# GHW International

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

**(Stock Code: 9933)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

### FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, revenue of the Group amounted to approximately RMB2,833.3 million, representing an increase of approximately RMB729.4 million or 34.7% comparing with the corresponding period in 2020.
- For the year ended 31 December 2021, gross profit of the Group amounted to approximately RMB476.1 million, representing an increase of approximately RMB202.8 million or 74.2% comparing with the corresponding period in 2020.
- For the year ended 31 December 2021, net profit of the Group amounted to approximately RMB130.7 million, as compared to net loss of the Group of approximately RMB5.2 million in the corresponding period in 2020.
- For the year ended 31 December 2021, basic earnings per share of the Group amounted to approximately RMB0.131, as compared to basic loss per share of the Group of approximately RMB0.005 in the corresponding period in 2020.
- The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2021.

The board (the "**Board**") of directors (the "**Director(s)**") of GHW International (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020 as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

| | Notes | **Year ended 31 December** | |
|---|---|---|---|
| | | **2021** | 2020 |
| | | **RMB'000** | RMB'000 |
| Revenue | 4 | **2,833,268** | 2,103,882 |
| Cost of sales | | **(2,357,153)** | (1,830,612) |
| Gross profit | | **476,115** | 273,270 |
| Other income | 5 | **15,037** | 7,564 |
| Other gains and losses | 5 | **(8,849)** | (16,729) |
| Impairment losses under expected credit loss model, net of reversal | | **(1,454)** | (1,009) |
| Selling and distribution expenses | | **(143,195)** | (117,214) |
| Administrative expenses | | **(102,619)** | (82,960) |
| Research and development expenses | | **(59,154)** | (43,306) |
| Finance costs | 6 | **(29,833)** | (26,258) |
| Profit (loss) before taxation | 7 | **146,048** | (6,642) |
| Taxation | 8 | **(15,335)** | 1,467 |
| Profit (loss) for the year | | **130,713** | (5,175) |

| | | Year ended 31 December | |
|---|---|---|---|
| | Notes | **2021** | 2020 |
| | | **RMB'000** | RMB'000 |
| Other comprehensive income (expense) | | | |
| *Items that may be reclassified subsequently to profit or loss*: | | | |
| Exchange difference arising on translation of foreign operations | | **2,896** | 6,878 |
| Fair value (loss) gain on bill receivables at fair value through other comprehensive income ("**FVTOCI**") | | **(148)** | 207 |
| Income tax relating to an item that may be reclassified subsequently to profit or loss | | **22** | (36) |
| Other comprehensive income for the year, net of income tax | | **2,770** | 7,049 |
| Total comprehensive income for the year | | **133,483** | 1,874 |
| Profit (loss) for the year attributable to owners of the Company | | **130,713** | (5,175) |
| Total comprehensive income attributable to owners of the Company | | **133,483** | 1,874 |
| Earnings (loss) per share | | | |
| – Basic (RMB per share) | 10 | **0.131** | (0.005) |
| – Diluted (RMB per share) | 10 | **N/A** | (0.005) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

| | Notes | **As at 31 December** | |
|---|---|---|---|
| | | **2021** | 2020 |
| | | **RMB'000** | RMB'000 |
| **Non-current assets** | | | |
| Property, plant and equipment | | **455,027** | 273,876 |
| Right-of-use assets | | **53,987** | 54,701 |
| Rental deposits | | **900** | 667 |
| Deferred tax assets | | **699** | 1,575 |
| Prepayment for acquisition of an intangible asset | | **—** | 650 |
| Loan receivable | | **15,464** | — |
| | | **526,077** | 331,469 |
| **Current assets** | | | |
| Inventories | | **309,342** | 196,760 |
| Finance lease receivable | | **—** | 477 |
| Trade receivables | 11 | **208,162** | 158,031 |
| Bill receivables at FVTOCI | 12 | **85,798** | 45,821 |
| Other receivables and prepayments | | **67,781** | 49,903 |
| Tax recoverable | | **367** | 275 |
| Financial asset at fair value through profit or loss ("**FVTPL**") | | **—** | 653 |
| Derivative financial instruments | | **273** | 4,025 |
| Restricted bank deposits | | **111,493** | 172,429 |
| Bank balances and cash | | **58,025** | 61,906 |
| | | **841,241** | 690,280 |

| | Notes | As at 31 December 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and bill payables | 13 | **198,009** | 162,156 |
| Other payables and accrued charges | | **78,765** | 61,664 |
| Lease liabilities | | **4,888** | 4,529 |
| Contract liabilities | | **39,268** | 18,836 |
| Tax liabilities | | **4,242** | 883 |
| Borrowings | | **453,908** | 398,176 |
| | | **779,080** | 646,244 |
| **Net current assets** | | **62,161** | 44,036 |
| **Total assets less current liabilities** | | **588,238** | 375,505 |
| **Non-current liabilities** | | | |
| Borrowings | | **154,468** | 83,265 |
| Loans from a related company | | **82,803** | 81,435 |
| Lease liabilities | | **3,933** | 4,838 |
| Deferred tax liabilities | | **7,955** | 472 |
| | | **249,159** | 170,010 |
| **Net assets** | | **339,079** | 205,495 |
| **Capital and Reserves** | | | |
| Share capital | 14 | **8,844** | 8,844 |
| Reserves | | **330,235** | 196,651 |
| **Total equity** | | **339,079** | 205,495 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL

GHW International is a public limited company incorporated in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands as an exempted company with limited liability on 25 April 2018 and its shares ("**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 21 January 2020. The controlling shareholders of the Company are Mr. Yin Yanbin ("**Mr. Yin**") and Ms. Wu Hailing ("**Ms. Wu**"), the spouse of Mr. Yin. The addresses of the Company's registered office and the principal place of business are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and 6th Building, Xincheng Science Park, No. 69 Aoti Street, Nanjing, the People's Republic of China (the "**PRC**") respectively.

The Company is an investment holding company. The principal activities of its subsidiaries are the manufacture and sale of chemical and pharmaceutical products.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries have been prepared based on the accounting policies in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures required by the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## 3. APPLICATION OF AMENDMENTS OF IFRSs

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements.

| | |
|---|---|
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions* |
| Amendments to IFRS 9, International Accounting Standard ("**IAS**") 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform - Phase 2* |

In addition, the Group applied the agenda decision of the IFRS Interpretation Committee of the IASB (the "**Committee**") in relation to supply chain financing arrangements and the agenda decision of the Committee issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***Impacts on application of the agenda decision of the Committee - Supply Chain Financing Arrangements***

The Committee, through its agenda decision, clarified how liabilities to pay for goods or services received and the related cash flows when the related invoices are part of supply chain financing arrangements should be presented in the statement of financial position and statement of cash flows. The Committee observed that an entity's assessment of the nature of the liabilities that are part of the supply chain financing arrangements may help in determining whether the related cash flows arise from operating or financing activities. Upon issuance of the agenda decision, the management of the Group reassessed the Group's accounting policies in respect of the presentation of cash flows arising from discounted bills which are not derecognised, in which the Group considered the cash received from discounting as borrowings whilst the cash flows relating to the borrowings were presented under operating activities as the management considered the cash flows are in substance of operating nature. Based on the clarification through the agenda decision, the Group changed its accounting policies retrospectively by presenting the cash received from discounting under financing activities in the consolidated statement of cash flows and the settlement of the related receivables and borrowings are disclosed as non-cash transactions.

Effects of this change in accounting policies on the consolidated statement of cash flows are as follows:

- Proceeds received from discounted bills which did not qualify for derecognition previously included under operating activities of RMB112,445,000 have been reclassified and presented as cash inflows under financing activities for the year ended 31 December 2020; and

- The effects on settlement of related borrowings on maturity of the discounted bills with aggregate amounts of RMB61,327,000 previously included under financing activities and interest on discounted bills previously included under financing activities of RMB3,705,000 have been disclosed as non-cash transactions for the year ended 31 December 2020 and offset with the working capital movement in bills receivables at FVTOCI.

Effects of above change in accounting policies on the consolidated statement of cash flows resulted in increase in net cash used in operating activities for the year ended 31 December 2020 by RMB177,477,000, and increase in net cash from financing activities for the year ended 31 December 2020 by RMB177,477,000.

For the year ended 31 December 2021, the net cash used in operating activities would have been decreased by RMB189,727,000 and the net cash from financing activities would have been decreased by RMB189,727,000, if the Group has not changed the accounting policies.

The reclassification has had no effect on reported profit or loss, total comprehensive income, financial position or equity for any period presented.

## New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments[3] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021[1] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[3] |
| Amendments to IAS 8 | Definition of Accounting Estimates[3] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3] |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use[2] |
| Amendments to IAS 37 | Onerous Contracts - Cost of Fulfilling a Contract[2] |
| Amendments to IFRS Standards | Annual Improvements to IFRS Standards 2018-2020[2] |

[1] *Effective for annual periods beginning on or after 1 April 2021.*

[2] *Effective for annual periods beginning on or after 1 January 2022.*

[3] *Effective for annual periods beginning on or after 1 January 2023.*

[4] *Effective for annual periods beginning on or after a date to be determined.*

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from manufacture and sale of chemical related products and medicine for both years.

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Types of goods** | | |
| Animal nutrition | **952,169** | 757,870 |
| Polyurethane materials | **844,954** | 700,293 |
| Medicine | **585,872** | 423,319 |
| Fine chemicals | **438,858** | 212,620 |
| Others | **11,415** | 9,780 |
| | **2,833,268** | 2,103,882 |
| **Timing of revenue recognition** | | |
| A point in time | **2,833,268** | 2,103,882 |

The Group's revenue are under fixed price arrangement with corporate customers. Under the Group's standard contract terms, the credit term is generally 60 days and customers have a right to exchange or return the goods only under the condition of quality issue tested by a third-party testing institution. In the opinion of the Directors, based on historical experiences, the impact of revenue reversal would be immaterial.

All performance obligations for sales of goods are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to unsatisfied performance obligations as at the end of the reporting period is not disclosed.

For the purpose of resources allocation and performance assessment, the key management of the Group, being the chief operating decision maker, reviews the consolidated results as a whole when making decisions about allocating resources and assessing performance of the Group and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

## Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

| | Revenue from external customers Year ended 31 December | | Non-current assets (excluding deferred tax assets and financial instruments) As at 31 December | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| The PRC | **2,307,975** | 1,631,984 | **458,639** | 284,224 |
| Europe | **220,659** | 194,132 | **721** | 755 |
| Vietnam | **85,238** | 115,181 | **40,711** | 34,333 |
| Other countries in Asia (excluding the PRC and Vietnam) | **108,047** | 78,487 | **8,632** | 9,409 |
| Others | **111,349** | 84,098 | **311** | 506 |
| | **2,833,268** | 2,103,882 | **509,014** | 329,227 |

## Information about major customers

There was no revenue from individual customer contributing over 10% of total revenue of the Group during both years.

## 5. OTHER INCOME AND OTHER GAINS AND LOSSES

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Other income | | |
| Government grants (note 1) | **8,541** | 4,005 |
| Bank interest income | **5,748** | 3,283 |
| Rental income | **—** | 73 |
| Interest income on finance lease receivable | **38** | 38 |
| Interest income on loan receivable | **464** | — |
| Others | **246** | 165 |
| | **15,037** | 7,564 |
| Other gains and losses | | |
| Net exchange losses | **(5,411)** | (15,680) |
| Losses on disposals of plant and equipment | **(5,229)** | (3,487) |
| Fair value changes on financial assets at FVTPL | **69** | — |
| Fair value changes on derivative financial instruments | | |
| – commodity derivative contracts (note 2) | **1,036** | 1,862 |
| – foreign currency future contracts | **—** | 177 |
| Others | **686** | 399 |
| | **(8,849)** | (16,729) |

Notes:

1. The relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB8,477,000 (2020: RMB2,855,000) and RMB64,000 (2020: RMB1,150,000) in relation to the Group's contribution in local district and subsidies in relation to the novel coronavirus (COVID-19) pandemic, which were recognised in the profit or loss in the year which they were received.

2. During the year ended 31 December 2021, amount represented realised gains of RMB881,000 (2020: RMB1,073,000) and unrealised gains of RMB155,000 (2020: RMB789,000) arising on changes in fair value of commodity derivative contracts.

## 6. FINANCE COSTS

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Interest on borrowings | **25,056** | 20,924 |
| Interest on discounted bills | **2,031** | 3,705 |
| Interest on loans from a related company | **2,381** | 1,214 |
| Interest on lease liabilities | **365** | 415 |
| | **29,833** | 26,258 |

## 7. PROFIT (LOSS) BEFORE TAXATION

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Profit (loss) before taxation has been arrived at after charging (crediting) to profit and loss: | | |
| Auditors' remuneration | **2,211** | 2,145 |
| Cost of inventories recognised as expenses | **2,352,331** | 1,829,772 |
| Depreciation of property, plant and equipment | **30,099** | 24,660 |
| Depreciation of right-of-use assets | **4,583** | 6,424 |
| Total depreciation | **34,682** | 31,084 |
| Capitalised as cost of inventories manufactured | **(25,990)** | (21,605) |
| | **8,692** | 9,479 |
| Impairment losses recognised on non-financial assets included in | | |
| – administrative expenses | **2,311** | — |
| Directors' remuneration | **4,984** | 4,508 |
| Other staff costs | | |
| Salaries and other benefits | **80,993** | 71,975 |
| Retirement benefits | **11,868** | 5,896 |
| Total staff costs | **97,845** | 82,379 |
| Research and development costs recognised as an expense | **59,154** | 43,306 |
| Gross rental income | **—** | (73) |
| Less: direct operating expenses | **—** | 61 |
| | **—** | (12) |
| Write-down of inventories | **4,822** | 840 |

## 8. TAXATION

The Company was incorporated in the Cayman Island and is exempted from the Cayman Islands income tax.

No provision for income tax has been made for subsidiaries in the United States, Seychelles, Russian, Ukraine, Hong Kong and Canada, as there was no estimated assessable profit during both years.

Pursuant to the Enterprise Income Tax Laws and Implementation Regulations of the Law of the PRC (the "**PRC EIT Law**"), the applicable tax rate of PRC subsidiaries is 25% for both years.

In 2019, Taian Havay Group Co., Ltd. further extended for three years as a High and New Technology Enterprise and enjoyed a tax rate of 15% for both years according to the PRC EIT Law.

Certain PRC subsidiaries were qualified as small low-profit enterprises and enjoyed a preferential tax rate of 20% (2020: 20%) with 87.5% (2020: 75%) reduction for the first RMB1 million of annual taxable income and 50% (2020: 50%) reduction for the above RMB1 million but below RMB3 million of annual taxable income during the year ended 31 December 2021.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Current tax | **7,655** | 883 |
| (Over) under provision in prior years | **(657)** | 83 |
| | **6,998** | 966 |
| Deferred tax | **8,337** | (2,433) |
| Total | **15,335** | (1,467) |

The taxation for the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Profit (loss) before taxation | **146,048** | (6,642) |
| Tax at PRC enterprise income tax rate of 25% | **36,512** | (1,661) |
| Tax effect of expenses not deductible for tax purpose | **3,820** | 5,100 |
| Tax effect of income not taxable for tax purpose | **(187)** | (178) |
| Tax effect of tax losses not recognised | **1,338** | 4,311 |
| Utilisation of tax losses previously not recognised | **(1,842)** | (524) |
| Additional deduction of research and development expenses | **(14,224)** | (7,870) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(1,807)** | (1,348) |
| Income tax at concessionary rates | **(11,324)** | 527 |
| Tax effect of deductible temporary differences not recognised | **5,055** | 448 |
| Utilisation of deductible temporary differences previously not recognised | **(1,349)** | (355) |
| (Over) under provision in prior years | **(657)** | 83 |
| Taxation for the year | **15,335** | (1,467) |

As at 31 December 2021, the carrying amount of unrecognised deductible temporary differences was RMB24,669,000 (2020: RMB9,845,000), while tax losses not recognised was RMB54,808,000 (2020: RMB61,756,000). In the opinion of the Directors, no deferred tax assets are recognised due to the unpredictability of future profit streams. Such unrecognised losses for the Group entities will expire in various years up to and including 2022, 2023, 2024, 2025 and 2026.

## 9. DIVIDEND

No dividend was paid or declared by the Company for both years, nor has any dividend been proposed since the end of the reporting period.

## 10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| **Earnings (loss):** | | |
| Earnings (loss) for the purposes of calculating basic and diluted earnings (loss) per share attributable to owners of the Company | **130,713** | (5,175) |

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **'000** | '000 |
| **Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share | **1,000,000** | 986,339 |

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for 2020 has been determined on the assumption that the Capitalisation Issue (as defined in note 14) had been effective on 1 January 2020.

The computation of diluted loss per share for 2020 does not assume the exercise of the Company's over-allotment option since the assumed exercise would result in a decrease in loss per share.

No diluted earnings per share for 2021 was presented as there were no potential ordinary shares in issue.

## 11. TRADE RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Trade receivables | **217,180** | 166,183 |
| Less: allowance for credit losses | **(9,018)** | (8,152) |
| | **208,162** | 158,031 |

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB161,426,000, net of allowance for credit losses of RMB7,808,000.

Generally, credit terms of 60 days is granted to customers. An aging analysis of the trade receivables presented based on the invoice dates, which approximate the dates of revenue recognition, at the end of the reporting period:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| 0-30 days | **121,167** | 95,241 |
| 31-60 days | **47,626** | 40,960 |
| 61-90 days | **17,480** | 10,320 |
| Over 90 days | **21,889** | 11,510 |
| | **208,162** | 158,031 |

The management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly.

As at 31 December 2021, carrying amount of trade receivables amounted to RMB272,000 (2020: RMB2,475,000) have been pledged as security for the Group's borrowing.

The Group does not hold any collateral over these balances.

The carrying amounts of the Group's trade receivables that were denominated in foreign currencies other than the functional currencies of the relevant group entities are set out below:

| | **As at 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| United State dollar ("**U.S.$**") | **48,351** | 20,991 |
| European dollar ("**EUR**") | **1,440** | 588 |
| | **49,791** | 21,579 |

## 12. BILL RECEIVABLES AT FVTOCI

| | **As at 31 December** | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Bill receivables at FVTOCI | **85,798** | 45,821 |

The following is an aging analysis of bill receivables at FVTOCI presented based on bill issuance date or endorsement date at the end of the reporting period:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| 0-180 days | **85,798** | 41,797 |
| Over 180 days | **—** | 4,024 |
| | **85,798** | 45,821 |

As at 31 December 2021, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB76,648,000 (2020: RMB42,831,000) to secure general banking facilities granted to the Group.

## 13. TRADE AND BILL PAYABLES

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| Trade payables | **175,009** | 134,499 |
| Bill payables | **23,000** | 27,657 |
| | **198,009** | 162,156 |

The following is an aging analysis of bill payables at the end of the reporting period:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| 0-180 days | **19,000** | 27,657 |
| Over 180 days | **4,000** | — |
| Total | **23,000** | 27,657 |

All bill payables of the Group are with a maturity period of less than one year.

The credit period on purchase of inventories is generally 90 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| 0-30 days | **114,163** | 78,678 |
| 31-60 days | **29,585** | 22,479 |
| 61-90 days | **8,453** | 10,846 |
| Over 90 days | **22,808** | 22,496 |
| | **175,009** | 134,499 |

The carrying amounts of the Group's trade payables that were denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| U.S.$ | **24,259** | 22,270 |
| EUR | **4,115** | — |
| | **28,374** | 22,270 |

## 14. SHARE CAPITAL

Pursuant to written resolutions of the Company's shareholders passed on 16 December 2019, on 21 January 2020, the Company allotted and issued a total of 749,000,000 shares, by way of capitalisation ("**Capitalisation Issue**") of the sum of HK$7,490,000 (equivalent to RMB6,624,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company.

On 21 January 2020, the Company issued 250,000,000 new shares at HK$0.51 each upon initial public offering in an aggregate gross amount of HK$127,500,000 (equivalent to RMB112,757,000).

Details of the movement in the Company's shares are disclosed as follows:

| | Number of Shares | Amount |
|---|---|---|
| | | HK$ |
| Ordinary shares of HK$0.01 each | | |
| Authorised | | |
| At 1 January 2020, 31 December 2020 and 2021 | 10,000,000,000 | 100,000,000 |
| Issued and fully paid | | |
| At 1 January 2020 | 1,000,000 | 10,000 |
| Issue of shares upon Capitalisation Issue | 749,000,000 | 7,490,000 |
| Issue of shares upon initial public offering | 250,000,000 | 2,500,000 |
| At 31 December 2020 and 2021 | 1,000,000,000 | 10,000,000 |

| | RMB'000 |
|---|---|
| Presented as at 31 December 2021 and 2020 | 8,844 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

We are an applied chemical intermediates provider in the integrated chemical services market, which primarily engages in the production and sales of our chemicals and sales of chemicals produced by third party manufacturers based in the PRC, the Southeast Asia region, Europe and the United States (the "**US**"). With headquarters in the PRC, we offer a comprehensive product portfolio with a wide range of applications and a full spectrum of services relating to chemical intermediates supply chain through our extensive global operation and sales network, including research and development on production processes, strong product customisation capabilities, manufacturing of quality chemical products, sourcing of wide-ranging chemicals manufactured by third party manufacturers, efficient and safe logistics services and after-sales services.

Our business operation consists of four principal business segments which include polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates.

Polyurethane materials are widely used in cushion foams, interior components and other lightweight automotive parts to foster fuel and energy savings.

The two major products under our animal nutrition chemicals segment are additives commonly used in feeds for poultry and livestock, which are crucial to the downstream animal husbandry industries. Choline chloride is a complex vitamin which is added as an important nutrient in animal feeds for the acceleration of animal growth as well as a clay stabiliser used in oil and gas drilling and hydraulic fracturing while betaine can be used as dietary feeding attractants which have important physiological functions within the animal bodies and improves the growth and survival rate of fish, poultry, swine and other animals.

Under our fine chemicals segment, we mainly procure our products such as carboxylic acids, solvents, resins and oleochemicals from third party manufacturers for onward selling to our customers. Carboxylic acids are widely used in the synthesis of dyes, production of lubricants, flavours and fragrances while solvents are used in the production of cosmetics, feed additives, paint and synthesis of dyes. The major use of resins and oleochemicals involve the production of cosmetics, emulsifiers and lubricants.

We produce our own products of isooctanoic acid and diethyl sulfate at our Tai'an production plant, which are mainly used for paint drier, fungicide, preservative and pharmaceutical raw materials, and synthesis of dyes, pesticides and pharmaceutical intermediates, respectively. On the other hand, we produce our own product of cardanol at our Vietnam production plant, which is a biofuel product mainly used in coating and adhesives industries.

We also produce and sell our own pharmaceutical intermediates which are chemical compounds used in the production of active pharmaceutical ingredients, such as iodine and iodine derivatives as well as selling pharmaceutical products sourced from third party manufacturers such as cefpodoxime dispersible tablets.

During the year ended 31 December 2021, our financial performance significantly recovered from the economic downturn resulting from the outbreak of the COVID-19 pandemic in 2020, especially our business performance in the PRC. The sales volume of our self-manufactured products such as betaine, isooctanoic acid, cardanol and iodine derivatives significantly increased, mainly as a result of recovery of the PRC's economy from the outbreak of COVID-19 pandemic. Although the sales volume of our primary product, choline chloride, had decreased by approximately 18.7%, which was mainly due to reduction in overseas sales as a result of temporary suspension of our overseas downstream customers' operations, travel restriction and high logistics costs, the revenue generated form choline chloride increased by approximately 15.3% as a result of increasing average selling price and our branding strategy.

On the other hand, the market price of our third-party manufactured trading products such as methylene diphenyl diisocyanate ("**polymeric MDI**"), toluene diisocyanate ("**TDI**") and iodine maintained at a high level since the fourth quarter of 2020, leading to an increase in revenue from our third-party manufactured trading products. We also started to trade ethylene glycol, which is used as a raw material for solvents and coatings, etc.. The outstanding operating performance in the PRC outweighed the decrease in revenue from overseas sales due to the effect of the continuous outbreak of COVID-19 pandemic in Asia, Europe, the US and other western countries.

During the year ended 31 December 2021, our Group recorded a revenue of approximately RMB2,833.3 million (2020: RMB2,103.9 million), representing an increase of 34.7% as compared to last year.

The increase in revenue was mainly attributable to the increase in (i) sales of self-manufactured animal nutrition products including choline chloride and betaine in the PRC mainly due to the increasing market price of these products, which are further elaborated below; (ii) sales of chemicals produced by third parties such as polymeric MDI and TDI in our polyurethane materials segment mainly due to suspension of production facilities in Europe and the US as affected by the cold wave in first quarter of 2021, leading to a shortage of supply and hence a relative high level of market price over the year; (iii) sales of self-manufactured products such as isooctanoic acid, cardanol and iodine derivatives in the PRC due to the increasing demand from our downstream customers, which are explained below in detail; and (iv) sales of ethylene glycol, which is a new third-party manufactured trading product and used as a raw material for solvents and coatings, etc..

The net profit attributed to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB130.7 million (2020: loss attributed to owners of the Company of RMB5.2 million).

The increase in profit was mainly attributable to an increase in gross profit from approximately RMB273.3 million for the year ended 31 December 2020 to approximately RMB476.1 million for the year ended 31 December 2021 as a result of the outstanding performance of our operations in the PRC after the recovery from the outbreak of the COVID-19 pandemic, partially offset by the increase in (i) selling and distribution expenses, administrative expenses and research and development expenses due to the increasing operating scale; (ii) losses on disposals of plant and equipment of approximately RMB2.5 million (2020: nil) mainly resulting from the termination of production in our Xuzhou production plant and centralisation of our production functions in Tai'an; and (iii) finance costs from approximately RMB26.3 million to approximately RMB29.8 million due to the increase in average bank and other borrowings balance, including bank issued bill receivables discounted to banks, and loans from a related company during the year.

Details of our financial performance are further explained below.

## FINANCIAL REVIEW

### *Revenue*

The table below sets forth the breakdown of our revenue by business segments during the year ended 31 December 2021:

Total revenue by business segments

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **RMB'000** | **% of total revenue** | RMB'000 | % of total revenue |
| Polyurethane materials | **844,954** | **29.8%** | 700,293 | 33.3% |
| Animal nutrition chemicals | **952,169** | **33.6%** | 757,870 | 36.0% |
| Fine chemicals | **438,858** | **15.5%** | 212,620 | 10.1% |
| Pharmaceutical products and intermediates | **585,872** | **20.7%** | 423,319 | 20.1% |
| Sub-total | **2,821,853** | **99.6%** | 2,094,102 | 99.5% |
| Others (note) | **11,415** | **0.4%** | 9,780 | 0.5% |
| Total | **2,833,268** | **100.0%** | 2,103,882 | 100.0% |

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **RMB'000** | **% of total revenue** | RMB'000 | % of total revenue |
| Self-manufactured chemicals | **1,688,637** | **59.6%** | 1,289,912 | 61.3% |
| Chemicals produced by third parties | **1,133,216** | **40.0%** | 804,190 | 38.2% |
| Sub-total | **2,821,853** | **99.6%** | 2,094,102 | 99.5% |
| Others (note) | **11,415** | **0.4%** | 9,780 | 0.5% |
| Total | **2,833,268** | **100.0%** | 2,103,882 | 100.0% |

Note: Others primarily include revenue generated from transportation of hazardous chemicals for third parties in the PRC and other miscellaneous income.

Polyurethane materials

Our revenue generated from sales of polyurethane materials increased from approximately RMB700.3 million for the year ended 31 December 2020 to approximately RMB845.0 million for the year ended 31 December 2021, primarily due to the increase in our average selling prices of polymeric MDI and TDI, being the major products in this segment, offset by the decrease in sales volume in other products such as polymer polyether and polyurethane foam.

Our average selling prices of polymeric MDI and TDI increased from approximately RMB12,912 and RMB10,754 per tonne, respectively, for the year ended 31 December 2020 to approximately RMB17,250 and RMB12,622 per tonne, respectively, for the year ended 31 December 2021, primarily because of (i) the suspension of production of major manufacturers in Europe and the US due to the cold wave in the first quarter of 2021, leading to a shortage of supply; (ii) the temporary suspension of production of major manufacturers of TDI in the PRC for inspection and repairment in the third to fourth quarter of 2021, leading to a shortage of supply and (iii) the increase in crude oil market price in 2021.

Our sales volume of polymeric MDI and TDI changed from approximately 32,499 tonnes and 6,528 tonnes, respectively, to approximately 31,551 tonnes and 7,828 tonnes, respectively. Since the market prices of polymeric MDI and TDI maintained at a relatively high level during 2021, the demand of these products was relatively stable, i.e. there were no incentives for our downstream customers to stockpile the products. As a result, given that the supplies of polymeric MDI and TDI were stable throughout the year, the sales volume of polymeric MDI and TDI also maintained at a relatively stable level during the year.

Our sales volume of polymer polyether and polyurethane foam decreased from approximately 10,528 tonnes and 691 tonnes for the year ended 31 December 2020 to approximately 7,363 tonnes and 591 tonnes, respectively, for the year ended 31 December 2021. The decrease in sales volume was primarily due to the reduction of demand from roofing industry. In previous years, there was an increasing market demand for our polymer polyether, which was made without ozone-depleting freon, due to growing environmental awareness. However, many swine farm construction projects, which also provided demands to the roofing industry, were delayed or cancelled due to the PRC national policy, leading to a decreasing demand of polymer polyether and polyurethane foam in the market.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals increased from approximately RMB757.9 million for the year ended 31 December 2020 to approximately RMB952.2 million for the year ended 31 December 2021, primarily due to the increase in market prices of choline chloride and betaine, as well as the increase in sales volume of betaine.

During the year ended 31 December 2021, sales of choline chloride accounted for approximately 75% (2020: 85%) of our revenue under the animal nutrition chemicals segment. The revenue generated from sales of choline chloride increased from approximately RMB631.1 million for the year ended 31 December 2020 to approximately RMB727.6 million for the year ended 31 December 2021, primarily due to the increase in the market price of choline chloride during the year, partially offset by the decrease in its sales volume. Our sales volume of choline chloride decreased from approximately 151,516 tonnes for the year ended

31 December 2020 to approximately 123,158 tonnes for the year ended 31 December 2021. The decrease was mainly due to our decreasing export sales volume of choline chloride during the year as a result of the continuous outbreak of the COVID-19 pandemic in other Asia countries, Europe, the US and other western countries. Besides, the PRC energy conservation policy during the year limited the production capacity of our suppliers, leading to reduction in production scale.

On the other hand, our sales of betaine increased from approximately 16,240 tonnes for the year ended 31 December 2020 to approximately 21,512 tonnes for the year ended 31 December 2021, which was mainly due to the increase in new and sizable customers and our market share in betaine. Besides, we had explored new overseas markets such as Brazil and Indonesia during the year.

The average selling price of choline chloride and betaine increased from approximately RMB4,165 and RMB5,950 per tonne, respectively, for the year ended 31 December 2020 to approximately RMB5,908 and RMB8,975 per tonne, respectively, for the year ended 31 December 2021, primarily because of the increase in both of the production cost and our bargaining power with existing customers, who were satisfied with our integrated sale services. For betaine, the demand for our high concentration betaine products from our existing and new customers increased, leading to the increase in our average selling price of betaine.

Fine chemicals

Our revenue generated from sales of fine chemicals increased from approximately RMB212.6 million for the year ended 31 December 2020 to approximately RMB438.9 million for the year ended 31 December 2021, primarily due to (i) the increase in sales volume and average selling prices of cardanol and isooctanoic acid; and (ii) the Group started to trade ethylene glycol, which is used as a raw material for solvents and coatings, etc..

The increase in sales volume and average selling prices of cardanol and isooctanoic acid was primarily because of (i) the increase in demand from PRC downstream customers after the significant recovery of the PRC's economy from the outbreak of COVID-19 pandemic since the second half of 2020; (ii) a new market of isooctanoic acid was discovered, i.e. it is used as a catalyst in oil hydrogenation industry, leading to a significant increase in demand of isooctanoic acid; and (iii) a new market of cardanol was discovered, i.e. cardanol, being a non-toxic, environmentally friendly, degradable and renewable chemical, can replace phenol and nonylphenol as raw materials in some downstream industries.

During the year, the revenue generated from ethylene glycol, being a new third-party manufactured trading product to us, was approximately RMB111.9 million (2020: nil).

Pharmaceutical products and intermediates

Our revenue generated from sales of pharmaceutical products and intermediates increased from approximately RMB423.3 million for the year ended 31 December 2020 to approximately RMB585.9 million for the year ended 31 December 2021, primarily due to the increase in selling price and sales volume of our iodine derivatives.

The increase in sales volume of our iodine derivatives was primarily due to the increase in (i) demand from PRC downstream customers after the significant recovery of economy in the PRC from COVID-19 pandemic since the second half of 2020; and (ii) demand from our existing customers in the downstream industries, especially in the contrast agent industry, which may use potassium iodate to manufacture contrast medium in image diagnosis technology, as well as sub-processing services provided to our downstream image diagnosis industry customers. One reason for the increase in market prices of iodine and iodine derivatives was the temporary suspension of the iodine mining operation of a supplier in Chile due to a fire accident, leading to a global shortage in supply.

The table below sets forth our total sales in terms of geographical locations of our customers during the year ended 31 December 2021:

Total revenue by geographical locations

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **RMB'000** | **% of total revenue** | RMB'000 | % of total revenue |
| PRC | **2,307,975** | **81.5%** | 1,631,984 | 77.6% |
| Europe | **220,659** | **7.8%** | 194,132 | 9.2% |
| Other countries in Asia (excluding the PRC and Vietnam) | **108,047** | **3.8%** | 78,487 | 3.7% |
| Vietnam | **85,238** | **3.0%** | 115,181 | 5.5% |
| Others | **111,349** | **3.9%** | 84,098 | 4.0% |
| Total | **2,833,268** | **100.0%** | 2,103,882 | 100.0% |

Our revenue derived from the PRC contributed approximately 77.6% and 81.5% for the years ended 31 December 2020 and 2021, respectively. Given that the revenue derived from the PRC constitutes a substantial portion of our total revenue, the fluctuations in revenue from sales in the PRC for our business segments of polyurethane materials, fine chemicals, animal nutrition chemicals and pharmaceutical products and intermediates were in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Europe increased from approximately RMB194.1 million for the year ended 31 December 2020 to approximately RMB220.7 million for the year ended 31 December 2021, primarily due to the increase in sales of (i) our polyurethane materials in Russia and Ukraine as a result of increasing market prices as described above; and (ii) pharmaceutical products and intermediates, mainly representing sales of iodine derivatives used in production of feeds in Russia, Belgium and Spain, partially offset by the decrease in sales of animal nutrition chemicals, especially in Russia, France and Spain, mainly due to the decrease in overseas sales of choline chloride as a result of the continuous outbreak of COVID-19 in overseas countries as mentioned above.

Our revenue derived from Asia (excluding the PRC and Vietnam) and Others increased from approximately RMB78.5 million and RMB84.1 million, respectively, for the year ended 31 December 2020 to RMB108.0 million and RMB111.3 million, respectively, for the year ended 31 December 2021, primarily resulted from the increase in revenue from sales of animal nutrition chemical due to sales to new customers, as well as the increase in global market price of choline chloride.

Our revenue derived from Vietnam decreased from approximately RMB115.2 million for the year ended 31 December 2020 to approximately RMB85.2 million for the year ended 31 December 2021, primarily resulted from the decrease in revenue from sales of polyurethane materials due to the continuous outbreak of COVID-19 in overeseas countries as mentioned above.

***Cost of sales***

Our cost of sales comprises mainly of cost of raw materials and inventories, staff costs, manufacturing overheads, depreciation and others. Cost of raw materials and inventories is our main cost of sales. Staff costs mainly comprise salaries, wages and social insurance costs for those who are directly involved in the production and the management team of the production plants.

Our cost of raw materials and inventories increased from approximately RMB1,729.5 million for the year ended 31 December 2020 to approximately RMB2,225.6 million for the year ended 31 December 2021. The increase in our cost of raw materials and inventory was mainly driven by the increase in cost incurred in fine chemicals segment and polyurethane materials segment as a result of increasing sales volume of the third-party manufactured products in these segments.

***Gross profit and gross profit margin***

The table below sets forth a breakdown of gross profit and gross profit margin by business segments during the year ended 31 December 2021:

Total gross profit by business segments

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | | **Gross profit** | | Gross profit |
| | **RMB'000** | **margin %** | RMB'000 | margin % |
| Polyurethane materials | **49,118** | **5.8%** | 86,298 | 12.3% |
| Animal nutrition chemicals | **248,382** | **26.1%** | 124,414 | 16.4% |
| Fine chemicals | **58,329** | **13.3%** | 17,074 | 8.0% |
| Pharmaceutical products and intermediates | **119,094** | **20.3%** | 44,360 | 10.5% |
| Others | **1,192** | **10.4%** | 1,124 | 11.5% |
| Total | **476,115** | **16.8%** | 273,270 | 13.0% |

Our gross profit increased from approximately RMB273.3 million for the year ended 31 December 2020 to approximately RMB476.1 million for the year ended 31 December 2021. Our overall gross profit margin increased from 13.0% for the year ended 31 December 2020 to approximately 16.8% for the year ended 31 December 2021, which was mainly due to the increase in gross profit and gross profit margin derived from (i) the gross profit margin of our animal nutrition chemicals segment, which generated the highest gross profit margin among all segments in both periods, as a result of our increasing bargaining power in the purchase of raw materials as well as sales of our products; (ii) the sales of our self-manufactured products in the fine chemicals segment such as isooctanoic acid and cardanol, which also generated high gross profit margin when compared to other third-party manufactured products; (iii) the sales of our self-manufactured iodine derivatives as mentioned above, which also generated high gross profit margin when compared to other third-party manufactured products, especially our sub-processing services on potassium iodate provided to our downstream image diagnosis industry customers; and (iv) the gross profit margin of iodine as a result of unstable global supply due to the fire accident in Chile's iodine plant. The result was partially offset by the decrease in gross profit and gross profit margin derived from our polyurethane materials segment as the market prices of our major products maintained at a relatively high level during the whole year, leading to a narrower gap between the procurement price and selling price and hence a lower gross profit.

***Other income***

Our other income primarily comprises gross rental income, one-off and unconditional subsidies from the relevant government authority in relation to the Group's contribution in the local district, subsidy in relation to the COVID-19 pandemic, successful listing (the "**Listing**") of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), bank interest income and interest income on loan receivable. It increased from approximately RMB7.6 million for the year ended 31 December 2020 to RMB15.0 million for the year ended 31 December 2021, respectively. The increase in our other income was mainly due to the increase in (i) bank interest income from approximately RMB3.3 million to approximately RMB5.7 million derived from increasing average restricted bank deposits and bank balances during the year; and (ii) government grants from approximately RMB4.0 million to approximately RMB8.5 million mainly related to government subsidy related to our successful Listing.

***Other gains and losses***

Our other gains and losses primarily comprise (i) net exchange gains or losses which primarily arose from appreciation or depreciation of United States dollar ("**US$**") against Renminbi ("**RMB**") as the functional currency of our subsidiaries in the PRC is RMB while their export sales to customers and purchases from overseas suppliers were mainly settled in US$; (ii) losses on disposals of plant and equipment; and (iii) net gains or losses arising from fair value changes on derivative financial instruments and financial asset at fair value through profit or loss ("**FVTPL**"). Our Group recorded net other losses of approximately RMB16.7 million for the year ended 31 December 2020 and net other losses of approximately RMB8.8 million for the year ended 31 December 2021, respectively. Such decrease in loss in our net other gains and losses was mainly because of a net exchange loss of approximately RMB15.7 million recorded for the year ended 31 December 2020 whereas a net exchange loss of approximately RMB5.4 million was recorded for the year ended 31 December 2021, as a result of the decreasing magnitude of depreciation of US$ against RMB during the year ended 31 December 2021, partially offset by increase in losses on disposals of plant and equipment of approximately RMB2.5 million as a result of the termination of production in our Xuzhou production plant and centralisation of our production functions in Tai'an.

*Selling and distribution expenses*

Our selling and distribution expenses primarily comprise transportation costs, staff remuneration for our sales and marketing team, port charges, storage costs, material costs for export and packaging materials and insurance costs.

Our selling and distribution expenses increased from approximately RMB117.2 million for the year ended 31 December 2020 to approximately RMB143.2 million for the year ended 31 December 2021. The increase in our selling and distribution expenses was primarily due to increase in logistic costs (including transportation, port charges and shipment costs), which was in line with the increase in our sales volume of fine chemical segment and pharmaceutical products and intermediates segment during the year.

*Administrative expenses*

Administrative expenses primarily comprise staff costs including salary, social insurance costs and provident funds for our staff (other than the staff who are directly involved in the production, the management team of the production plants and the sales and marketing team), entertainment expenses, travelling expenses, rent, depreciation and amortisation of leasehold improvements, office equipment and motor vehicle, safety costs, office expenses, repair expenses, and environmental protection costs in relation to implementation of safety and environmental protection measures and others.

Our administrative expenses increased from approximately RMB83.0 million for the year ended 31 December 2020 to approximately RMB102.6 million for the year ended 31 December 2021. The increase in our administrative expenses was primarily due to increases in our staff costs resulted from (i) the severance payment for staff upon the close down of our Xuzhou production factory; (ii) increase in staff bonus due to the outstanding operation performance; and (iii) increase in basic salary of Tai'an factory staff during the year.

### *Research and development expenses*

Research and development expenses primarily comprise raw materials consumed for conducting research and development activities, staff costs and social insurance costs for our research and development personnel, electricity expenses, depreciation of our research center, hardware supplies and transportation cost of raw materials for conducting research and development.

Research and development expenses comprise all costs that are directly attributable to our research and development activities. Because of the nature of our research and development activities which mainly aimed to develop production equipment and method for improving our own production efficiency and it is difficult to assess the probable future economic benefits in research phase of a project, the criteria for recognition of such costs as an asset are not met. As such, our research and development costs are generally recognised as expenses in the period in which they are incurred.

Our research and development expenses increased from approximately RMB43.3 million for the year ended 31 December 2020 to approximately RMB59.2 million for the year ended 31 December 2021. The increase in our research and development expenses was primarily due to an increase in (i) cost of raw materials of approximately RMB4.7 million because of the increase in cost of raw materials used for technological enhancement of (a) choline chloride due to the increasing trials for carrier screening and proportioning research; and (b) polyurethane materials for the research on application of polyurethane rigid foam spraying; and (ii) consultancy fee paid to independent third parties of approximately RMB6.4 million for new potential pharmaceutical products. Besides, the staff costs, electricity expenses and depreciation in relation to our research and development also increased proportionately.

### *Finance costs*

Finance costs represent interest on bank and other borrowings and loans from a related company, discounted bills and lease liabilities.

Our finance costs increased from approximately RMB26.3 million for the year ended 31 December 2020 to approximately RMB29.8 million for the year ended 31 December 2021. The increase in our finance costs was primarily due to an increase in the interest on our bank and other borrowings and loans from a related company from approximately RMB22.1 million for the year ended 31 December 2020 to approximately RMB27.4 million for the year ended 31 December 2021 as a result of the increase in the interest-bearing bank and other borrowings and loans from a related company from approximately RMB562.9 million as at year ended 31 December 2020 to approximately RMB691.2 million as at 31 December 2021, partially offset by a decrease in the interest on our discounted bills from approximately RMB3.7 million for the year ended 31 December 2020 to approximately RMB2.0 million for the year ended 31 December 2021 resulting from decrease in discounting of the bank issued bill receivables to banks during the year ended 31 December 2021, and the carrying amount of bill receivables were the same as the carrying amounts of associated liabilities, i.e. borrowings.

***Income tax expenses***

Our income tax expenses increased from an income tax credit of approximately RMB1.5 million for the year ended 31 December 2020 to an income tax expense of approximately RMB15.3 million for the year ended 31 December 2021. The increase in our income tax expenses was mainly due to the increase in our current tax expense, which is in line with the increase in our profit before taxation.

Our effective tax rate was approximately 10.5% for the year ended 31 December 2021. The effective tax rate was lower than the applicable tax rate in PRC of 25% under the Enterprise Income Tax Laws and Implementation Regulations of the Law of the PRC mainly because (i) Taian Havay Group Co., Ltd., as a High and New Technology Enterprise, enjoyed a tax rate of 15%; and (ii) additional deduction of research and development expenses amounting to RMB14.2 million was granted to Taian Havay Group Co., Ltd..

***Profit (loss) for the year***

As a result of the foregoing, we recorded a profit for the year of approximately RMB130.7 million for the year ended 31 December 2021, comparing to a loss for the year of approximately RMB5.2 million for the year ended 31 December 2020, as a combined result of the above fluctuations.

**PROSPECTS**

The Group is establishing a new production plant in the western region from our existing Tai'an production plant at the Tai'an Daiyue Chemical Industrial Park (泰安岱岳化工產業園) as part of our expansion plan. The new production plant is expected to consist of certain production facilities for (i) the production of trimethylamine, which is the key raw material for the production of choline chloride and betaine; and (ii) the construction of a pilot plant for manufacturing various pharmaceutical intermediates, including methyl iodide, IPBC and moxifloxacin side chain. We believe that our expansion to produce trimethylamine at the new production plant will enable us to capitalise on the market consolidation opportunities brought about by the challenging market conditions and absorb the market share from other competitors. The establishment of pilot plant for manufacturing various pharmaceutical intermediates enables the Group to utilise a small-scale production system to practically test and validate the production technologies of our new pharmaceutical intermediate products which were developed by our research and development team, before scaling up to a full-scale production.

Upon the outbreak of the COVID-19 since the latter half of January 2020, there had been a significant negative impact on the global and the PRC's economy which had/will continue to have an adverse effect on our business. Especially after the global outbreak of COVID-19 since the second quarter in 2020, the demands of our animal nutrition chemicals products in Europe and America had further reduced in 2021. Besides, the international relations between the PRC and the US is unpredictable. How the Trade War develops may further affect our current sales market in the western countries. In February 2022, Russia's invasion of Ukraine led to the temporary suspension of the Group's trading activities in Ukraine, the operation of the Group's subsidiaries in Ukraine were significantly impacted. In addition, the Company stopped the trading activities in Russia voluntarily under the current circumstances. The Russia-Ukraine war and sanctions against Russia will further impact our operation in eastern Europe.

In the opinion of the Board, the impact of the COVID-19 outbreak and the drastic changes in international situation to the Group is still uncertain up to the date of this announcement. The Directors will remain alert to the development of the pandemic and take measures as appropriate.

**CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bank and other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issuance of debts and repayment of existing borrowings. The Group's overall strategy remained unchanged throughout the year.

During the year, the Group's working capital was financed by both internal resources and borrowings.

As at 31 December 2021, the Group's total assets and bank balances and cash amounted to approximately RMB1,367.3 million (2020: RMB1,021.7 million) and RMB58.0 million (2020: RMB61.9 million), respectively. The bank balances and cash were mainly denominated in RMB and US$.

As at 31 December 2021, the borrowings (including loans from a related company) were approximately RMB691.2 million (2020: RMB562.9 million). As at 31 December 2021, borrowings amounting to approximately RMB671.2 million (2020: RMB542.9 million) are carried at fixed interest rates ranging from 0% to 8.0% (2020: from 0% to 8.6%) per annum and repayable from 2022 to 2050 (2020: from 2021 to 2050), borrowings amounting to approximately RMB20.0 million (2020: RMB20.0 million) are carried at variable interest rates ranging from 4.4% to 5.7 % (2020: from 4.7% to 5.7%) per annum and repayable in 2022 (2020: repayable in 2021).

The gearing ratio of the Group, which was calculated by dividing the total external borrowings by total equity as at the end of the year and multiplied by 100%, is 203.8% (2020: 273.9%). The decreasing gearing ratio of the Group was mainly due to the increasing profit generated by the Group during the year.

In the current year, the Group applied the agenda decision of the IFRS Interpretation Committee in relation to supply chain financing arrangements. For the year ended 31 December 2021, the net cash from operating activities would be RMB67,202,000 and the net cash from financing activities would be RMB95,258,000, if the Group has not changed the accounting policies.

## USE OF PROCEEDS FROM GLOBAL OFFERING

On 21 January 2020 (the "**Listing Date**"), the Company issued 250,000,000 Shares at an offer price of HK$0.51 per Share of a par value of HK$0.01 each on the Main Board of the Stock Exchange by global offering (the "**Global Offering**") upon our successful Listing.

The net proceeds from the Global Offering (after deducting the underwriting fees, commissions and Listing-related expenses in connection with the Global Offering) amounted to approximately HK$65.9 million. The net proceeds will be applied in the following manner:

(i) approximately 17.2%, or HK$11.3 million, will be used on the initial establishment of the new production plant at the western region from our existing Tai'an production plant (the "**New Production Plant**"), which will consist of production facilities for the production of trimethylamine and a pilot plant for manufacturing pharmaceutical intermediates, respectively;

(ii) approximately 60.4%, or HK$39.8 million, will be used to construct production facilities at the New Production Plant for manufacturing trimethylamine, which is the principal raw material used to produce choline chloride and betaine;

(iii) approximately 10.2%, or HK$6.7 million, will be used on the construction of a pilot plant at the New Production Plant for small batch production of various types of pharmaceutical intermediates;

(iv) approximately 2.2%, or HK$1.5 million, will be used on the research and development process of our new pharmaceutical product, moxifloxacin hydrochloride tablets, by which we plan to engage a pharmaceutical company, which is an independent third party to the Group, to conduct clinical trials on moxifloxacin hydrochloride tablets including preliminary and formal bioequivalence testings, raw materials purchase, sample preparation and other miscellaneous costs;

(v) approximately 0.8%, or HK$0.5 million, will be used on purchasing hardware and software for upgrading our existing financial and accounting management system, which will support the operation of our current office automation system; and

(vi) approximately 9.2%, or HK$6.1 million, will be used as working capital and other general corporate purposes.

Since the Listing Date and up to 31 December 2021, the net proceeds from the Listing had been applied as follows:

| Business objective as stated in the Prospectus | Percentage of total net proceeds | Planned use of net proceeds HK$'million | Planned use of net proceeds RMB'million | Actual use of net proceeds during the period from the Listing Date to 31 December 2021 RMB'million | Proceeds unused as at 31 December 2021 RMB'million | Planned timeline as stated in the Prospectus | Expected timeline |
|---|---|---|---|---|---|---|---|
| Initial establishment of the New Production Plant | 17.2% | 11.3 | 10.1 | 10.1 | 0.0 | Complete in the second half of 2020 | Complete in the second half of 2022 |
| Construction of production facilities at the New Production Plant for the production of trimethylamine | 60.4% | 39.8 | 35.4 | 12.8 | 22.6 | Complete in the second half of 2021 | Complete in the second half of 2022 |
| Construction of pilot plant at the New Production Plant for the production of pharmaceutical intermediates | 10.2% | 6.7 | 6.0 | 5.5 | 0.5 | Complete in the second half of 2021 | Complete in the second half of 2022 |
| Research and development on moxifloxacin hydrochloride tablets | 2.2% | 1.5 | 1.3 | 0.0 | 1.3 | Complete in the second half of 2020 | Complete in the second half of 2022 |
| Upgrade of the financial and accounting management system | 0.8% | 0.5 | 0.4 | 0.0 | 0.4 | Complete in the second half of 2020 | Complete in the second half of 2022 |
| General working capital | 9.2% | 6.1 | 5.4 | 5.4 | 0.0 | N/A | N/A |
| Total | 100.0% | 65.9 | 58.6 | 33.8 | 24.8 | | |

As at the date of this announcement, the Group had entered into several construction contracts with constructors regarding the establishment of the New Production Plant and the construction works had been kicked-off during the year ended 31 December 2021 (details of the Group's capital commitment disclosed in section headed "Capital Commitment" below).

The Board considers that the execution of the Group's expansion plans of establishment of the New Production Plant had been/will be impeded by the postponed resumption of normal operation of constructors with the impact of the recent outbreak of the COVID-19. Such postponement of the basic infrastructure construction schedule will also lead to delay in use of proceeds on purchase and installation of ancillary facilities, utilities system and major machinery and equipment.

Besides, as announced by the National Joint Office of Centralized Procurement of Drugs (全國藥品集中採購聯合辦公室), one of our competitors won the bid of moxifloxacin hydrochloride tablets in several provinces at a unit price lower than our estimated cost of production, i.e. this competitor will supply moxifloxacin hydrochloride tablets at the bid price to the hospitals in these provinces. In order to compete with this competitor, the management will study and develop the pharmaceutical intermediates used in production of moxifloxacin hydrochloride tablets, which is expected to be developed in our pilot plant at the New Production Plant for the production of pharmaceutical intermediates. As a result, use of proceeds on development on moxifloxacin hydrochloride tablets was delayed. The management considers that the research and development on moxifloxacin hydrochloride tablets will be completed after the construction of our pilot plant for the production of pharmaceutical intermediates. As at 31 December 2021, contracts with a total amount of approximately RMB4.9 million were signed in relation to the purchase of machinery and equipment for the production of the pharmaceutical intermediates used in production of moxifloxacin hydrochloride tablets, which will be developed in our pilot plant at the New Production Plant in the future.

The unexpected disruption as a result of the outbreak of the COVID-19 not only increases the uncertainty on the timing of availability of production facilities and causes the earmarked fund for payments to be left idle, but also increases the overall risk profile of the project. The Board will remain alert to the development of the pandemic and maintain an appropriate pace of the development plans based on the latest situation.

Save as disclosed above, the Directors are not aware of any material change or delay in the planned use of proceeds. As at the date of this announcement, there were no changes of business plan from that disclosed in the Prospectus. The unutilized portion of the net proceeds of RMB24.8 million were placed in licensed banks in the PRC.

## PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties including market risk (currency risk and interest rate risk), credit risk and liquidity risk.

### *Currency risk*

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses incurred in the PRC were denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the Renminbi. The appreciation or devaluation of Renminbi against US$ may have impact on the operating results of the Group.

The Group's financial assets and liabilities are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### *Interest Rate Risk*

The Group is exposed to fair value interest rate risk for certain financial assets, financial liabilities and lease liabilities, which carried interests at fixed interest rates.

The Group is also exposed to cash flow interest rate risk for its interest bearing financial liabilities and certain of its interest bearing financial assets, which carried interests at variable interest rates.

The Group currently does not have an interest rate hedging policy. The management monitors interest rate risk exposure and will consider hedging significant interest rate exposure should the need arises. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

***Credit Risk***

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group currently performs impairment assessment under expected credit loss model upon the application of IFRS 9 on trade receivables. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on bill receivables at fair value through other comprehensive income are limited as those bills are issued by banks with high credit ratings assigned by international credit-rating agencies and no history of default in the past, thus no loss allowance provision for bills was recognised during the year.

For other receivables, rental deposits and finance lease receivable, Directors make periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and also available and supportive forward looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of other receivable, rental deposits and finance lease receivable.

The Group has concentration of credit risk on bank balances and restricted bank deposits which are deposited with several banks. However, the credit risk on bank balances and restricted bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies, and expected credit loss is insignificant.

The credit risk on loan receivable is limited because the counterparty is a state-owned entity with high reputation. The management is of the opinion that the average loss rate is insignificant, thus no loss allowance provision is recognised for the year ended 31 December 2021.

Except for loan receivable, the Group has no significant concentration of credit risk on trade and bill receivables and other receivables, with exposure spread over a large number of counterparties and customers.

***Liquidity Risk***

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

## TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and US$. The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB and certain overseas sales income were denominated in US$ and other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

## CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment and construction in progress in our operations amounting to approximately RMB217.3 million (2020: RMB93.2 million).

## CAPITAL COMMITMENT

As at 31 December 2021, the Group had a capital commitment of approximately RMB19.9 million (2020: RMB34.1 million). The capital commitments primarily related to the establishment of the New Production Plant and purchase of machinery and equipment for existing usage. We intend to fund these commitments with cash generated from our operations, bank and other borrowings and proceeds from the Global Offering.

## PLEDGE OF ASSETS

As at 31 December 2021, save as (i) restricted bank deposits of approximately RMB111.5 million (2020: RMB172.4 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB45.3 million and RMB54.0 million respectively (2020: right-of-use assets and property, plant and equipment of approximately RMB46.3 million and RMB45.8 million respectively); (iii) bill receivables at fair value through other comprehensive income of approximately RMB76.6 million (2020: RMB42.8 million); (iv) bank balance and cash of approximately RMB1.2 million (2020: RMB0.7 million); (v) inventories of approximately RMB5.2 million (2020: RMB5.0 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB0.3 million (2020: RMB2.8 million) to secure the borrowings, the Group did not pledge any other assets.

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

## DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 873 (2020: 890) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB97.8 million (2020: RMB82.4 million) for the year ended 31 December 2021.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as the individual's performance. Other major staff benefits include contributions to defined contribution retirement benefit plan, Hong Kong's Mandatory Provident Fund Scheme and the state-managed retirement benefit schemes.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 16 December 2019 where options to subscribe for Shares may be granted to the Directors and employees of the Group.

## SIGNIFICANT INVESTMENTS

During the year ended 31 December 2021, the Group did not hold any significant investment or capital assets (2020: Nil).

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURES

Save as disclosed in the Prospectus and in the section headed "Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures" below, the Group did not have any plans for material investments or capital assets in the coming year.

The Group will finance the future acquisitions through internally generated funds and other fund-raising activities, including but not limited to issue of new debts or equity instruments.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group has not acquired nor disposed of any of its material subsidiaries during the year ended 31 December 2021.

## EVENTS AFTER REPORTING PERIOD

In February 2022, Russia's invasion of Ukraine led to the temporary suspension of the Group's trading activities in Ukraine, the operation of the Group's subsidiaries in Ukraine were significantly impacted. In addition, the Company stopped the trading activities in Russia voluntarily under the current circumstances. These subsidiaries do not contribute significantly to the Group's financial performance, however, as at the date of this announcement, the ultimate financial impacts of the Russia-Ukraine war and sanctions against Russia are still unpredictable. Management will remain alert to the development of the international situation and take measures as appropriate.

## AUDIT COMMITTEE AND REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems, including, among others, material risks relating to environmental, social and governance, of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Ms. Zheng Qing (chairlady), Mr. Sun Hongbin and Mr. Wang Guangji.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2021 with the management and the Company's external auditor, Deloitte Touche Tohmatsu.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the annual results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, in the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the annual results announcement.

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

The Company was listed on the Stock Exchange on 21 January 2020 (the "**Listing Date**"). None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021 and up to the date of this announcement.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors had interests in business which competes or may compete with the Group's business.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding the dealings in securities of the Company by the Directors during the year ended 31 December 2021. Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code during the year ended 31 December 2021.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules during the year ended 31 December 2021. During the year ended 31 December 2021, the Company has complied with all the Code Provisions of the CG Code, save and except for the code provision C.2.1. Details of the deviation from the Code Provision C.2.1 are explained in the section "Chairman and Chief Executive Officer" below. The Board is committed to complying with the principles of the CG Code contained in the Appendix 14 to the Listing Rules. The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders. The Board will continue to review and enhance its corporate governance practice to ensure compliance with the CG Code, and make necessary changes as appropriate.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision C.2.1 of the CG Code, the roles of the Chairman of the Board and chief executive officer of the Company should be separated and should not be performed by the same individual. During the year ended 31 December 2021, the Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Yin Yanbin was the Chairman of the Board and also the Chief Executive Officer of the Company responsible for overseeing the operations of the Group during year. The Board believes that vesting the roles of both the Chairman of the Board and the Chief Executive Officer of the Company in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

## ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on Wednesday, 25 May 2022, the notice of which shall be sent to the Shareholders in accordance with the articles of association of the Company, the Listing Rules and other applicable laws and regulations.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM scheduled to be held on Wednesday, 25 May 2022, the register of members of the Company will be closed from Friday, 20 May 2022 to Wednesday, 25 May 2022, both days inclusive, during which period no transfer of Shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 19 May 2022 (Hong Kong time).

## COMMUNICATION WITH SHAREHOLDERS

The Board recognised the importance of maintaining a clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognised that effective communication with the Company's investors is critical in establishing investor confidence and to attract new investors. Therefore, the Shareholders' Communication Policy of the Company is committed to maintaining a high degree of transparency to ensure the Shareholders and the investors of the Company will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the website of the Company.

## PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.goldenhighway.com.

By order of the Board
**GHW International**
**Yin Yanbin**
*Chairman and Chief Executive Officer*

Hong Kong, 25 March 2022

*As at the date of this announcement, the Board comprises Mr. Yin Yanbin, Mr. Zhuang Zhaohui, Mr. Chen Zhaohui, Mr. Zhou Chunnian, Mr. Chen Hua and Mr. Diao Cheng as executive Directors, and Mr. Sun Hongbin, Mr. Wang Guangji and Ms. Zheng Qing as independent non-executive Directors.*