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 2024

HIGHLIGHTS

— For the year ended 31 December 2024, the net cash inflow from operating activities before working capital changes and profit tax and interest payment was approximately RMB15 million, which represent a decrease of approximately 95% as compared to that of approximately RMB306 million in year 2023.

— For the year ended 31 December 2024, the loss attributable to shareholders was approximately RMB505 million, which represent an increase in loss of approximately RMB353 million as compared to the loss of approximately RMB152 million in year 2023.

— Basic loss per share was approximately RMB0.084 for the year ended 31 December 2024.

— For the year ended 31 December 2024, sale turnover was approximately RMB2,600 million, which represents a decrease of approximately 10.5% as compared to year 2023.

— 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 2023 Sales amount	% change compare with year 2023 Sales quantities
Urea	742	387,165	(16.4)	(3.0)
Ammonia	849	350,312	(19.8)	(2.4)
Methanol	806	389,569	3.3	3.8
N-methylpyrrolidone	9	1,083	(30.8)	(3.3)
N,N-dimethylformamide	15	4,209	(67.4)	(59.9)
Others — trading	179	N/A	49.2	N/A

— The Directors do not recommend the payment of any final dividend for the year ended 31 December 2024.

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 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Revenue	*7*	**2,599,733**	2,904,857
Cost of sales		**(2,565,554)**	(2,588,660)
Gross profit		**34,179**	316,197
Distribution costs		**(25,285)**	(42,047)
Administrative expenses		**(214,182)**	(149,103)
Other (loss)/income — net	*9*	**(5,117)**	7,630
Other expenses	*10*	**(512)**	(1,404)
Operating (loss)/profit		**(210,917)**	131,273
Finance income	*11*	**12,261**	6,544
Finance expenses	*11*	**(335,638)**	(245,469)
Loss before tax		**(534,294)**	(107,652)
Income tax expense	*12*	**(18,448)**	(46,963)
Loss and total comprehensive expense for the year	*13*	**(552,742)**	(154,615)
Attributable to:			
Equity holders of the Company		**(505,395)**	(152,341)
Non-controlling interests		**(47,347)**	(2,274)
		(552,742)	(154,615)
Losses per share attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— Basic	*15*	**(0.0838)**	(0.0253)
— Diluted	*15*	**(0.0838)**	(0.0253)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**2,986,749**	3,386,449
Investment properties	*17*	**7,584**	7,861
Right-of-use assets	*18*	**215,251**	242,790
Mining right	*19*	**334,306**	334,306
Other intangible assets	*20*	**65,642**	69,619
Prepayments	*24*	**775,354**	788,029
Deferred income tax assets	*32*	**16,199**	16,411
		4,401,085	4,845,465
Current assets			
Inventories	*23*	**180,384**	216,104
Trade and other receivables	*24*	**194,779**	239,946
Current tax assets		**4,014**	–
Restricted bank balances	*25*	**506**	31
Pledged bank deposits	*25*	**624,940**	901,856
Cash and cash equivalents	*26*	**8,099**	62,928
		1,012,722	1,420,865
Total assets		**5,413,807**	6,266,330
EQUITY			
Equity attributable to owners of the Company			
Share capital	*27*	**520,569**	520,569
Reserves	*29*	**(117,350)**	387,533
		403,219	908,102
Non-controlling interests		**(43,634)**	3,713
Total equity		**359,585**	911,815

	Notes	2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	*30*	**74,290**	406,332
Convertible bonds	*31*	**597,462**	549,457
Deferred income tax liabilities	*32*	**114,033**	115,459
Lease liabilities	*35*	**2,358**	2,678
		788,143	1,073,926
Current liabilities			
Trade and other payables	*33*	**602,038**	785,907
Contract liabilities	*34*	**56,994**	61,963
Due to a related company	*36*	**884,387**	683,041
Current tax liabilities		**–**	17,667
Borrowings	*30*	**2,720,656**	2,387,146
Convertible bonds	*31*	**–**	342,654
Lease liabilities	*35*	**2,004**	2,211
		4,266,079	4,280,589
Total liabilities		**5,054,222**	5,354,515
Total equity and liabilities		**5,413,807**	6,266,330
Net current liabilities		**(3,253,357)**	(2,859,724)
Total assets less current liabilities		**1,147,728**	1,985,741

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Company											
	Share capital	Share premium	Merger reserve	Share option reserve	Convertible bonds reserve	Reserve fund	Enterprise expansion fund	Accumulated loss	Transaction with non-controlling interests	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	520,569	1,548,019	(22,041)	39,308	784,957	45,273	1,131	(1,854,668)	(3,509)	1,059,039	1,087	1,060,126
Total comprehensive expense for the year	–	–	–	–	–	–	–	(152,341)	–	(152,341)	(2,274)	(154,615)
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	–	4,900	4,900
Provision of statutory reserve	–	–	–	–	–	8,989	–	(8,989)	–	–	–	–
Share-based payments	–	–	–	1,404	–	–	–	–	–	1,404	–	1,404
At 31 December 2023	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
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**	**–**	**–**	**–**	**–**
At 31 December 2024	**520,569**	**1,548,019**	**(22,041)**	**41,224**	**407,071**	**54,648**	**1,131**	**(2,143,893)**	**(3,509)**	**403,219**	**(43,634)**	**359,585**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 (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 approximately RMB552,742,000 and had net operating cash outflow of RMB103,335,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities of approximately RMB3,253,357,000. In addition, as described in note 42 to the consolidated financial statements, as at 31 December 2024, 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 2024. 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 2024 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, the bondholders agreed not to demand for repayment of the relevant principal and interest in forcoming year;

(iv) It is expected that the new projects as stated in the Chairman's statement can further improve the liquidity and profitability of the Group; and

(v) The Group has been endeavouring to improve the Group's operating performance and cash flows through cost control measures and working capital management to maintain sufficient liquidity.

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 2024. 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") 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 2024. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs 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 HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs 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 HKFRSs, 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.

The preparation of consolidated financial statements in conformity with HKFRSs 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.

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.

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.

(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 nonmonetary 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.

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.

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 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.

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.

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.

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.

(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.

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.

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.

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.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for the PRC enterprise income tax purposes.

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.

(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.

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 ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

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.

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.

At 31 December 2024, 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 RMB27,311,000 (2023: nil) lower, arising mainly as a result of the foreign exchange loss 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 have been RMB27,311,000 (2023: nil) higher, arising mainly as a result of the foreign exchange gain 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 2024, 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 approximately RMB1,989,000 (2023: RMB1,973,000), 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.

For trade and 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

(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	**Between 1 and 2 years**	**Between 2 and 5 years**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2024			
Trade and other payables	**595,584**	**–**	**–**
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**	**–**	**–**
At 31 December 2023			
Trade and other payables	780,948	–	–
Due to a related company	683,041	–	–
Borrowings	2,388,778	119,370	287,723
Convertible bonds	373,268	–	680,000
Interest payment on borrowings and convertible bonds	106,154	71,029	83,828
Financial guarantee contracts issued — maximum amount guaranteed	179,510	–	–

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.

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 approximately RMB3,253 million as at 31 December 2024 (2023: approximately RMB2,860 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

	2024	2023
	RMB'000	*RMB'000*
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**696,678**	1,065,091
Financial liabilities:		
Financial liabilities at amortised cost	**4,872,379**	5,149,578

(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. REVENUE

Revenue represents invoiced value of sale of chemical products and chemical fertilisers to customers in Mainland China, net of goods returned and value-added tax, where applicable.

Disaggregation of revenue from contracts with customers

Geographical information

For the years ended 31 December 2024 and 2023, all revenue is derived from the PRC.

Major products	**2024**	2023
	RMB'000	*RMB'000*
Urea	**742,182**	888,393
Ammonia	**849,248**	1,058,030
Methanol	**805,448**	780,420
N-methylpyrrolidone	**9,432**	12,636
N,N-dimethylformamide	**14,723**	45,660
Others-trading	**178,700**	119,718
	2,599,733	2,904,857

Timing of revenue recognition

For the years ended 31 December 2024 and 2023, all revenue is recognised at a point of time.

Sale of chemical products and chemical fertilizers

The Group manufactures and sells chemical products and chemical fertilizers 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.

8. 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 customers

	2024	2023
Customer A	**14.33%**	13.81%

9. OTHER (LOSS)/INCOME — NET

	2024	2023
	RMB'000	*RMB'000*
Rental income	**48**	276
Depreciation related to rental income	**(277)**	(292)
Rental income, net	**(229)**	(16)
Subsidy income	**4,592**	1,164
Loss on disposal of property, plant and equipment	**(11,011)**	(2,339)
Loss on disposal of investment properties	**–**	(327)
Loss on disposal of right-of-use assets	**(1,814)**	–
Gain on terminaiton of lease	**55**	–
Income from sales of raw materials	**1,036**	7,361
Others, net	**2,254**	1,787
	(5,117)	7,630

10. OTHER EXPENSES

	2024	2023
	RMB'000	*RMB'000*
Share-based payment arising from issue of share option	**512**	1,404

11. FINANCE EXPENSES — NET

	2024	2023
	RMB'000	*RMB'000*
Finance income:		
Interest revenue	**(12,261)**	(6,544)
Finance expenses:		
— leases interests expenses	**190**	278
Interest expense:		
— borrowings	**125,924**	113,768
— convertible bonds	**135,253**	138,119
Less: capitalisation in construction-in-progress	**(6,730)**	(8,547)
	254,637	243,618
Exchange loss	**81,001**	1,851
	335,638	245,469
Finance expenses — net	**323,377**	238,925

12. INCOME TAX EXPENSE

No provision for profits tax in the Cayman Islands, British Virgin Islands or 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 2024 and 2023.

The applicable income tax rate of other subsidiaries located in Mainland China in 2024 and 2023 is 25%.

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

	2024	2023
	RMB'000	*RMB'000*
PRC Corporate Income Tax for Mainland China	**19,662**	47,636
LAT for Mainland China	**–**	231
Deferred income tax	**(1,214)**	(904)
	18,448	46,963

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate of 25% (2023: 25%). The difference is analysed as follows:

	2024	2023
	RMB'000	*RMB'000*
Loss before tax	**(534,294)**	(107,652)
Tax calculated at a taxation rate of 25% (2023: 25%)	**(133,574)**	(26,913)
Tax rate difference	**19,284**	12,690
LAT	**–**	231
Expenses not deductible for tax purposes	**41,425**	33,085
Tax losses for which no deferred income tax was recognised	**91,315**	28,290
Income not subject to tax	**(2)**	(420)
Income tax expense	**18,448**	46,963

Under the Provisional Regulations on LAT implemented upon the issurance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from transfer of real estate property in the PRC effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

13. LOSS FOR THE YEAR

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

	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold	**2,565,554**	2,588,660
Depreciation of property, plant and equipment	**200,617**	157,240
Depreciation of investment properties	**277**	292
Depreciation of right-of-use assets	**7,893**	9,006
Directors' emoluments *(note 14)*		
— As directors	**1,128**	1,085
— For management	**465**	–
Amortisation of other intangible assets	**3,977**	3,977
Auditors' remuneration		
— Audit services	**1,691**	1,636
— Non-audit services	**–**	–
Loss on disposal of property, plant and equipment	**11,011**	2,339
Loss on disposal of investment properties	**–**	327
Loss on disposal of right-of-use assets	**1,814**	–
Gain on terminaiton of lease	**(55)**	–
Staff costs including directors' emoluments		
Salaries, bonus and allowances	**104,154**	104,206
Retirement benefits scheme contributions	**7,424**	7,328
Share-based payment arising from issue of share option	**512**	1,404
	112,090	112,938

Cost of inventories sold includes staff costs, depreciation of property, plant and equipment and expenses related to short-term lease of approximately RMB185,939,000 (2023: approximately RMB197,763,000) which are included in the amounts disclosed separately above.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the years ended 31 December 2024 and 2023 is set out below:

	Fees *RMB'000*	Salaries, allowances and benefits in-kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Shi Jianmin	**–**	**451**	**14**	**465**
Mr. Tang Guoqiang	**564**	**–**	**–**	**564**
Mr. Zhang Weihua	**–**	**–**	**–**	**–**
Independent non-executive directors				
Mr. Xu Congcai	**188**	**–**	**–**	**188**
Mr. Le Yiren	**188**	**–**	**–**	**188**
Ms. Lu Yi	**188**	**–**	**–**	**188**
Total for 2024	**1,128**	**451**	**14**	**1,593**

	Fees *RMB'000*	Salaries, allowances and benefits in-kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Shi Jianmin	–	–	–	–
Mr. Tang Guoqiang	542	–	–	542
Mr. Zhang Weihua	–	–	–	–
Independent non-executive directors				
Mr. Xu Congcai	181	–	–	181
Mr. Le Yiren	181	–	–	181
Ms. Lu Yi	181	–	–	181
Total for 2023	1,085	–	–	1,085

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2023: nil) director whose emoluments is reflected in the analysis presented above. The emoluments of four (2023: five) individuals are set out below:

	2024	2023
	RMB'000	*RMB'000*
Salaries and other benefits	**3,364**	4,306
Retirement benefit scheme contributions	**88**	87
Share-based payments expense	**110**	393
	3,562	4,786

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**2**	3
	4	5

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.

15. LOSSES PER SHARE

Basic

Basic losses per share are calculated by dividing the loss attributable to equity holders 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 losses per share because they are anti-dilutive for the years ended 31 December 2024 and 2023.

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

	2024	2023
	RMB'000	*RMB'000*
Losses		
Losses for the purpose of calculating basic and diluted losses per share	**(505,395)**	(152,341)

	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted losses per share	**6,028,043**	6,028,043

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 January 2023	895,659	2,480,090	6,823	26,636	2,035,977	5,445,185
Additions	7,257	909	339	4,622	279,772	292,899
Disposals	–	(19,287)	(425)	(6,239)	–	(25,951)
Transferred upon completion	1,441	810,990	–	4,492	(816,923)	–
At 31 December 2023	**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)**
At 31 December 2024	**789,628**	**3,191,374**	**6,717**	**33,145**	**1,400,437**	**5,421,301**
Accumulated depreciation and impairment loss						
At 1 January 2023	(139,567)	(1,644,193)	(3,930)	(24,879)	(377,673)	(2,190,242)
Depreciation	(18,607)	(135,254)	(303)	(3,076)	–	(157,240)
Disposals	–	16,065	91	5,642	–	21,798
At 31 December 2023	**(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**
At 31 December 2024	**(160,213)**	**(1,937,425)**	**(4,163)**	**(23,425)**	**(309,326)**	**(2,434,552)**
Net book amount						
At 31 December 2024	**629,415**	**1,253,949**	**2,554**	**9,720**	**1,091,111**	**2,986,749**
At 31 December 2023	746,183	1,509,320	2,595	7,198	1,121,153	3,386,449

All the Group's buildings are located in Mainland China. As at 31 December 2024, property, plant and equipment with a total net book value of approximately RMB1,479,316,000 (2023: approximately RMB1,570,088,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2024, property, plant and equipment with a total net book value of approximately RMB340,333,000 (2023: RMB371,630,000) were frozen by the court. Please refer to note 42 to consolidated financial statements for details.

For the year ended 31 December 2024, borrowing costs of approximately RMB6,730,000 (2023: approximately RMB8,547,000) have been capitalised in the construction-in-progress.

17. INVESTMENT PROPERTIES

	2024	2023
	RMB'000	*RMB'000*
Cost		
As at 1 January	**10,804**	14,032
Disposals	**–**	(3,228)
As at 31 December	**10,804**	10,804
Accumulated depreciation and impairment loss		
As at 1 January	**(2,943)**	(3,461)
Charge for the year	**(277)**	(292)
Disposals	**–**	810
As at 31 December	**(3,220)**	(2,943)
Net book value		
As at 31 December	**7,584**	7,861
Fair value as at 31 December	**9,359**	11,177

All the Group's investment properties are located in Mainland China. As at 31 December 2024, investment properties with a total net book value of approximately RMB894,000 (2023: approximately RMB927,000) were pledged as collateral for the Group's bank borrowings.

The fair values of the investment properties as at 31 December 2024 were estimated on the open market basic value by reference to market evidence of recent transaction for similar properties by management.

The rental income arising from investment properties for the year 2024 of approximately RMB48,000 (2023: approximately RMB276,000) and depreciation charges are included in other income.

As at 31 December 2024, the Group had no unprovided contractual obligations for future repairs and maintenance (2023: Nil).

18. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024	2023
	RMB'000	*RMB'000*
At 31 December:		
Right-of-use assets		
— Land use rights	**211,152**	238,188
— Land and buildings	**4,099**	4,602
	215,251	242,790
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
— Less than 1 year	**2,131**	2,359
— In the second to fifth years, inclusive	**2,394**	2,762
	4,525	5,121
Year ended 31 December:		
Depreciation charge of right-of-use assets		
— Land use rights	**5,965**	5,966
— Land and buildings	**1,928**	3,040
	7,893	9,006
Lease interest expenses	**190**	278
Expenses related to short-term leases	**697**	336
Total cash outflow for leases	**2,784**	3,565
Decreased due to lease termination	**788**	–
Disposals of right-of-use assets	**21,071**	–
Additions to right-of-use assets	**2,213**	–

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 2024, land use rights with a net book value of approximately RMB211,152,000 (2023: RMB238,188,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2024, land use rights with a net book value of approximately RMB94,389,000 (2023: RMB50,251,000) were frozen by the court. Please refer to note 42 to consolidated financial statements for details.

19. MINING RIGHT

The 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 15 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 21 to the consolidated financial statements.

As at 31 December 2024, mining right with a net book value of approximately RMB334,306,000 (2023: approximately RMB334,306,000) were pledged as collateral for the Group's bank borrowings.

As at 31 December 2024, mining right with a net book value of approximately RMB334,306,000 (2023: RMB334,306,000) were frozen by the court. Please refer to note 42 to consolidated financial statements for details.

20. OTHER INTANGIBLE ASSETS

	Goodwill *RMB'000*	Proprietary technology *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2023, 31 December 2023 and 31 December 2024	**35,099**	**48,391**	**83,490**
Accumulated amortisation and impairment loss			
At 1 January 2023	(8,900)	(994)	(9,894)
Amortisation charge	–	(3,977)	(3,977)
At 31 December 2023 and 1 January 2024	**(8,900)**	**(4,971)**	**(13,871)**
Amortisation charge	**–**	**(3,977)**	**(3,977)**
At 31 December 2024	**(8,900)**	**(8,948)**	**(17,848)**
Net book amount			
At 31 December 2024	**26,199**	**39,443**	**65,642**
At 31 December 2023	26,199	43,420	69,619

21. IMPAIRMENT OF GOODWILL AND MINING RIGHT

The goodwill (note 20) of carrying amounts of nil and mining right (note 19) 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 (2023: nil) was provided on mining right for the year ended 31 December 2024.

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

	2024	2023
Phosphoric acid		
Growth rate	**2%**	2%
Discount rate (post-tax discount rate applied to the cash flow projections)	**16.07%**	15.52%
Years of cash flows projection	**33 years**	33 years

The goodwill (note 20) 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 2024 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:

	2024	2023
Propylene oxide		
Growth rate	**4%**	4%
Discount rate (pre-tax discount rate applied to the cash flow projections)	**13.33%**	13.33%
Years of cash flows projection	**20 years**	20 years

22. SUBSIDIARIES

Particulars of the Company's major subsidiaries as at 31 December 2024 and 2023 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 2024**	**Interest held 2023**
Held directly:					
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	HK$2 ordinary shares	**100%**	100%
Held indirectly:					
Ko Yo Development Company Limited ("Ko Yo Hong Kong")	Hong Kong	Investment holding, Hong Kong	3,000,000 non-voting deferred shares and HK$10 ordinary shares	**100%**	100%
Dazhou Ko Yo Chemical Industry Co., Ltd. ("Dazhou Ko Yo Chemical") *(Note 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") *(Note ii, iii and v)*	Mainland China	Exploration and exploitation of a phosphorous mine, Mainland China	RMB8,000,000	**100%**	100%

Name *(Note i)*	**Place of incorporation/ establishment**	**Principal activities and place of operation**	**Particulars of issued and paid-up/ registered share capital**	**Interest held**	
				2024	**2023**
Sichuan Ko Yo Agrochem Co., Ltd. ("Ko Yo Agrochem") *(Note ii and iii)*	Mainland China	Sale of chemical products and chemical fertilisers, Mainland China	RMB87,000,000	**100%**	100%
Guangan Ko Yo Chemical Industry Co., Ltd. ("Ko Yo GuangAn")*(Note 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") *(Note 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") *(Note 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. (formerly known as Guangan Wan Yuen Chemical Co., Ltd.) *(Note iv)*	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB60,000,000	**100%**	100%
Guangan Ko Yo New Energy Chemical Co., Ltd. (formerly known as Guangan Wan Yuen Techology 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%

Name *(Note i)*	**Place of incorporation/ establishment**	**Principal activities and place of operation**	**Particulars of issued and paid-up/ registered share capital**	**Interest held**	
				2024	**2023**
Dazhou New Material Co., Ltd. *(Note iv)*	Mainland China	Manufacture and sale of chemical products, Mainland China	RMB60,000,000	**100%**	100%
Fengjie (Sichuan) Investment Co., Ltd. (formerly known as: Dazhou Fengjie Trading 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 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. At as 31 December 2024, 100% equity interest of Dazhou Ko Yo Chemical, Sichuan Cuyo and Guangan Ko Yo Phos-chemical Technology Co., Ltd. (2023: Dazhou Ko Yo Chemical, Sichuan Cuyo, Ko Yo GuangAn and Guangan Ko Yo Phos-chemical Technology Co., Ltd.) were frozen by the court. Please refer to note 42 to consolidated financial statements for details.

23. INVENTORIES

	2024	2023
	RMB'000	*RMB'000*
Raw materials	**159,639**	170,407
Finished goods	**20,745**	45,697
	180,384	216,104

There is no inventory written down as at 31 December 2024 (2023: Nil).

24. TRADE AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables *(Note a)*	**2,407**	1,337
Note receivables	**21**	3,101
Prepayments for raw materials	**40,658**	87,692
Prepayments for property, plant and equipment	**113,439**	111,815
Prepayment for construction costs	**661,915**	676,214
Other tax receivables	**90,988**	51,978
Security deposits for borrowings *(Note b)*	**–**	73,000
Due from employees	**1,594**	1,883
Others	**59,111**	20,955
	970,133	1,027,975
Analysis as:		
— Non-current assets	**775,354**	788,029
— Current assets	**194,779**	239,946
	970,133	1,027,975

As at 31 December 2024 and 2023, the fair value of trade and other receivables of the Group approximated to their carrying amounts.

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.

(a) Trade receivables

The Group allows an average credit period of 0 to 90 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for trade receivables, presented based on the invoice date at the end of the reporting period.

	2024	2023
	RMB'000	*RMB'000*
0–90 days	**2,407**	1,337

There is no movement of loss allowance for trade receivables for the years ended 31 December 2024 and 2023.

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	**Over 365 days past due**	**Total**
At 31 December 2024			
Weighted average expected loss rate	**0%**	**0%**	
Receivable amount *(RMB'000)*	**2,407**	**–**	**2,407**
Loss allowance *(RMB'000)*	**–**	**–**	**–**
At 31 December 2023			
Weighted average expected loss rate	0%	0%	
Receivable amount *(RMB'000)*	1,337	–	1,337
Loss allowance *(RMB'000)*	–	–	–

(b) Security deposits for borrowings

Security deposits for borrowings were pledged as security for certain borrowings.

25. RESTRICTED BANK BALANCES AND PLEDGED BANK DEPOSITS

The restricted bank balances carry interest at market rate of 0.1% to 0.33% p.a. (2023: 0.20% p.a.) and can only be applied to settle compensation from litigation loss cases. Please refer to note 42 to consolidated financial statements for details.

The pledged deposits are denominated in RMB and pledged for certain borrowings. The effective interest rates on pledged bank deposits are ranged from 0.74%–2.05% p.a. (2023: 0.20%–1.70% p.a.).

26. CASH AND CASH EQUIVALENTS

The effective interest rate on cash at bank at 31 December 2024 is ranged from 0.01%–1.75% p.a. (2023: 0.01%–1.65% p.a.).

As at 31 December 2024, the bank and cash balances of the Group denominated in RMB amounted to RMB6,444,000 (2023: RMB16,951,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

27. SHARE CAPITAL

Movements of the share capital of the Company are as follows:

	Number of shares		**Share capital**	
	2024	2023	**2024**	2023
	'000	*'000*	***HKD'000***	*HKD'000*
Authorised (Ordinary share of HK$0.10 each):				
At the beginning and the end of the year	**20,000,000**	20,000,000	**2,000,000**	2,000,000

Ordinary shares, issued and fully paid:

	Number of shares		**Share capital**	
	2024	2023	**2024**	2023
	'000	*'000*	***RMB'000***	*RMB'000*
At the beginning and end of the year	**6,028,043**	6,028,043	**520,569**	520,569

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:

	2024	2023
	RMB'000	*RMB'000*
Borrowings	**2,794,946**	2,793,478
Convertible bonds	**597,462**	892,111
Total borrowings	**3,392,408**	3,685,589
Less:		
Cash and cash equivalents	**(8,099)**	(62,928)
Pledged bank deposits	**(624,940)**	(901,856)
Net debt	**2,759,369**	2,720,805
Total equity	**359,585**	911,815
Total capital	**3,118,954**	3,632,620
Gearing ratio	**88%**	75%

The increase (2023: increase) in the gearing ratio resulted mainly from the loss for the year (2023: loss for the year and increase in borrowings).

28. 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	**28 March 2013**	**22 June 2016**	**23 October 2020**	**22 November 2021**	**Total Number of Share Options**	**Weighted average exercise price *(HKD)***
Exercise price (HKD per option)	0.595	0.151	0.141	0.182		
Remaining life	N/A	1.47 year	5.81 year	6.89 year		
Granted to	4 executive directors and 2 independent directors and 21 employees	1 executive director and 3 employees	1 executive director	135 employees		
At 1 January 2023	4,200,000	1,500,000	300,000,000	77,312,000	383,012,000	0.1543
Lapsed	(4,200,000)	–	–	–	(4,200,000)	0.5950
At 31 December 2023 and 2024	–	1,500,000	300,000,000	77,312,000	378,812,000	0.1494

For the year ended 31 December 2024, the Group recognised share-based payments of HKD555,000 (equivalent to approximately RMB512,000) (2023: HKD1,710,000 (equivalent to approximately RMB1,404,000)) in profit or loss and the corresponding amount has been credited to share option reserve.

29. RESERVES

(a) 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) Company

	Share premium	Contributed surplus	Share option reserve	Convertible bonds reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	1,548,019	37,162	39,308	784,957	(1,870,976)	538,470
Total comprehensive expense for the year	–	–	–	–	(152,341)	(152,341)
Share-based payments	–	–	1,404	–	–	1,404
At 31 December 2023	1,548,019	37,162	40,712	784,957	(2,023,317)	387,533
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)**

(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.

(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 approximately 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.

30. BORROWINGS

	2024	2023
	RMB'000	*RMB'000*
The borrowings are repayable as follows:		
On demand or within one year	**2,720,656**	2,387,146
In the second year	**74,290**	118,836
In the third to fifth years, inclusive	**–**	287,496
	2,794,946	2,793,478
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,720,656)**	(2,387,146)
Amount due for settlement after 12 months	**74,290**	406,332

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 Argochem, Ko Yo GuangAn, Ko Yo Lotusan and Guangan New Material (2023: 100% equity interest in Dazhou Ko Yo Chemical, Sichuan Cuyo, Ko Yo Argochem, Ko Yo GuangAn, Ko Yo Lotusan and Guangan New Material); and

— secured by the Group's assets as below:

	2024	2023
	RMB'000	*RMB'000*
Pledged bank deposits	**624,940**	901,856
Other receivables	**–**	73,000
Property, plant and equipment	**1,479,316**	1,570,088
Investment properties	**894**	927
Mining right	**334,306**	334,306
Right-of-use assets	**211,152**	238,188
	2,650,608	3,118,365

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

	2024	2023
	RMB'000	*RMB'000*
At floating rate	**994,321**	986,588
At fixed rates	**1,800,625**	1,806,890

The borrowings were issued at interest rates which range from 3.45% to 8.64% (2023: 3.70% to 8.64%) per annum. 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.

The borrowings include note payables of RMB624,940,000 (2023: RMB927,056,000) which are repayable within one year and secured by pledged bank deposits of RMB624,940,000 (2023: RMB901,856,000).

31. CONVERTIBLE BONDS

	2024	2023
	RMB'000	*RMB'000*
Liability component		
Convertible bonds 1	**–**	224,103
Convertible bonds 2	**–**	30,219
Convertible bonds 3	**–**	88,332
Convertible bonds 4	**597,462**	549,457
	597,462	892,111

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 approximately 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 and transferred to borrowings.

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
At 1 January 2023	194,167	218,947	413,114
Interest expense accrued	47,904	–	47,904
Interest expense charged to accrued expense	(17,968)	–	(17,968)
At 31 December 2023	224,103	218,947	443,050
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)**
At 31 December 2024	**–**	**–**	**–**

The principal amount of the convertible bonds as at 31 December 2024 is nil (2023: approximately RMB256,685,000).

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 and transferred to borrowings.

	Liability component	**Equity component**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	27,618	35,601	63,219
Interest expense accrued	3,776	–	3,776
Interest expense charged to accrued expense	(1,175)	–	(1,175)
At 31 December 2023	30,219	35,601	65,820
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)**
At 31 December 2024	**–**	**–**	**–**

The principal amount of the convertible bonds as at 31 December 2024 is nil (2023: approximately RMB29,375,000).

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 and transferred to borrowings.

	Liability component *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	80,931	123,338	204,269
Interest expense accrued	10,889	–	10,889
Interest expense charged to accrued expense	(3,488)	–	(3,488)
At 31 December 2023	88,332	123,338	211,670
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)**
At 31 December 2024	**–**	**–**	**–**

The principal amount of the convertible bonds as at 31 December 2024 is nil (2023: approximately RMB87,208,000).

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. If the convertible bonds have not been converted, they will be redeemed at par on 30 November 2026. 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 2023	507,907	407,071	914,978
Interest expense accrued	75,550	–	75,550
Interest expense charged to accrued expense	(34,000)	–	(34,000)
At 31 December 2023	549,457	407,071	956,528
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)**
At 31 December 2024	**597,462**	**407,071**	**1,004,533**

The principal amount of the convertible bonds as at 31 December 2024 is approximately RMB680,000,000 (2023: approximately RMB680,000,000).

32. DEFERRED INCOME TAX

There were no offsetting of deferred income tax assets and liabilities in 2024 and 2023.

	2024	2023
	RMB'000	*RMB'000*
Deferred tax assets:		
— To be recovered after more than 12 months	**16,199**	16,411
— To be recovered within 12 months	**–**	–
	16,199	16,411
Deferred tax liabilities		
— To be settled after more than 12 months	**(114,033)**	(115,459)
— To be settled within 12 months	**–**	–
	(114,033)	(115,459)

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

Deferred income tax assets:

	Tax losses
	RMB'000
At 1 January 2023	15,791
Credited to profit or loss	620
At 31 December 2023	16,411
At 1 January 2024	**16,411**
Charged to profit or loss	**(212)**
At 31 December 2024	**16,199**

Deferred income tax liabilities:

	Mining right	Revaluation of acquisition of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	(80,867)	(34,876)	(115,743)
Credited to profit or loss	–	284	284
At 31 December 2023	(80,867)	(34,592)	(115,459)
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)**

As at 31 December 2024, the Group had total unused tax losses of approximately RMB723,284,000 (2023: RMB364,411,000). No deferred tax asset has been recognised in respect of tax losses of certain subsidiaries of approximately RMB658,489,000 (2023: RMB298,767,000) due to the unpredictability of future profit streams of these subsidiaries. Deferred tax assets of approximately RMB16,199,000 (2023: RMB16,411,000) have been recognised in respect of the tax losses of certain subsidiaries of approximately RMB64,795,000 (2023: RMB65,644,000) 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 2025 to 2029 (2023: 2024 to 2028).

33. TRADE AND OTHER PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables *(Note a)*	**41,812**	31,717
Construction payable	**218,132**	426,390
Accrued expenses	**28,116**	35,286
Interest payables	**213,664**	197,958
Other taxes payable	**6,454**	4,959
Proprietary technology cost payables	**69,000**	69,000
Others	**24,860**	20,597
	602,038	785,907

(a) Trade payables

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

	2024	2023
	RMB'000	*RMB'000*
Less than 1 year	**33,428**	29,559
Over 1 year	**8,384**	2,158
	41,812	31,717

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

34. CONTRACT LIABILITIES

	At 31 December		At 1 January
Disclosures of revenue-related items:	**2024**	2023	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	**56,994**	61,963	119,831

	At 31 December		At 1 January
	2024	2023	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract receivables (included in trade receivables)	**2,407**	1,337	9,280

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

	2024	2023
	RMB'000	*RMB'000*
— 2024	**N/A**	61,963
— 2025	**56,994**	–
	56,994	61,963

Year ended 31 December

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year	**61,290**	119,111

Significant changes in contract liabilities during the year:

	2024	2023
	RMB'000	*RMB'000*
Increase due to operations in the year	**2,428,148**	2,603,326
Transfer of contract liabilities to revenue	**(2,433,117)**	(2,661,194)

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.

35. LEASE LIABILITIES

	2024	2023
	RMB'000	*RMB'000*
Minimum lease payments		
Within one year	**2,131**	2,359
In the second to fifth years, inclusive	**2,394**	2,762
	4,525	5,121
Less: Future finance charges	**(163)**	(232)
Present value of lease obligations	**4,362**	4,889

	2024	2023
	RMB'000	*RMB'000*
Present value of minimum lease payments		
Within one year	**2,004**	2,211
In the second to fifth years, inclusive	**2,358**	2,678
	4,362	4,889
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(2,004)**	(2,211)
Amount due for settlement after 12 months	**2,358**	2,678

At 31 December 2024, the effective borrowing rate was ranged from 3.95% to 4.60% (2023: 4.60%) . Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

36. DUE TO A RELATED COMPANY

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

37. COMMITMENTS

(a) Capital commitments

	2024	2023
	RMB'000	*RMB'000*
Constructions-in-progress:		
Contracted but not provided for	**2,941,077**	3,035,598

(b) Operating leases rental receivables

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

	2024	2023
	RMB'000	*RMB'000*
Not later than 1 year	**7**	180
More than one year but not exceeding five years	**–**	324
	7	504

38. 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:

	2024	2023
	RMB'000	*RMB'000*
Purchase from a related company *(note)*	**–**	6,311
Handing fee charged by a related company *(note)*	**6,116**	–
Handing fee income from a related company *(note)*	**–**	182

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

At 31 December 2024, borrowings of approximately RMB1,277,286,000 (2023: approximately RMB1,340,210,000) from Huaxia Bank, Bohai Bank, Bank of Dalian, Evergrowing Bank, Bank of Communications ("BOCOM"), Export-Import Bank of China ("EXIM Bank"), Shanghai Pudong Development Bank ("SPD Bank"), Bank of Shanghai, China Industrial Bank ("CIB"), China Merchants Bank ("CMB"), Guangan Jinxiang Small Loan Company Limited, Guangan Hongxin Small Loan Company Limited and China Bond Insurance Corporation (2023: Huaxia Bank, Bohai Bank, Bank of Dalian, Evergrowing Bank, BOCOM, EXIM Bank, SPD Bank, Bank of Shanghai, CIB, CMB, Changzhou Jingliyuan Photovoltaic Technology Company, 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.

39. KEY MANAGEMENT COMPENSATION (EXCLUDING DIRECTORS' EMOLUMENTS)

	2024	2023
	RMB'000	*RMB'000*
Salaries and other benefits	**3,152**	3,476
Retirement benefit scheme contributions	**64**	63
Share-based payments expense	**124**	338
	3,340	3,877

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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	Lease liabilities	Convertible bonds	Borrowings	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	660,863	7,840	810,623	2,317,285	3,796,611
Changes in cash flows	22,178	(3,229)	–	381,442	400,391
— interest capitalization	–	–	–	41,377	41,377
— interest charged	–	278	138,119	2,318	140,715
— issuance of note payables	–	–	–	51,056	51,056
— reallocation to interest payables including in other payables	–	–	(56,631)	–	(56,631)
At 31 December 2023 and 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 capitalization	**–**	**–**	**–**	**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**
At 31 December 2024	**884,387**	**4,362**	**597,462**	**2,794,946**	**4,281,157**

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	2024	2023
	RMB'000	*RMB'000*
ASSETS		
Non-current assets		
Interests in subsidiaries	**107,264**	107,264
Loan to subsidiaries	**1,594,988**	1,961,836
	1,702,252	2,069,100
Current assets		
Other receivables	**504**	507
Cash and cash equivalents	**24**	24
	528	531
Total assets	**1,702,780**	2,069,631
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	**520,569**	520,569
Reserves	**(117,350)**	387,533
Total equity	**403,219**	908,102
LIABILITIES		
Non-current liabilities		
Convertible bonds	**597,461**	549,457
Current liabilities		
Accruals and other payables	**168,410**	137,780
Financial guarantee liabilities	**118,772**	131,639
Convertible bonds	**–**	342,653
Borrowings	**414,918**	–
	702,100	612,072
Total liabilities	**1,299,561**	1,161,529
Total equity and liabilities	**1,702,780**	2,069,631
Net current liabilities	**(701,572)**	(611,541)
Total assets less current liabilities	**1,000,680**	1,457,559

42. LITIGATIONS

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

	2024	2023
	RMB'000	*RMB'000*
Property, plant and equipment	**340,333**	371,630
Land use rights	**94,389**	50,251
Mining right	**334,306**	334,306
Restricted bank balances	**506**	31
	769,534	756,218

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 approximately RMB24,720,000 were used to repay Agrochem Loan A. On 26 December 2022, the Group reached a settlement agreement with BOCOM. During the year ended 31 December 2024, the Group has breached the settlement agreement and has submitted its revised repayment schedule to BOCOM. 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 approximately 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 2024, 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 approximately 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. During the year ended 31 December 2024, 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 2024, the Group repaid 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.

43. CONTINGENT LIABILITIES

As at 31 December 2024, the Group has issued guarantees of RMB53,900,000 (2023: RMB179,510,000) 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.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2025.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditors 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 2024, 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 material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an 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

Material uncertainties relating to going concern

We draw attention to note 2 to the consolidated financial statements which mentions the Group incurred a loss of approximately RMB552,742,000 and had net operating cash outflow of RMB103,335,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities of approximately RMB3,253,357,000. In addition, as described in note 42 to the consolidated financial statements, as at 31 December 2024, 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. Should the going concern assumption be inappropriate, adjustments may 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.

Up to the date of this report, the Group had notified and liaised with the banks and financial institutions for extension/alternative refinancing of the borrowings. As of the date of this report, we have not been provided with the extension agreements or refinancing agreements in respect of the borrowings.

Up to the date of this report, the Group had been liaising with banks and financial institutions for obtaining new financing. As of the date of this report, we have not been provided with the financing agreements in respect of the new financing.

Up to the date of this report, the new projects as stated in the Chairman's statement are in trial run stage, the Group expects the new projects can further improve the liquidity and profitability of the Group. We have not been provided with sufficient audit evidence on effect on improvement on the Group's liquidity and profitability of the new projects.

In addition, up to the date of this report, the Group has been endeavouring to improve the Group's operating performance and cash flows through cost control measures and working capital management to maintain sufficient liquidity. We have not been provided with sufficient audit evidence on effect on overcoming the net current liabilities positions of the Group from such cost control measures and working capital management.

Also, up to the date of this report, the Group has been in the process of resolving the Group's litigation to release the freezing orders on certain property, plant and equipment, land use rights, mining rights and bank accounts. As of the date of this report, we have not been provided with the settlement agreements with banks and financial institutions.

In absence of sufficient appropriate audit evidence of the above, we were unable to ascertain whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

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 Hong Kong Financial Reporting 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 significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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 business objective of "focusing on efficiency and changing management mode". The incentive policies implemented in early stage have shown a conspicuous effect by continuous optimisation and adjustment in the course of operation. Across the Group, we worked with cohesion and in unison, resulting in a significant increase in team dynamics and remarkable improvement in economic efficiency. In particular, the sales model continued to be adjusted, the bidding model achieved full product coverage, and the ratio of bidding and contracting was continuously adjusted and optimised to improve the Company's efficiency and enhance the customer structure. The Company's anti-risk capability continued to improve as a result of continuous technological transformation, safe and stable operation of equipment, and reduction in product consumption. New projects were completed and successfully commissioned, extending the industrial chain and enhancing the Company's comprehensive strength; Standardisation work, such as technical standardisation, management standardisation, work standardisation, inspection standardisation, etc., was deeply rooted in our staff's minds and continued to strengthen the management foundation and enhance the Group's core competitiveness.

Overall, safety, environmental protection, production, consumption and cost control in 2024 were all surpassed the all-time best levels achieved in 2023. In 2024, the supply of natural gas was tight in general and the price of natural gas rose sharply, while the product market sentiment oscillated downward and then remained at a relatively low level. Under the impact of the complicated external environment mentioned above, the Group made concerted efforts internally to stabilise the overall operation. However, the operating conditions were lower than expected.

Guang'an Ko Yo Plant

In 2024, the production and energy consumption of Guang'an Plant's alcohol-ammonia unit all surpassed the all-time best levels achieved in 2023. During the period, Guang'an Ko Yo Plant, through the overall transformation and management innovation in the past two years, realised for the first time the steam balance even in the event of a rapid boiler shutdown. This is expected to contribute to a reduction of approximately RMB20 million per year in cost saving of the Group. Meanwhile, given the monthly product market prices, Guang'an Ko Yo Plant made additional contributions for the Company's profitability by producing more high-profit products through process adjustment. 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 tight supply of natural gas and the significant increase in the price of natural gas as well as the low sales prices of finished products.

Dazhou Ko Yo Plant

In 2024, Dazhou Plant continued to implement the production organisation mode of "production before the year, overhaul after the year". Subject to the basic guaranteed supply of the natural gas and taking into account the market condition forecast, it postponed the overhaul schedule according to a plan, making significant contributions to the Group's economic efficiency. The urea unit has once again achieved a breakthrough of 200 consecutive days of safe production in ten years, with better production and energy consumption than the all-time best levels in 2023. 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 upstream natural gas as well as the low sales prices of finished products.

Guang'an Ko Yo Electronic Material Plant

The 100,000 tonnes/year DMF (N,N-dimethylformamide) and 100,000 tonnes/year NMP (N-methylpyrrolidone) projects were put into operation for three consecutive months following successful commissioning in May 2023. Given the actual operating costs and recent market conditions, the Company decided on a comprehensive optimisation in 2024. Upon optimisation, the production cost has been greatly reduced from the current level, significantly enhancing product competitiveness.

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. It is expected to enter trial production in the second quarter of 2025. 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 2024

According to statistics, China's new methanol production capacity, which was put into operation in 2024, was approximately 4.2 million tons, representing an increase of 4% year-on-year. Production capacity of methanol reached 110 million tons, of which from January to December, domestic methanol production capacity was 87.752 million tons, representing an increase of 7.134 million tons or 8.85% over the same period of 2023. In 2024, the overall market situation was greatly affected by the supply and demand structure and macro-economy, showing a "W-shaped" trend, with the average market price in Southwest China at RMB2,398.41 per ton.

II. Industry outlook for 2025

The prices of raw materials like coal and natural gas are expected to fluctuate in a narrow range in 2025, with general cost support. On the supply side, there will be a relatively large number of new methanol projects in 2025, which are expected to involve a production capacity of approximately 7.4 million tons, with an expected increase in supply of methanol. In the port market, the poor performance of overseas methanol demand, coupled with the expectation that the United States may impose sanctions on Iran in 2025, will lead to an increase in domestic imports compared to 2024. As a result, low-priced overseas methanol will continue to impact the port market, which will in turn suppress the domestic spot market price. In terms of demand, olefin units with a capacity of 2.16 million tons are expected to be put into production in 2025, offering possible favourable support on the methanol market given the overall demand. In summary, the global economic development trend is expected to maintain stable growth in 2025, but the geopolitical situation, trade friction among countries, and the impact of domestic energy saving and carbon reduction policies may continue to disturb bulk commodity trade. However, under the fundamentals of simultaneous increase of supply and demand, the supply and demand structure of domestic methanol in 2025 may remain relatively balanced. The market price is expected to show a broad range of fluctuation in general.

Synthetic Ammonia

I. Industry overview for 2024

According to statistics, from January to December 2024, new production capacity of the domestic ammonia industry was 6.89 million tons, of which domestic synthetic ammonia production capacity is more than 84 million tons as of now. Due to the long-term bearish constraints of the supply and demand side, synthetic ammonia prices fluctuated at a low level in 2024, with the average market price in Southwest China at approximately RMB2,764 per ton in 2024.

II. Industry outlook for 2025

The prices of raw materials like coal and natural gas are expected to fluctuate in a narrow range in 2025, with general cost support on synthetic ammonia. Overall supply is expected to remain abundant and incremental, with a new production capacity of around 6 to 7 million tons. Simultaneously, while the phase of favourable demand conditions will provide some limited support to the synthetic ammonia market, it is anticipated that changes in supply will primarily drive the price trend. Overall, both supply and demand factors remain negative for prices. The synthetic ammonia market is expected to fluctuate at a low level in 2025. The overall price of synthetic ammonia will be still under pressure with the possibility of bottoming out.

Urea

I. Industry overview for 2024

In 2024, domestic daily urea production averaged 179,400 tons for the year, 12,000 tons higher than the average daily production for the same period in 2023. Market oversupply became more and more prominent, leading to the focus of urea prices shifting sharply downward, with the average market price in the Southwest China at approximately RMB2,132 per ton.

II. Industry outlook for 2025

For raw materials, coal prices may be in a narrow range of fluctuation under the policy of maintaining supply and stabilising prices. On the supply side, in 2025, the production capacity of urea will increase by approximately 5.14 million tons, while the industrial and agricultural demand for urea may remain unchanged. Besides, affected by the seasonal demand for urea, if control on exports continues, the market oversupply will become more and more significant. Thus, the price of urea will be still more likely to remain at a low level and the overall price may be lower than that in 2024.

DMF (N,N-dimethylformamide)

I. Industry overview for 2024

In 2024, the total domestic production capacity of DMF was 1.8 million tons (of which the new production capacity was 100,000 tons, the long-term shutdown capacity was 210,000 tons, and the effective production capacity was 1.59 million tons) with an average annual operation rate of approximately 45%. The annual supply was approximately 810,000 tons and the overall downstream demand for DMF was approximately 750,000–800,000 tons. The growth rate of supply was larger than that of the downstream demand, indicating the stage of oversupply.

II. Industry outlook for 2025

In the first half of 2025, there will still be new production units to be put into production with an expected new production capacity of 200,000 tons. The supply side will remain under pressure. On the demand side, the main downstream pulp market continues to struggle, and improving terminal demand in the short term is challenging due to export restrictions. As a result, the overall industry is expected to maintain a low operating rate. On the whole, as DMF supply and demand contradictions are prominent, the overall market will be weak with some fluctuations.

NMP (N-methylpyrrolidone)

I. Industry overview for 2024

In 2024, NMP's domestic synthetic liquid supply capacity was approximately 1.01 million tons with a capacity utilisation rate of approximately 18.8% and a production volume of approximately 190,000 tons. NMP's purification unit was expected to have a capacity of 2.7 million tons (with the addition of 700,000 tons), which resulted in an adequate market supply. On the demand side, the downstream lithium battery industry increased the utilisation rate of NMP recycling and purification. Some of the cell factories not only did not purchase NMP, but also sold the surplus NMP recycled liquid, resulting in a serious imbalance in the market supply and demand structure. On the cost side, with the continual release of new production capacity of BDO, the price of BDO, a raw material, in late July fell sharply, breaking through the record low. Despite a subsequent slight rebound, it was quite challenging to support the overall cost. Therefore, after the NMP market went sideways in the first half of the year, the BDO price continued to go down, followed by a stage of rebound with limited growth potential.

II. Industry outlook for 2025

In 2025, the overall NMP market may remain at a low level with some fluctuations, and its market prices may be low. In terms of supply, the new production capacity of NMP synthetic liquid will be about 150,000 tons with a total production capacity of about 1.16 million tons. Further, with the new production capacity of NMP purification units, the supply will significantly exceed the demand. For demand, under the sluggish international economic environment, it is difficult to improve the demand from the lithium battery industry, the pharmaceutical industry and the electronics industry. On the cost side, as the new units of raw material BDO continue to be put into operation, supply and demand conflicts are also increasingly aggravated. The supply side continues to be under pressure, providing limited support on the cost of NMP. Overall, the NMP market trend in 2025 will be dominated by negative factors, and prices may fluctuate at a low level.

STRATEGIES

In 2024, due to the impact of both domestic and international factors, the chemical fertilizer and chemical industries experienced a downward fluctuation, characterised by high raw material prices and persistently low finished product prices. This squeezed the Company's profit margins at both ends and significantly heightened its operational challenges. In the face of such challenges, the Group has focused its efforts on internal reform and innovation. On the one hand, it reduced production and operating costs through technological reforms. In particular, the effective implementation of a number of major technological reforms, such as the shutdown of rapid boilers, resulted in the lowest-ever unit consumption of production. On the other hand, by promoting the all-category bidding model, the Group explored 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 2025, we will seize the real-time dynamics of changes in the fertiliser and chemical industries and adopt the following strategies and measures for the Company to emerge completely from difficulties and keep itself on a right track.

I. The Company will keep on arranging and coordinating the work with regard to production materials, such as water, electricity and gas, in a bid to provide long-term and high-load operation protection for units of Dazhou Ko Yo Plant and Guang'an Ko Yo Plant. With safety and environmental protection as the bottom line, while ensuring the long-term and safe operation, it will carry out daily monitoring, accounting, issue early warnings, and adjust and optimise the production organisation and operational capacity in a timely manner to ensure optimal operational benefits;

II. The Company will continue to promote special improvement, and seek for and promote the implementation of various measures of "increasing revenue while reducing expenditure, cutting costs while increasing efficiency" to reduce operating costs and waste;

III. The Company will continue to promote measures such as performance appraisal, compensation reform, special rewards and skill assessment, gather together all the staff in the Group to exercise unified leadership, and inspire the creativity and execution of the team, in a bid to achieve good operation results;

IV. The Company will establish an internal lecturer mechanism and strengthen the training of the workforce to improve the technical level and management capabilities of all staff;

V. The Company will promote sales model optimisation, increase the proportion of direct sales to customers, and increase the size of sales to local customers. Meanwhile, it will continue to improve the bidding model and increase sales of differentiated urea. Furthermore, the Company will optimise the rhythm of signing contracts, establish an internal sales competition mechanism, and maximise sales benefits;

VI. The Company will do a good job in preparing for the annual overhaul of devices, reduce the number of unplanned shutdowns during the year, increase production and reduce consumption. Under the premise that the supply of natural gas is gradually eased, the Company will explore the feasibility of repairing devices from once a year to every two years;

VII. The Company will promote the reform of spare parts inventory, gradually reduce the amount of inventory funds occupied, and at the same time establish safety inventory and inventory management methods to improve the safety factor and reduce costs;

VIII. The Company will gradually reduce the proportion of exclusive suppliers to solve industry-specific problems. It will gradually adopt a bidding model for procurement, which is designed to reduce procurement costs and improve procurement quality;

IX. The Company will promote the reform of the authorisation system to improve the decision-making efficiency of subsidiaries;

X. The Company will promote the approval, start and construction of new projects, revitalise existing assets, gradually realise the upgrading of products, transform from pure basic chemical industry to fine chemical industry based on basic chemical industry, and enhance the competitiveness of the Group;

XI. The Company will promote the stable long-cycle production and operation of the DMF & NMP project and the trial production of the PO project, as well as the establishment of business teams in the supply chain and sales, so as to bring new growth in sales and profits of the Group;

XII. The Company will promote standardisation, such as technical standardisation, management standardisation, work standardisation, inspection standardisation, etc., and continuously consolidating the management foundation in order to safeguard the Group's stable operation.

ACKNOWLEDGEMENT

Looking back on the past year, there were certain 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 devices and realize the long-term stable operation of devices. In 2025, 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 RMB2,600 million, a decrease of 10.5% as compared to last year. The decrease in turnover was mainly due to the decrease in market price of products. The loss attributable to shareholders of the Company amounted to approximately RMB505 million, representing an increase in loss of approximately RMB353 million as compared to last year. Basic loss per share amounted to approximately RMB0.084.

Cost and profit margin

Cost of sales of the Group amounted to approximately RMB2,566 million, representing a slightly decrease of 0.9% as compared to the figure in 2023. The major reasons of slightly decrease in cost of sales were due to the slightly decrease in sales quantities.

Gross profit margin of the Group decreased approximately from 10.9% in 2023 to 1.3% in 2024. 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 decreased approximately by 39.9% as compared with last year. The decrease in distribution cost was due to the strict control in cost. The ratio of the distribution costs over sales was 0.97% in 2024 which was 0.48% lower than those in 2023.

In comparison with last year, there was an increase in administrative expenses of the Group by approximately 43.6% from approximately RMB149.1 million in 2023 to approximately RMB214.2 million in 2024. The increase in administrative expenses is mainly due to the Guangan Ko Yo Electronic Material Plant and the Jiangsu Bluestar Plant are not yet in normal production.

Other income decrease from approximately RMB7.6 million in 2023 to approximately a loss of RMB5.1 million in 2024. The difference was mainly due to the loss on disposal of property, plant and equipment. Details are set out in Note 9 to consolidated financial statements. Other expenses amounted to approximately RMB0.5 million in 2024 (2023: approximately RMB1.4 million). The decrease in other expenses in 2024 was mainly due to the decrease in share-based payment arising from the issue of share option. Details are set out in Note 10 to consolidated financial statements.

Finance expenses increased by approximately RMB91 million from approximately RMB245 million in 2023 to approximately RMB336 million in 2024. The increase was mainly due to the exchange loss on matured convertible bonds denominated in Hong Kong dollar. Details are set out in Note 11 to consolidated financial statement.

The Group's income tax expenses in 2024 amounted to approximately RMB18 million. Details of tax schemes are set out in Note 12 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 2024. The Group has not declared any dividend for the year ended 31 December 2024 (2023: Nil).

PRODUCTS

Sales of the Group's products for the year 2023 and 2024 are as follows:

	Turnover in year 2024		Turnover in year 2023		**Percentage Change in turnover**
	RMB million	***Composite %***	*RMB million*	*Composite %*	*%*
Urea	**742**	**28.5**	888	30.6	(16.4)
Ammonia	**849**	**32.7**	1,058	36.4	(19.8)
Methanol	**806**	**31.0**	780	26.9	3.3
N-methylpyrrolidone	**9**	**0.3**	13	0.4	(30.8)
N,N-dimethylformamide	**15**	**0.6**	46	1.6	(67.4)
Others — Trading	**179**	**6.9**	120	4.1	49.2

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, the Group had net current liabilities of approximately RMB3,253,357,000. Current assets as at 31 December 2024 comprised cash and bank deposits of approximately RMB8,099,000, pledged bank deposits of approximately RMB624,940,000, restricted bank balances of approximately RMB506,000, inventories of approximately RMB180,384,000, current tax assets of approximately RMB4,014,000, trade receivables of approximately RMB2,407,000, note receivable of approximately RMB21,000, and prepayments and other current assets of approximately RMB192,351,000. Current liabilities as at 31 December 2024 comprised short-term borrowings of approximately RMB2,720,656,000, lease liabilities of approximately RMB2,004,000, trade payables of approximately RMB41,812,000, contract liabilities of approximately RMB56,994,000, due to a related company of approximately RMB884,387,000 and accrued charges and other payables of approximately RMB560,226,000. 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 2024, the Group had outstanding capital commitments of approximately RMB2,941,077,000. Details of the Group's capital commitments are set out in Note 37 to the consolidated financial statements.

FINANCIAL RESOURCES

As at 31 December 2024, the Group had cash and bank deposits of approximately RMB8,099,000, pledged bank deposits and restricted bank balances of approximately RMB625,446,000. 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 2024, the total borrowings, convertible bonds and notes payable balances of the Group amounted to approximately RMB3,392,408,000.

GEARING RATIO

The Group's gearing ratios were approximately 88% and 75% as at 31 December 2024 and 31 December 2023 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 27 to the consolidated financial statements.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in Note 43 to the consolidated financial statement.

MATERIAL ACQUISITION/DISPOSAL

There was no material acquisition or disposal in the year 2024 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 2024, land use rights with a total net book value of approximately RMB211,152,000 (2023: approximately RMB238,188,000), property, plant and machinery with a total net book value of approximately RMB1,479,316,000 (2023: approximately RMB1,570,088,000), investment properties with a total net book value of approximately RMB894,000 (2023: approximately RMB927,000), mining right with a total net book value of approximately RMB334,306,000 (2023: approximately RMB334,306,000), other receivables of approximately RMB0 (2023: RMB73,000,000), and bank deposits of approximately RMB624,940,000 (2023: approximately RMB901,856,000) were pledged as collateral for the Group's borrowings and notes payable.

NUMBER OF EMPLOYEES

As at 31 December 2024, the Group had 773 (2023: 843) employees, comprising 6 (2023: 6) in management, 118 (2023: 117) in finance and administration, 631 (2023: 702) in production, 16 (2023: 16) in sales and marketing and 2 (2023: 2) in research and development of these employees, 769 (2023: 839) were located in the PRC and 4 (2023: 4) were located in Hong Kong.

RETIREMENT BENEFITS SCHEME

During the years ended 31 December 2023 and 2024, 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 2023 and 2024, 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 2024, 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 were 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 2024.

The audit committee is in agreement 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, and the cash flow position of the Group in 2024, and also the discussions with the Management and the Auditor. With the Group's positive operating cash flow before interest and tax in 2024, the audit committee is of the view that the Management should continue the actions and measures.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2024 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 2024. 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 2024, the Group still had certain litigations with banks as described in Note 42 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 been 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 before working capital changes and profit tax and interest payment was approximately RMB15 million in 2024.

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 RMB425 million bank loans that are in negotiation of renewal or restructuring;

2) The Group had been liaising with banks and financial institutions for obtaining new financing;

3) For the convertible bonds which would already due, 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; and

5) 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 positive operating cash flow before 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, 28 March 2025

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