the most important material issues based on stakeholder engagement and Board assessment:

- Employment
- Occupational Health and Safety
- Development and Training
- Labour Standards
- Environmental Protection Measures
- Product/Service Quality
- Water & Wastewater Management
- Human Rights & Community Relations

According to stakeholders, the majority of the material ESG (Environmental, Social, and Governance) issues are related to social aspects. This year, we have also based on the Materiality Finder of SASB Standards to identify additional areas of significance to the Group. The Group has strictly managed these aspects through its policies and guidelines. The management of these aspects is discussed in detail in separate sections below.

The Group is dedicated to the ongoing pursuit of improvement in these and all relevant aspects. We will sustain close collaboration with our stakeholders to share perspectives and integrate feedback, thereby driving the continuous evolution of our ESG management framework.

## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at [koyoir@koyochem.com](mailto:koyoir@koyochem.com) or by post to the Company Secretary at the Company's registered office.

## A. ENVIRONMENTAL PROTECTION

### Emission Management

As a responsible corporate citizen, the Group is dedicated to improving its sustainability performance in all aspects of its business operations. To achieve this, the Group has implemented an environmental management system that ensures compliance with national and local laws and regulations related to environmental protection and pollution control. The specific laws and regulations that the Group strictly adheres to include, but are not limited to the following:

#### Air Emission:

- Comprehensive Emission Standards for Air Pollutants
- Emission Standards for Air Pollutants from Thermal Power Plants
- Emission Standards for Air Pollutants from Industrial Furnaces and Kilns
- Odor Pollution Emission Standards
- Emission Standards for Volatile Organic Compounds from Fixed Pollution Sources in Sichuan Province
- Air Pollution Prevention and Control Law of the PRC



## Environmental, Social and Governance Report

### Water:

- Pollutant Discharge Standards for Synthetic Ammonia Industry
- Water Pollution Prevention and Control Law of the PRC
- Groundwater Quality Standards
- Integrated Wastewater Discharge Standard

### Hazardous and Non-Hazardous Waste:

- Solid Waste Pollution Prevention and Control Law of the PRC
- National Hazardous Waste List

### Soil:

- Soil Pollution Prevention and Control Law of the PRC
- Soil Environmental Quality Risk Control Standards for Contaminated Land (Trial)

The Group is committed to managing emissions through a comprehensive Health, Safety, Environment (“HSE”) management system, which includes a detailed manual and related regulations. Hazardous substances are exclusively handled by qualified professional organizations, with all activities reported to the environmental protection authority for record-keeping. The discharge of exhaust gases and wastewater strictly adheres to the limits outlined in the discharge permit. Additionally, the Group does not discharge pollutants into the land and conducts regular monitoring of soil and groundwater to ensure compliance and environmental protection. By closely monitoring and adhering to these regulations and standards, the Group ensured compliance with air and greenhouse gas (“GHG”) emissions, water and land discharge, as well as the generation of both hazardous and non-hazardous waste.

Importantly, no instances of material non-compliance were identified during the Reporting Period, demonstrating the Group’s commitment to meeting the requirements of applicable laws and regulations in these areas.

### Air Emissions

During the Reporting Period, the Group primarily relied on natural gas for its manufacturing processes, with additional natural gas consumption in the canteens. However, various types of vehicles, including passenger cars, vans, and other mobile machinery, continued to use petrol and diesel for daily commuting and business travel. The operation of these vehicles contributed to emissions of nitrogen oxides (“NO<sub>x</sub>”), sulfur oxides (“SO<sub>x</sub>”), and particulate matter (“PM”).

Notably, compared to the previous Reporting Period, there has been a significant reduction in overall pollutant emissions. This decrease can be attributed to a reduced reliance on private cars and light goods vehicles during the Reporting Period.

Air Emissions	2025	2024	2023
NO <sub>x</sub> (kg)	5034.31	7,109.16	10,712.76
SO <sub>x</sub> (kg)	27.40	37.68	52.37
PM (kg)	15.09	24.23	5.76



## Environmental, Social and Governance Report

### Greenhouse Gas Emissions

The Group's operation contributed to tonnes of 206,038.24 carbon dioxide equivalent ("tCO<sub>2</sub>e") (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission, with an intensity of 10.16 tonnes/m<sup>2</sup> of total production area and 0.15 tonnes/ton of total chemical products produced. Emission from purchased electricity became the highest among other GHG sources during the Reporting Period, followed by the emission from on-site natural gas combustion (Scope 1).

Scope of Greenhouse gas emissions <sup>1</sup>	Emission sources		2025 (in tCO <sub>2</sub> e)	2024 (in tCO <sub>2</sub> e) <sup>9</sup>	2023 (in tCO <sub>2</sub> e)
<b>Scope 1 Direct emissions</b>	Combustion of fuels in stationary sources <sup>2</sup>	Natural gas	72,011.00	79,062.00	110,227.02
	Combustion of fuels in mobiles sources	Diesel	5.93	10.03	19.00
		Petrol	52.22	65.00	55.24
	Release of refrigerants and fire extinguisher agent from the operation of equipment and systems			12.94	25.21
	Assimilation of carbon dioxide	Tree planting	-1.33	-1.33	-1.33
<b>Scope 2 Indirect emissions<sup>3</sup></b>	Purchased electricity <sup>4</sup>		126,811.15	148,044.91	159,261.08
<b>Scope 3<sup>5,6</sup> Other indirect emissions</b>	Paper waste disposed at landfills		8.56	4.60	1.10
	Electricity used for processing fresh water by third parties		1,312.33	2,449.15	2,620.85
	Electricity used for processing sewage by third parties		41.59	33.47	55.68
	Business air travel by employees <sup>7</sup>		11.74	11.68	19.77
	Category 1:Purchased goods and services		1,639.77	/	/
	Category 2:Capital goods		288.75	/	/
	Category 7:Employee commuting		267.37	/	/
	Category 9:Downstream transportation and distribution services		3,576.24	/	/
<b>Total</b>			206,038.24	229,704.72	272,258.40
<b>Intensity (tCO<sub>2</sub>e/m<sup>2</sup> of total production area)</b>			10.16	7.56	8.96
<b>Intensity (tCO<sub>2</sub>e/tonne of chemical production)</b>			0.15	0.18	0.21

Note 1: Emission factors were referred to Appendix C2 to the Listing Rules and their referred documentation as set out by the Stock Exchange unless stated otherwise. Scope 3 emissions were only calculated based on the available emission factors from the referred documentation.

Note 2: Emission for the combustion of natural gas in stationary source was calculated with emission factors from Greenhouse Gas Protocol Calculation Tool — GHG Emissions from Stationary Combustion (Chinese fuel).



# Environmental, Social and Governance Report

*Note 3:* The emission from natural gas consumption was calculated in scope 1 emissions and thereby removed from scope 2 emissions.

*Note 4:* According to The Ministry of Ecology and Environment of People's Republic of China: Emission factor of 0.5777 tCO<sub>2</sub>e/MWh was used for purchased electricity from the National Grid of the PRC in 2025; Emission factor of 0.5366 tCO<sub>2</sub>e/MWh and of 0.5703 tCO<sub>2</sub>e/MWh was used for purchased electricity in China in 2024 and 2023, respectively.

*Note 5:* Scope 3 GHG emissions were calculated based on available emission factors referred by Appendix 2 of "How to Prepare an ESG Report" set out by Hong Kong Exchanges and Clearing Limited, as well as based on the "Technical Guidance for Calculating Scope 3 Emissions (version 1.0)" published by Greenhouse Gas Protocol, unless stated otherwise.

*Note 6:* Data for other categories of scope 3 emissions have not yet been collected, and the Group currently does not have the capability to conduct data collection for these categories; however, the Group shall endeavour to dedicate resources to complete scope 3 emissions disclosure in due time.

*Note 7:* CO<sub>2</sub> emissions from the Group's business air travels were reported in accordance with the International Civil Aviation Organisation (ICAO) Carbon Emission Calculator.

*Note 8:* Total GHG Emissions may not equal total sum of emission sources due to rounding errors.

*Note 9:* The figures for the release of refrigerants, fire extinguisher agents, and purchased electricity in 2024 have been restated, affecting the related total emissions and intensity.

## Emission Reduction Target Review

The emissions of the Group primarily come from the combustion of fuels and electricity consumption during the production of chemical fertilizers. To manage its carbon footprint, the Group actively improves its energy efficiency to minimize carbon emissions.

The Group's continuous efforts have resulted in significant reductions in GHG emissions at both the Guangan and Dazhou facilities. Specifically, Dazhou facility have completed their 10-year reduction targets ahead of schedule this Reporting Period.

Facility	2023 Baseline (in tCO <sub>2</sub> e)	Target	Progress
Guangan	146,717.31	A 10% reduction based on the 2023 standard, meaning a total reduction of 73,374 tCO <sub>2</sub> e by 2031.	In progress
Dazhou	125,541.09	A 10% reduction based on the 2023 standard, meaning a total reduction of 64,530 tCO <sub>2</sub> e by 2031.	Achieved

To achieve these targets, the Group has taken several initiatives. Emissions are primarily reduced by optimizing production operating indicators and implementing technical renovations to lower natural gas and steam consumption. During the Reporting Period, Dazhou facility reduced the conversion water-carbon ratio from 3.3 to 3.25, cutting steam consumption by 8,000 tonnes. Guangan facility implemented a liquid ammonia heater renovation, changing the heating medium from steam to circulating water, saving 16,753 tonnes of steam annually. Currently, Guangan facility is carrying out a methanol distillation energy-saving renovation project, and Dazhou facility is implementing an ammonia synthesis energy-saving and carbon reduction renovation project to further reduce greenhouse gas emissions.



# Environmental, Social and Governance Report

## Waste management

### Hazardous Waste

During the Reporting Period, the Group generated a total of 455.34 tonnes of hazardous waste, equates to an intensity of 22.45 kg/m<sup>2</sup> of total production area and 0.34 kg/ton of total chemical products produced. The increase from 253 tonnes in the previous year is primarily attributable to variations in equipment operating conditions and maintenance activities.

The hazardous waste generated from the Group's operations primarily consists of waste chemical catalysts, waste chemical solutions, sludge, and waste oil. All hazardous waste is collected by qualified waste management companies for recycling or proper treatment.

### Non-hazardous Waste

During the Reporting Period, the Group generated 928.07 tonnes of non-hazardous waste. This equates to an intensity of 45.76 kg per square meter of total production area and 0.69 kg per tonne of total chemical products produced. The intensity per tonne of product represents a threefold increase compared to the previous period, which is primarily due to differences in annual plant operating conditions and maintenance plans.

In addition to packaging waste and domestic waste, the non-hazardous waste generated by the Group's operations includes paper waste and industrial waste, such as waste packaging materials and other types of waste that cannot be recycled during maintenance processes.

### Wastes Handling and Reduction Initiatives

Throughout the Reporting Period, the Group has implemented effective waste management practices to ensure the proper handling and disposal of all waste generated during its operations. Special attention has been given to hazardous waste management, including waste chemical solutions and waste oil, by engaging qualified and authorized waste handling companies that specialize in incinerated and reusing these materials. Non-hazardous waste has also been appropriately collected and recycled by qualified waste management companies to minimize environmental risks.

To promote recycling, the Group has established recycling bins for various materials and developed collaborative relationships with recycling vendors. Informative posters have been displayed in the canteen to raise awareness and reduce food waste. A dedicated storage area for recyclable waste has been created, and an annual framework agreement has been signed with recycling vendors for regular pickups.

In addition to waste management, the Group is actively working to reduce its environmental impact in other areas. Initiatives such as adopting a paperless office culture, implementing waste sorting practices, and encouraging the use of reusable materials in the canteen have been introduced. Double-sided printing is promoted to minimize paper waste and optimize resource utilization.



## Environmental, Social and Governance Report

The Group's new objective is to reduce overall waste generation intensity by 20% between 2025 and 2035 compared to 2025 baseline. By fostering a culture of environmental responsibility and sustainable practices, the Group is also focusing on advanced waste treatment technologies and concepts within the industry. It actively introducing suitable new technologies and equipment to improve waste treatment efficiency and resource recovery rates. The group strengthens communication and cooperation with peer companies and research institutions to share experiences and technologies, jointly promoting the reduction of waste and the enhancement of resource recycling.

### Responsible Use of Resources

The Group has established a robust Environmental Management System (EMS) to effectively manage its environmental responsibilities. The EMS ensures that environmental considerations are integrated into the Group's operations and decision-making processes. Additionally, a significant portion of the Group's operations have obtained ISO 14001 certification, demonstrating their adherence to internationally recognized environmental management standards.

### Energy Management

During the Reporting Period, natural gas was mainly consumed for the manufacturing process and canteen operation of the Group, and no LPG was used. Energy-efficient production lines and equipment were used to reduce energy consumption while maintaining the quantity and quality of production. The Group's business operations resulted in a total energy consumption of 569,129.26 MWh from the use of energy, with an overall energy intensity of 28.06 MWh/m<sup>2</sup> and 0.43 MWh/ton of total products produced.

Energy Consumption Sources	2025 Consumption (in corresponding unit)	2025 (in "MWh")	2024 (in "MWh")
Electricity	219,510,384 kWh	219,510.38	275,894.35 <sup>1</sup>
Natural Gas	35,350,818.78 m <sup>3</sup>	349,423.20	383,637.22
Petrol	19,568.04 litre	173.41	215.86
Diesel	2,226.99 litre	22.27	37.73
<b>TOTAL</b>		<b>569,129.26</b>	<b>659,785.16</b>
Intensity (MWh/m <sup>2</sup> of total production area)		<b>28.06</b>	<b>21.71</b>
Intensity (MWh/tonne of chemical production)		<b>0.43</b>	<b>0.53</b>

Note 1: The figures of electricity consumption in 2024 have been restated, affecting the related total consumption and intensity.



## Environmental, Social and Governance Report

### Energy Use Efficiency Initiatives

The Group remains dedicated to energy conservation and maximizing the efficient utilization of energy resources. The 2025 annual energy management policy and objectives were issued at the beginning of the Reporting Period. The Group set up policies to uphold energy efficiency within the facilities, including: "Energy Use Standards for Guangan Ko Yo Green Chemical Office and Major Maintenance Shutdowns", "Energy Use Standards for Dazhou New Materials Office and Major Maintenance Shutdowns", "Energy Use Standards for Guangan Qianfeng Ko Yo Electronics Office and Major Maintenance Shutdowns", "Energy Conservation Management Regulations", and "Regulations on Electricity Conservation Management", with assessments conducted based on standards for any instances against control indicators.

Energy efficiency targets are primarily achieved through a series of measures including technical renovations, optimization of production operations, and strengthened internal energy consumption control. In 2025, several major products (methanol, liquid ammonia, urea) all met the national standard limits for energy consumption per unit product. Guangan Facility's comprehensive energy consumption per unit product for methanol and liquid ammonia reached the National Grade 1 energy consumption limit standard.

Although there is an expected increase in electricity usage due to ongoing technological upgrades and new projects at the Dazhou and Guangan plants, the Group has successfully maintained control over electricity usage. There has been a significant reduction of 20.4% compared to the previous Reporting Period, showcasing the Group's commitment to effective energy management and conservation.

### Water Consumption

The Group sourced water for industrial use from municipal water supply systems. During the Reporting Period, there was no issue with sourcing water. The total water consumption for the Group was 5,126,276.46 m<sup>3</sup>, with an overall intensity of 252.75 m<sup>3</sup>/m<sup>2</sup> of total production area and 3.83 m<sup>3</sup>/ton of total chemical products produced. Guangan Facility's water consumption in 2025 decreased by 14.94% and Dazhou Facility's water consumption decreased by 1.63% compared to last year.

### Wastewater

Due to the addition of CO and other projects, Guangan Wan Yuen Chemical Co., Ltd. has reapplied for a pollutant discharge permit, resulting in an increase in the total discharge of wastewater pollutants. The newly obtained discharge permit allows for a total permitted discharge of 150.027 t/a of ammonia nitrogen and 150.027 t/a of chemical oxygen demand. The total quantity of permitted discharge, including various pollutants, is now 600.1757 t/a. The company is committed to adhering to these permitted limits and ensuring proper wastewater management in its operations.

A total amount of 188,358 m<sup>3</sup> of wastewater was discharged from the Group, representing an intensity of 9.29 m<sup>3</sup>/m<sup>2</sup> of total production area and 0.14 m<sup>3</sup>/ton of total chemical products produced, during the Reporting Period. The Group is equipped with on-site wastewater treatment facilities at all operation sites with treatment processes such as grit removal, chemical sedimentation, and aeration. Wastewater is treated to meet the Discharge Standard of Water Pollutants for Ammonia Industry before it is discharged into the public sewage system. An automatic sampler for water monitoring has been introduced to further safeguard the water quality of the wastewater discharge.



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Various wastewater indicators, including biochemical oxygen demand, chemical oxygen demand, total suspended solids, pH, volatile phenol, nitrogen, ammonia nitrogen, Cyanide, Sulfide, etc. are measured. The monitoring reports demonstrated that all effluents are within the permissible level in the Discharge Standard of Water Pollutants for the Ammonia Industry. No exceedances were observed during the Reporting Period. The below table presents the Group's performance of each wastewater indicator during the Reporting Period:

Parameters	Discharge Limits	Average Detected Value (Guangan)	Average Detected Value (Dazhou)
Chemical Oxygen Demand	200 mg/L	9.84 mg/L	7.56 mg/L
Total Suspended Solid	100 mg/L	7.29 mg/L	10.6 mg/L
Ammonia Nitrogen	50 mg/L	2.81 mg/L	25.11 mg/L
Oil and grease	3 mg/L	0.73 mg/L	–
pH	6–9	7.47	7.12

### Water Use Efficiency Initiatives

Increasing scarcity and escalating costs, influenced by factors like overuse, pollution, and climate change, underscore the necessity of strategic water management. By enhancing water use efficiency and implementing effective treatment, the Group seeks to reduce long-term operational costs and minimize financial exposure related to water shortages, evolving regulations, and potential community impacts. In Reporting Period, Guangan facility has successfully achieved an annual water saving of 478,183.471 m<sup>3</sup>, approximately an 8.5% of reduction compared to 2024. The Group's commitment to sustainable water management practices is evident through its implementation of technical improvements for wastewater reuse. Notably, the installation of a sodium hypochlorite dosing device has played a crucial role in effectively disinfecting the wastewater, thereby improving its quality for reuse. These efforts align with the Group's dedication to responsible water management and contribute to its overall sustainability goals.

### Water Conservation Strategies:

Action	Outcome
Through technological innovation, the Group replaced chemical agents with those of a higher concentration ratio during production.	Significantly reduced the amount of circulating water used.
By implementing data monitoring, the Group can promptly detect leaks in the underground pipeline network.	Reduce the instance of water leakage.
Strengthened the water consumption assessments with higher standards.	To raise awareness among employees and water use efficiency.



## Environmental, Social and Governance Report

Meanwhile, Dazhou facility achieved significant progress in water conservation by renovating its industrial water pipeline network and the firefighting water pipeline network in residential areas. Building on this success, the Group is now focusing on the upcoming renovation of the underground fire water pipeline network in the production area, which launched in September 2023. This project is anticipated to result in substantial water savings, estimated at approximately 443,500 m<sup>3</sup> per year. These renovations led to an impressive reduction of 508,082 m<sup>3</sup> from 2022.

To minimize wastewater discharge and reduce reliance on fresh water for manufacturing processes, the Group has implemented a wastewater reuse strategy. This initiative aims to maximize the reuse of treated wastewater within its operations. As part of this strategy, the Group has introduced the “Reclaimed Water Reuse” program in its facilities located in Guangan and Dazhou in 2022.

### Packaging Material

The Group primarily uses packaging bags for fertilizer containment as its major packaging material. During the Reporting Period, a total of 1,094.23 tonnes packaging materials were utilized for production and product packaging. This represents an intensity of 0.5 tonnes/m<sup>2</sup> of the total production area and 0.82 kg/ton of total chemical products produced. Importantly, all packaging materials used by the Group are free from hazardous substances.

Given the nature of the Group’s business, a significant amount of packaging materials is required for its operations. To mitigate its environmental impact and conserve resources, renewable materials are exclusively used for packaging bags in Dazhou facility. Additionally, as of 2023, the facility has transitioned to reusable freight bags as a replacement for single-use packaging. To ensure responsible waste management, all waste packaging materials are collected and appropriately handled by a certified recycling company.

### The Environment and Natural Resources

#### Significant Impacts of Activities on the Environment

The Group is aware of the potential environmental impacts associated with the leakage of chemical solutions. To address this concern, the Guangan facility has implemented various preventive measures to monitor and control the storage and usage of chemical substances. These measures include the construction of storage tanks designed to collect materials and wastes from sampling, overflow, accidents, and maintenance activities. Moreover, airtight equipment and pipe fittings have been utilized to prevent the formation of bubbles and leaks.

In addition to these preventive measures, the Group has enhanced its monitoring of production lines and conducts regular on-site leak detection. Any instances of leakage that are identified are promptly repaired and eliminated to prevent harm to the environment. The Group acknowledges the importance of minimizing the environmental impact caused by chemical spills and remains committed to implementing effective strategies to prevent such incidents from occurring.



# Environmental, Social and Governance Report

Furthermore, the Group takes proactive steps to reduce its overall environmental impact. The Group prioritizes the selection of raw materials from suppliers that adopt sustainable production methods. It has installed new equipment to improve energy efficiency and reduce pollution, and ongoing retrofitting efforts are being undertaken to further minimize pollution. Process optimization, enhanced inspection, and a reduction in dependence on natural gas are among the Group's strategies to achieve these goals. The Group also promotes environmental protection and energy conservation through policies and encourages pro-environmental behaviours among its staff, such as switching off idling electronic devices. Recycling bins with clear instructions are available in public spaces, and recyclable materials are used for canteen tableware, such as bowls and chopsticks. These initiatives demonstrate the Group's commitment to sustainable practices and minimizing its environmental footprint.

## Climate Change

### Climate Change Governance

The Board of Directors is aware of the risks posed by climate change and incorporates ESG issues, including climate-related matters, into the company's governance processes. This enhances oversight at the board level and guides management to address climate risks by integrating them into existing business processes, while also considering their impact on the company's overall strategy.

The Group's Operations Management Department and the Safety and Environmental Protection Department of its subsidiaries monitor local climate risks. This is primarily achieved by analysing local weather forecasts to anticipate extreme weather conditions.

Key extreme weather events under surveillance include strong winds (level 5 and above), heavy rain, snowfall, and high temperatures (above 38 degrees Celsius). The monitoring efforts specifically address impacts on road transportation, outdoor operations, and personnel safety.

To ensure safe operations during extreme weather, the company has issued an "Emergency Response Checklist for Extreme Weather" and "Measures for Safe and Stable Operation of Production Facilities During Summer Extreme Weather". Additionally, regular inspections and notifications are conducted for facilities and critical areas during periods of extreme weather, such as high temperatures and thunderstorms, to ensure a safe response.

### Climate Risk Identification

In line with the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"), climate-related risks are broadly categorized into two main types: physical risks and transition risks. The Group has undertaken a rigorous analysis to identify several climate-related risks that pose implications for its business operations. These risks encompass acute physical risks, chronic physical risks, legal and policy risks, technology risks, and reputation risks.

The Group's Operations Management Department has centrally identified policies and standards related to product carbon footprint, greenhouse gas verification, carbon neutrality certification, and carbon emission management system certification, and is progressively advancing them in accordance with national requirements and Group strategic deployment. During the Reporting Period, the carbon footprint accounting for methanol products was completed and a certificate was obtained.



## Environmental, Social and Governance Report

To evaluate the impact of these climate-related risks on the Group's value chain, we have conducted a comprehensive assessment that considers both qualitative factors and quantitative thresholds to gauge the nature, likelihood, and severity of each risk. Based on this analysis, risks are categorized into low, medium, and high priority levels. This structured evaluation forms the basis for determining the appropriate resources and strategic focus for each identified issue.

Time Span	Years	Definition
Short-term	1–5	Focuses on critical operational and market issues. Aims for stable growth and short-term gains through quick adaptation. For example, process optimization and launching in-demand products.
Medium-term	5–10	Targets sustained development and competitive edge. Involves strategic planning based on market and tech trends. The key activities is expanding into new markets and investing in new technologies to build a foundation for the future.
Long-term	10 or more	Essential for achieving the Group's vision. Concentrates on adapting to macro shifts like industry transformation. The goal is building a sustainable, innovative business model to secure long-term value and market relevance.

Climate risk type	Time horizon	Potential Financial Impact	Risk level
<b>Physical Risk</b>			
Acute physical risk	Short term	Increased severity and frequency of extreme weather affect daily operations and disrupt the supply chain. Reduced revenue and increased maintenance cost.	High
Chronic physical risk	Medium to long term	Rising temperatures increase energy use and equipment maintenance costs.	High
<b>Transition risk</b>			
Technology risk	Long term	Increased operation cost from substitution of existing equipment and services.	Medium
Legal and policy risk	Long term	Increased operation cost from increased GHG emission pricing.	Low
Reputation risk	Long term	Reduced revenue from decreased demand for services.	Low



## Environmental, Social and Governance Report

Climate change opportunity	Time horizon	Potential Financial Impact	Impact level
<b>Circular Economy Initiatives</b>			
Recycling and Reuse	Short term	Opportunities to develop recycling technologies and processes for chemical products, contributing to a circular economy.	High
Waste-to-Value	Short term	Utilizing waste materials as feedstocks for new products can minimize waste and create additional revenue.	Medium

This climate risk management process is fully integrated into the Group's overall risk management framework. Each operational department has clearly defined ESG risk management responsibilities, enabling them to identify climate-related risks within their purview. Identified risks and mitigation progress are then escalated to senior management and the Board through regular reporting, ensuring effective oversight.

To ensure the effective implementation of our response strategies, the Group dedicates necessary resources across financial, human, and technical dimensions. This includes supporting contingency material reserves, funding low-carbon technology upgrades, and deploying specialized personnel to manage climate risks. Furthermore, we integrate internal and external expertise and foster long-term partnerships with logistics providers and environmental technology suppliers to build a resilient support network.

The Group have finalized its extreme weather emergency response plans and the optimized its logistics routes. By proactively assessing, prioritizing, and addressing climate-related risks, the Group aims to safeguard its business operations and enhance its resilience. This approach ensures we remain well-prepared to navigate challenges, particularly those concentrated in vulnerable parts of our value chain such as open-air storage facilities and transportation fleets.

### Anticipated Financial Impacts

The Group recognizes that climate-related risks may significantly impacted its financial position. Extreme heat events have affected operational consumption metrics and led to increased costs within the supply chain, diminishing production efficiency and cost control, which in turn lowered financial performance. Additionally, cash flow has decreased due to the need for increased investments to address climate risks and maintain business operations.

In light of the Group's strategies for managing climate-related risks and opportunities, we anticipate changes in financial performance over the short, medium, and long term. The Group plans to intensify its control measures and investments aimed at improving energy efficiency and reducing carbon emissions. Funding for these initiatives will be sourced through a combination of internal and external financing. Additionally, the company will actively seek government subsidies and tax incentives to lower financing costs and enhance capital utilization efficiency.

In the short term, investments to improve energy efficiency and reduce carbon emissions will necessitate certain expenditures, which may temporarily affect financial performance. However, as operational efficiency improves, the Group's financial performance is expected to gradually enhance in the medium term, positioning the Group as a leader in the transition to a low-carbon corporate future.



# Environmental, Social and Governance Report

## Climate Change Scenarios

The Group has analysed the major impacts that the chemical industry may encounter under the climate scenarios suggested by the HKEX<sup>1</sup>.

Climate Scenario	Global Average Temperature Increase	Major Impacts
Turquoise	Projected to rise approximately 1.7°C by 2060 and approximately 1.8°C by 2100	<ul style="list-style-type: none"> <li>– Increased demand for eco-friendly and bio-based chemicals</li> <li>– Growth in the market for sustainable packaging solutions</li> <li>– Enhanced focus on circular economy practices</li> </ul>
Brown	Projected to rise approximately 2.4°C by 2060 and approximately 4.4°C by 2100	<ul style="list-style-type: none"> <li>– Heightened risk of regulatory non-compliance leading to financial penalties</li> <li>– Disruption of supply chains due to extreme weather events</li> <li>– Increased operational costs associated with carbon pricing and regulatory compliance</li> </ul>

## Commitment to a Sustainable Transition

The Group's operations in Hong Kong are aligned with the goal of achieving carbon neutrality by 2050, in accordance with the "Hong Kong Climate Action Blueprint 2050". For its extensive operations in China, the Group is focused on the country's 3060 target, which aims to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060. For more details, please refer to the section "Emission Reduction Target Review" of the report.

As environmental regulations become stricter, the Group anticipates the need for further investments in pollution control and compliance upgrades, leading to an increase in liability levels. However, by continuing to invest in green energy and sustainable technologies, the Group expects to reduce long-term operational costs and enhance market competitiveness, gradually improving its asset and liability structure over the coming years.

## B. SOCIAL

### Employment and Labour Practices

#### Employment

The Group complies with laws including, but not limited to, the Labour Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, and the Regulations on Paid Annual Leave for Employees. The Group is dedicated to eliminating any form of discrimination and bias, respecting all employees regardless of age, gender, marital status, disability, or other factors.

Additionally, the Group has established policies governing compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and various benefits and welfare measures. During the Reporting Period, there are no violations or misconduct reported.

<sup>1</sup> HKEX. (2021). Guidance on climate disclosures. Hong Kong Exchanges and Clearing Limited. [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance\\_climate\\_disclosures\\_c.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_climate_disclosures_c.pdf)

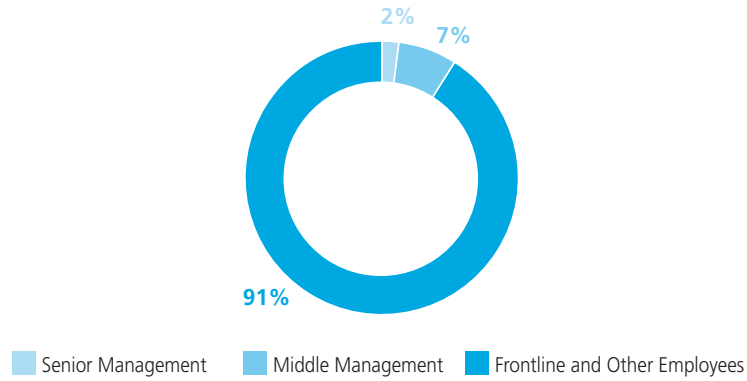


# Environmental, Social and Governance Report

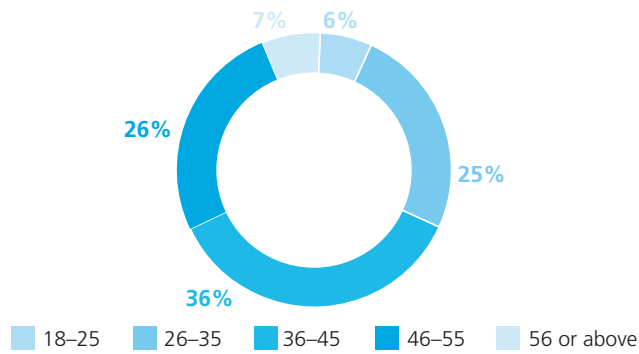
## Workforce

As of 31 December 2025, the Group had a total of 581 employees, all of whom were full-time employees from the PRC. By the end of the Reporting Period, the total workforce categorized by employment type, age group, and gender is as follows:

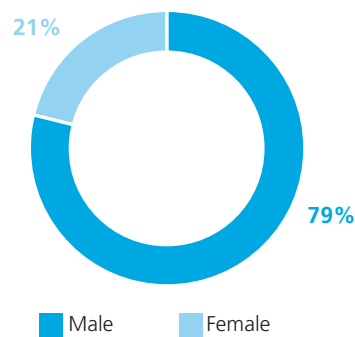
### By Employee Category



### By Age Group



### By Gender



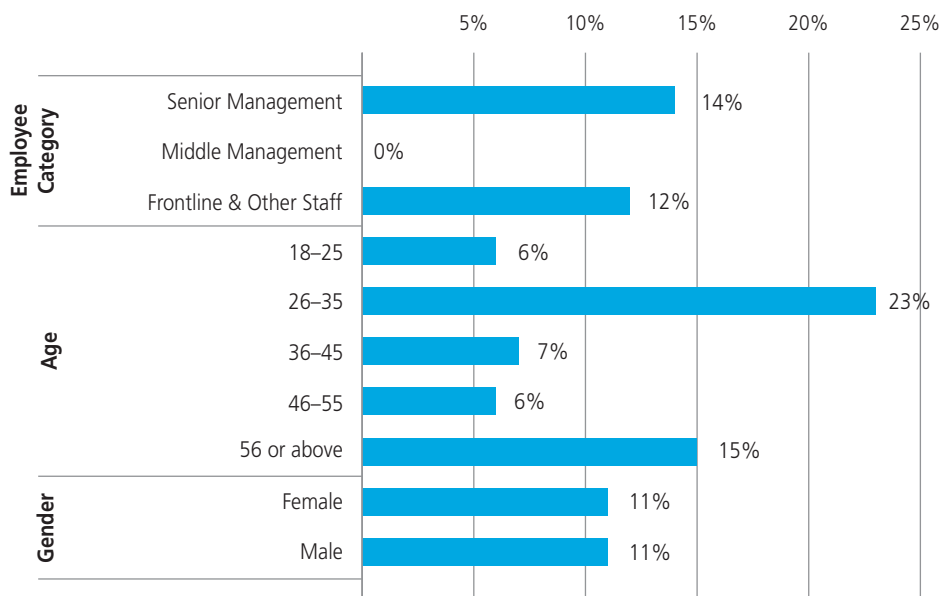


# Environmental, Social and Governance Report

## Turnover

During the Reporting Period, a total number of 65 full-time employees from the PRC left the Group, representing an annual turnover rate of 11.2%. The employee turnover rate by gender, age group and employee category in the Reporting Period are as follows:

**Turnover Rate by Category**



## Compensation and Benefits Package

The Group recognizes that employees are vital assets essential for its continued growth. Consequently, it consistently enhances the management of employee remuneration and benefits, ensuring that compensation aligns with market rates to attract and retain top talent. All employees are entitled to basic social insurance in Mainland China.

The Group adheres to the principle of “adapting to current market conditions, reflecting talent, and providing incentives”. To foster retention, current employees are notified of internal job openings before positions are advertised externally. The remuneration structure is merit-based and objectively determined by each employee’s role and performance. Additionally, employees receive a year-end bonus based on the results of their annual performance reviews.

## Appraisal System

Two individual appraisal systems were put forward to evaluate the management team and frontline staff separately with different focuses. Both the upwards appraisal and top-down appraisal were used for the management team evaluation. In this manner, the managers’ performance is evaluated by supervisors while subordinates can express opinions and concerns.



## Environmental, Social and Governance Report

### *Equal Opportunity*

The Group applies the principles of equal opportunity across all employment policies, including recruitment, training, career development, and promotions. It fosters a culture of fair competition and expressly prohibits discrimination or harassment against any employee based on gender, ethnicity, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, or pregnancy.

While the Group does not have formal policies in place, it is committed to upholding equal opportunity principles throughout the recruitment, evaluation, and promotion processes. Additionally, the Group actively supports the employment of individuals with disabilities by providing job opportunities for disadvantaged groups.

### *Staff Communication*

The Group believes that workplace communication is of paramount importance to enhance the effectiveness of operations and production. The Group organizes an annual meeting, team building activities, and staff forum to improve communication and build stronger bonds between employees. These communication channels and activities improve teamwork and enhance working efficiency. A trade union has been formed to better reflect the opinions of employees.

### **Employee Health and Safety**

The Group is committed to providing a safe working environment for its employees by adhering to national and local laws, regulations, and practices. This includes compliance with the Law of the PRC on the Prevention and Control of Occupational Diseases, the Production Safety Law, Provisions on the Administration of Occupational Health at Workplaces and the Measures for the Supervision and Administration of Employers' Occupational Health Surveillance. Throughout the Reporting Period, there were no significant instances of non-compliance with health and safety regulations.

The Health, Safety, and Quality Department is integral to ensuring workplace health and safety. Workers in chemical production environments encounter various dangers, such as operating heavy machinery, handling hazardous chemicals, and working near high-pressure systems and extreme temperatures. This department takes proactive measures to protect employees from potential hazards, risks, and accidents. It continuously reviews and enhances safety management processes to foster an injury-free and efficient workplace. Key responsibilities of the department include:

1. **Hazard Identification and Assessment:** The department identifies and evaluates occupational health hazards and monitors workplace conditions.
2. **Preventive and Mitigation Strategies:** It develops and implements plans to prevent and mitigate identified risks.
3. **Employee Training:** All employees are required to participate in at least one training session on occupational health and safety each year, as well as a minimum of two emergency rescue exercises.



## Environmental, Social and Governance Report

To support this commitment, the Group has established an HSE management system manual and related policies that address both occupational health and employee health management. To evaluate the health and safety management, the Group monitors the performance via several measurable metrics. During the Reporting Period, the monitoring results indicated that the concentration level of all relevant occupational hazards including sulfuric acid, hydrochloric acid, sodium hydroxide, ammonia, carbon monoxide, carbon dioxide, urea, and formaldehyde were all within permissible level per GBZ2.1 occupational exposure limit for harmful factors in the workplace.

The Group has implemented several management practices to ensure the health and safety of its employees:

1. **Annual Health Check-ups:** The Group provides an annual health assessment for all employees to evaluate their physical condition. If necessary, the Group will explore and arrange alternative positions for employees as needed.
2. **Workplace Environment:** A central air conditioning system is installed in the workplace, with all ventilation systems properly operated and maintained to ensure optimal temperature regulation.
3. **Summer Safety Measures:** To protect employees working outdoors during the summer, the Group supplies cooling items such as water, cooling oil, Huoxiang Zhengqi Water and green bean soup to prevent heat-related illnesses.
4. **Occupational Health Awareness:** All employees are educated about potential occupational health hazards and are provided with personal protective equipment, including safety helmets, safety shoes, and ear protectors.
5. **Hazard Monitoring:** The Group systematically identifies and closely monitors any occupational hazards present in the workplace.
6. **Training and Fire Drills:** Regular training sessions and fire drills are conducted to ensure that employees are familiar with fire safety protocols and escape methods in office buildings.

There are two injury cases during the Reporting Period, which resulting in a total of 69 lost days.

	2025	2024	2023
Work related fatality	0	0	0
Work injury cases >3 lost days	1	4	3
Work injury cases ≤3 lost days	1	0	0
Lost days due to work injury	69	392	92



## Environmental, Social and Governance Report

### Development and Training

The Group offers ongoing training and development programs aimed at enhancing employees' expertise and problem-solving abilities. At the end of each year, the Group gathers input on training needs from various departments and positions to design and implement tailored training initiatives.

For new hires, mentorship is provided to support their internal training and assessments. The training and development programs include, but are not limited to, on-the-job training, drills, and seminars conducted by both internal and external professionals.

Training topics encompass a range of subjects, including:

- Management Training: Focused on improving anti-corruption practices.
- Professional Skills Development: Enhancing specific job-related skills.
- Occupational Health and Safety Training: Ensuring all employees are well-versed in safety protocols.

Through these comprehensive training initiatives, the Group aims to foster a knowledgeable and skilled workforce. During the Reporting Period, each employee received an average of 45.4 training hours. It is worth mentioning that all employees underwent training during the Reporting Period. Please refer to the following table for the details of staff training in 2025:

	% of employees trained	Average training hours per employee
<b>By employee category</b>		
Senior management	100%	30.4
Middle Management	100%	43.3
Frontline & other staff	98.9%	46.0
<b>By gender</b>		
Male	99.3%	46.0
Female	97.5%	43.1

### Labour Standards

The Group is committed to protecting the rights and interests of its employees and strictly prohibits the use of child labour and forced labour. It fully complies with the Provisions on the Prohibition of Using Child Labor and other relevant labour standards in the PRC. The Human Resources Department conducts thorough background checks on all new hires during the recruitment process to ensure that applicants meet the legal working age requirements. If any violations are identified, the Group will promptly terminate the employment of the individuals involved and take appropriate disciplinary action against anyone who breaches applicable laws and regulations. Additionally, the Group may report any violations to relevant legal authorities, such as the Labour and Social Security Bureau of the PRC.



## Environmental, Social and Governance Report

The Group also ensures compliance with all applicable labour laws in Mainland China, including the Labour Law of the PRC and the Labour Contract Law of the PRC, which address collective contracts related to wages, occupational disease prevention, and the protection of female employees. Any overtime work must be pre-approved by the Group, and employees will be compensated accordingly. Throughout the Reporting Period, there were no significant instances of non-compliance related to child or forced labour.

### Operating Practice

#### Supply Chain Management

The Group recognizes that effective supply chain management positively impacts not only the organization but also society and the environment. Its supply chain management system enables the Group to monitor and evaluate suppliers' capabilities in delivering high-quality products. Each year, the Group conducts surveys and assessments of suppliers to ensure they meet established standards for qualifications and product quality.

In line with national regulations, the Group follows the Ministry of Industry and Information Technology's guidelines for eliminating high-energy-consuming and outdated electromechanical equipment. It also mandates that suppliers adhere to environmental and social standards, monitoring their performance in these areas. Site visits to suppliers allow the Group to assess their environmental and social performance, product quality, and workplace safety. Suppliers that consistently meet the Group's evaluation criteria are retained on the qualified supplier list, while those that fail to meet performance standards twice are removed.

The Group prioritizes the procurement of energy-efficient appliances, low carbon-footprint products, and fair-trade items. It actively seeks suppliers who commit to adhering to relevant environmental and social standards. Additionally, the Group supports the use of environmentally preferable products; for example, when sourcing packaging for fertilizers, it selects suppliers that offer products made from renewable materials.

To ensure compliance, suppliers and contractors must provide environmental quality system certificates, business licenses, and other necessary permits. The Group also strengthens management of the transportation process for supplier materials, focusing on potential safety and environmental impacts, as well as personnel health concerns.

During the Reporting Period, the Group engaged a total of 305 suppliers from Mainland China for distribution and sales services, as well as for the supply of raw materials, tools and equipment, chemical supplements, and personal protective gear.

#### Product Responsibility

The Group is dedicated to providing products and services that meet high standards of safety, quality, and reliability. It strictly adheres to the Product Quality Law of the PRC and other relevant regulations concerning product quality. During the Reporting Period, there were no significant instances of non-compliance related to health and safety, advertising, labelling, or privacy concerning the products and services offered.



## Environmental, Social and Governance Report

The Group's quality control and assurance procedures remain robust, in line with its Quality Assurance Policy. In the event of a product quality issue, the Quality Control Department assesses the safety and effectiveness of the equipment and compiles this information into an "Adverse Event" report, which is then escalated to senior management. Additionally, the production equipment at Dazhou has been updated to include an emergency plan for managing unexpected incidents. Should service interruptions occur, agricultural sales companies are promptly notified to address any external sales requests.

If a product recall is necessary due to safety or health concerns, the Group will communicate with clients regarding the reasons for the recall and collaborate to identify the most appropriate solutions. The Group is committed to continuous improvements that enhance both product quality and the overall customer experience.

During the Reporting Period, the Group received 3 complaints related to product quality. Each complaint was thoroughly investigated, and resolutions were achieved through effective communication and product enhancements. No product recalls were reported to be necessary.

### **Intellectual Property Management**

The Group is dedicated to protecting its intellectual property rights related to products and production methods while also respecting the intellectual property rights of others. Our practices are guided by the Intellectual Rights Management Policy, which ensures that any infringements are thoroughly investigated by senior management, with legal action pursued when necessary. To reinforce this commitment, the Group has included an intellectual property rights clause in employee contracts, established relevant policies for employee terminations, and provided intellectual property training to selected staff members.

During the Reporting Period, there were no reported cases of infringement concerning intellectual property rights, patents, or trademarks. In total, the Group has successfully obtained 19 utility patents and 1 invention patents.

### **Consumer Data Protection**

The Group is committed to safeguarding the personal data of its customers. All employees are required to sign a confidentiality agreement that prohibits unauthorized access to or disclosure of customer information. To enhance data security, the Group has installed firewalls and anti-virus software on its data servers. An internal encryption system is utilized for data transmission, effectively preventing interception by unauthorized users.

In addition to its data security measures, the Group has established secure archives at its facilities in Guangan and Dazhou to store and protect customer information. Access to this information is restricted, and employees must obtain permission to view it. A borrow-and-return registration process has been implemented to ensure that all data transfers are meticulously recorded. In the event of a data breach, penalties will be enforced in accordance with the Group's policies, and serious cases will be reported to judicial authorities.

Throughout the year, the Group has complied with all relevant laws and regulations pertaining to information security that significantly impact the organization, including, but not limited to, the Data Security Law of the PRC and the Advertising Law of the PRC.



## Environmental, Social and Governance Report

### Anti-corruption

The Group enforces strict regulations regarding employee discipline and professional conduct to prevent potential issues related to bribery, extortion, fraud, money laundering, and gambling. During the Reporting Period, the Group complied fully with relevant laws and regulations concerning these matters, including the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC, and the Supreme People's Court and Supreme Procuratorate's interpretations regarding the handling of criminal cases related to graft and bribery. There were no legal cases concluded against the Group or its employees for corrupt practices, and no instances of non-compliance with applicable laws relating to money laundering or corruption were reported during this period.

The Group's management system explicitly states that any personnel found abusing their powers for corruption or bribery will be referred to judicial authorities for further investigation. The Internal Audit Department regularly supervises and conducts audits of the Procurement Department, focusing on contracts, supplier quotations, and payment statuses. To ensure transparency, every contract includes a Clean Clause and adheres to relevant regulations established in compliance with PRC law.

Additionally, the Group has implemented a dedicated whistleblowing hotline that allows stakeholders to anonymously report any concerns or suspicions regarding misconduct.

During the Reporting Period, a total of 288 employees (approximately 50% of the total employees) attended the anti-corruption training regarding anti-corruption laws and business ethics, with an average training hour of 4.1 per employee. The Group also ensures all directors are of high awareness on relevant anti-corruption laws and regulations. In the upcoming Reporting Period, the Group intends to provide anti-corruption training for directors to improve their understanding of business integrity and promote a culture of ethical business practices.

### Community Investment

Building strong, transparent, and mutually respectful relationships with local communities is integral to maintaining our operation. While the Group has not yet established formal policies for community engagement, it places significant importance on its responsibility to collaborate with local communities. Our approach to community investment is guided by the understanding that our long-term success is intertwined with the health and prosperity of the communities surrounding our facilities in Guangan and Dazhou.

## Environmental, Social and Governance Report

During the Reporting Period, the Group actively participated in various community projects and engaged in volunteer services. Below is a table outlining the events and donations made by the Group in the Reporting Period.

Activities in the Reporting Period	Beneficiary/Collaborators/ Partner organizations	Activities	Value
<b>Dazhou</b>			
Rural Revitalization Support	Dazhou Red Cross Society, The People's Government of Shiwo Town, Wanyuan City	Donated 10 tonnes of urea.	RMB18,700
	Dazhou Red Cross Society, Shiguan Village, Jiuyuan Town, Wanyuan City; Zhangcaoba Village; Fenghuangshan Village	Donated 10 tonnes of urea.	RMB18,500
	Dazhou Red Cross Society, Xinfangzi Village Committee, Fengtong Township, Wanyuan City	Donated 6 tonnes of urea.	RMB10,920
	Dazhou Red Cross Society, Xiejiaba Community Residents Committee, Shatan Town, Wanyuan City	Donated 1 tonnes of urea.	RMB1,820
	Dazhou Red Cross Society, Zhiziyuan Village Committee, Shatan Town, Wanyuan City	Donated 3 tonnes of urea.	RMB5,460
	Dazhou Red Cross Society, Xuntao Orchard Farm, Tongchuan District, Dazhou City; Dazhou Xiongbó Agricultural Technology Co., Ltd.	Donated 3 tonnes of urea.	RMB5,610
	Dengxuba Village, Huangzhong Town, Wanyuan City	Purchased agricultural products.	RMB1,672
Culture & Sports Support	Social Affairs Bureau of Dazhou High-tech Industrial Park	Participated in the local Festivals "Celebrating Two Festivals · Welcoming the Sichuan Super League · Building a National 5A Scenic Area"	RMB500,000



## Corporate Governance Practices

The board of directors (“Board”) believes that by adopting high standard of corporate governance practices can improve the transparency and accountability of the Company, and instill confidence of shareholders and the public in the Group. Throughout the year under review, the Board adopted the Code on Corporate Governance Practices (the “Corporate Governance Code”) as set out in Appendix 14 of the Listing Rules, and the Company has complied with the Corporate Governance Code.

### THE BOARD OF DIRECTORS

#### Board composition

The Board of directors currently comprises six directors of which three are Executive Directors and three are Independent Non-Executive Directors as at 31 December 2025. Among which, five are male and one is female, and one in the age group of 31–40; one in the age group of 41–50; and four in age group over 61. The detail is as follow:

#### *Executive Directors*

Mr. Tang Guoqiang (*Chairman*)  
 Mr. Fan Chao (*Chief Executive Officer*)  
 Mr. Zhang Weihua

#### *Independent Non-Executive Directors*

Mr. Xu Congcai  
 Mr. Le Yiren  
 Ms. Lu Yi

The Independent Non-Executive Directors represented over one-third of the Board during the year 2025. Among the three Independent Non-Executive Directors, at least one has appropriate professional qualifications or accounting or related financial management expertise which satisfies the requirement under the rule 3.10(1) and (2) of the Listing Rules. An annual confirmation of the independence of each Independent Non-Executive Director had been received in accordance with each and every guideline set out in rule 3.13 of the Listing Rules. All Independent Non-Executive Directors are identified as such in all corporate communications that disclose the names of the directors. There is no family or other material relationship among members of the Board.

The Board is responsible for the strategic development of the Group’s business. Daily operations and execution of strategic plans are delegated to management. The Audit Committee, Remuneration Committee and the Nomination Committee have specific terms of reference clearly defining the powers and responsibilities of the respective committees. All committees are required to report to the Board in relation to their decisions and recommendations for seeking the Board’s approval.

### BOARD MEETING

The Board meets regularly and board meetings are held at least four times a year. The board meetings involved the active participation in persons or through other electronic means of communication. Notice of all board meetings were given to all directors to ensure all directors, who were given an opportunity to attend and include matters in the agenda for discussion. Agenda and accompanying board papers are sent to all directors at least one day prior to the meeting. Draft and final versions of minutes of board meetings were sent within a reasonable time to all directors for comment and record. All the committee meetings follow the applicable practices and procedures used in board meetings.



## Corporate Governance Practices

In the financial year ended 31 December 2025, 5 board meetings and 1 shareholders' meeting were held and the attendance record for the meetings by each director is as follow:

<b>Attendants</b>	<b>Number of board meetings attended/total</b>	<b>Board meetings attendance percentage</b>	<b>Number of shareholders, meetings attended/total</b>	<b>Shareholders' meetings Attended percentage</b>
<i>Executive Directors</i>				
Mr. Tang Guoqiang	5/5	100%	1/1	100%
Mr. Shi Jianmin (resigned on 2025.09.19)	3/3	100%	1/1	100%
Mr. Fan Chao (appointed on 2025.05.01)	3/3	100%	1/1	100%
Mr. Zhang Weihua	5/5	100%	1/1	100%
<i>Independent Non-Executive Directors</i>				
Mr. Xu Congcai	5/5	100%	1/1	100%
Mr. Le Yiren	5/5	100%	1/1	100%
Ms. Lu Yi	5/5	100%	1/1	100%

### BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy that appointment to the Board should be based on merit that compliments and expands the skills and experience of the Board as a whole, and after due regard to factors which include but not limited to gender, age, educational background, professional experience, skills and knowledge, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board. The Board shall review the structure, size and composition of the Board from time to time.

The Chairman of the Group is Mr. Tang Guoqiang, primarily responsible for the management of the Board and ensuring the Board functions effectively, smoothly and following a good corporate governance practices. Mr. Tang Guoqiang, the Chairman and together with the other Executive Directors are responsible for monitoring the day to day operation of the Group. Segregation of duties is among the Executive Directors and each Executive Director has specific area to focus on. Mr. Tang Guoqiang is responsible strategic planning, merger and acquisition and related matters with capital market of the Group for the development of the Group. Mr. Fan Chao, the Executive Director and Chief Executive Officer of the Group is responsible for the daily operation of all the business of the Group. Mr. Zhang Weihua, the Executive Director and compliance officer of the Group, is responsible for monitoring the compliance matters of the Group.

### DIRECTORS' TRAINING

Pursuant to A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under A.6.5 of the Corporate Governance Code during the year under review.



## Corporate Governance Practices

### COMPANY SECRETARY'S TRAINING

Pursuant to rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary provided his training records to the Company indicating more than 15 hours of relevant professional development by means of attending seminars and reading relevant guideline materials.

### SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2025.

### SHAREHOLDERS' RIGHTS

#### Procedures for convening an extraordinary general meeting and putting forward proposals by shareholders at general meeting

Each general meeting other than an annual general meeting shall be called an extraordinary general meeting. General meetings may be held in any part of the world as may be determined by the Board. According to Article No. 58 of the Company's Articles of Association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any requisition to convene an extraordinary general meeting or proposal to be put forward at the general meeting can be addressed to the principal place of business in Hong Kong of the Company marked with the attention of the Company Secretary. The requisitionists must state in their request(s) the objects of the extraordinary general meeting to be convened, and such request must be signed by all the requisitionists. Upon receipt, the Company will verify the requisitionists' particulars and if the request is in order, the Company will convene the extraordinary general meeting in accordance with its articles of association.

#### Procedures for propose a person for election as a Director

The procedures for proposing a person for election as a Director can be found in the post on 27 April 2012 under the Investor Relations section of the Company's website at [www.koyochem.com](http://www.koyochem.com).



## Corporate Governance Practices

### Shareholder communication Policy

Information of the Company shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), announcements, circulars and other corporate publications made available on the website of the Company at [www.koyochem.com](http://www.koyochem.com) and on the website of HKEXnews of The Stock Exchange of Hong Kong Limited (the "SEHK") at [www.hkexnews.hk](http://www.hkexnews.hk), and the direct communication platform in the annual general meeting held every year and any other general meetings that may be convened as required. Shareholders and investors may at any time send their enquiries and concerns to the Board in writing through the Company Secretary. Details of contact and shareholder communication policy are available on the Company's website at [www.koyochem.com](http://www.koyochem.com). The shareholder communication policy will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Registered Shareholders and Non-registered Shareholders may at any time send the request in writing to the Company's Hong Kong share registrar, Union Registrars Limited (by post to Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong or by email to [827-corpcomm@unionregistrars.com.hk](mailto:827-corpcomm@unionregistrars.com.hk)) to request for printed copy(ies) of the Corporate Communication(s). Even if the Registered Shareholders and/or Non-registered Shareholders have received the Email Notification but for any reason have difficulty in accessing the relevant Corporate Communication(s) electronically, the Company will upon reasonable request in writing send the Corporate Communication(s) to them in printed form free of charge.

### DIRECTORS' SECURITIES TRANSACTION

The Board had adopted the model code ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Specific enquiry had been made to all directors and each director confirmed that during the year under review, he had fully complied with the required standard of the dealings and there was no event of non-compliance with the required standard of dealings.

### REMUNERATION OF DIRECTORS

Remuneration Committee was established in January 2005 and 1 meeting was held during the financial year under review. The members of the committee and the attendance record are as follow:

<b>Attendants</b>	<b>Number of meetings attended/Total</b>	<b>Attendance percentage</b>
<i>Independent Non-Executive Directors</i>		
Ms. Lu Yi ( <i>Chairman</i> )	1/1	100%
Mr. Xu Congcai	1/1	100%
Mr. Le Yiren	1/1	100%

The majority of the members of the remuneration committee are Independent Non-Executive Directors.

The Remuneration Committee is responsible for the reviewing and recommending the Board for the remuneration policy of the directors and assessing performance of Executive Directors. The remuneration terms and policies recommended by the Remuneration Committee were reported to the Board for approval. The Remuneration Committee is provided with sufficient resources for discharging its duties.



## Corporate Governance Practices

### NOMINATION OF DIRECTORS

Nomination Committee was established in January 2005 and 1 meeting was held during the financial year under review. The members of the committee and the attendance record are as follow:

Attendants	Number of meetings attended/total	Attendance percentage
<i>Independent Non-Executive Directors</i>		
Mr. Xu Congcai ( <i>Chairman</i> )	1/1	100%
Mr. Le Yiren	1/1	100%
Ms. Lu Yi	1/1	100%

The majority of the members of the Nomination Committee are Independent Non-Executive Directors.

The Nomination Committee is responsible for the formulating the nomination policy of the directors and recommending the Board on nomination and appointment of directors. The Nomination Committee is provided with sufficient resources for discharging its duties.

### TERM OF APPOINTMENT AND RE-ELECTION

Each of the Executive Directors has entered into a service contract with the Company for initial fixed term of three years, and will continue thereafter for successive terms of three years until terminated by not less than three months' notice in writing served by either party on the other. The Independent Non-Executive Directors of the Company are appointed with specific terms inside the letter of appointment for initial fixed terms of two years.

In accordance with Article 87 of the articles of association of the Company, at each annual general meeting, one-third of directors for the time being shall retire from office by rotation and, will be eligible for re-election. Mr. Tang Guoqiang, Mr. Fan Chao and Mr. Xu Congcai will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

According to Article 86.3 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Mr. Fan Chao was appointed as executive Director on 1 May 2025. Mr. Fan shall retire from his office as a Director at the Annual General Meeting pursuant to Article 86.3 of the Articles of Association and being eligible, will offer himself for re-election at the Annual General Meeting.



## Corporate Governance Practices

Pursuant to code provision B.2.3 of the Corporate Governance Code, any further appointment of an independent non-executive director in excess of nine years should subject to a separate resolution to be approved by shareholders. Mr. Xu Congcai was appointed as independent non-executive Directors on 1 August 2017 and will have served on the Board for nine years as at 31 July 2026. Nevertheless, the Board recommends the Shareholders to vote in favour of the resolutions to re-elect Mr. Xu as independent non-executive Director. Mr. Xu received a doctorate in economics from the School of Economics, Fudan University in 1998 and he has made valuable contribution to the Company by providing his knowledge in economics. Mr. Xu have never held any executive or management position in Group. There is no evidence that the independence of Mr. Xu especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected by his length of service to the Board. As such, a separate resolution will be proposed at the Annual General Meeting for re-election of Mr. Xu as the independent non-executive Director in accordance with code provision B.2.3 of the Corporate Governance Code.

The nomination committee of the Company (the "Nomination Committee") has reviewed the structure and composition of the Board, the gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, length of service, their respective contribution and service to the Company of the retiring Directors with reference to the nomination principles and the independence of the independent non-executive Directors. The Nomination Committee has recommended to the Board on re-election of all the retiring Directors, namely, Mr. Tang Guoqiang, Mr. Fan Chao and Mr. Xu Congcai at the Annual General Meeting. Mr. Xu, who are members of the Nomination Committee, abstained from voting at the Nomination Committee's meeting when his own nomination was being considered.

### AUDIT COMMITTEE

Audit Committee was established in June 2003 with written terms of reference compliance with the Code and four meetings were held during the financial year under review. The members of the committee and the attendance records are as follow:

<b>Attendants</b>	<b>Number of meetings attended/total</b>	<b>Attendance percentage</b>
<i>Independent Non-Executive Directors</i>		
Mr. Le Yiren ( <i>Chairman</i> )	4/4	100%
Mr. Xu Congcai	4/4	100%
Ms. Lu Yi	4/4	100%

The members of the Audit Committee are Non-Executive Directors. No former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year on the date of his ceasing to be a partner or had any financial interests in the auditing firm.

The Board and the Audit Committee had reviewed the remuneration, independence and scope of work of the external auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.



## Corporate Governance Practices

The Audit Committee is responsible for reviewing the accounting principles and practices adopted by the Group, recommending the Board on the Group's internal control and risk management system, and ensuring the Group's consolidated financial statements present a true and fair view of the Group's financial position. The Audit Committee had reviewed with management the accounting principles and practices and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements of the Company and Group for the year ended 31 December 2025.

The Audit Committee agreed with the management with respect to the Group's ability to continue as a going concern, and in particular the actions and measures had been implemented by the management of the Group. The Audit Committee's views are based on a strict review of the management of the Group's actions and measures, current operating situation and future development of the Group's plants, the renovation projects in Dazhou Plant and Guangan Plant, the current market price of products and the cash flow position of the Group in 2025, and also the discussions with the management and the auditor regarding the Disclaimer Opinion. On the basis of the implementation and completion of the Group's actions and measures plan as stated in the Corporate Governance Report, the Board and the Audit Committee are of the view that the Disclaimer Opinion is expected to be removed in the next coming annual financial statement.

The Audit Committee is provided with sufficient resources for discharging its duties.

### GOING CONCERN AND MITIGATION MEASURES

During the year 2025, the Group still had certain litigations with banks as described in note 43 to the consolidated financial statements that the Group is still in negotiations with banks on the repayment schedule, together with others as described in note 2 to the consolidation financial statements, indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The Group's ability to continue as a going concern is largely dependent on the ongoing availability of finance supports from the bankers to the Group and the profitability of the Group's plants. A number of measures have been undertaken to improve the Group's liquidity and financial position since 2020 and the Group had obtained a net profit after tax of approximately RMB202 million in 2022 and of approximately RMB379 million in 2021. The Group's net cash inflow from operating activities after working capital changes and profit tax and interest paid was approximately RMB160 million in 2025. After the outbreak of the US-Israel-Iraq war, the selling price of urea, ammonia and methanol were increased by approximately RMB200, RMB500 and RMB800 per tons respectively as compared with the average selling price of products in 2025.

The Group will undertake the following measures to further improve the Group's liquidity and financial position:

- 1) The Group has been actively negotiating with a number of banks under litigation for renewal or restructuring of the loans since 2021. Most of the bank loans had been renewed, restructured or repaid. There is an amount of approximately RMB231 million bank loans that are in negotiation of renewal or restructuring as at 31 December 2025;
- 2) The Group had been liaising with banks and financial institutions for obtaining new financing;



## Corporate Governance Practices

- 3) For the convertible bonds which would already due with a total principal amount of HK\$441,400,000, except for a principal amount of HK\$10,800,000, the bondholders agreed not to demand for repayment of the relevant principal and interest in forthcoming year;
- 4) It is expected that the Guangan Ko Yo Electronic Material Plant and Jiangsu Bluestar Plant as stated in the Chairman's Statement can further improve the liquidity and profitability of the Group;
- 5) The Group implements sales model optimization to increase the proportion of direct sales customers, by 31 December 2025, the number of direct sales customers has increased by 14 as compared to the end of year 2024; and
- 6) The Group will continue to take active measures as stated in the headlines under the Chairman's Statement "Strategies" to control the administrative and production costs. For Example:
  - a) The first phase of the energy-saving and carbon-reduction renovation project in Dazhou Plant will be carried out at the end of year 2026 which the production cost of urea can be reduced by approximately RMB100 per tons;
  - b) The methanol-ammonia steam energy-saving renovation project in Guangan Plant had been completed at the end of year 2025 which the annual production cost can be reduced by approximately RMB30 million.

For the year 2025, the losses caused by the decline in product selling prices outweighed the cost benefits brought by increased production and direct sales customers, severely affecting the company's cash flow. The negotiation process for bank loan renewals or restructuring requires considerable time. The group is awaiting the banks to revert on the repayment schedule proposal. The completion of the methanol-ammonia steam energy-saving renovation project at the end of year 2025 did not have any impact on the cash flow for 2025. The propylene oxide project at the Jiangsu Blue Planet factory is still in the procedure handling stage and preparation for trial production stage. Although the disclaimer opinion on going concern of the Group cannot be resolved by the actions and measures carried out in 2024 and 2025, the Dazhou Plant and Guangan Plant of the Group were in normal operations for the year 2024 and 2025. Therefore, taking into account the completion of the above-mentioned plans and measures, the existing cash balance in bank, the increase in market price of products in 2026, the positive operating cash flow after working capital change and interest and tax, profitability of the Group's plants, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations for the next twelve months from the end of the report date. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.



## Corporate Governance Practices

### INDEPENDENT EXTERNAL AUDITORS

In 2025, the total remuneration charged by to the independent external auditors amounted to approximately RMB1.7 million was for the audit services. The audit fees have been approved by the Audit Committee and the Board. The statement of the independent external auditors of the Company about their responsibilities for the audit of the consolidated financial statements is set out on pages 62 and 63 of this annual report. The Audit Committee has resolved the re-appointment of ZHONGHUI ANDA CPA Limited for the financial year 2026. This resolution has been approved by the Board and is subject to final approval by the shareholders at the forthcoming annual general meeting.

### INTERNAL CONTROL

The internal audit department of the Company is responsible for the financial control and operational control of the Group. The Board from time to time reviewed the effectiveness of the Group's internal control system. During the year under review, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.



## Independent Auditor's Report



### TO THE SHAREHOLDERS OF KO YO CHEMICAL (GROUP) LIMITED

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

#### Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Ko Yo Chemical (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 133, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Basis for Disclaimer of Opinion

##### Scope limitation relating to appropriateness of the going concern basis of accounting

We draw attention to note 2 to the consolidated financial statements which mentions the Group incurred a loss of RMB768,045,000 for the year ended 31 December 2025 and as at 31 December 2025 the Group had net current liabilities and net liabilities of RMB4,164,060,000 and RMB320,851,000 respectively. In addition, as described in note 43 to the consolidated financial statements, as at 31 December 2025, the Group was also involved in various litigations resulting in certain property, plant and equipment, land use rights, mining rights and bank accounts were frozen. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis. The directors of the Company have been undertaking a number of plans and measures as described in note 2 to the consolidated financial statements to mitigate the liquidity pressure and improve its financial position.

In respect of the Group had been negotiating and liaising with the banks and financial institutions for extension/refinancing of the borrowings and obtaining new financing, up to the date of this report, no definite extension/refinancing agreement and new financing have been reached. Accordingly, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to evaluate the Group's ability to extend/refinance of the borrowings and to have the new financing.



## Independent Auditor's Report

In respect of the Group had been negotiating with the bondholders not to demand for repayment of the relevant principal and interest in the forthcoming year, up to the date of this report, no definite agreement have been reached between the Group and the bondholders. Accordingly, we were unable to obtain sufficient appropriate audit evidence that the bondholders agreed not to demand for repayment of the relevant principal and interest in the forthcoming year.

In respect of the certain projects as stated in the Chairman's statement are in trial run stage, the Group expects the projects can further improve the liquidity and profitability of the Group. Management was unable to provide us with sufficient information about how the projects can further improve the liquidity and profitability of the Group because of the unpredictable market changes. Accordingly, we were unable to obtain sufficient appropriate audit evidence that we considered necessary to evaluate the Group's ability to improve the Group's liquidity and profitability of the projects.

In view of the above scope limitation, there were no other alternative procedures that we could perform to satisfy ourselves that the Group would be able to implement its plans and measures, as a result, we were unable to obtain sufficient appropriate evidence we considered necessary to conclude whether the use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

### Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.



## Independent Auditor's 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.

**ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

**Yeung Hong Chun**

*Audit Engagement Director*

Practising Certificate Number P07374

Hong Kong, 30 March 2026



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>Revenue</b>	8	<b>2,161,891</b>	2,599,733
Cost of sales		<b>(2,227,681)</b>	(2,565,554)
Gross (loss)/profit		<b>(65,790)</b>	34,179
Distribution costs		<b>(28,413)</b>	(25,285)
Administrative expenses		<b>(179,625)</b>	(214,182)
Other income/(loss) — net	10	<b>11,030</b>	(5,117)
Other expenses	11	<b>(287,004)</b>	(512)
<b>Operating loss</b>		<b>(549,802)</b>	(210,917)
Finance income	12	<b>5,863</b>	12,261
Finance expenses	12	<b>(224,136)</b>	(335,638)
<b>Loss before tax</b>		<b>(768,075)</b>	(534,294)
Income tax credit/(expense)	13	<b>30</b>	(18,448)
<b>Loss and total comprehensive expense for the year</b>	14	<b>(768,045)</b>	(552,742)
Attributable to:			
Owners of the Company		<b>(747,180)</b>	(505,395)
Non-controlling interests		<b>(20,865)</b>	(47,347)
		<b>(768,045)</b>	(552,742)
Loss per share (RMB)			
— Basic	16	<b>(0.1213)</b>	(0.0838)
— Diluted	16	<b>(0.1213)</b>	(0.0838)



# Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	2,556,282	2,986,749
Investment properties	18	7,307	7,584
Right-of-use assets	19	207,863	215,251
Mining right	20	334,306	334,306
Other intangible assets	21	61,665	65,642
Prepayments	25	773,017	775,354
Deferred income tax assets	33	16,199	16,199
Investments at fair value through profit or loss		500	–
		<b>3,957,139</b>	4,401,085
<b>Current assets</b>			
Inventories	24	162,095	180,384
Trade and other receivables	25	195,448	194,779
Current tax assets		4,270	4,014
Restricted bank balances	26	130	506
Pledged bank deposits	26	118,604	624,940
Cash and cash equivalents	27	43,513	8,099
		<b>524,060</b>	1,012,722
<b>Total assets</b>		<b>4,481,199</b>	5,413,807
<b>EQUITY</b>			
Share capital	28	611,869	520,569
Reserves	30	(868,221)	(117,350)
<b>Equity attributable to owners of the Company</b>		<b>(256,352)</b>	403,219
<b>Non-controlling interests</b>		<b>(64,499)</b>	(43,634)
<b>Total equity</b>		<b>(320,851)</b>	359,585



## Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	31	–	74,290
Convertible bonds	32	–	597,462
Deferred income tax liabilities	33	113,735	114,033
Lease liabilities	36	195	2,358
		<b>113,930</b>	788,143
<b>Current liabilities</b>			
Trade and other payables	34	760,070	602,038
Contract liabilities	35	154,977	56,994
Lease liabilities	36	2,163	2,004
Due to a related company	37	843,193	884,387
Borrowings	31	2,364,508	2,720,656
Convertible bonds	32	563,209	–
		<b>4,688,120</b>	4,266,079
<b>Total liabilities</b>		<b>4,802,050</b>	5,054,222
<b>Total equity and liabilities</b>		<b>4,481,199</b>	5,413,807
<b>Net current liabilities</b>		<b>(4,164,060)</b>	(3,253,357)
<b>Total assets less current liabilities</b>		<b>(206,921)</b>	1,147,728
<b>Net (liabilities)/assets</b>		<b>(320,851)</b>	359,585

The consolidated financial statements on pages 64 to 133 were approved and authorised for issue by Board of Directors on 30 March 2026 and are signed on behalf of the Board by:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Attributable to owners of the Company											Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Reserve fund RMB'000	Enterprise expansion fund RMB'000	Accumulated losses RMB'000	Transaction with non-controlling interests RMB'000	Total RMB'000	Non-controlling interests RMB'000	
At 1 January 2024	520,569	1,548,019	(22,041)	40,712	784,957	54,262	1,131	(2,015,998)	(3,509)	908,102	3,713	911,815
Total comprehensive expense for the year	-	-	-	-	-	-	-	(505,395)	-	(505,395)	(47,347)	(552,742)
Provision of statutory reserve	-	-	-	-	-	386	-	(386)	-	-	-	-
Share-based payments	-	-	-	512	-	-	-	-	-	512	-	512
Convertible bonds matured	-	-	-	-	(377,886)	-	-	377,886	-	-	-	-
<b>At 31 December 2024</b>	<b>520,569</b>	<b>1,548,019</b>	<b>(22,041)</b>	<b>41,224</b>	<b>407,071</b>	<b>54,648</b>	<b>1,131</b>	<b>(2,143,893)</b>	<b>(3,509)</b>	<b>403,219</b>	<b>(43,634)</b>	<b>359,585</b>
<b>At 1 January 2025</b>	<b>520,569</b>	<b>1,548,019</b>	<b>(22,041)</b>	<b>41,224</b>	<b>407,071</b>	<b>54,648</b>	<b>1,131</b>	<b>(2,143,893)</b>	<b>(3,509)</b>	<b>403,219</b>	<b>(43,634)</b>	<b>359,585</b>
Total comprehensive expense for the year	-	-	-	-	-	-	-	(747,180)	-	(747,180)	(20,865)	(768,045)
Provision of statutory reserve	-	-	-	-	-	90	-	(90)	-	-	-	-
Issue of shares — Conversion of bonds	91,300	49,175	-	-	(52,866)	-	-	-	-	87,609	-	87,609
<b>At 31 December 2025</b>	<b>611,869</b>	<b>1,597,194</b>	<b>(22,041)</b>	<b>41,224</b>	<b>354,205</b>	<b>54,738</b>	<b>1,131</b>	<b>(2,891,163)</b>	<b>(3,509)</b>	<b>(256,352)</b>	<b>(64,499)</b>	<b>(320,851)</b>



## Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>Cash flows from operating activities</b>		
Loss before tax	(768,075)	(534,294)
Adjustments for:		
Amortisation of other intangible assets	3,977	3,977
Depreciation of property, plant and equipment	187,690	200,617
Depreciation of investment properties	277	277
Depreciation of right-of-use assets	7,387	7,893
Exchange loss	17,683	81,001
Gain on termination of lease	–	(55)
Interest revenue	(5,863)	(12,261)
Interest expense	206,326	254,447
Lease interest expenses	127	190
Loss on disposal of property, plant and equipment	2,073	11,011
Loss on disposal of right-of-use assets	–	1,814
Share-based payment	–	512
Impairment losses on property, plant and equipment	287,004	–
Operating cash flows before working capital changes	(61,394)	15,129
Changes in inventories	18,289	35,720
Changes in trade and other receivables	(668)	(23,662)
Changes in trade and other payables	212,156	41,261
Changes in contract liabilities	97,983	(4,969)
Cash generated from operations	266,366	63,479
Lease interest expenses paid	(127)	(190)
Income tax paid	(524)	(41,343)
Interest paid	(105,978)	(125,281)
<b>Net cash generated from/(used in) operating activities</b>	<b>159,737</b>	<b>(103,335)</b>



## Consolidated Statement of Cash Flows

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
<b>Cash flows from investing activities</b>		
Purchases of investments at fair value through profit or loss	(500)	–
Purchases of property, plant and equipment and payments for construction-in-progress	(100,698)	(8,236)
Proceeds from disposal of property, plant and equipment	52,569	–
Decrease/(increase) in restricted bank balances	376	(475)
Decrease in pledged bank deposits	506,336	276,916
Interest received	5,863	12,261
<b>Net cash generated from investing activities</b>	<b>463,946</b>	280,466
<b>Cash flows from financing activities</b>		
(Repayment to)/advance from a related company	(41,194)	201,346
Decrease of security deposits for borrowings	–	73,000
Proceeds from borrowings	472,263	940,590
Repayment of borrowings	(1,016,334)	(1,445,613)
Repayment of lease liabilities	(2,004)	(1,897)
<b>Net cash used in financing activities</b>	<b>(587,269)</b>	(232,574)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>36,414</b>	(55,443)
Cash and cash equivalents at the beginning of the year	8,099	62,928
Exchange (loss)/gain	(1,000)	614
<b>Cash and cash equivalents at the end of the year</b>	<b>43,513</b>	8,099
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	43,513	8,099



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 1. GENERAL INFORMATION

Ko Yo Chemical (Group) Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business is Suite No. 02, 31st Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacture and sale of chemical products and chemical fertilisers in the People’s Republic of China (the “PRC”).

The consolidated financial statements have been presented in Renminbi (“RMB”), which is also the functional currency of the Company and its principal subsidiaries.

## 2. GOING CONCERN BASIS

The Group incurred a loss of RMB768,045,000 for the year ended 31 December 2025 and as at 31 December 2025 the Group had net current liabilities and net liabilities of RMB4,164,060,000 and RMB320,851,000 respectively. In addition, as described in note 43 to the consolidated financial statements, as at 31 December 2025, the Group was also involved in various litigations resulting in certain property, plant and equipment, land use rights, mining rights and bank accounts were frozen. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company have reviewed the Group’s cash flow projections, which cover a period of twelve months from 31 December 2025. They have assessed the appropriateness of adopting the going concern basis for the preparation of these consolidated financial statements for the year ended 31 December 2025 in light of the Group’s plans and measures described below to improve its cash flows:

- (i) The Group is actively negotiating with banks and financial institutions for extension/refinancing of the borrowings. Certain borrowings had been renewed, restructured or repaid;
- (ii) The Group had been liaising with banks and financial institutions for obtaining new financing;
- (iii) For the convertible bonds which would already due, except for a principal amount of HK\$10,800,000, the bondholders agreed not to demand for repayment of the relevant principal and interest in the forthcoming year; and
- (iv) It is expected that certain projects as stated in the Chairman’s statement can further improve the liquidity and profitability of the Group.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 2. GOING CONCERN BASIS *(Continued)*

In the opinion of the directors of the Company, in light of the above, the Group will have sufficient financial resources to finance its operations and fulfil its financial obligations as and when required in the coming twelve months from 31 December 2025. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing cash inflows through successful renewal of its current bank loans upon expiry, obtaining additional bank borrowing, and securing other sources of financing; and generate adequate operating cash inflows. Should the Group be unable to achieve the above plans and measures such that it would not be able to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND REVISED HKFRS ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2025. HKFRS Accounting Standards comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRS Accounting Standards that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRS Accounting Standards but is not yet in a position to state whether these new and revised HKFRS Accounting Standards would have a material impact on its results of operations and financial position.

## 4. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the investment which are carried at their fair value.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires the use of certain key assumptions and estimates. It also requires the directors of the Company to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Foreign currency translation *(Continued)*

#### (ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

### Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

— Buildings	35 years
— Plant and machinery	5–14 years
— Motor vehicles	4–10 years
— Office equipment and others	3–7 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 35 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

### Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the units of production method. Mining rights are written off to profit or loss if the mining property is abandoned.

### Leases

#### The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	40–50 years
Land and buildings	2–5 years

#### The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### Proprietary technology

Proprietary technology is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 20 years.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

### Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified as under the following categories:

- Financial assets at amortised cost; and
- Investments at fair value through profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Financial assets *(Continued)*

#### (a) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

#### (b) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

### Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

### Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

### Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially recognised at fair value and subsequently measured at the higher of:

- the loss allowance; and
- the amount initially recognised less cumulative amortisation recognised in profit or loss over the terms of the guarantee contracts.

### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees and others as consideration for equity instruments of the Group.

#### (a) Share options

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- (i) including any market performance conditions (for example, an entity's share price);
- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- (iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Share-based payment transactions *(Continued)*

#### (b) Issue of convertible bonds as share-based payment transactions

If the identifiable consideration received by the Company appears to be less than the fair value of the convertible bonds issued, the Company measures the unidentifiable services received (to be received) as the difference between the fair value of the convertible bonds issued and that of the identifiable consideration received, and the difference is recognised in the profit or loss immediately unless qualified for capitalisation.

The equity component (i.e. the bondholder's right to demand settlement in the Company's shares) of the convertible bond will be accounted for as an equity-settled share-based payment transaction. The entity first measures the fair value of the debt component, and then measure the fair value of the equity component by taking into account that the bondholder must forfeit the right to receive cash in order to receive the equity instrument. Subsequent to initial recognition, the debt component of the convertible bond is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

The equity component is not remeasured subsequent to initial recognition.

### Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Interest revenue

Interest revenue is recognised using the effective interest method.

### Other income

Rental income is recognised on a straight-line basis over the lease term.

### Employee benefits

#### (a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

#### (b) Pension obligations

In accordance with the rules and regulations in the Mainland China, the Mainland China based employees of the Group participate in various defined contribution plans organised by the relevant municipal and provincial governments in the Mainland China under which the Group and the Mainland China based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries (subject to a floor and cap).

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired Mainland China based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for its eligible employees in Hong Kong. The contributions to the MPF Scheme borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HKD1,500 for each eligible employee) as calculated under the MPF legislation. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution plans are expensed as incurred.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### **Borrowing costs** *(Continued)*

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

### **Taxation**

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### Related parties *(Continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also 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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

### Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except goodwill, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 4. MATERIAL ACCOUNTING POLICIES *(Continued)*

### **Impairment of assets** *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### **Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### **Critical judgements in applying accounting policies**

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### **Going concern basis**

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flow. Details are explained in note 2 to consolidated financial statements.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

#### Key sources of 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 discussed below.

#### (a) Depreciation and impairment of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their useful lives, after taking into account their estimated residual values. The Group assesses annually the useful lives and residual values of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation charged in the year in which such estimate is changed.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise.

#### (b) Impairment of mining right and goodwill

In determining whether mining right and goodwill are impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognising; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment in the cash flow projections, could materially affect the net present value used in the impairment test.

#### (c) Income taxes

The Group is mainly subject to income taxes in the Mainland China. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Recognition of deferred tax assets primarily involves management judgement and estimations regarding the taxable profits of the entities in which the losses arose. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Foreign exchange risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated the functional currency of the Group entities, RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2025, if the Hong Kong dollar had weakened 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been RMB21,120,000 (2024: RMB27,311,000) lower, arising mainly as a result of the foreign exchange gain on borrowings denominated in Hong Kong dollar. If the Hong Kong dollar had strengthened 5 per cent against the RMB with all other variables held constant, consolidated loss after tax for the year would have been RMB21,120,000 (2024: RMB27,311,000) higher, arising mainly as a result of the foreign exchange loss on borrowings denominated in Hong Kong dollar.

#### (b) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from pledged bank deposits, borrowings and convertible bonds. The Group's pledged bank deposits, fixed rate borrowings and convertible bonds were issued at fixed rates and exposed the Group to fair value interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2025, if interest rates on floating rate borrowings had been increased/decreased by 20 basis points with all other variables held constant, post-tax loss for the year would have been increased/decreased by RMB2,082,000 (2024: RMB1,989,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (c) Credit risk

The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents, pledged bank deposits and trade and other receivables.

For cash and cash equivalents and pledged bank deposits, management manages the credit risk by placing most bank deposits in the state-controlled and other listed banks in Mainland China and other high quality foreign banks without significant credit risk.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 6. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (c) Credit risk *(Continued)*

For other receivables, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. Individual credit limits are set based on the assessment of the credit quality. Given the constant repayment history, the directors are of the opinion that the risk of default by these counterparties is low. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group used two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rate for each category and adjusts for record looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12-month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 6. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (d) Liquidity risk

The Group guarantees a sufficient liquidity by efficient cash management and by keeping adequate committed and uncommitted credit line available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000
<b>At 31 December 2025</b>		
Trade and other payables	689,340	–
Lease liabilities	2,198	196
Due to a related company	843,193	–
Borrowings	2,364,508	–
Convertible bonds	591,688	–
Interest payment on borrowings and convertible bonds	107,393	–
Financial guarantee contracts issued — maximum amount guaranteed	28,000	–
<b>At 31 December 2024</b>		
Trade and other payables	588,584	–
Lease liabilities	2,131	2,394
Due to a related company	884,387	–
Borrowings	2,720,975	74,290
Convertible bonds	–	680,000
Interest payment on borrowings and convertible bonds	79,957	37,434
Financial guarantee contracts issued — maximum amount guaranteed	53,900	–

The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term borrowings, long-term borrowings and capital contribution from investors. Due to the dynamic nature of the underlying businesses, management of the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 6. FINANCIAL RISK MANAGEMENT *(Continued)*

#### (d) Liquidity risk *(Continued)*

The Group has been investing in the construction of new production lines and a significant amount of the financing was obtained from borrowings. As a result, the Group had net current liabilities of RMB4,164 million as at 31 December 2025 (2024: RMB3,253 million).

The directors of the Company, having considered the current operation and business plan of the Group as well as the available funding sources as described in note 2 to the consolidated financial statements, are of opinion that the Group will have sufficient working capital to maintain its liquidity.

#### (e) Categories of financial instruments

	2025 RMB'000	2024 RMB'000
<b>Financial assets:</b>		
Investments at fair value through profit or loss		
— Designated as such upon initial recognition	500	—
Financial assets at amortised cost (including cash and cash equivalents)	215,219	696,678
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	4,462,608	4,869,741

#### (f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

### 7. FAIR VALUE MEASUREMENTS

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 following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### (a) Disclosures of level in fair value hierarchy at 31 December:

Description	2025 Level 3 RMB'000	2024 Level 3 RMB'000
<b>Assets</b>		
Investments at fair value through profit or loss		
— Unlisted investment funds	500	—

### (b) Reconciliation of assets measured at fair value based on level 3:

	2025 Unlisted investment funds RMB'000	2024 Unlisted investment funds RMB'000
<b>At 1 January</b>	—	—
Additions	500	—
<b>At 31 December</b>	500	—

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors (the "Board") for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board at least twice a year.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 7. FAIR VALUE MEASUREMENTS *(Continued)*

#### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period *(Continued)*

For level 3 fair value measurements, the Group has a team that manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least twice every year, the team would use valuation techniques to determine the fair value of the Group's level 3 financial instruments.

#### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs
Unlisted investment funds	Discounted cash flows	Estimated return	4%	Increase

### 8. REVENUE

#### Disaggregation of revenue from contracts with customers

##### Geographical information

For the years ended 31 December 2025 and 2024, all revenue is derived from the PRC.

Major products	2025 RMB'000	2024 RMB'000
Urea	671,533	742,182
Ammonia	618,163	849,248
Methanol	870,884	805,448
N-methylpyrrolidone	223	9,432
N,N-dimethylformamide	1,088	14,723
Others — trading	—	178,700
	<b>2,161,891</b>	2,599,733

##### Timing of revenue recognition

For the years ended 31 December 2025 and 2024, all revenue is recognised at a point in time.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 8. REVENUE *(Continued)*

### Disaggregation of revenue from contracts with customers *(Continued)*

#### Sale of chemical products and chemical fertilisers

The Group manufactures and sells chemical products and chemical fertilisers to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 0 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liabilities.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

## 9. SEGMENT INFORMATION

The Group's operating segment is manufacture and sale of chemical products and chemical fertilisers. Since this is the only one operating segment of the Group, no further analysis thereof is presented.

The Group's operation and operating assets are located in the PRC. Accordingly, no geographical segment information is presented.

### Geographical information

The Group's revenue are all derived from the PRC based on the location of goods sold and all of the Group's non-current assets are located in the PRC by physical location of assets.

### Revenue from major customer

	2025	2024
Customer A	16.61%	14.33%



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 10. OTHER INCOME/(LOSS) — NET

	2025 RMB'000	2024 RMB'000
Rental income	289	48
Depreciation related to rental income	(277)	(277)
Rental income, net	12	(229)
Subsidy income	7,318	4,592
Loss on disposal of property, plant and equipment	(2,073)	(11,011)
Loss on disposal of right-of-use assets	—	(1,814)
Gain on termination of lease	—	55
Income from sales of raw materials	5,187	1,036
Others, net	586	2,254
	<b>11,030</b>	<b>(5,117)</b>

### 11. OTHER EXPENSES

	2025 RMB'000	2024 RMB'000
Share-based payment arising from issue of share option	—	512
Impairment losses on property, plant and equipment	287,004	—
	<b>287,004</b>	<b>512</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 12. FINANCE EXPENSES — NET

	2025 RMB'000	2024 RMB'000
<b>Finance income:</b>		
Interest revenue	(5,863)	(12,261)
<b>Finance expenses:</b>		
— leases interest expenses	127	190
Interest expense:		
— borrowings	118,970	125,924
— convertible bonds	87,356	135,253
Less: capitalisation in construction-in-progress	—	(6,730)
	206,453	254,637
Exchange loss	17,683	81,001
	224,136	335,638
Finance expenses — net	218,273	323,377

### 13. INCOME TAX (CREDIT)/EXPENSE

No provision for profits tax in the Cayman Islands, British Virgin Islands and Hong Kong has been made, as the Group had no assessable profit arising in or derived from those jurisdictions during the years ended 31 December 2025 and 2024.

The applicable income tax rate of other subsidiaries located in Mainland China in 2025 is 25% (2024: 25%).

The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2025 RMB'000	2024 RMB'000
PRC Corporate Income Tax for Mainland China	268	19,662
Deferred income tax	(298)	(1,214)
	(30)	18,448



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 13. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% (2024: 25%). The difference is analysed as follows:

	2025 RMB'000	2024 RMB'000
Loss before tax	<b>(768,075)</b>	(534,294)
Tax calculated at tax rate of 25% (2024: 25%)	<b>(192,019)</b>	(133,574)
Tax rate difference	<b>9,554</b>	19,284
Income not taxable for tax purposes	<b>(122)</b>	(2)
Expenses not deductible for tax purposes	<b>18,017</b>	41,425
Tax losses for which no deferred income tax was recognised	<b>92,789</b>	91,315
Temporary differences for which no deferred income tax was recognised	<b>71,751</b>	–
Income tax (credit)/expense	<b>(30)</b>	18,448

### 14. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2025 RMB'000	2024 RMB'000
Cost of inventories sold	<b>2,227,681</b>	2,565,554
Depreciation of property, plant and equipment	<b>187,690</b>	200,617
Depreciation of investment properties	<b>277</b>	277
Depreciation of right-of-use assets	<b>7,387</b>	7,893
Amortisation of other intangible assets	<b>3,977</b>	3,977
Auditor's remuneration	<b>1,660</b>	1,691
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	<b>87,470</b>	104,154
— Retirement benefits scheme contributions	<b>6,371</b>	7,424
— Share-based payment arising from issue of share option	<b>–</b>	512
	<b>93,841</b>	112,090

Cost of inventories sold includes staff costs, depreciation of property, plant and equipment and expenses related to short-term lease of RMB187,595,000 (2024: RMB185,939,000) which are included in the amounts disclosed separately above.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' and chief executive officer's emoluments

The remuneration of every director and chief executive officer for the years ended 31 December 2025 and 2024 is set out below:

	Notes	Fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
<b>Executive directors</b>					
Mr. Shi Jianmin	(i)	–	317	12	329
Mr. Tang Guoqiang		553	–	–	553
Mr. Zhang Weihua		–	–	–	–
Mr. Fan Chao	(ii)	–	397	16	413
<b>Independent non-executive directors</b>					
Mr. Xu Congcai		184	–	–	184
Mr. Le Yiren		184	–	–	184
Ms. Lu Yi		184	–	–	184
<b>Total for 2025</b>		<b>1,105</b>	<b>714</b>	<b>28</b>	<b>1,847</b>
<b>Executive directors</b>					
Mr. Shi Jianmin	(i)	–	451	14	465
Mr. Tang Guoqiang		564	–	–	564
Mr. Zhang Weihua		–	–	–	–
<b>Independent non-executive directors</b>					
Mr. Xu Congcai		188	–	–	188
Mr. Le Yiren		188	–	–	188
Ms. Lu Yi		188	–	–	188
<b>Total for 2024</b>		<b>1,128</b>	<b>451</b>	<b>14</b>	<b>1,593</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

#### (a) Directors' and chief executive officer's emoluments *(Continued)*

Notes:

- (i) Mr. Shi Jianmin was resigned as an executive director and chief executive officer on 19 September 2025.
- (ii) Mr. Fan Chao was appointed as an executive director on 1 May 2025 and chief executive officer on 19 September 2025.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2024: one) director whose emoluments is reflected in the analysis presented above. The emoluments of remaining four (2024: four) individuals are set out below:

	2025 RMB'000	2024 RMB'000
Salaries and other benefits	3,192	3,364
Retirement benefit scheme contributions	106	88
Share-based payment arising from issue of share option	–	110
	<b>3,298</b>	<b>3,562</b>

The emoluments fell within the following bands:

	Number of individuals	
	2025	2024
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	2	2
	<b>4</b>	<b>4</b>

During the year, the Group did not pay any amount to the five highest paid individuals nor any other directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any emoluments during the year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 16. LOSS PER SHARE

### Basic

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

### Diluted

Potential ordinary shares arising from the assumed conversion of convertible bonds and the assumed exercise of share options have not been included in the calculation of diluted loss per share because they are anti-dilutive for the years ended 31 December 2025 and 2024.

The calculation of the basic and diluted loss per share is based on the following:

	<b>2025</b>	2024
	<b>RMB'000</b>	RMB'000
<b>Loss</b>		
Loss for the purpose of calculating basic and diluted loss per share	<b>(747,180)</b>	(505,395)
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<b>6,159,549</b>	6,028,043



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction- in-progress RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2024	904,357	3,272,702	6,737	29,511	1,498,826	5,712,133
Additions	41	1,392	373	6,035	1,707	9,548
Disposals	(114,770)	(82,720)	(393)	(2,401)	(100,096)	(300,380)
<b>At 31 December 2024 and 1 January 2025</b>	<b>789,628</b>	<b>3,191,374</b>	<b>6,717</b>	<b>33,145</b>	<b>1,400,437</b>	<b>5,421,301</b>
Additions	32,086	7,167	96	4,506	55,014	98,869
Disposals	(68)	(30,732)	(12)	(941)	(188,254)	(220,007)
<b>At 31 December 2025</b>	<b>821,646</b>	<b>3,167,809</b>	<b>6,801</b>	<b>36,710</b>	<b>1,267,197</b>	<b>5,300,163</b>
<b>Accumulated depreciation and impairment loss</b>						
At 1 January 2024	(158,174)	(1,763,382)	(4,142)	(22,313)	(377,673)	(2,325,684)
Depreciation	(18,370)	(178,797)	(220)	(3,230)	–	(200,617)
Disposals	16,331	4,754	199	2,118	68,347	91,749
<b>At 31 December 2024 and 1 January 2025</b>	<b>(160,213)</b>	<b>(1,937,425)</b>	<b>(4,163)</b>	<b>(23,425)</b>	<b>(309,326)</b>	<b>(2,434,552)</b>
Depreciation	(8,041)	(177,137)	(197)	(2,315)	–	(187,690)
Disposals	16	6,279	8	622	158,440	165,365
Impairment loss	(102,631)	(160,299)	(909)	(2,637)	(20,528)	(287,004)
<b>At 31 December 2025</b>	<b>(270,869)</b>	<b>(2,268,582)</b>	<b>(5,261)</b>	<b>(27,755)</b>	<b>(171,414)</b>	<b>(2,743,881)</b>
<b>Carrying amount</b>						
<b>At 31 December 2025</b>	<b>550,777</b>	<b>899,227</b>	<b>1,540</b>	<b>8,955</b>	<b>1,095,783</b>	<b>2,556,282</b>
At 31 December 2024	629,415	1,253,949	2,554	9,720	1,091,111	2,986,749

All the Group's buildings are located in Mainland China. As at 31 December 2025, property, plant and equipment with carrying amount of RMB1,184,818,000 (2024: RMB1,479,316,000) were pledged as collateral for the Group's bank borrowings.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 31 December 2025, property, plant and equipment with carrying amount of RMB232,574,000 (2024: RMB340,333,000) were frozen by the court. Please refer to note 43 to the consolidated financial statements for details.

For the year ended 31 December 2025, borrowing costs of RMB nil (2024: RMB6,730,000) have been capitalised in the construction-in-progress.

#### Impairment of property, plant and equipment

##### PPS and PBAT plant

Property, plant and equipment of carrying amount of RMB117,923,000 are allocated to the Group's cash-generating units ("CGU") in relation to the chemical production plant located in Guangan, Mainland China and its production of PPS and PBAT. The recoverable amount of the CGU are determined on the basis of their value-in-use using discounted cash flow method (level 3 fair value measurements).

Management determined gross margin based on past market prices of the PPS and PBAT and management's estimation of production costs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. The discount rate used is post-tax and reflects specific risks relating to the relevant CGU. The value-in-use as at 31 December 2025 is derived based on management's cash flow projections for 3 years.

The key assumptions used for the calculations of value-in-use are as follows:

	2025	2024
Growth rate	4%	4%
Discount rate (post-tax discount rate applied to the cash flow projections)	12%	10%
Years of cash flows projection	3 years	3 years

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. Based on the value in use calculation, an impairment of RMB117,923,000 (2024: nil) on property, plant and equipment has been recognised. The amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of property, plant and equipment is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.

##### Urea and Ammonia

Property, plant and equipment of carrying amount of RMB356,823,000 are allocated to the Group's CGU in relation to the chemical production plant located in Dazhou, Mainland China and its production of Urea and Ammonia. The recoverable amount of the CGU are determined on the basis of their value-in-use using discounted cash flow method (level 3 fair value measurements).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

#### Urea and Ammonia *(Continued)*

Management determined gross margin based on past market prices of the Urea and Ammonia and management's estimation of production costs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. The discount rate used is post-tax and reflects specific risks relating to the relevant CGU. The value-in-use as at 31 December 2025 is derived based on management's cash flow projections for 3 years.

The key assumptions used for the calculations of value-in-use are as follows:

	2025	2024
Growth rate	4%	4%
Discount rate (post-tax discount rate applied to the cash flow projections)	12%	10%
Years of cash flows projection	3 years	3 years

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is lower than the carrying amount. Based on the value in use calculation, an impairment of RMB169,081,000 (2024: nil) on property, plant and equipment has been recognised. The amount has been allocated to each category of property, plant and equipment such that the carrying amount of each category of property, plant and equipment is not reduced below the highest of its fair value less cost of disposal, its value in use and zero.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 18. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
<b>Cost</b>		
<b>At 1 January and 31 December</b>	<b>10,804</b>	10,804
<b>Accumulated depreciation and impairment loss</b>		
<b>At 1 January</b>	<b>(3,220)</b>	(2,943)
Charge for the year	(277)	(277)
<b>At 31 December</b>	<b>(3,497)</b>	(3,220)
<b>Carrying amount</b>		
<b>At 31 December</b>	<b>7,307</b>	7,584
Fair value as at 31 December	<b>8,885</b>	9,359

All the Group's investment properties are located in Mainland China. As at 31 December 2025, investment properties with carrying amount of RMB862,000 (2024: RMB894,000) were pledged as collateral for the Group's bank borrowings.

The fair values of the investment properties as at 31 December 2025 were estimated on the open market basic value by reference to market evidence of recent transaction for similar properties by management.

For the year ended 31 December 2025, the rental income arising from investment properties of RMB289,000 (2024: RMB48,000) and depreciation charges are included in other income/(loss) — net.

As at 31 December 2025, the Group had no unprovided contractual obligations for future repairs and maintenance (2024: Nil).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 19. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2025 RMB'000	2024 RMB'000
<b>At 31 December:</b>		
Right-of-use assets		
— Land use rights	205,673	211,152
— Land and buildings	2,190	4,099
	<b>207,863</b>	215,251
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	2,198	2,131
— In the second to fifth years, inclusive	196	2,394
	<b>2,394</b>	4,525
<b>Year ended 31 December:</b>		
Depreciation of right-of-use assets		
— Land use rights	5,479	5,965
— Land and buildings	1,908	1,928
	<b>7,387</b>	7,893
Lease interest expenses	127	190
Expenses related to short-term leases	36	697
Total cash outflow for leases	<b>2,167</b>	2,784
Decreased due to lease termination	—	788
Disposals of right-of-use assets	—	21,071
Additions to right-of-use assets	—	2,213



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 19. LEASES AND RIGHT-OF-USE ASSETS *(Continued)*

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 40–50 and 2–5 years respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As at 31 December 2025, land use rights with carrying amount of RMB169,299,000 (2024: RMB211,152,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2025, land use rights with carrying amount of RMB91,742,000 (2024: RMB94,389,000) were frozen by the court. Please refer to note 43 to the consolidated financial statements for details.

### 20. MINING RIGHT

Mining right represents the right to conduct mining activities in a phosphate mine located in Sichuan, Mainland China, which has a remaining legal life of 14 years, expiring in 2039.

The Group has not commenced any mining activities, therefore no amortisation was charged in this year. The impairment test information of mining right is set out in note 22 to the consolidated financial statements.

As at 31 December 2025, mining right with carrying amount of RMB334,306,000 (2024: RMB334,306,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2025, mining right with carrying amount of RMB334,306,000 (2024: RMB334,306,000) were frozen by the court. Please refer to note 43 to the consolidated financial statements for details.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 21. OTHER INTANGIBLE ASSETS

	Goodwill RMB'000	Proprietary technology RMB'000	Total RMB'000
<b>Cost</b>			
<b>At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025</b>	<b>35,099</b>	<b>48,391</b>	<b>83,490</b>
<b>Accumulated amortisation and impairment loss</b>			
At 1 January 2024	(8,900)	(4,971)	(13,871)
Amortisation charge	–	(3,977)	(3,977)
<b>At 31 December 2024 and 1 January 2025</b>	<b>(8,900)</b>	<b>(8,948)</b>	<b>(17,848)</b>
Amortisation charge	–	(3,977)	(3,977)
<b>At 31 December 2025</b>	<b>(8,900)</b>	<b>(12,925)</b>	<b>(21,825)</b>
<b>Carrying amount</b>			
<b>At 31 December 2025</b>	<b>26,199</b>	<b>35,466</b>	<b>61,665</b>
At 31 December 2024	26,199	39,443	65,642

### 22. IMPAIRMENT OF GOODWILL AND MINING RIGHT

The goodwill (note 21) of carrying amounts of nil and mining right (note 20) are allocated to the Group's cash-generating unit ("CGU") in relation to the mining activities of the phosphate mine located in Sichuan, Mainland China and its production of phosphoric acid. The recoverable amount of the CGU is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal is derived by using discounted cash flow approach which incorporates assumptions that market participants would use in estimating the CGU's fair value. It falls under level 3 in the fair value hierarchy.

Management determined gross margin based on past market prices of the phosphoric acid which are produced from phosphate ore and management's estimation of exploitation and production costs. The discount rate used is post-tax and reflects specific risks relating to the relevant CGU. Expected mining period of the phosphate mine is determined based on extractable reserve of the phosphate mine and the Group's production capacity. The legal life of mining right can be extended upon maturity to enable the Group to conduct mining activities in the expected mining period. No impairment losses (2024: nil) was provided on mining right for the year ended 31 December 2025.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 22. IMPAIRMENT OF GOODWILL AND MINING RIGHT *(Continued)*

The key assumptions used for the calculations of fair value less costs of disposal are as follows:

	2025	2024
<b>Phosphoric acid</b>		
Growth rate	2%	2%
Discount rate (post-tax discount rate applied to the cash flow projections)	15.35%	16.07%
Years of cash flows projection	33 years	33 years

The goodwill (note 21) of carrying amount of RMB26,199,000 are allocated to the Group's CGU in relation to the chemical production plant located in Jiangsu, Mainland China and its production of propylene oxide. The recoverable amounts of the CGUs are determined on the basis of their value-in-use using discounted cash flow method (level 3 fair value measurements).

Management determined gross margin based on past market prices of the propylene oxide and management's estimation of production costs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The value-in-use as at 31 December 2025 is derived based on management's cash flow projections for 20 years.

The key assumptions used for the calculations of value-in-use are as follows:

	2025	2024
<b>Propylene oxide</b>		
Growth rate	4%	4%
Discount rate (pre-tax discount rate applied to the cash flow projections)	16.00%	13.33%
Years of cash flows projection	20 years	20 years



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 23. SUBSIDIARIES

Particulars of the Company's major subsidiaries as at 31 December 2025 and 2024 are set out below:

Name (Note i)	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid-up/registered share capital	Interest held	
				2025	2024
<b>Held directly:</b>					
Ko Yo Ecological Agrotech (BVI) Limited ("Ko Yo BVI")	The British Virgin Islands ("BVI")	Investment holding, Hong Kong	100 ordinary shares of USD1 each	100%	100%
Bright Bridge Investments Limited	BVI	Investment holding, Hong Kong	1 ordinary share of USD1 each	100%	100%
Ko Yo Hong Kong New Material Company Limited ("Hong Kong New Material")	Hong Kong	Investment holding, Hong Kong	HKD2 ordinary shares	100%	100%
<b>Held indirectly:</b>					
Ko Yo Development Company Limited ("Ko Yo Hong Kong")	Hong Kong	Investment holding, Hong Kong	3,000,000 non-voting deferred shares and HKD10 ordinary shares	100%	100%
Dazhou Ko Yo Chemical Industry Co., Ltd. ("Dazhou Ko Yo Chemical") (Notes ii, iii and v)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB420,000,000	100%	100%
Sichuan Chengyuan Chemical Industry Co., Ltd. ("Sichuan Cuyo") (Notes ii, iii and v)	Mainland China	Exploration and exploitation of a phosphorous mine, Mainland China	RMB8,000,000	100%	100%
Sichuan Ko Yo Agrochem Co., Ltd. ("Ko Yo Agrochem") (Notes ii and iii)	Mainland China	Sale of chemical products and chemical fertilisers, Mainland China	RMB87,000,000	100%	100%



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 23. SUBSIDIARIES (Continued)

Name (Note i)	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid-up/registered share capital	Interest held	
				2025	2024
<b>Held indirectly: (Continued)</b>					
Guangan Ko Yo Chemical Industry Co., Ltd. ("Ko Yo GuangAn") (Notes ii and iii)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB227,000,000	100%	100%
Guangan Lotusan Natural Gas Chemical Co., Ltd. ("Ko Yo Lotusan") (Notes ii and iv)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB160,000,000	100%	100%
Guangan Ko Yo New Material Co., Ltd. ("Guangan New Material") (Notes ii and iii)	Mainland China	Manufacture and sale of engineering plastics, Mainland China	RMB64,000,000	100%	100%
Guangan Trading and Commerce Co., Ltd. (Note iii)	Mainland China	Sale of chemical products, Mainland China	RMB50,000,000	100%	100%
Guangan Ko Yo Green Chemical Co., Ltd. ("Guangan Green Chemical") (Notes ii and iv)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB60,000,000	100%	100%
Guangan Ko Yo New Energy Chemical Co., Ltd. (Note iv)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB50,000,000	100%	100%
SiChuan Ko Yo GaoXin Material Co., Ltd. (Note iii)	Mainland China	Manufacturing of chemical products, Mainland China	RMB100,000,000	100%	100%
Dazhou New Material Co., Ltd. (Note iv)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB60,000,000	100%	100%



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 23. SUBSIDIARIES (Continued)

Name (Note i)	Place of incorporation/ establishment	Principal activities and place of operation	Particulars of issued and paid-up/registered share capital	Interest held	
				2025	2024
<b>Held indirectly:</b> (Continued)					
Fengjie (Sichuan) Investment Co., Ltd. (Note iv)	Mainland China	Sale of chemical products, Mainland China	RMB375,000,000	100%	100%
Guangan Qianfeng Ko Yo Electronic Materials Co., Ltd. (Note iv)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB10,000,000	100%	100%
Sichuan Changcheng Ko Yo Technology Development Co., Ltd. (Note iv)	Mainland China	Sale of chemical products, Mainland China	RMB50,000,000	100%	100%
Jiangsu Bluestar Green Material Co., Ltd. (Note iv)	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB30,000,000	90%	90%

Notes:

- i. The English name of certain companies referred in these consolidated financial statements represent management's best effort at translating the Chinese names of these companies as no English names have been registered.
- ii. 100% equity interest of Dazhou Ko Yo Chemical, Sichuan Cuyo, Ko Yo Agrochem, Ko Yo GuangAn, Ko Yo Lotusan and Guangan New Material and 50% equity interest of Guangan Green Chemical (2024: 100% equity interest of Dazhou Ko Yo Chemical, Sichuan Cuyo, Ko Yo Agrochem, Ko Yo GuangAn, Ko Yo Lotusan and Guangan New Material) were pledged as collateral for the Group's borrowings. There is no restriction on the subsidiary's ability to transfer funds to its parent in the form of cash dividends or to repay loans or advances.
- iii. These subsidiaries are foreign owned enterprises established in the PRC.
- iv. These subsidiaries are wholly domestic owned enterprises established in the PRC.
- v. As at 31 December 2025, 100% equity interest of Dazhou Ko Yo Chemical and Sichuan Cuyo (2024: Dazhou Ko Yo Chemical, Sichuan Cuyo and Guangan Ko Yo Phos-chemical Technology Co., Ltd.) were frozen by the court. Please refer to note 43 to the consolidated financial statements for details.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 24. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	150,208	159,639
Finished goods	11,887	20,745
	<b>162,095</b>	180,384

There is no inventory written down as at 31 December 2025 (2024: Nil).

### 25. TRADE AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables (Note a)	18	2,407
Note receivables	—	21
Prepayments for raw materials	59,763	40,658
Prepayments for property, plant and equipment	111,519	113,439
Prepayments for construction cost	661,498	661,915
Other tax receivables	73,881	90,988
Due from employees	1,069	1,594
Other prepayments	8,832	4,621
Others	51,885	54,490
	<b>968,465</b>	970,133
Analysis as:		
— Non-current assets	773,017	775,354
— Current assets	195,448	194,779
	<b>968,465</b>	970,133

As at 31 December 2025 and 2024, the fair value of trade and other receivables of the Group approximated to their carrying amounts.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 25. TRADE AND OTHER RECEIVABLES *(Continued)*

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

Note:

(a) Trade receivables

The ageing analysis of trade receivables, net of allowance for trade receivables, presented based on the invoice date, as follow:

	2025 RMB'000	2024 RMB'000
0-90 days	18	2,407

There is no movement of loss allowance for trade receivables for the years ended 31 December 2025 and 2024.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors of the Company have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors of the Company review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The weighted average expected credit losses also incorporate forward looking information.

	Current
<b>At 31 December 2025</b>	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	18
Loss allowance (RMB'000)	-
<b>At 31 December 2024</b>	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	2,407
Loss allowance (RMB'000)	-



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 26. RESTRICTED BANK BALANCES AND PLEDGED BANK DEPOSITS

Restricted bank balances can only be applied to settle compensation from litigation loss cases. Please refer to note 43 to the consolidated financial statements for details.

Pledged bank deposits are denominated in RMB and pledged for certain borrowings. The effective interest rates on pledged bank deposits are ranged from 0.05%–3.70% p.a. (2024: 0.74%–2.05% p.a.).

### 27. CASH AND CASH EQUIVALENTS

As at 31 December 2025, the bank and cash balances of the Group denominated in RMB amounted to RMB42,981,000 (2024: RMB6,444,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

### 28. SHARE CAPITAL

Ordinary share of HKD0.10 each:

	Number of shares		Amount	
	2025 '000	2024 '000	2025 HKD'000	2024 HKD'000
Authorised:				
At the beginning and the end of the year	20,000,000	20,000,000	2,000,000	2,000,000
	'000	'000	RMB'000	RMB'000
Ordinary shares, issued and fully paid:				
At the beginning of the year	6,028,043	6,028,043	520,569	520,569
Issue of shares:				
— Conversion of bonds (Note a)	1,000,000	—	91,300	—
At the end of the year	7,028,043	6,028,043	611,869	520,569

Note:

- (a) Conversion of bonds  
During the year ended 31 December 2025, the convertible bonds holders exercised certain convertible bonds to subscribe 1,000,000,000 ordinary shares at an exercise price of HKD0.108 per share.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 28. SHARE CAPITAL *(Continued)*

#### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, borrow or repay debts or adjust the amount of dividends paid to shareholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents and pledged bank deposits. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

The gearing ratio as at 31 December were as follows:

	2025 RMB'000	2024 RMB'000
Borrowings	2,364,508	2,794,946
Convertible bonds	563,209	597,462
Total borrowings	2,927,717	3,392,408
Less:		
Cash and cash equivalents	(43,513)	(8,099)
Pledged bank deposits	(118,604)	(624,940)
Net debt	2,765,600	2,759,369
Total equity	(320,851)	359,585
Total capital	2,444,749	3,118,954
Gearing ratio	113%	88%

The increase (2024: increase) in the gearing ratio resulted mainly from the loss for the year (2024: loss for the year).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 29. SHARE-BASED PAYMENT

All share options have duration period of 10 years from the date of grant. Excepted for share options granted on 22 November 2021, which vesting period is 3 years and the vesting schedule is 35% after 12 calendar months from the grant date, 35% after 24 calendar months from the grant date, 30% after 36 calendar months from the grant date; its exercise periods are (i) 35% of the share options are exercisable from 22 November 2022 to 21 November 2031 (both days inclusive); (ii) 35% of the share options are exercisable from 22 November 2023 to 21 November 2031 (both days inclusive); and (iii) the remaining 30% of the share options are exercisable from 22 November 2024 to 21 November 2031 (both days inclusive), all other share options are exercisable on the date of granted.

#### Share Option Schemes

On 8 September 2008, the Company adopted a share option scheme (the "2008 Share Option Scheme") had been expired on 17 September 2018. On 9 October 2020, the Company adopted a new share option scheme (the "2020 Share Option Scheme"). The details of share options outstanding are as follows:

Date of grant	22 June 2016	23 October 2020	22 November 2021	Total Number of Share Options	Weighted average exercise price (HKD)
Exercise price (HKD per option)	0.151	0.141	0.182		
Remaining life	0.47 year	4.81 year	5.89 year		
Granted to	1 executive director and 3 employees	1 executive director	135 employees		
<b>At 1 January 2024, 31 December 2024 and 1 January 2025</b>	<b>1,500,000</b>	<b>300,000,000</b>	<b>77,312,000</b>	<b>378,812,000</b>	<b>0.1494</b>
<b>Lapsed</b>	<b>–</b>	<b>(300,000,000)</b>	<b>(14,820,000)</b>	<b>(314,820,000)</b>	<b>0.1429</b>
<b>At 31 December 2025</b>	<b>1,500,000</b>	<b>–</b>	<b>62,492,000</b>	<b>63,992,000</b>	<b>0.1813</b>

For the year ended 31 December 2025, the Group recognised share-based payments of HKD nil (2024: HKD555,000 (equivalent to RMB512,000)) in profit or loss and the corresponding amount has been credited to share option reserve.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 30. RESERVES

#### (a) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

#### (b) The Company

	Share premium RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	1,548,019	37,162	40,712	784,957	(2,023,317)	387,533
Total comprehensive expense for the year	-	-	-	-	(505,395)	(505,395)
Share-based payments	-	-	512	-	-	512
Convertible bonds matured	-	-	-	(377,886)	377,886	-
At 31 December 2024	1,548,019	37,162	41,224	407,071	(2,150,826)	(117,350)
<b>At 1 January 2025</b>	<b>1,548,019</b>	<b>37,162</b>	<b>41,224</b>	<b>407,071</b>	<b>(2,150,826)</b>	<b>(117,350)</b>
Total comprehensive expense for the year	-	-	-	-	(747,180)	(747,180)
Issue of shares: — Conversion of bonds	49,175	-	-	(52,866)	-	(3,691)
<b>At 31 December 2025</b>	<b>1,597,194</b>	<b>37,162</b>	<b>41,224</b>	<b>354,205</b>	<b>(2,898,006)</b>	<b>(868,221)</b>

#### (c) Nature and purpose of reserves

##### (i) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and share capital and share premium of a subsidiary acquired through an exchange of shares.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 30. RESERVES *(Continued)*

#### (c) Nature and purpose of reserves *(Continued)*

##### (ii) Reserve fund

The appropriation represents the profit appropriation to reserve fund and enterprise expansion fund made by the subsidiaries of the Company established in Mainland China. These subsidiaries are governed by the laws and regulations of Mainland China and their articles of association. They are required to provide for certain statutory funds, namely, reserve fund and enterprise expansion fund which are appropriated from net profit after taxation but before dividend distribution based on the local statutory financial statements prepared in accordance with accounting principles and relevant financial regulations applicable to enterprises established in Mainland China. They are required to allocate at least 10% of their net profit to the reserve fund until the balance of such fund has reached 50% of its registered capital. Appropriation of enterprise expansion fund is determined at the discretion of its directors. The reserve fund can only be used, upon approval by the relevant authorities, to offset accumulated losses or increase capital. The enterprise expansion fund can only be used to increase capital upon approval by the relevant authorities.

##### (iii) Contributed surplus

Contributed surplus of RMB37,162,000 was resulted from the reorganisation prior to the listing, and represents the difference between the nominal value of the shares issued and the underlying assets of the acquired subsidiary.

### 31. BORROWINGS

	2025 RMB'000	2024 RMB'000
The borrowings are repayable as follows:		
On demand or within one year	2,364,508	2,720,656
In the second year	–	74,290
	<b>2,364,508</b>	2,794,946
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(2,364,508)</b>	(2,720,656)
Amount due for settlement after 12 months (shown under non-current liabilities)	–	74,290



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 31. BORROWINGS (Continued)

The borrowings are:

- guaranteed by related companies;
- personal guarantee provided by a director and his spouse;
- guaranteed by an independent third party;
- secured by certain properties owned by related companies;
- secured by certain properties owned by a director;
- secured by 100% equity interest in Dazhou Ko Yo Chemical, Sichuan Cuyo, Ko Yo Agrochem, Ko Yo GuangAn, Ko Yo Lotusan and Guangan New Material and 50% equity interest of Guangan Green Chemical (2024: 100% equity interest of Dazhou Ko Yo Chemical, Sichuan Cuyo, Ko Yo Agrochem, Ko Yo GuangAn, Ko Yo Lotusan and Guangan New Material); and
- secured by the Group's assets as below:

	2025 RMB'000	2024 RMB'000
Pledged bank deposits	118,604	624,940
Property, plant and equipment	1,184,818	1,479,316
Investment properties	862	894
Mining right	334,306	334,306
Right-of-use assets	169,299	211,152
	<b>1,807,889</b>	<b>2,650,608</b>

An analysis of the carrying amounts of the borrowings by nature is as follows:

	2025 RMB'000	2024 RMB'000
At floating rate	1,095,900	994,321
At fixed rates	1,268,608	1,800,625

The borrowings were issued at interest rates which range from 3.00% to 8.64% (2024: 3.45% to 8.64%) p.a.. The fair value of borrowings approximate to their carrying amounts. The borrowings arranged at fixed interest rates and expose the Group to fair value interest rate risk. For other borrowings are arranged at floating rates and expose the Group to cash flow interest rate risk.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 31. BORROWINGS *(Continued)*

The borrowings include note payables of RMB177,000,000 (2024: RMB624,940,000) which are repayable within one year and secured by pledged bank deposits of RMB118,604,000 (2024: RMB624,940,000).

### 32. CONVERTIBLE BONDS

	2025 RMB'000	2024 RMB'000
<b>Liability component</b>		
Convertible bonds 1	–	–
Convertible bonds 2	–	–
Convertible bonds 3	–	–
Convertible bonds 4	563,209	597,462
	<b>563,209</b>	<b>597,462</b>

#### Convertible bonds 1

On 13 November 2014, the Company issued convertible bonds to Asia Pacific Resources Development Investment Limited, with a principal amount of HKD832,000,000 (equivalent to RMB665,600,000) pursuant to the subscription agreement entered into between the Company and Asia Pacific Resources Development Investment Limited on 30 July 2014. The convertible bonds bears interest at 7% per annum on the principal amount of the convertible bonds outstanding from time to time. The convertible bonds can be converted into ordinary shares at a conversion price of HKD0.32 from the day immediately following the date of the issue of convertible bonds to the maturity date which is 12 November 2024. If the convertible bonds have not been converted, they will be redeemed at par on 12 November 2024 in RMB using a predetermined fixed rate of exchange of RMB1.00 to HKD1.25. Interest will be paid annually in RMB using a pre-determined fixed rate of exchange of RMB1.00 to HKD1.25 until the maturity date. The convertible bonds were matured during the year ended 31 December 2024 and transferred to borrowings.

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2024	224,103	218,947	443,050
Interest expense accrued	50,550	–	50,550
Interest expense charged to accrued expense	(17,968)	–	(17,968)
Matured during the year	(256,685)	(218,947)	(475,632)
<b>At 31 December 2024, 1 January 2025 and 31 December 2025</b>	<b>–</b>	<b>–</b>	<b>–</b>

The principal amount of the convertible bonds as at 31 December 2025 is nil (2024: nil).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 32. CONVERTIBLE BONDS *(Continued)*

#### Convertible bonds 2

On 31 January 2019, the convertible bonds in the principal amount of HKD129,600,000 was subscribed by the subscriber, pursuant to the subscription agreement entered into between the Company and the subscriber on 19 July 2018. The convertible bonds bears interest at 4% per annum on the principal amount of the convertible bonds outstanding from time to time. The convertible bonds can be converted into ordinary shares at a conversion price of HKD0.108 from the day immediately following the date of the issue of convertible bonds to the maturity date which is 30 January 2024. If the convertible bonds have not been converted, they will be redeemed at par on 30 January 2024. The convertible bonds shall be translated at the fixed exchange rate of RMB1.00 to HKD1.1765. The convertible bonds were matured during the year ended 31 December 2024 and transferred to borrowings.

	<b>Liability component RMB'000</b>	<b>Equity component RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2024	30,219	35,601	65,820
Interest expense accrued	332	–	332
Interest expense charged to accrued expense	(1,175)	–	(1,175)
Matured during the year	(29,376)	(35,601)	(64,977)
<b>At 31 December 2024, 1 January 2025 and 31 December 2025</b>	<b>–</b>	<b>–</b>	<b>–</b>

The principal amount of the convertible bonds as at 31 December 2025 is nil (2024: nil).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 32. CONVERTIBLE BONDS *(Continued)*

#### Convertible bonds 3

On 15 March 2019, the convertible bonds in the principal amount of HKD140,400,000 was subscribed by the subscriber, pursuant to the subscription agreement entered into between the Company and the subscriber on 19 July 2018. The convertible bonds bears interest at 4% per annum on the principal amount of the convertible bonds outstanding from time to time. The convertible bonds can be converted into ordinary shares at a conversion price of HKD0.108 from the day immediately following the date of the issue of convertible bonds to the maturity date which is 14 March 2024. If the convertible bonds have not been converted, they will be redeemed at par on 14 March 2024. The convertible bonds shall be translated at the exchange rate of RMB1.00 to HKD1.1765. The convertible bonds were matured during the year ended 31 December 2024 and transferred to borrowings.

	<b>Liability component RMB'000</b>	<b>Equity component RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2024	88,332	123,338	211,670
Interest expense accrued	2,366	–	2,366
Interest expense charged to accrued expense	(3,488)	–	(3,488)
Matured during the year	(87,210)	(123,338)	(210,548)
<b>At 31 December 2024, 1 January 2025 and 31 December 2025</b>	<b>–</b>	<b>–</b>	<b>–</b>

The principal amount of the convertible bonds as at 31 December 2025 is nil (2024: nil).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 32. CONVERTIBLE BONDS *(Continued)*

#### Convertible bonds 4

On 30 November 2021, the convertible bonds in the principal amount of HKD831,600,000 was subscribed by the subscriber, pursuant to the subscription agreement entered into between the Company and the subscriber on 10 July 2019. The convertible bonds bears interest at 5% per annum on the principal amount of the convertible bonds outstanding from time to time. The convertible bonds can be converted into ordinary shares at a conversion price of HKD0.108 from the day immediately following the date of the issue of convertible bonds to the maturity date which is 30 November 2026. On 14 November 2025, a partial conversion of the convertible bonds took place, where convertible bonds with a principal amount of HKD108,000,000 were converted into 1,000,000,000 ordinary shares at a conversion price of HKD0.108 per share. Following the conversion, the outstanding principal amount of the convertible bonds amounted to HKD723,600,000. If the convertible bonds have not been converted, they will be redeemed at par on the maturity date. The convertible bonds shall be translated at the exchange rate of RMB1.00 to HKD1.2229.

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2024	549,457	407,071	956,528
Interest expense accrued	82,005	–	82,005
Interest expense charged to accrued expense	(34,000)	–	(34,000)
<b>At 31 December 2024 and 1 January 2025</b>	<b>597,462</b>	<b>407,071</b>	<b>1,004,533</b>
Interest expense accrued	87,356	–	87,356
Interest expense charged to accrued expense	(34,000)	–	(34,000)
Converted during the year	(87,609)	(52,866)	(140,475)
<b>At 31 December 2025</b>	<b>563,209</b>	<b>354,205</b>	<b>917,414</b>

The principal amount of the convertible bonds as at 31 December 2025 is RMB591,688,000 (2024: RMB680,000,000).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 33. DEFERRED INCOME TAX

There were no offsetting of deferred income tax assets and liabilities in 2025 and 2024.

The movements in deferred income tax assets and liabilities are as follows:

Deferred income tax assets:

	Tax losses RMB'000
At 1 January 2024	16,411
Charged to profit or loss	(212)
<b>At 31 December 2024, 1 January 2025 and 31 December 2025</b>	<b>16,199</b>

Deferred income tax liabilities:

	Mining right RMB'000	Revaluation of acquisition of a subsidiary RMB'000	Total RMB'000
At 1 January 2024	(80,867)	(34,592)	(115,459)
Credited to profit or loss	–	1,426	1,426
At 31 December 2024	(80,867)	(33,166)	(114,033)
<b>At 1 January 2025</b>	<b>(80,867)</b>	<b>(33,166)</b>	<b>(114,033)</b>
Credited to profit or loss	–	298	298
<b>At 31 December 2025</b>	<b>(80,867)</b>	<b>(32,868)</b>	<b>(113,735)</b>

As at 31 December 2025, the Group had total unused tax losses of RMB957,913,000 (2024: RMB723,284,000). No deferred tax asset has been recognised in respect of tax losses of certain subsidiaries of RMB893,118,000 (2024: RMB658,489,000) due to the unpredictability of future profit streams of these subsidiaries. Deferred tax assets of RMB16,199,000 (2024: RMB16,199,000) have been recognised in respect of the tax losses of certain subsidiaries of RMB64,795,000 (2024: RMB64,795,000) as management considered it is probable that these subsidiaries can generate sufficient taxable profit to utilise the above tax losses. These tax losses will expire from year 2026 to 2030 (2024: 2025 to 2029).



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 34. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables (Note a)	43,857	41,812
Construction payable	213,966	218,132
Accrued expenses	39,033	28,116
Interest payables	298,236	213,664
Other taxes payable	7,459	6,454
Proprietary technology cost payables	69,000	69,000
Deferred government grants	63,271	7,000
Others	25,248	17,860
	<b>760,070</b>	<b>602,038</b>

Note:

(a) Trade payables

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2025 RMB'000	2024 RMB'000
Less than 1 year	43,620	33,428
Over 1 year	237	8,384
	<b>43,857</b>	<b>41,812</b>

All of the carrying amounts of the Group's trade payables are denominated in RMB.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 35. CONTRACT LIABILITIES

Disclosures of revenue-related items:	At 31 December		At 1 January
	2025 RMB'000	2024 RMB'000	2024 RMB'000
Contract liabilities	154,977	56,994	61,963

Contract receivables (included in trade receivables)	At 31 December		At 1 January
	2025 RMB'000	2024 RMB'000	2024 RMB'000
	18	2,407	1,337

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2025 RMB'000	2024 RMB'000
	— 2025	N/A
— 2026	154,977	—
	154,977	56,994

Year ended 31 December

Revenue recognised in the year that was included in contract liabilities at the beginning of the year	2025 RMB'000	2024 RMB'000
		56,322



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 35. CONTRACT LIABILITIES *(Continued)*

Significant changes in contract liabilities during the year:

	2025 RMB'000	2024 RMB'000
Increase due to operations	2,259,202	2,428,148
Transfer of contract liabilities to revenue	<b>(2,161,219)</b>	(2,433,117)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### 36. LEASE LIABILITIES

	2025 RMB'000	2024 RMB'000
<b>Minimum lease payments</b>		
Within one year	2,198	2,131
In the second to fifth years, inclusive	196	2,394
	<b>2,394</b>	4,525
Less: Future finance charges	<b>(36)</b>	(163)
Present value of lease obligations	<b>2,358</b>	4,362



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 36. LEASE LIABILITIES *(Continued)*

	2025 RMB'000	2024 RMB'000
<b>Present value of minimum lease payments</b>		
Within one year	2,163	2,004
In the second to fifth years, inclusive	195	2,358
	<b>2,358</b>	4,362
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(2,163)</b>	(2,004)
Amount due for settlement after 12 months (shown under non-current liabilities)	195	2,358

As at 31 December 2025, the effective borrowing rate was ranged from 3.95% to 4.60% (2024: 3.95% to 4.60%) p.a.. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

### 37. DUE TO A RELATED COMPANY

The advance is unsecured, non-interest bearing and has no fixed repayment terms.

### 38. COMMITMENTS

#### (a) Capital commitments

	2025 RMB'000	2024 RMB'000
Constructions-in-progress:		
Contracted but not provided for	2,715,527	2,941,077

#### (b) Operating leases rental receivables

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2025 RMB'000	2024 RMB'000
Not later than 1 year	-	7



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 39. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2025 RMB'000	2024 RMB'000
Handing fee charged by a related company (note)	1,557	6,116

Note: A director, Mr. Zhang Weihua has control over the related company.

As at 31 December 2025, borrowings of RMB1,303,180,000 (2024: RMB1,277,286,000) from Hengfeng Bank, China Merchants Bank, Bank of Dalian, Bohai Bank, Shanghai Pudong Development Bank, Industrial Bank, China Bond Insurance Corporation, Export-Import Bank of China, Huaxia Bank, Bank of Shanghai, Bank of Communications, Guangan Hongxin Small Loan Company Limited and Guangan Jinxiang Small Loan Company Limited (2024: Huaxia Bank, Bohai Bank, Bank of Dalian, Evergrowing Bank, Bank of Communications, Export-Import Bank of China, Shanghai Pudong Development Bank, Bank of Shanghai, China Industrial Bank, China Merchants Bank, Guangan Jinxiang Small Loan Company Limited, Guangan Hongxin Small Loan Company Limited and China Bond Insurance Corporation) were guaranteed by the Company. In the opinion of the directors of the Company, the fair value of guarantee provided by the Company is insignificant to the Group. Such guarantee has not been accounted for by the Group.

### 40. KEY MANAGEMENT COMPENSATION (EXCLUDING DIRECTORS' EMOLUMENTS)

	2025 RMB'000	2024 RMB'000
Salaries and other benefits	3,048	3,152
Retirement benefit scheme contributions	72	64
Share-based payment arising from issue of share option	–	124
	<b>3,120</b>	<b>3,340</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 41. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group changes in liabilities arising from financing activities during the year:

	Due to a related company RMB'000	Lease liabilities RMB'000	Convertible bonds RMB'000	Borrowings RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2024	683,041	4,889	892,111	2,793,478	4,373,519
Changes in cash flows	201,346	(2,087)	–	(505,023)	(305,764)
Non-cash changes					
— additions	–	2,213	–	–	2,213
— matured during the year	–	–	(373,271)	373,271	–
— interest capitalisation	–	–	–	3,347	3,347
— interest charged	–	190	135,253	47,501	182,944
— issuance of note payables	–	–	–	26,750	26,750
— termination of lease	–	(843)	–	–	(843)
— reallocation to interest payables including in other payables	–	–	(56,631)	–	(56,631)
— exchange difference	–	–	–	55,622	55,622
<b>At 31 December 2024 and 1 January 2025</b>	<b>884,387</b>	<b>4,362</b>	<b>597,462</b>	<b>2,794,946</b>	<b>4,281,157</b>
Changes in cash flows	(41,194)	(2,131)	–	(544,071)	(587,396)
Non-cash changes					
— interest capitalisation	–	–	–	57,939	57,939
— interest charged	–	127	87,356	61,031	148,514
— reallocation to interest payables including in other payables	–	–	(34,000)	–	(34,000)
— converted during the year	–	–	(87,609)	–	(87,609)
— exchange difference	–	–	–	(5,337)	(5,337)
<b>At 31 December 2025</b>	<b>843,193</b>	<b>2,358</b>	<b>563,209</b>	<b>2,364,508</b>	<b>3,773,268</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2025 RMB'000	2024 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	343,490	107,264
Loan to subsidiaries	717,968	1,594,988
	<b>1,061,458</b>	1,702,252
<b>Current assets</b>		
Other receivables	507	504
Cash and cash equivalents	28	24
	<b>535</b>	528
<b>Total assets</b>	<b>1,061,993</b>	1,702,780
<b>EQUITY</b>		
Share capital	611,869	520,569
Reserves	(868,221)	(117,350)
<b>Total equity</b>	<b>(256,352)</b>	403,219
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Convertible bonds	–	597,461
<b>Current liabilities</b>		
Accruals and other payables	235,698	168,410
Financial guarantee liabilities	119,662	118,772
Convertible bonds	563,209	–
Borrowings	399,776	414,918
	<b>1,318,345</b>	702,100
<b>Total liabilities</b>	<b>1,318,345</b>	1,299,561
<b>Total equity and liabilities</b>	<b>1,061,993</b>	1,702,780
<b>Net current liabilities</b>	<b>(1,317,810)</b>	(701,572)
<b>Total assets less current liabilities</b>	<b>(256,352)</b>	1,000,680



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 43. LITIGATIONS

The following table shows the Group's assets frozen by the court due to litigation as below:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	232,574	340,333
Land use rights	91,742	94,389
Mining right	334,306	334,306
Restricted bank balances	130	506
	<b>658,752</b>	<b>769,534</b>

On 15 September 2020, Koyo Agrochem and BOCOM entered into a loan agreement for an aggregate principal loan amount of RMB68,000,000 ("Agrochem Loan A"). On 30 October 2020, the Intermediate People's Court of Chengdu Municipality, Sichuan Province\* (四川省成都市中級人民法院) (the "Chengdu Intermediate Court") issued a judgment (the "Judgment") pursuant to which Koyo Agrochem was required to repay the Agrochem Loan A. On 31 August 2021, the Chengdu Intermediate Court made enforcement action on auction of pledged properties held by the Group located on Qingdao (the "Pledged Properties A"). The Pledged Properties A were disposed of and gross proceeds of RMB24,720,000 were used to repay Agrochem Loan A. On 26 December 2022, the Group reached a settlement agreement with BOCOM. The Group has breached the settlement agreement and has submitted its revised repayment schedule to BOCOM. Up to date of this report, the Group is awaiting BOCOM to revert on their views on the proposal.

In March 2019, Guangan New Material and EXIM Bank entered into a supplemental agreement to the loan agreement dated 31 July 2015 in relation to the renewal of an aggregate principal loan amount of RMB90,000,000 ("New Material Loan"), pursuant to which the last repayment of the New Material Loan were extended to March 2021. EXIM Bank subsequently requested for an early repayment of the New Material Loan, and initiated legal action against Guangan New Material in relation to the New Material Loan with outstanding amount of RMB76,919,000 at the No.4 Intermediate People's Court of Beijing Municipality\* (北京市第四中級人民法院). On 28 December 2020, the No.4 Intermediate People's Court of Beijing Municipality\* issued a judgment (the "New Material Judgment") pursuant to which Guangan New Material was required to repay the New Material Loan. Following the handing down of the New Material Judgment, the Group lodged an appeal against the New Material Judgment. On 30 June 2021, the High People's Court of Beijing\* (北京市高級人民法院) dismissed the appeal upheld. On 19 August 2022, the Group reached a settlement agreement with EXIM bank. During the year ended 31 December 2025, the Group is repaying the New Material Loan according to the settlement agreement.



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

### 43. LITIGATIONS *(Continued)*

In 2021, CIB claimed Koyo Agrochem, Dazhou Koyo Chemical, Sichuan Cuyo, Ko Yo Lotusan, Ko Yo GuangAn and Guangan New Material at the Chengdu Intermediate Court, in respect of an outstanding debt of RMB44,745,000 together with accrued interests and costs. An enforcement action was instituted at Chengdu Intermediate Court on 4 February 2021. The enforcement action was terminated after the Group's negotiation with CIB. The Group has submitted its proposed repayment schedule to CIB. The Group is awaiting CIB to revert on their views on the proposal.

During November 2019, Koyo Agrochem, Dazhou Ko Yo Chemical and Ko Yo Guangan entered into loan agreements with SPD Bank for an aggregate principal loan amount of RMB177,400,000 ("Loan B"). On 21 July 2021, the Chengdu Intermediate Court issued a judgment pursuant to which Koyo Agrochem, Dazhou Ko Yo Chemical and Ko Yo Guangan were required to repay the Loan B together with accrued interest and costs. An execution notice was issued by Chengdu Intermediate Court on 15 November 2021. On 13 December 2022, the Group reached a settlement agreement with SPD Bank. The Group has breached the settlement agreement and has submitted its revised repayment schedule to SPD Bank. The Group is awaiting SPD Bank to revert on their views on the proposal.

During March 2021, Dazhou Ko Yo Chemical entered into a loan agreement with Bank of Dalian for aggregate principal loan amount of RMB80,000,000 ("Loan C"). On 24 August 2021, the Chengdu Intermediate Court issued a notice pursuant to which Dazhou Ko Yo Chemical were required to repay the Loan C together with accrued interest and costs in accordance with notarisation. An enforcement action was enforced by Chengdu Intermediate Court on 8 December 2021. On 31 August 2022 and 11 September 2024, the Group reached a settlement agreement and supplemental agreement with Bank of Dalian. During the year ended 31 December 2025, the Group is repaying the Loan C according to the supplement settlement agreement.

During June 2020, Dazhou Ko Yo Chemical entered into a loan agreement with Evergrowing Bank for an aggregate principal loan amount of RMB79,000,000 ("Loan E"). On 11 October 2021, the Chengdu Intermediate Court issued a notice pursuant to which Dazhou Ko Yo Chemical were required to repay the Loan E together with accrued interest and costs in accordance with notarisation. The Group is engaged in the negotiation process with Evergrowing Bank with an aim to renew and/or restructure the Loan E. The Group has submitted its proposed repayment schedule to Evergrowing Bank. The Group is awaiting Evergrowing Bank to revert on their views on the proposal.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

## 44. CONTINGENT LIABILITIES

As at 31 December 2025, the Group has issued guarantees of RMB28,000,000 (2024: RMB53,900,000) to a bank in respect of banking facilities granted to a related company. The amount disclosed above represents the aggregate amounts that could be required to be paid if the guarantees were called upon in entirety. In the opinion of the directors of the Company, the fair values of the financial guarantee contracts are not significant as the possibility of default by a related company is remote and, in case of default in payments, the net realisable value of the pledged properties by other parties can recover the repayment of the outstanding principals together with the accrued interest and penalty. Accordingly, no provision has been made in the consolidated financial statements for these guarantees.

## 45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 March 2026.



## Five Year Financial Summary

The following table summarizes the audited results, assets and liabilities of the Group for the five years ended 31 December 2025.

	<b>2025</b> RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Turnover	<b>2,161,891</b>	2,599,733	2,904,857	3,205,226	3,066,543
(Loss)/Profit before tax	<b>(768,075)</b>	(534,294)	(107,652)	355,824	460,376
Income tax credit/(expense)	<b>30</b>	(18,448)	(46,963)	(154,780)	(81,158)
(Loss)/profit for the year attributable to:					
Non-controlling interest	<b>(20,865)</b>	(47,347)	(2,274)	(519)	(17)
Owners of the Company	<b>(747,180)</b>	(505,395)	(152,341)	201,563	379,235
Total assets	<b>4,481,199</b>	5,413,807	6,266,330	5,845,522	4,037,708
Total liabilities	<b>(4,802,050)</b>	(5,054,222)	(5,354,515)	(4,785,396)	(3,214,120)
Total equity	<b>(320,851)</b>	359,585	911,815	1,060,126	823,588