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**Ko Yo Chemical (Group) Limited**

**玖源化工(集團)有限公司**

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

**(Stock Code: 00827)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2025**

**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:

<b>Type</b>	<b>Sales amount</b> <i>(million RMB)</i>	<b>Sales quantities</b> <i>(tonnes)</i>	<b>% change compare with year 2024</b>	
			<b>Sales amount</b>	<b>Sales quantities</b>
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.

The board of directors (the “Board”) is pleased to present the audited annual results of Ko Yo Chemical (Group) Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2025.

## 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>	3	<b>2,161,891</b>	2,599,733
Cost of sales		<u>(2,227,681)</u>	<u>(2,565,554)</u>
Gross (loss)/profit		(65,790)	34,179
Distribution costs		(28,413)	(25,285)
Administrative expenses		(179,625)	(214,182)
Other income/(loss) — net	5	11,030	(5,117)
Other expenses	6	<u>(287,004)</u>	<u>(512)</u>
<b>Operating loss</b>		<b>(549,802)</b>	(210,917)
Finance income		5,863	12,261
Finance expenses		<u>(224,136)</u>	<u>(335,638)</u>
<b>Loss before tax</b>		<b>(768,075)</b>	(534,294)
Income tax credit/(expense)	7	<u>30</u>	<u>(18,448)</u>
<b>Loss and total comprehensive expense for the year</b>	8	<b><u>(768,045)</u></b>	<b><u>(552,742)</u></b>
Attributable to:			
Owners of the Company		(747,180)	(505,395)
Non-controlling interests		<u>(20,865)</u>	<u>(47,347)</u>
		<b><u>(768,045)</u></b>	<b><u>(552,742)</u></b>
Loss per share (RMB)			
— Basic	9	<u>(0.1213)</u>	<u>(0.0838)</u>
— Diluted	9	<u>(0.1213)</u>	<u>(0.0838)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	<b>2025</b> <i>RMB'000</i>	2024 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,556,282</b>	2,986,749
Investment properties		<b>7,307</b>	7,584
Right-of-use assets		<b>207,863</b>	215,251
Mining right		<b>334,306</b>	334,306
Other intangible assets		<b>61,665</b>	65,642
Prepayments	<i>10</i>	<b>773,017</b>	775,354
Deferred income tax assets		<b>16,199</b>	16,199
Investments at fair value through profit or loss		<b>500</b>	–
		<u><b>3,957,139</b></u>	<u>4,401,085</u>
<b>Current assets</b>			
Inventories		<b>162,095</b>	180,384
Trade and other receivables	<i>10</i>	<b>195,448</b>	194,779
Current tax assets		<b>4,270</b>	4,014
Restricted bank balances		<b>130</b>	506
Pledged bank deposits		<b>118,604</b>	624,940
Cash and cash equivalents		<b>43,513</b>	8,099
		<u><b>524,060</b></u>	<u>1,012,722</u>
<b>Total assets</b>		<u><b>4,481,199</b></u>	<u>5,413,807</u>
<b>EQUITY</b>			
Share capital	<i>11</i>	<b>611,869</b>	520,569
Reserves		<b>(868,221)</b>	(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>		<u><b>(320,851)</b></u>	<u>359,585</u>

	<i>Notes</i>	<b>2025</b> <b>RMB'000</b>	2024 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		–	74,290
Convertible bonds	<i>12</i>	–	597,462
Deferred income tax liabilities		<b>113,735</b>	114,033
Lease liabilities		<b>195</b>	2,358
		<u><b>113,930</b></u>	<u>788,143</u>
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>760,070</b>	602,038
Contract liabilities		<b>154,977</b>	56,994
Lease liabilities		<b>2,163</b>	2,004
Due to a related company		<b>843,193</b>	884,387
Borrowings		<b>2,364,508</b>	2,720,656
Convertible bonds	<i>12</i>	<b>563,209</b>	–
		<u><b>4,688,120</b></u>	<u>4,266,079</u>
<b>Total liabilities</b>		<u><b>4,802,050</b></u>	<u>5,054,222</u>
<b>Total equity and liabilities</b>		<u><b>4,481,199</b></u>	<u>5,413,807</u>
<b>Net current liabilities</b>		<u><b>(4,164,060)</b></u>	<u>(3,253,357)</u>
<b>Total assets less current liabilities</b>		<u><b>(206,921)</b></u>	<u>1,147,728</u>
<b>Net (liabilities)/assets</b>		<u><b>(320,851)</b></u>	<u>359,585</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2025*

### 1. GENERAL INFORMATION

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 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 14 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 HKD10,800,000, the bondholders agreed not to demand for repayment of the relevant principal and interest in forthcoming year;

- (iv) It is expected that certain projects as stated in the Chairman’s statement can further improve the liquidity and profitability of the Group.

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. 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.

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

##### *Timing of revenue recognition*

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

#### 4. 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	<u>16.61%</u>	<u>14.33%</u>

#### 5. OTHER INCOME/(LOSS) — NET

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income	289	48
Depreciation related to rental income	<u>(277)</u>	<u>(277)</u>
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	<u>586</u>	<u>2,254</u>
	<u>11,030</u>	<u>(5,117)</u>

## 6. OTHER EXPENSES

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

## 7. INCOME TAX (CREDIT)/EXPENSE

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

## 8. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of inventories sold	2,227,681	2,565,554
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
Amortisation of other intangible assets	3,977	3,977
Auditors' remuneration	1,660	1,691
Staff costs including directors' emoluments		
— Salaries, bonus and allowances	87,470	104,154
— Retirement benefits scheme contributions	6,371	7,424
— Share-based payment arising from issue of share option	<u>–</u>	<u>512</u>
	<u><b>93,841</b></u>	<u>112,090</u>

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.

## 9. LOSSES 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><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Losses</b>		
Losses for the purpose of calculating basic and diluted loss per share	<u><b>(747,180)</b></u>	<u>(505,395)</u>
	<b>2025</b>	2024
	<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	<u><b>6,159,549</b></u>	<u>6,028,043</u>

## 10. TRADE AND OTHER RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables ( <i>Note a</i> )	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
	<u>968,465</u>	<u>970,133</u>
Analysis as:		
— Non-current assets	773,017	775,354
— Current assets	195,448	194,779
	<u>968,465</u>	<u>970,133</u>

*Note:*

### (a) Trade receivables

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
0–90 days	<u>18</u>	<u>2,407</u>

## 11. SHARE CAPITAL

Ordinary share of HKD0.1 each:

	Number of shares		Share capital	
	2025	2024	2025	2024
	'000	'000	HKD'000	HKD'000
Authorised:				
At the beginning and the end of the year	<b><u>20,000,000</u></b>	<u>20,000,000</u>	<b><u>2,000,000</u></b>	<u>2,000,000</u>

Ordinary shares, issued and fully paid:

	Number of shares		Share capital	
	2025	2024	2025	2024
	'000	'000	RMB'000	RMB'000
At the beginning of the year	<b>6,028,043</b>	6,028,043	<b>520,569</b>	520,569
Issue of shares:				
— Conversion of bonds ( <i>Note a</i> )	<b><u>1,000,000</u></b>	<u>—</u>	<b><u>91,300</u></b>	<u>—</u>
At the end of the year	<b><u>7,028,043</u></b>	<u>6,028,043</u>	<b><u>611,869</u></b>	<u>520,569</u>

*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.

## 12. CONVERTIBLE BONDS

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.

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

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

### 13. TRADE AND OTHER PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables ( <i>Note a</i> )	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
	<u>760,070</u>	<u>602,038</u>

*Note:*

(a) Trade payables

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

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

## 14. LITIGATIONS

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 announcement, 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.

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 a 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 according to notarization made. 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 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 according to notarization made. 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.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is the extract of the independent auditor’s report from the external auditor of the Company:

### **“OPINION**

#### **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”), 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 announcement, 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.

In respect of the Group had been negotiating with the bondholders not to demand for repayment of the relevant principal and interest in forcoming year, up to the date of this announcement, 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 forcoming year.

In respect of the certain projects as stated in the Chairman's statement are in trial run stage, the Group expects the certain projects can further improve the liquidity and profitability of the Group. Management was unable to provide us with sufficient information about how the certain 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 certain 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.”

## **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.

### ***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.

#### *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.

## *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.

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;
- 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.

## **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 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 5 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 6 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.

The Group's income tax credit in 2025 amounted to approximately RMB0.03 million. Details of tax are set out in note 7 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).

## PRODUCTS

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

	Turnover in year 2025		Turnover in year 2024		Percentage
	<i>RMB million</i>	<i>Composite %</i>	<i>RMB million</i>	<i>Composite %</i>	<b>Change in turnover</b> %
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 accrued charges 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.

## **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.

## **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.

## **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 announcement, 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.

## **CHARGES ON THE GROUP'S ASSETS**

As at 31 December 2025, land use rights with a total net book value of approximately RMB169,299,000 (2024: approximately RMB211,152,000), property, plant and machinery with a total net book value 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 a total net book value of approximately RMB334,306,000 (2024: approximately RMB334,306,000), and 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.

## **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 Company ("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 statement.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2025. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

## **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.

## **GOING CONCERN AND MITIGATION MEASURES**

During the year 2025, the Group still had certain litigations with banks as described in note 14 to the consolidation 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 has net cash inflow from operating activities after working capital changes and profit tax and interest paid 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;
- 3) For the convertible bonds which would already due, except for a principal amount of HKD10,800,000, 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 New 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 last year; 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.

Taking into account the completion of the above-mentioned plans and measures, the existing cash balance in bank, the market price of products is expected to rise 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.

## **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.

By Order of the Board  
**Ko Yo Chemical (Group) Limited**  
**Tang Guoqiang**  
*Chairman*

Hong Kong, 30 March 2026

*As at the date of this announcement, the Board comprises three executive directors, being Mr. Tang Guoqiang, Mr. Zhang Weihua and Mr. Fan Chao, and three independent non-executive directors being Mr. Xu Congcai, Mr. Le Yiren and Ms. Lu Yi.*