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三江化工

SANJIANG CHEMICAL

CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED

中國三江精細化工有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2198)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

CHAIRLADY'S STATEMENT

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China Sanjiang Fine Chemicals Company Limited (the “**Company**”), I wish to announce the annual audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**year under review**”).

RESULTS HIGHLIGHTS

	2023	2022	Change
	RMB'000	RMB'000	%
Revenue	13,128,400	8,817,875	48.9%
Gross profit/(loss)	194,336	(59,704)	425.5%
Net profit/(loss) attributable to owners of the parent	91,477	(307,880)	129.7%
Earnings/(losses) per share — Basic (RMB)	7.84 fen	(26.18) fen	129.9%
Gross profit/(loss) margin	1.5%	(0.7)%	2.2%
Gearing — interesting-bearing borrowings to total asset	48.5%	57.5%	-9.0%

2023 was a very challenging year for the oil and chemical sector (the “Sector”) as well as the economy of the People’s Republic of China (“PRC”). During the year under review, the Group finished the ramp-up and commenced the commercial operation of the Group’s new production facilities — the 6th phase EO/EG production facilities with 1,000,000MT output on a yearly basis and the Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility with 1,250,000 MT output on a yearly basis as upstream level (the “**6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility**”) during Q2 of 2023 which would enable the Group to diversify its market risks in terms of feedstock procurement to rebalance the composition of Ethylene, Propylene and Methanol on a 20%-10%-70% basis to the new composition of the aggregate of Naphtha, Ethane and Propane and Methanol on a 70%-30% basis starting from Q3 of 2023. During the year under review, revenue of the Group increased by approximately 48.9%, primarily resulted from the combined effects of:- a) increase in sales volume of most of business lines ranging from approximately 22% to 177% when comparing to 2022 as the Group substantially increased its overall production capacities from Q3 of 2023 after the ramp-up of the 6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility, which allows the Group to adopt a more pricing-competitive strategy to increase the market shares; and b) the decrease in average selling price (“ASP”) of most of business lines ranging from approximately -12% to -19% when comparing to 2022. Overall gross profit margin of the Group improved by approximately 2.2% from a gross loss margin position of -0.7% in 2022 to a gross profit margin position of approximately 1.5% in 2023 and net profit attributable to owners of the parent was approximately RMB91.5 million and basic earnings per share was approximately RMB7.84 fen, for the year ended 31 December 2023, both of which represented increases of approximately 129.9% as compared to 2022. The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

The turnaround of overall gross profit margin of the Group in the full year of 2023, despite the overall gross loss margin position of approximately -2.4% in the first half of 2023, was primarily attributable to the increase in production efficiencies after the ramp-up of the 6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility and the management of the Group believes maintaining the production efficiency in a high level would be critical to ensuring sustained profitability going forward. The Group’s proactive approach in maintaining production efficiencies, coupled with the successful integration of the latest production facilities with the existing production facilities, played a pivotal role in this turnaround. The 6th phase EO/EG production facilities and upstream Naphtha, Ethane, and Propane production capabilities, not only expanded the Group’s production capacities but also enabled the Group to adjust its product mix in a larger extent to respond to the market demands and conditions for the purpose of leveraging on favourable market conditions to maximize revenues. The Group’s ability to navigate the challenges presented in the first half of 2023 and emerge with a positive gross profit margin by the year-end demonstrate the success of our well-established and usual strategies that we position ourselves as a diversified vertical-integrated chemical group with diversification of business/market risks.

The net profit attributable to shareholders in 2023 included the combined impacts of certain one-off items, including:— 1) Lotte Chemical Corporation, the joint venture partner of joint operation between the Group and Lotte Chemical Corporation (“**Joint Operation**”), agreed to bear and repay the 50% bank loan amounted to approximately RMB115 million of the Joint Operation for the Group; 2) Lotte Chemical Corporation agreed to transfer its 50% equity interest in the Joint Operation with net asset value amounted to approximately RMB84 million to the Group at zero consideration; 3) The Group recognised an income of approximately RMB29 million derived from the negative goodwill as to the acquisition of Lotte Chemical (Jiaxing) Co., Ltd; and 4) The Group made an impairment for provision of approximately 194 million for certain production facilities and intangible assets as the input/output ratios of certain production facilities were not up to the expected level of the Group. Looking ahead to 2024, in light of the full year impact of the ramp-up of the 6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility, the Group expects its performance in 2024 will improve when comparing to 2023 in a certain extent.

The gearing ratio of the Group improved to 48.5% (2022: 57.5%) during the year ended 31 December 2023, which has been improving since the peak level in 2022 as the Group has settled substantial part of the capital expenditure for the 6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility. The Group has a gearing guidance of not more than 66.7% on total interest-bearing borrowings to total assets basis, which the management of the Group considers is a better measure comparing to total interest-bearing borrowings to total equity basis as there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

ACKNOWLEDGEMENT

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

HAN Jianhong

Chairlady

PRC, 28th March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	13,128,400	8,817,875
Cost of sales		<u>(12,934,064)</u>	<u>(8,877,579)</u>
Gross profit/(loss)		194,336	(59,704)
Other income and gains	4	550,104	837,646
Selling and distribution expenses		(3,761)	(2,970)
Administrative expenses		(197,702)	(198,336)
Impairment losses on financial assets, net		(2,779)	6,005
Other expenses, net	4	(305,087)	(778,807)
Finance costs	5	<u>(214,904)</u>	<u>(168,317)</u>
PROFIT/(LOSS) BEFORE TAX	6	20,207	(364,483)
Income tax credit	7	<u>23,927</u>	<u>10,029</u>
PROFIT/(LOSS) FOR THE YEAR		<u>44,134</u>	<u>(354,454)</u>
Attributable to:			
Owners of the parent		91,477	(307,880)
Non-controlling interests		<u>(47,343)</u>	<u>(46,574)</u>
		<u>44,134</u>	<u>(354,454)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>RMB7.84 fen</u>	<u>RMB(26.18) fen</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PROFIT/(LOSS) FOR THE YEAR	<u>44,134</u>	<u>(354,454)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>44,134</u></u>	<u><u>(354,454)</u></u>
Attributable to:		
Owners of the parent	91,477	(307,880)
Non-controlling interests	<u>(47,343)</u>	<u>(46,574)</u>
	<u><u>44,134</u></u>	<u><u>(354,454)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		13,007,735	10,398,128
Investment properties		79,369	82,129
Right-of-use assets		744,421	692,276
Goodwill		—	108,434
Other intangible assets		47,008	73,276
Advance payments for property, plant and equipment		55,553	926,759
Equity investments designated at fair value through other comprehensive income	10-2	3,409	3,409
Pledged deposits	14	761,193	1,017,984
Deferred tax assets		19,522	37,083
Total non-current assets		<u>14,718,210</u>	<u>13,339,478</u>
CURRENT ASSETS			
Inventories	11	1,949,953	1,067,372
Trade and notes receivables	12	1,430,794	606,641
Prepayments, other receivables and other assets	13	1,022,526	235,983
Due from related parties	18	3,373	90,545
Derivative financial instruments		6,303	11,017
Financial assets at fair value through profit or loss	10-1	15,897	143,878
Pledged deposits	14	1,490,566	2,539,125
Non-pledged time deposits with original maturity of over three months		—	7,064
Cash and cash equivalents	14	364,150	217,493
Total current assets		<u>6,283,562</u>	<u>4,919,118</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade and bills payables	<i>15</i>	2,134,154	1,270,293
Other payables and accruals	<i>16</i>	2,537,140	1,673,128
Derivative financial instruments		1,026	19,393
Financial liabilities at fair value through profit or loss	<i>10-1</i>	—	219,580
Interest-bearing bank and other borrowings	<i>17</i>	5,914,736	6,949,416
Long-term loan within one year	<i>17</i>	1,199,132	279,000
Lease liabilities		32,958	3,738
Due to related parties	<i>19</i>	545,682	142,040
Tax payable		54,809	52,233
		<hr/>	<hr/>
Total current liabilities		12,419,637	10,608,821
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(6,136,075)	(5,689,703)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,582,135	7,649,775
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Other payables	<i>16</i>	365,190	—
Lease liabilities		48,552	18,531
Deferred tax liabilities		55,335	35,314
Due to related parties		675,569	—
Interest-bearing bank and other borrowings	<i>17</i>	3,076,147	3,270,235
		<hr/>	<hr/>
Total non-current liabilities		4,220,793	3,324,080
		<hr/>	<hr/>
Net assets		4,361,342	4,325,695
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital	<i>20</i>	102,662	102,662
Reserves		4,278,051	4,195,061
		<hr/>	<hr/>
		4,380,713	4,297,723
Non-controlling interests		(19,371)	27,972
		<hr/>	<hr/>
Total equity		4,361,342	4,325,695
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Company and its subsidiaries (the “**Group**”) was principally engaged in the manufacture and supply of ethylene oxide (“**EO**”), ethylene glycol (“**EG**”), propylene, polypropylene (“**PP**”), methyl tert-butyl ether (“**MTBE**”) and surfactants in the PRC. The Group was also engaged in the provision of processing services for PP and surfactants to its customers and the production and supply of other chemical products such as liquefied petroleum gas (“**C4**”) and industrial gases, namely oxygen, nitrogen and argon in the PRC. EO is a key intermediary component for the production of ethylene derivative products such as ethanolamines and glycol ethers and a wide range of surfactants. EG is a type of semi-finished goods that are used to produce other bio-organic chemical products such as mono ethylene glycol which is used to produce polyester and anti-frozen chemical liquids. Propylene is commonly used in the production of PP, acrylonitrile, propylene oxide, acetone, etc., to produce a variety of important organic chemical raw materials and to produce synthetic resin, synthetic rubber and some other fine chemicals. PP is a kind of thermoplastic resin, which can be used in knitting products, injection moulding products, film products, fibre products, pipes, etc. MTBE is a raw material for high-purity isobutene, and the applications of high-purity isobutene are becoming increasingly widespread; at the same time, as a gasoline additive, it has been widely used around the world. Surfactants are widely applied in different industries as scouring agents, moisturising agents, emulsifiers and solubilisers.

In the opinion of the directors, the holding company of the Company is Sure Capital Holdings Limited (“**Sure Capital**”) and the ultimate holding company of the Company is Yihao Development Limited (“**Yihao**”), which were both incorporated in the British Virgin Islands.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern assumption

As at 31 December 2023, the Group's net current liabilities amounted to approximately RMB6,136,075,000, which comprised current assets of approximately RMB6,283,562,000 and current liabilities of approximately RMB12,419,637,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements.

As at 31 December 2023, the Group's total current borrowings amounted to RMB7,113,868,000, all of which will be due within twelve months from 31 December 2023. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal. As at the reporting date, the Group had unutilised credit facilities from banks of RMB1,828,428,000 to meet the debt obligations and capital expenditure requirements. In order to improve the Group's liquidity and cash flows, the Group is also entering into new borrowing discussions with certain financial institutions. Additionally, Mr. Guan Jianzhong, the controlling shareholder, has confirmed to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations as and when they fall due for a period of not less than 12 months from the date of the reporting date.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{1,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

3. OPERATING SEGMENT INFORMATION

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

Information about products and services

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

	2023 <i>RMB’000</i>	2022 <i>RMB’000</i>
Sale of industrial products	13,024,230	8,726,024
Processing services	88,898	75,751
Rental income	15,272	16,100
	<u>13,128,400</u>	<u>8,817,875</u>

Geographical information

(a) Revenue from external customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Chinese Mainland	13,048,224	8,817,875
Japan	51,722	—
Singapore	28,454	—
	<hr/>	<hr/>
Total revenue	<u>13,128,400</u>	<u>8,817,875</u>

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

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

4. REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES

An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>	13,113,128	8,801,775
<i>Revenue from other sources</i>		
Rental income from operating leases:		
Lease payments, including fixed payments	15,272	16,100
	<hr/>	<hr/>
Total revenue	<u>13,128,400</u>	<u>8,817,875</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Types of goods or services		
Sale of industrial products	13,024,230	8,726,024
Processing services	<u>88,898</u>	<u>75,751</u>
Total revenue from contracts with customers	<u><u>13,113,128</u></u>	<u><u>8,801,775</u></u>
Timing of revenue recognition		
At a point in time		
Sale of industrial products	13,024,230	8,726,024
Processing services	<u>88,898</u>	<u>75,751</u>
Total revenue from contracts with customers	<u><u>13,113,128</u></u>	<u><u>8,801,775</u></u>

(b) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Advance from customers for sale of industrial products and processing services*	<u><u>348,086</u></u>	<u><u>144,696</u></u>

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

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Sale of industrial products and processing services	<u><u>144,696</u></u>	<u><u>224,141</u></u>

(c) **Performance obligations**

At 31 December 2023, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other income		
Interest/investment income derived from banks & related parties, financial assets at fair value through profit or loss and fair value changes of financial instruments	148,282	217,518
Sales in respect of trading of oil and chemicals	6,302	566,972
Government subsidies	7,673	19,104
Other lease income	13,393	2,455
Gains from bargain purchase of a subsidiary	227,422	—
Others	147,032	31,597
	<u>550,104</u>	<u>837,646</u>
Other expenses, net		
Foreign exchange losses, net	26,733	125,434
Cost of sales in respect of trading of oil and chemicals	3,665	543,193
Provision for impairment for inventory — silver (being part of catalyst)	25,570	10,671
Fair value loss, net:	—	40,642
Investment loss	18,366	—
Impairment on long-term assets	193,611	55,906
Disposal of subsidiaries	6,830	—
Others	30,312	2,961
	<u>305,087</u>	<u>778,807</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other borrowings	282,352	207,050
Interest on lease liabilities	2,846	951
	<u>285,198</u>	<u>208,001</u>
Less: Interest capitalised	(158,856)	(135,597)
	<u>126,342</u>	<u>72,404</u>
Interest on discounted notes receivable and discounted letter of credit	88,562	95,913
	<u>214,904</u>	<u>168,317</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold	12,897,701	8,846,121
Cost of services provided	36,363	31,458
Depreciation of property, plant and equipment*	518,430	493,740
Depreciation of right-of-use assets	36,946	21,274
Amortisation of intangible assets**	24,360	27,570
Impairment of items of property, plant and equipment	186,668	55,906
Impairment of items of the other intangible assets	6,943	—

* The depreciation of property, plant and equipment of RMB512,158,000 (2022: RMB488,366,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

** The amortisation of intangible assets of RMB8,182,000 (2022: RMB8,015,000) for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

7. INCOME TAX

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

The income tax credit of the Group for the year is analysed as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current — Chinese Mainland		
Charge for the year	4,828	16,151
Effect of additional tax deduction enacted by tax authority	(45,465)	—
Deferred	16,710	(26,180)
Total tax credit for the year	<u>(23,927)</u>	<u>(10,029)</u>

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2022: Nil).

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

Pursuant to the approval of the tax bureau, Sanjiang Chemical Co., Ltd. (“**Sanjiang Chemical**”) has been qualified as a High and New Technology Enterprise and enjoys a preferential corporate income tax rate of 15% from 2022 to 2025. Therefore, Sanjiang Chemical was subject to corporate income tax at a rate of 15% for the year ended 31 December 2023 (2022: 15%).

Pursuant to the approval of the tax bureau, Zhejiang Sanjiang Chemical New Material Co., Ltd. (“**Sanjinag New Material**”) has been qualified as a High and New Technology Enterprise and enjoys a preferential corporate income tax rate of 15% from 2022 to 2025. Therefore, Sanjiang New Material was subject to corporate income tax at a rate of 15% for the year ended 31 December 2023 (2022: 15%).

Pursuant to the approval of the tax bureau, Zhejiang Xingxing New Energy Technology Co., Ltd. (“**Xingxing New Energy**”) has been qualified as a High and New Technology Enterprise and enjoys a preferential corporate income tax rate of 15% from 2022 to 2025. Therefore, Xingxing New Energy was subject to corporate income tax at a rate of 15% for the year ended 31 December 2023 (2022: 15%).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

No adjustment has been made to the basic profit/(loss) per share amount presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2023	2022
	RMB'000	RMB'000
Earnings/(loss)		
Profit/(loss) for the year attributable to ordinary equity holders of the parent	<u>91,477</u>	<u>(307,880)</u>
	Number of shares	
	2023	2022
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>1,166,713</u>	<u>1,176,119</u>

9. DIVIDENDS

No dividend has been paid or declared by the Company in 2023 (2022: Nil). The board of the directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

10-1. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	
	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Unlisted investments, at fair value	<u>143,878</u>	<u>219,580</u>
	2023	
	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>
Unlisted investments, at fair value	<u>15,897</u>	<u>—</u>

The above unlisted investments were wealth management products and silver leasing issued by banks in Chinese Mainland. The wealth management products were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The silver leasing was classified as financial liabilities designated upon initial recognition as at fair value through profit or loss.

As at 31 December 2023, the Group's certain unlisted investments of RMB4,000,000 (2022: RMB50,476,000) were pledged for bank loans. As at 31 December 2023, the Group's certain unlisted investments of RMB9,000,000 (2022: RMB30,689,000) were pledged for bills payable.

10-2. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Jiaxing Port Antong Public Pipe Gallery Co., Ltd.	<u>3,409</u>	<u>3,409</u>

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

During the year ended 31 December 2023, the Group did not receive any dividend from Jiaxing Port Antong Public Pipe Gallery Co., Ltd. (“嘉興港安通公共管廊有限公司”) (2022: Nil).

11. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	1,750,385	967,826
Finished goods	<u>199,568</u>	<u>99,546</u>
	<u><u>1,949,953</u></u>	<u><u>1,067,372</u></u>

12. TRADE AND NOTES RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	173,652	75,073
Notes receivable	<u>1,263,999</u>	<u>535,646</u>
	1,437,651	610,719
Impairment	<u>(6,857)</u>	<u>(4,078)</u>
Net carrying amount	<u><u>1,430,794</u></u>	<u><u>606,641</u></u>

The credit period is generally 15 to 60 days, extending up to three months for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
1 to 30 days	105,495	64,322
31 to 60 days	51,816	4,030
61 to 90 days	6,752	1,518
91 to 365 days	865	865
Over 365 days	<u>1,867</u>	<u>260</u>
Total	<u><u>166,795</u></u>	<u><u>70,995</u></u>

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	4,078	10,284
Impairment/(reversal of impairment) losses, net	2,779	(6,005)
Amount written off as uncollectible	<u>—</u>	<u>(201)</u>
At end of year	<u>6,857</u>	<u>4,078</u>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits and other receivables	249,351	69,673
Refund of consumption tax receivable	720,541	—
Prepayments	51,332	165,092
Others	<u>1,302</u>	<u>1,218</u>
Total	<u>1,022,526</u>	<u>235,983</u>

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance were assessed to be minimal.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cash and bank balances	364,150	217,493
Time deposits and pledged deposits	<u>2,251,759</u>	<u>3,564,173</u>
Subtotal	<u>2,615,909</u>	<u>3,781,666</u>
Less: Pledged time deposits	<u>2,251,759</u>	<u>3,557,109</u>
Cash and cash equivalents	<u><u>364,150</u></u>	<u><u>217,493</u></u>

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Pledged short term time deposits are made for periods with a maturity of the underlying notes payables, letters of credit and bank loans secured by these deposits, and non-pledged short term time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group. Time deposits earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

15. TRADE AND BILLS PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	1,268,911	501,550
Bills payable	<u>865,243</u>	<u>768,743</u>
Total	<u><u>2,134,154</u></u>	<u><u>1,270,293</u></u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	1,052,795	863,369
3 to 6 months	1,001,985	361,656
6 to 12 months	36,416	31,286
12 to 24 months	33,538	11,953
24 to 36 months	4,463	1,228
Over 36 months	<u>4,957</u>	<u>801</u>
Total	<u><u>2,134,154</u></u>	<u><u>1,270,293</u></u>

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

16 OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current		
Other payables	2,092,557	1,417,687
Contract liabilities	348,086	144,696
Taxes payable other than income tax	69,580	57,347
Payroll payable	26,917	25,398
Deferred income	<u>—</u>	<u>28,000</u>
	<u><u>2,537,140</u></u>	<u><u>1,673,128</u></u>
Non-current		
Other payables	<u>365,190</u>	<u>—</u>
Total	<u><u>2,902,330</u></u>	<u><u>1,673,128</u></u>

Current other payables are non-interest-bearing and repayable on demand.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	2023 RMB'000	2022 RMB'000
Current				
Bank loans – secured	3.350–4.600	2023	—	114,342
Bank loans – unsecured	3.000–4.400	2024	1,453,729	—
Bank loans – unsecured	3.500–4.000	2023	—	1,290,271
US\$9,393,566 secured bank loans	5.519	2024	66,532	—
US\$21,986,000 secured bank loans	1.260–5.319	2023	—	153,127
US\$124,046,022 unsecured bank loans	5.412–7.100	2024	878,581	—
US\$71,388,000 unsecured bank loans	1.200–5.746	2023	—	497,191
EUR€16,091,569 secured bank loans	1.500–4.150	2024	126,467	—
EUR€22,356,000 secured bank loans	1.260–1.951	2023	—	165,947
EUR€12,893,000 unsecured bank loans	3.046–3.200	2023	—	95,708
Other loans -secured	4.878	2024	521,441	—
Current portion of long term bank loans-secured	3.200–5.412	2024	190,000	—
Current portion of long term bank loans-secured	3.200–5.412	2023	—	279,000
Current portion of long term bank loans-unsecured	3.200–4.000	2024	589,000	—
Discounted notes receivable	0.750–3.170	2024	1,477,712	—
Discounted letter of credit	0.959–5.93	2024	1,810,406	—
Discounted notes receivable	1.100–2.670	2023	—	2,246,310
Discounted letter of credit	1.400–2.600	2023	—	2,386,520
Total – current			7,113,868	7,228,416
Non-current				
Bank loans – secured	3.580–5.142	2024	—	538,000
Bank loans – secured	3.200–5.142	2025	536,000	520,000
Bank loans – secured	3.600–5.142	2026	639,000	623,000
Bank loans – secured	5.142–5.292	2027	971,000	780,000
Bank loans – secured	3.600	2028	16,000	—
Bank loans – secured	3.600	2029	16,000	—
Bank loans – secured	3.600	2030	14,000	—
Bank loans – unsecured	3.200–3.580	2024	—	124,000
Bank loans – unsecured	3.200–4.000	2025	335,000	225,000
Bank loans – unsecured	3.200–4.000	2026	111,000	126,000
Bank loans – unsecured	3.200–4.600	2027	27,000	334,235
Other loans – secured	4.857–5.131	2025	332,100	—
Other loans – secured	4.857	2026	79,047	—
Total – non-current			3,076,147	3,270,235
Total			10,190,015	10,498,651

	2023	2022
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	7,113,868	7,228,416
In the second year	1,203,100	662,000
In the third to fifth years, inclusive	1,843,047	2,608,235
Beyond five years	30,000	—
	<u>10,190,015</u>	<u>10,498,651</u>

18. DUE FROM RELATED PARTIES

	2023	2022
	RMB'000	RMB'000
Zhejiang Mei Fu Petrochemical Co., Ltd (<i>Note (a)</i>)	—	87,282
Grand Novel	2,577	2,534
Haoxing Energy Conservation	—	352
Jiahua Import Export	376	376
Jiahua New Materials	419	—
Sure Capital	1	1
	<u>3,373</u>	<u>90,545</u>

Note:

- (a) The amount due from Zhejiang Mei Fu Petrochemical Co., Ltd was mainly derived in relation to the deposit paid pursuant to the Sale and Purchase Agreement dated 23 September 2022 and the settlement through bill payable in related to the 2nd Supplemental LG agreement entered into on 12 September 2019 between the Company and Zhejiang Mei Fu Petrochemical Co., Ltd.

The balances with related parties are unsecured, interest-free and repayable on demand.

19. DUE TO RELATED PARTYS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current		
Zhejiang Jiahua Energy Chemical Co., Ltd.	409,485	123,154
Zhejiang Zhapu Meifu Port & Storage Co., Ltd.	72,056	12,603
Jiaxing Hangzhou Bay Petrochemical Logistics Co., Ltd.	3,319	1,206
Zhejiang Jiahua Group Co., Ltd	830	711
Zhejiang Gangan Intelligent Technology Co., Ltd	50,597	2,790
Jiaxing Xinggang Rewang Co., Ltd.	1,693	378
Zhejiang Jiafu New Materials Technology Co., Ltd.	565	285
Jiaxing Jianghao Eco-agriculture Co., Ltd.	1,057	850
Zhejiang Haoxing Energy Conservation Technology Co., Ltd.	6,080	—
Jiaxing Zhapu Construction Investment Co., Ltd.	—	63
	<u>545,682</u>	<u>142,040</u>
Non-current		
Zhejiang Meifu Petrochemical Co., Ltd.	555,569	—
Zhejiang Zhongxin Enterprise Management Co., Ltd	120,000	—
Total	<u>1,221,251</u>	<u>142,040</u>

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

20. SHARE CAPITAL

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

The issued capital of the Company is as follows:

	Number of shares	Amount <i>RMB'000</i>
Issued and fully paid ordinary shares of HK\$0.1 each: At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>1,190,000,000</u>	<u>102,662</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

The breakdown by line of business in terms of revenue, sales volume, average selling price and gross profit margin during the year under review and the year ended 31 December 2022 for comparison purposes are set forth below:

	Full year 2023	% of revenue	Full year 2022	% of revenue	Variance +/(-)
REVENUE (RMB'000)					
Ethylene oxide	1,677,251	13%	2,423,417	27%	-31%
Ethylene glycol	1,709,173	13%	724,196	8%	136%
Polypropylene	3,230,687	25%	2,991,788	34%	8%
Surfactants & water reducing agent	2,537,707	19%	1,196,215	14%	112%
MTBE/C4	1,082,726	8%	737,688	8%	47%
Pentene	529,948	4%	349,935	4%	51%
Polypropylene processing service	15,337	0%	14,970	0%	2%
Surfactants processing service	73,561	1%	60,781	1%	21%
Others	2,272,010	17%	318,885	4%	612%
	<u>13,128,400</u>	<u>100%</u>	<u>8,817,875</u>	<u>100%</u>	<u>49%</u>
SALES VOLUME (MT)					
Ethylene oxide	295,446		372,996		-21%
Ethylene glycol	470,603		169,730		177%
Polypropylene	505,301		412,769		22%
Surfactants & water reducing agent	408,296		159,176		157%
MTBE/C4	167,429		113,909		47%
Pentene	98,739		58,430		69%
Polypropylene processing service	38,068		30,165		26%
Surfactants processing service	230,713		203,231		14%

	Full year 2023	% of revenue	Full year 2022	% of revenue	Variance +/(−)
AVERAGE SELLING PRICE (RMB)					
Ethylene oxide	5,677		6,497		−13%
Ethylene glycol	3,632		4,267		−15%
Polypropylene	6,394		7,248		−12%
Surfactants & water reducing agent	6,215		7,515		−17%
MTBE/C4	6,467		6,476		0%
Pentene	5,367		5,989		−10%
Polypropylene processing service	403		496		−19%
Surfactants processing service	319		299		7%
GROSS PROFIT MARGIN (%)					
Ethylene oxide	3.0%		−6.9%		9.9%
Ethylene glycol	−5.2%		−20.8%		15.6%
Polypropylene	0.2%		−3.1%		3.3%
Surfactants & water reducing agent	1.7%		12.1%		−10.4%
MTBE/C4	18.0%		8.7%		9.3%
Pentene	−6.1%		−4.0%		−2.1%
Polypropylene processing service	54.3%		56.2%		−1.9%
Surfactants processing service	67.0%		65.8%		1.2%

Ethylene oxide sales

During the year under review, the revenue from EO line of business decreased by approximately 31% in 2023 when compared to 2022, primarily due to the combined effects of the decrease in ASP of EO by approximately 13% in view of the price volatility of major commodities and decrease in sale volume of EO by approximately 21%.

Ethylene glycol sales

During the year under review, the revenue from EG line of business increased by approximately 136% when compared to 2022 as the Group increased the EG output after the ramp-up of the 6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility and, in turn, the sales volume of EG increased by approximately 177% when compared to 2022.

Polypropylene sales

During the year under review, the revenue from PP line of business increased by approximately 8% when compared to 2022, primarily due to the combined effects of the decrease in ASP of PP by approximately 12% in view of the price volatility of major commodities and increase in sale volume of PP by approximately 22%.

Gross profit margin

Overall gross profit margin of the Group improved by approximately 2.2% from a gross loss margin position of -0.7% in 2022 to a gross profit margin position of approximately 1.5% in 2023. The turnaround of overall gross profit margin of the Group in the full year of 2023, despite the overall gross loss margin position of approximately -2.4% in the first half of 2023, was primarily attributable to the increase in production efficiencies after the ramp-up of the 6th phase EO/EG production facilities and upstream Naphtha/Ethane/Propane-to-Ethylene/Propylene production facility.

Administrative expenses

Administrative expenses consist mainly of staff related costs, various local taxes and educational surcharge, depreciation, amortization of land use rights, operating lease rental expenses, audit fee and miscellaneous expenses.

LIQUIDITY AND FINANCIAL RESOURCES

Financial position and bank borrowings

The Group had cash and bank balances of approximately RMB364.2 million (2022: approximately RMB224.6 million), most of which were denominated in Renminbi. The Group had interest-bearing borrowings of approximately RMB10,190 million as at 31 December 2023 (2022: approximately RMB10,498.7 million). Please refer to note 17 to the consolidated financial statements of this announcement for the details of borrowings and the respective charge of assets.

The Group's gearing ratio, expressed as a percentage of total interest-bearing borrowings to total assets, was approximately 48.5% as at 31 December 2023 as compared to approximately 57.5% as at 31 December 2022. The Group has a gearing guidance of not more than 66.7% on total interest-bearing borrowings to total assets basis, which the management of the Group considers is a better measure comparing to total interest-bearing borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

Working capital

The inventory turnover days maintained in a similar level during the year under review (2023: 42.6 days; 2022: 43.7 days).

The trade and notes receivables turnover days maintained at a relatively low level during the year under review (2023: 28.3 days; 2022: 19.7 days).

The trade and notes payables turnover days maintained at a similar level during the year under review (2023: 48 days; 2022: 68.1 days).

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments amounted to approximately RMB1,115.5 million (2022: RMB2,448.7 million) which was primarily related to the procurement of plant and machineries for the constructions of additional production capacities.

CONTINGENT LIABILITIES

As at 31 December 2023 and 31 December 2022, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 1,307 full-time employees (2022: 1,160 employees). The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

OTHER INFORMATION

Total Number of Shares Available for Issue

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

Maximum Entitlement of Any Selected Employee

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

As at 31 December 2023, the total number of Shares held under the pool of Shares were 30,774,000. Accordingly, the maximum entitlement of any one selected employee under the share award plan of the Company will be 22,424,000 Shares, representing approximately 2.59% of the issued Shares of the Company.

Vesting Period

In accordance with the Plan Rules, the vesting period of any awarded shares to any selected employee shall be within ten (10) Business Days after the latest of: (i) the earliest date specified by the Board on which the Trustee may vest the legal and beneficial ownership of the award shares in the relevant selected employee; and (ii) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related award notice have been attained and notified to the Trustee by the Board in writing.

Amounts Payable

No amount is payable on the acceptance of an award.

Basis of the Purchase Price of Awarded Shares

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code (“**CG Code**”), including any revisions and amendments from time to time, as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2023 and up to the date of this annual results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix C3 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2023 and up to the date of this annual results announcement.

AUDIT COMMITTEE

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

During the year ended 31 December 2023 and up to the date of this annual results announcement, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2023 and the annual results of the Group for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group, and the Group’s internal control functions.

REMUNERATION COMMITTEE

As at the date of this announcement, the remuneration committee of the Company (“**Remuneration Committee**”) consists of three members, namely Mr. Kong Liang, Ms. Han Jianhong and Ms. Pei Yu of whom Mr. Kong Liang and Ms. Pei Yu are independent non-executive Directors and Ms. Han Jianhong is the Chairlady of the Board and an executive Director. The chairlady of the Remuneration Committee is Ms. Pei Yu. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The forthcoming 2024 annual general meeting (“**AGM**”) of the Company will be held at Hong Kong on Friday, 24 May 2024. Notice of the AGM will be published and, if necessary, despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2024 to 24 May 2024, both days inclusive, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 17 May 2024.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group’s audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

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

The Company's annual report for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinasanjiangfinechemicals.com) in due course.

By order of the Board
China Sanjiang Fine Chemicals Company Limited
HAN Jianhong
Chairlady and executive Director

PRC, 28 March 2024

As at the date of this announcement, the Board comprises four executive Directors: Ms. HAN Jianhong, Mr. RAO Huotao, Ms. CHEN Xian and Ms. GUAN Siyi and three independent non-executive Directors: Mr. SHEN Kaijun, Ms. PEI Yu and Mr. KONG Liang.

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