GHW International

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9933)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2023, revenue of the Group amounted to approximately RMB3,217.7 million, representing a decrease of approximately RMB161.0 million or 4.8% comparing with the corresponding period in 2022.
- For the year ended 31 December 2023, gross profit of the Group amounted to approximately RMB337.0 million, representing a decrease of approximately RMB320.9 million or 48.8% comparing with the corresponding period in 2022.
- For the year ended 31 December 2023, net profit of the Group amounted to approximately RMB2.7 million, representing a decrease of approximately RMB271.9 million or 99.0% comparing with the corresponding period in 2022.
- For the year ended 31 December 2023, basic earnings per share of the Group amounted to approximately RMB0.003, representing a decrease of approximately RMB0.272 or 98.9% comparing with the corresponding period in 2022.
- The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2023.

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 2023 together with the comparative figures for the year ended 31 December 2022 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	RMB'000
Revenue	4	**3,217,669**	3,378,707
Cost of sales		**(2,880,689)**	(2,720,807)
Gross profit		**336,980**	657,900
Other income	5	**21,351**	13,099
Other gains and losses	6	**2,663**	8,788
Impairment losses reversal (recognised) under expected credit loss model, net of reversal		**4,058**	(1,131)
Selling and distribution expenses		**(132,815)**	(151,846)
Administrative expenses		**(123,508)**	(104,504)
Research and development expenses		**(75,241)**	(77,290)
Finance costs	7	**(39,207)**	(36,988)
Share of results of associates		**(1,067)**	—
(Loss) profit before taxation	8	**(6,786)**	308,028
Taxation	9	**9,510**	(33,401)
Profit for the year		**2,724**	274,627

	Notes	**2023**	2022
		RMB’000	RMB’000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(878)**	(10,776)
Fair value (loss) gain on bill receivables at fair value through other comprehensive income (“**FVTOCI**”)		**(19)**	58
Income tax relating to an item that may be reclassified subsequently to profit or loss		**(9)**	3
Other comprehensive expense for the year, net of income tax		**(906)**	(10,715)
Total comprehensive income for the year		**1,818**	263,912
Profit for the year attributable to owners of the Company		**2,724**	274,627
Total comprehensive income attributable to owners of the Company		**1,818**	263,912
Earnings per share			
– Basic (RMB per share)	11	**0.003**	0.275
– Diluted (RMB per share)	11	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023**	2022
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**779,251**	690,323
Right-of-use assets		**50,299**	52,062
Interest in associates		**—**	—
Rental deposits		**829**	643
Deferred tax assets		**5,499**	254
Loan receivable		**16,664**	16,064
Deposits for acquisition of land use right		**—**	9,994
		852,542	769,340
Current assets			
Inventories		**340,115**	359,140
Trade receivables	12	**223,973**	219,351
Bill receivables at FVTOCl	13	**100,848**	100,340
Other receivables and prepayments		**109,701**	84,983
Tax recoverable		**1,467**	7,973
Financial asset at fair value through profit or loss ("**FVTPL**")		**448**	113
Derivative financial instruments		**—**	275
Amount due from an associate		**5,471**	—
Restricted bank deposits		**30,404**	33,935
Cash and cash equivalents		**77,393**	103,183
		889,820	909,293

	Notes	**2023**	2022
		RMB'000	RMB'000
Current liabilities			
Trade and bill payables	14	**274,965**	255,966
Other payables and accrued charges		**105,328**	93,508
Lease liabilities		**4,774**	4,881
Contract liabilities		**25,581**	24,848
Tax liabilities		**1,923**	5,447
Loans from related companies		**—**	81,750
Borrowings		**471,909**	313,926
		884,480	780,326
Net current assets		**5,340**	128,967
Total assets less current liabilities		**857,882**	898,307
Non-current liabilities			
Other payables		**8,128**	—
Borrowings		**158,148**	260,183
Loans from related companies		**81,600**	—
Lease liabilities		**1,890**	2,692
Deferred tax liabilities		**26,699**	32,812
		276,465	295,687
Net assets		**581,417**	602,620
Capital and reserves			
Share capital	15	**8,844**	8,844
Reserves		**572,573**	593,776
Total equity		**581,417**	602,620

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 ("**Share(s)**") 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, 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 NEW AND REVISED IFRSs

In the current year, the Group has adopted all the new and revised IFRSs issued by IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise IFRS; International Accounting Standards ("**IAS**"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the consolidated financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

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

	2023	2022
	RMB'000	RMB'000
Types of goods		
Animal nutrition	**1,059,706**	1,180,366
Medicine	**734,352**	754,048
Fine chemicals	**720,607**	732,114
Polyurethane materials	**689,579**	698,839
Others	**13,425**	13,340
	3,217,669	3,378,707
Timing of revenue recognition		
A point in time	**3,217,669**	3,378,707

The Group's revenue is 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**	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
The mainland of China	**2,524,520**	2,782,741	**742,836**	669,541
Europe	**296,219**	283,504	**487**	550
Vietnam	**87,321**	61,389	**75,037**	63,353
Other countries in Asia (excluding the mainland of China and Vietnam)	**152,777**	122,817	**10,915**	8,771
Other	**156,832**	128,256	**275**	170
	3,217,669	3,378,707	**829,550**	742,385

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

	2023	2022
	RMB'000	RMB'000
Government grants (note i)	**6,989**	7,704
Value-added tax ("**VAT**") additional deduction benefits (note ii)	**11,386**	—
Bank interest income	**1,716**	4,314
Interest income on loan receivable	**600**	600
Others	**660**	481
	21,351	13,099

Notes:

(i) The relevant government authority granted one-off and unconditional subsidies to the Group amounting to RMB6,989,000 (2022: RMB7,697,000) and nil (2022: RMB7,000) 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 received.

(ii) Under the China Unveils End-of-Period VAT Credit Refund Policy for Advanced Manufacturing Sector, advanced manufacturing industry taxpayers are now entitled to additional 5% input VAT deduction with output VAT. One of the subsidiaries of the Group is benefited from this policy approximately RMB11,386,000 for the year (2022: nil).

6. OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	RMB'000
Net exchange gains	**904**	15,256
Gains (losses) on disposals of plant and equipment	**719**	(9,141)
Write-off of long aging payable	**—**	1,540
Fair value changes on financial assets at FVTPL	**(38)**	317
Fair value changes on derivative financial instruments-commodity derivative contracts (note)	**(248)**	448
Others	**1,326**	368
	2,663	8,788

Note: During the year ended 31 December 2023, amount represented realised losses of RMB248,000 (2022: gains of RMB649,000) and unrealised losses of nil (2022: RMB201,000) arising on changes in fair value of commodity derivative contracts.

7. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
Interest on borrowings	**32,102**	30,198
Interest on discounted bills	**3,392**	3,180
Interest on loans from related companies	**3,343**	3,182
Interest on lease liabilities	**370**	428
	39,207	36,988

8. (LOSS) PROFIT BEFORE TAXATION

	2023	2022
	RMB'000	RMB'000
(Loss) profit before taxation has been arrived at after charging:		
Auditors' remuneration	**2,021**	2,299
Cost of inventories recognised as expenses	**2,883,997**	2,718,159
Depreciation of property, plant and equipment	**63,519**	41,015
Depreciation of right-of-use assets	**6,004**	5,427
Total depreciation	**69,523**	46,442
Capitalised as cost of inventories manufactured	**(55,648)**	(34,709)
	13,875	11,733
Directors' remuneration	**4,460**	5,704
Other staff costs		
Salaries and other benefits	**113,202**	99,110
Retirement benefits	**18,116**	13,192
Total staff costs	**135,778**	118,006
Research and development costs recognised as an expense	**75,241**	77,290
(Reversal of) write-down of inventories, net of reversal (note)	**(3,308)**	2,648

Note: During the year ended 31 December 2023, some defective inventories became reusable after processing by the Group and thus a reversal of write-down of inventories of RMB3,308,000 was provided.

9. 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, 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 People's Republic of China (the "**PRC**") (the "**PRC EIT Law**"), the applicable tax rate of subsidiaries in the mainland of China is 25% for both years.

In 2016, Taian Havay Group Co., Ltd. was recognised as a High and New Technology Enterprise and enjoyed a tax rate of 15% since 2016, and further extended for another two three-year respectively in 2019 and 2022, according to the PRC EIT Law.

Certain subsidiaries in the mainland of China were qualified as small low-profit enterprises and enjoyed a preferential tax rate of 20% (2022: 20%) with 75% (2022: 87.5%) reduction for the first RMB1 million of annual taxable income and 75% (2022: 75%) reduction for the above RMB1 million but below RMB3 million of annual taxable income during the year ended 31 December 2023.

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

	2023	2022
	RMB'000	RMB'000
Current tax	**1,831**	7,947
Under provision in prior years	**27**	139
	1,858	8,086
Deferred tax	**(11,368)**	25,315
Total	**(9,510)**	33,401

10. DIVIDENDS

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.

11. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	RMB'000
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share attributable to owners of the Company	**2,724**	274,627

	2023	2022
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share (note)	**974,759**	1,000,000

Note: Tricor Trust (Hong Kong) Limited, being the trustee of the Company's share award plan, repurchased 50,900,000 shares of the Company during the year ended 31 December 2023.

No diluted earnings per share for 2023 and 2022 was presented as there were no potential ordinary shares in issue.

12. TRADE RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	**229,237**	228,667
Less: allowance for credit losses	**(5,264)**	(9,316)
	223,973	219,351

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB217,180,000, net of allowance for credit losses of RMB9,018,000.

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:

	2023	2022
	RMB'000	RMB'000
0-30 days	**135,651**	148,390
31-60 days	**62,561**	39,749
61-90 days	**14,519**	18,285
Over 90 days	**11,242**	12,927
	223,973	219,351

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 2023, carrying amount of trade receivables amounted to RMB2,398,000 (2022: RMB2,628,000) have been pledged as security for the Group's borrowings.

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:

	2023	2022
	RMB'000	RMB'000
Denominated in United States dollars ("**U.S.$**")	**42,327**	25,098

13. BILL RECEIVABLES AT FVTOCI

	2023	2022
	RMB'000	RMB'000
Bill receivables at FVTOCl	**100,848**	100,340

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:

	2023	2022
	RMB'000	RMB'000
0-180 days	**100,848**	100,340

As at 31 December 2023, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB86,012,000 (2022: RMB76,874,000) to secure general banking facilities and supplier payments granted to the Group.

14. TRADE AND BILL PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables	270,143	253,816
Bill payables	4,822	2,150
	274,965	255,966

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

	2023	2022
	RMB'000	RMB'000
0-180 days	4,822	2,150

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:

	2023	2022
	RMB'000	RMB'000
0-30 days	131,508	157,670
31 - 60 days	87,418	28,332
61 - 90 days	16,955	27,749
Over 90 days	34,262	40,065
	270,143	253,816

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:

	2023	2022
	RMB'000	RMB'000
U.S.$	**35,050**	51,504
Others	**2,690**	—
	37,740	51,504

15. SHARE CAPITAL

	Number of Shares	**Amount**
		HK$
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2022, 31 December 2022 and 2023	10,000,000,000	100,000,000
Issued and fully paid		
At 1 January 2022, 31 December 2022 and 2023	1,000,000,000	10,000,000

	RMB'000
Presented as at 31 December 2023 and 2022	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 chemicals and sales of chemicals produced by third party manufacturers based in mainland China, the Southeast Asia region, Europe and the United States (the "**US**"). With headquarters in mainland China, 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 and supplements.

Polyurethane materials are widely used in manufacturing industries, such as insulation, building materials, adhesives, sponges, shoe materials, foam pads, 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 animal feeds for the accelerating of animal growth. It can also be used as a clay stabiliser in oil and gas drilling and hydraulic fracturing. 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. During the current year, our production line for methylamine had been set up and was in use. Trimethylamine is one of the principal raw materials used to produce choline chloride and betaine, whereas monomethylamine and dimethylamine, which are generated as by-products during the production process of trimethylamine, are widely used in new energy, pharmaceutical and dyeing industry, and textile and rubber industry.

Under our fine chemicals segment, we mainly procure our products, such as carboxylic acids, 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. The major use of resins and oleochemicals involve the production of cosmetics, emulsifiers and lubricants.

We produce isooctanoic acid and diethyl sulfate, which are mainly used for paint drier, polyvinyl chloride (PVC) liquid stabilizer, catalyst and pharmaceutical raw materials, and synthesis of dyes, pesticides and pharmaceutical intermediates, respectively. On the other hand, we produce 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 proxetil dispersible tablets. During the year ended 31 December 2022, we started to sell supplements sourced from third party manufacturers, such as vitamin tablets.

BUSINESS REVIEW

During the year ended 31 December 2023, our financial performance suffered from the domestic and global chemical intermediates markets downturn. First of all, the global decline of real estate market, increasing interest rates and lower-than-expected recovery of gross domestic product from COVID-19 pandemic led to a disappointing economic growth and consumer price index. Secondly, a number of large-scale chemical intermediates production plants were established in mainland China during the past 2 years, resulted in excess supply in the market. The above factors led to a drastic decrease in market prices of chemical intermediates, including but not limited to choline chloride, betaine, methylamine, isooctanoic acid and cardanol, which are our major self-manufactured chemicals, as well as decrease in profitability of our major products.

During the year, although the sales volume of choline chloride increased by more than 40%, the gross profits generated and gross profit margin from sales of choline chloride significantly decreased by approximately 31% and 5 percentage point, respectively. The decrease in choline chloride's profitability was mainly attributable to the decrease in the price of our products due to (i) oversupply of similar products in the market; and (ii) fierce competition among the animal nutrition industry players.

For iodine and iodine derivatives, the global market price of iodine had been maintained at its historical high and the supply is relatively stable, we were unable to increase our gross profit through strategic procurement plan. Furthermore, our customers adopted a more prudent approach when placing orders and there is a decrease in market demand of iodine. As such, our profit generated from the pharmaceutical intermediate segment was squeezed.

The decrease in profitability derived from the above products outweighed the increase in sales volume and gross profit of some of our third-party manufactured trading products, such as polymeric methylene diphenyl diisocyanate ("**polymeric MDI**") and toluene diisocyanate ("**TDI**"). As a result, our revenue and profit during the year ended 31 December 2023 decreased as compared to the corresponding period last year.

During the year ended 31 December 2023, our Group recorded a revenue of approximately RMB3,217.7 million (2022: RMB3,378.7 million), representing a decrease of 4.8% as compared to the corresponding period last year.

The decrease in revenue was mainly attributable to (i) the decrease in sales of self-manufactured animal nutrition products, including choline chloride and betaine in mainland China as there were significant decreases in market prices of these products, which will be further elaborated below; (ii) the discontinuation of sales of isophthalic acid since July 2022 due to the anticipation of scale production to be launched by a domestic supplier and decrease in projected profit from trading of this product; and (iii) the discontinuation of sales of medicines to hospitals due to the unfavourable credit terms and large input of working capitals; which is partially offset by the increase in sales of (i) methylamine, which is a new self-manufactured chemical during the current year; and (ii) ethylene glycol, a new third-party manufactured trading product, that is used as a raw material for production of solvents and coatings.

The net profit attributed to owners of the Company for the year ended 31 December 2023 amounted to approximately RMB2.7 million (2022: RMB274.6 million). The decrease in profit was mainly attributable to (i) a decrease in gross profit from approximately RMB657.9 million for the year ended 31 December 2022 to approximately RMB337.0 million for the year ended 31 December 2023 as a result of the decrease in gross profits generated from our major products, including choline chloride, betaine, iodine and iodine derivatives; and (ii) an increase in administrative expenses due to increases in transportation expense and advisory fees for conducting feasibility studies of our potential expansion plans and site visits of locations such as Malaysia, and safety and environmental expenses as a result of expanding product range; which is partially offset by the decrease in (i) selling and distribution expenses due to the significant decreases in shipment and logistics costs; and (ii) income tax expense, which was in line with the decrease in profit before taxation generated for the current year.

Details of our financial performance is 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 2023:

Total revenue by business segments

	For the year ended 31 December			
	2023		2022	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Polyurethane materials	**689,579**	**21.4%**	698,839	20.7%
Animal nutrition chemicals	**1,059,706**	**32.9%**	1,180,366	34.9%
Fine chemicals	**720,607**	**22.4%**	732,114	21.7%
Pharmaceutical products and intermediates	**734,352**	**22.9%**	754,048	22.3%
Sub-total	**3,204,244**	**99.6%**	3,365,367	99.6%
Others (note)	**13,425**	**0.4%**	13,340	0.4%
Total	**3,217,669**	**100.0%**	3,378,707	100.0%

	For the year ended 31 December			
	2023		2022	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Self-manufactured chemicals	**2,189,805**	**68.1%**	2,326,892	68.9%
Chemicals produced by third parties	**1,014,439**	**31.5%**	1,038,475	30.7%
Sub-total	**3,204,244**	**99.6%**	3,365,367	99.6%
Others (note)	**13,425**	**0.4%**	13,340	0.4%
Total	**3,217,669**	**100.0%**	3,378,707	100.0%

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

Polyurethane materials

Our revenue generated from the sales of polyurethane materials slightly decreased from approximately RMB698.8 million for the year ended 31 December 2022 to approximately RMB689.6 million for the year ended 31 December 2023.

Our sales volume of polymeric MDI and TDI remained stable at approximately 26,984 tonnes and 5,603 tonnes (2022: 26,894 tonnes and 5,362 tonnes), respectively. During the year ended 31 December 2022, the operation of downstream industries in mainland China, especially construction industry and household appliances industries, were significantly affected by the outbreak of the COVID-19 pandemic, leading to a decrease in demand of polymeric MDI and TDI in mainland China during the last year. The significant increase in shipment costs in the last year also led to a decrease in export sales of our polyurethane products in other countries in Asia. The impact of COVID-19 pandemic on logistics in current year was eased off and the supply of these products became more stable, leading to slight increase in sales volume.

On the other hand, our average selling prices of polymeric MDI and TDI was approximately RMB15,257 and RMB16,491, respectively, per tonne for the year ended 31 December 2022 and approximately RMB14,418 and RMB16,856 per tonne, respectively, for the year ended 31 December 2023. For polymeric MDI, the market price dropped to its lowest level near the year end of 2022, and rebound during the first half of 2023. Hence, the average selling price for the current period still slightly decreased compared to last year.

Animal nutrition chemicals

Our revenue generated from sales of animal nutrition chemicals decreased from approximately RMB1,180.4 million for the year ended 31 December 2022 to approximately RMB1,059.7 million for the year ended 31 December 2023, primarily due to the decrease in our average selling prices of choline chloride and betaine, which is partially offset by the increase in sales volume of choline chloride and the launch of our new product, methylamine.

During the year ended 31 December 2023, sales of choline chloride accounted for approximately 70% (2022: 75%) of our revenue under the animal nutrition chemicals segment. The revenue generated from sales of choline chloride decreased from approximately RMB904.0 million for the year ended 31 December 2022 to approximately RMB759.6 million for the year ended 31 December 2023. The revenue generated from sales of betaine also decreased from approximately RMB224.7 million for the year ended 31 December 2022 to approximately RMB137.7 million for the year ended 31 December 2023.

The average selling prices of choline chloride and betaine decreased from approximately RMB7,829 and RMB9,951, respectively, per tonne for the year ended 31 December 2022 to approximately RMB4,544 and RMB6,051 per tonne, respectively, for the year ended 31 December 2023, primarily because of the decrease in the raw material costs due to oversupply in the market.

Our sales volume of choline chloride increased from approximately 115,470 tonnes for the year ended 31 December 2022 to approximately 167,173 tonnes for the year ended 31 December 2023. During the current year, our product line for trimethylamine, being one of the important raw materials in the production of choline chloride, has commenced operation which increase our competitive advantage on production scale and process among the industry. As a result, we had an increase in market shares and sales to our existing/new customers of choline chloride.

During the year, we sold approximately 32,144 tonnes of methylamine recognising revenue of approximately RMB106.8 million. We expect that there are still large potential for increase in both market price and sales volume of the product in the coming years.

Fine chemicals

Our revenue generated from sales of fine chemicals slightly decreased from approximately RMB732.1 million for the year ended 31 December 2022 to approximately RMB720.6 million for the year ended 31 December 2023, primarily attributable to (i) the discontinuation of sales of isophthalic acid since July 2022 due to the anticipation of scale production to be launched by a domestic supplier and decrease in projected profit from trading of this product; and (ii) the decrease in revenue derived from isooctanoic acid from approximately RMB347.0 million to RMB281.8 million, mainly due to a decrease in market price of this product as the market price of isooctyl alcohol, being the raw material used in the production of isooctanoic acid, was also decreased during the current period, which is partially offset by the increase in sales of ethylene glycol, which is used as a raw material for manufacture of solvents and coatings, etc., since the second half of year 2021.

During the year, the revenue generated from trading of ethylene glycol, a new third-party manufactured trading product which has been sold by our Group since second half of year 2021, was approximately RMB207.2 million (2022: RMB131.0 million).

Pharmaceutical products and intermediates

Our revenue generated from sales of pharmaceutical products and intermediates and supplements decreased from approximately RMB754.0 million for the year ended 31 December 2022 to approximately RMB734.4 million for the year ended 31 December 2023, primarily due to the termination of our trading of medicines due to low profitability.

The revenue generated from iodine and iodine derivatives (excluding sub-processing services) were approximately RMB219.3 million and RMB467.6 million for the year ended 31 December 2022, and approximately RMB194.7 million and RMB499.2 million for the year ended 31 December 2023, respectively. The average selling prices of our iodine and iodine derivatives (excluding sub-processing services) were approximately RMB532,000 and RMB276,618 for the year ended 31 December 2022, and approximately RMB525,746 and RMB340,252 for the year ended 31 December 2023. The global market price for iodine had been increased over year 2022 and maintained in the first half of 2023 and started to drop gradually towards the end of 2023.

On the other hand, the sales volume of iodine and iodine derivatives (excluding sub-processing services) decreased from approximately 412 tonnes and 1,690 tonnes for the year ended 31 December 2022 to approximately 370 tonnes and 1,467 tonnes for the year ended 31 December 2023, respectively. The decrease was mainly due to the increase in raw material cost, which led to a decrease in market demand.

The table below sets forth our total sales in terms of geographical locations of our customers during the year ended 31 December 2023:

Total revenue by geographical locations

	For the year ended 31 December			
	2023		2022	
	RMB'000	**% of total revenue**	RMB'000	% of total revenue
Mainland China	**2,524,520**	**78.5%**	2,782,741	82.4%
Europe	**296,219**	**9.2%**	283,504	8.4%
Other countries in Asia (excluding mainland China and Vietnam)	**152,777**	**4.7%**	122,817	3.6%
Vietnam	**87,321**	**2.7%**	61,389	1.8%
Others	**156,832**	**4.9%**	128,256	3.8%
Total	**3,217,669**	**100.0%**	3,378,707	100.0%

Our revenue derived from mainland China contributed approximately 82.4% and 78.5% of our total revenue for the year ended 31 December 2022 and 2023, respectively. Given that the revenue derived from mainland China constitutes a substantial portion of our total revenue, the fluctuations in revenue of sales in mainland China for our business segments of polyurethane materials, animal nutrition chemicals, fine chemicals and pharmaceutical products and intermediates and supplements were in line with the fluctuations in the overall revenue of each of these segments.

Our revenue derived from Europe, Asia (excluding mainland China and Vietnam) and Vietnam increased from approximately RMB283.5 million, RMB122.8 million and RMB61.4 million for the year ended 31 December 2022 to approximately RMB296.2 million, RMB152.8 million and RMB87.3 million for the year ended 31 December 2023, respectively, as we have put more effort to restore our global market share after the COVID-19 pandemic period.

Cost of sales

Our cost of sales comprises mainly 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 sales increased from approximately RMB2,720.8 million for the year ended 31 December 2022 to approximately RMB2,880.7 million for the year ended 31 December 2023. The increase in our cost of sales was mainly attributable to the increase in (i) costs of iodine and iodine derivatives as the global market price of iodine was at a historical high level; (ii) raw material costs for production of methylamine, which was a new product of our Group during the current year; and (iii) procurement costs for ethylene glycol due to the increase in sales, which was partially offset by the decrease in raw material costs of choline chloride and betaine due to the decrease in market prices of trimethylamine and ethylene oxide.

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 2023:

Total gross profit by business segments

	For the year ended 31 December			
	2023		2022	
	Gross profit		Gross profit	
	RMB'000	**margin %**	RMB'000	margin %
Polyurethane materials	**56,102**	**8.1%**	31,254	4.5%
Animal nutrition chemicals	**191,827**	**18.1%**	287,752	24.4%
Fine chemicals	**40,866**	**5.7%**	90,392	12.4%
Pharmaceutical products and intermediates	**46,596**	**6.4%**	247,374	32.8%
Others	**1,589**	**11.8%**	1,128	8.5%
Total	**336,980**	**10.5%**	657,900	19.5%

Our gross profit decreased from approximately RMB657.9 million for the year ended 31 December 2022 to approximately RMB337.0 million for the year ended 31 December 2023. Our overall gross profit margin decreased from 19.5% for the year ended 31 December 2022 to approximately 10.5% for the year ended 31 December 2023. The decrease in our gross profit and gross profit margin were mainly due to the decrease in the gross profit and gross profit margin of (i) our animal nutrition chemicals segment, as a result of the decrease in market price and the excess supply of choline chloride and betaine in the market; (ii) our iodine and iodine derivatives, as a result of the record high global market price of iodine over the current year, which led to tightening profit margin of iodine and iodine derivatives; and (iii) isooctanoic acid due to our strategy on expanding our market shares after increasing our production capacity during second half of year 2022.

Other income

Our other income primarily comprises gross rental income, one-off and unconditional subsidies from the relevant government authority and interest income.

Our other income increased from approximately RMB13.1 million for the year ended 31 December 2022 to RMB21.4 million for the year ended 31 December 2023. The increase in our other income was mainly due to an income derived from an additional value-added tax credit policy amounting to approximately RMB11.4 million, which was partially offset by the decrease in (i) other government grants from approximately RMB7.7 million to RMB7.0 million; and (ii) bank and other interest income from approximately RMB4.9 million to approximately RMB2.3 million as a result of decrease in average restricted bank deposits and cash and cash equivalents during the current year.

Other gains and losses

Our other gains and losses primarily comprise (i) net foreign exchange gains or losses which primarily arose from appreciation or depreciation of United States dollar ("**US$**") against RMB as the functional currency of our subsidiaries in the PRC is RMB while their export sale to customers and purchase from overseas suppliers were mainly settled in US$; (ii) gains/ 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 FVTPL.

Our Group recorded net other gains of approximately RMB8.8 million for the year ended 31 December 2022 and net other gains of approximately RMB2.7 million for the year ended 31 December 2023. Such decrease in gain in our net other gains and losses was mainly because of the decrease in a net foreign exchange gain of approximately RMB14.4 million, as a result of the slight appreciation of US$ against RMB during the year ended 31 December 2023 comparing to last year, which was partially offset by a decrease in losses on disposals of plant and equipment of approximately RMB9.9 million, since there was a significant loss on disposals of plant and equipment due to the technical enhancement of our production functions in Tai'an City, Shandong Province, the PRC during the year ended 31 December 2022.

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 decreased from approximately RMB151.8 million for the year ended 31 December 2022 to approximately RMB132.8 million for the year ended 31 December 2023. The decrease in our selling and distribution expenses was primarily due to the decrease in logistic costs (including transportation, port charges and shipment costs), as driven by the decrease in oil price and price war resulted from keen competition in the logistics industry.

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 RMB104.5 million for the year ended 31 December 2022 to approximately RMB123.5 million for the year ended 31 December 2023. The increase in our administrative expenses was primarily due to the increase in (i) transportation expense and advisory fees for conducting feasibility studies of our potential expansion plans and site visits of locations, such as Malaysia; and (ii) increase in environmental and safety production costs due to the expansion in product range and production volume 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 centre, 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 the 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 slightly decreased from approximately RMB77.3 million for the year ended 31 December 2022 to approximately RMB75.2 million for the year ended 31 December 2023. The decrease in our research and development expenses was primarily due to a decrease in cost of raw materials of approximately RMB12.5 million as result of completion of some production technology enhancement projects during last and current year, such as research project of highquality isooctanoic acid, which is partially offset by the increase in staff cost of approximately RMB7.7 million as a result of the expansion of research and development team of approximately 70 staff more when compared to year 2022.

Finance costs

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

Our finance costs increased from approximately RMB37.0 million for the year ended 31 December 2022 to approximately RMB39.2 million for the year ended 31 December 2023. The increase in our finance costs was primarily due to the increase in the average level of outstanding term loans and loans from related parties during the year.

Income tax expenses

Our income tax expenses decreased from approximately RMB33.4 million for the year ended 31 December 2022 to a tax credit of approximately RMB9.5 million for the year ended 31 December 2023. The decrease in our income tax expenses was in line with the decrease in our profit before taxation.

Profit for the year

As a result of the foregoing, we recorded a profit for the year of approximately RMB2.7 million for the year ended 31 December 2023, comparing to a profit for the year of approximately RMB274.6 million for the year ended 31 December 2022, as a combined result of the above fluctuations.

PROSPECTS

The Group's establishment of the new production plant in the western region from our existing Tai'an production plant at the Tai'an Daiyue Chemical Industrial Park (泰安岱嶽化工產業園) is nearly completed. The new production plant consisted 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, iodopropynyl butylcarbamate ("**IPBC**") and moxifloxacin side chain. Except for the production of moxifloxacin side chain, which is expected to commenced in 2024, production lines for other products had commenced during the first half of the current year. We expected the commencement of the above production lines will increase our competitive advantage on production scale and process among the industry.

During the year, the Group acquired the land use right for a land plot located at Binh Duong Province with a lease period up to 2058 at Vietnam Dong ("**VND**") 33,880,000,000 (equivalent to approximately RMB10.0 million). The investment is expected to expand our production scale of choline chloride and iodine derivatives in Vietnam for export sales to western countries. We expect the production will kick started in 2024.

In September 2023, the Group has deposited RMB10,000,000 for a possible acquisition of a piece of land located at Manzhuang Town, Daiyue District, Tai'an City, Shandong Province, the PRC. The land will be used for expanding our production scale of fine chemicals in mainland China, including but not limited to isononanoic acid, isooctanoic acid and related products.

In February 2024, we entered in to a heads of agreement for the acquisition of land located at Mukim Gebeng, Daerah Kuantan, Negeri Pahang, Malaysia, at a consideration of Malaysian Ringgit ("**RM**") 37,026,000 (equivalent to approximately RMB55,539,000). In order to echo the national "Belt and Road" policy and decentralise our production system to the south-east Asia region, we selected Malaysia as our next expansion location for production of choline chloride, betaine and other chemical products. Such expansion plan not only mitigates geopolitical risk but also increases our production flexibility and optimises use of natural resources. We believe that such expansion can also increase our market share of the abovementioned products. The Land is located in Malaysia-China Kuantan International Logistics Park, which is a comprehensive industrial park that features international logistics, processing and manufacturing. We believe that the expansion project in Malaysia will promote our international trade business.

After reviewing the Group's existing business portfolio, development strategy and financial resources, the Directors are of the view that the Group can benefit from tapping into the financial sector, including but not limited to the provision of financial advisory, brokerage, asset management and investment management services. During the year, we had invested into a corporation with relevant licences and with qualified persons to carry out the corresponding financial services activities accordingly. We believes that the development of such services can complement the one-stop solutions that the Group offers its customers and bring value to the shareholders of our Company (the "**Shareholders**") through better deployment of available resources.

In the opinion of the Board, the impact of the international affairs including the Russia-Ukraine War and other geopolitical issues to the Group is still uncertain up to the date of this announcement. Management 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 2023, the Group's total assets and bank balances and cash amounted to approximately RMB1,742.4 million (2022: RMB1,678.6 million) and RMB77.4 million (2022: RMB103.2 million), respectively. The bank balances and cash were mainly denominated in RMB and US$.

As at 31 December 2023, the borrowings (including loans from related companies) were approximately RMB711.7 million (2022: RMB655.9 million). As at 31 December 2023, borrowings amounting to approximately RMB711.7 million (2022: RMB645.9 million) are carried at fixed interest rates ranging from 0% to 7.2% (2022: from 0% to 7.2%) per annum and repayable from 2024 to 2050 (2022: from 2023 to 2050). As at 31 December 2022, borrowings amounting to approximately RMB10.0 million are carried at variable interest rates ranging from 4.25% to 5.7% per annum and repayable in 2023.

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 122.4% (2022: 108.8%). The increase in gearing ratio of the Group was mainly due to (i) the increasing borrowing as at 31 December 2023; and (ii) the repurchase of Shares during the year .

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.

Market risk

The Group's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's exposure to these risk or the manner in which it manages and measure the risks.

Currency risk

Certain financial instruments 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of the 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 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 Group has applied the simplified approach to measure the loss allowance on trade receivables at lifetime expected credit loss.

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 amount due from an associate, management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of these 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 receivables, rental deposits and amount due from an associate.

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 2023.

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$. The Group has currency exposure as certain income and expenses incurred in mainland China were denominated in RMB and certain overseas sales income were denominated in US$ 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 RMB153.4 million (2022: RMB282.7 million).

CAPITAL COMMITMENT

As at 31 December 2023, the Group had a capital commitment of approximately RMB20.1 million (2022: RMB17.0 million). The capital commitments primarily related to the establishment of the new Vietnam production lines and purchase of machinery and equipment in mainland China for existing usage. We intend to fund these commitments with cash generated from our operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2023, save as (i) restricted bank deposits of approximately RMB30.4 million (2022: RMB33.9 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB43.4 million and RMB355.3 million respectively (2022: right-of-use assets and property, plant and equipment of approximately RMB44.4 million and RMB99.7 million respectively); (iii) bill receivables at fair value through other comprehensive income of approximately RMB86.0 million (2022: RMB76.9 million); (iv) cash and cash equivalents of approximately RMB2.4 million (2022: RMB3.7 million); (v) inventories of approximately RMB11.6 million (2022: RMB10.6 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB2.4 million (2022: RMB2.8 million) to secure the borrowings, the Group did not pledge any other assets.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any significant contingent liabilities (2022: Nil).

DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 1,098 (2022: 1,028) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB135.8 million (2022: RMB118.0 million) for the year ended 31 December 2023.

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.

The Company adopted a share award plan (the "**Share Award Plan**") on 1 March 2023 (the "**Adoption Date**"). Details of which were disclosed in the announcement dated 1 March 2023 (the "**Announcement**"). The purposes of the Share Award Plan are to recognise and reward the contribution of Eligible Participants (as defined in the Announcement), to give incentives to Eligible Participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The number of awards available for grant as of 1 January 2023 and 31 December 2023 are nil and 50,900,000 Shares, respectively.

As at the date of this announcement, no Shares were granted under the Share Award Plan.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2023, the Group did not hold any significant investment or capital assets (2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL EXPENDITURES

Save as disclosed 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 subsidiaries during the year ended 31 December 2023.

EVENTS AFTER REPORTING PERIOD

Reference is made to the announcement (the **"Land Acquisition Announcement"**) of the Company dated 19 February 2024. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Land Acquisition Announcement.

On 19 February 2024, GHW International (Malaysia) SDN BHD (the "**Purchaser**"), a wholly-owned subsidiary of the Company, entered in to a heads of agreement (the "**HOA**") with MCKILP Development SDN BHD (the "**Vendor**"), for the acquisition (the "**Acquisition**") of land (the "**Land**") located at Mukim Gebeng, Daerah Kuantan, Negeri Pahang, Malaysia, at a consideration of RM37,026,000 (equivalent to approximately RMB55,539,000). A formal sale and purchase agreement (the "**SPA**") in relation to the Acquisition will be entered into between the Purchaser and the Vendor within four months from the date of the HOA. As as the date of this announcement, the Acquisition has not been completed.

Save as disclosed above, the Group did not have any significant events after reporting period.

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 2023 with the management and the Company's external auditor, ZHONGHUI ANDA CPA Limited.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the annual results announcement have been agreed by the Group's auditor, Messrs. ZHONGHUI ANDA CPA Limited, in the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. ZHONGHUI ANDA CPA Limited 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. ZHONGHUI ANDA CPA Limited on the annual results announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Reference is made to the announcements of the Company dated 1 March 2023 and 4 July 2023. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the announcements.

During the year ended 31 December 2023, the Trustee purchased a total of 50,900,000 Shares on the Stock Exchange, at a consideration of HK$0.5 per Share, for an aggregate consideration of HK$25,450,000, excluding transaction costs, for the purpose of the Plan, funded by the Company's internal resources.

Save as disclosed above, 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 2023.

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 C3 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 2023. 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 2023.

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 C1 to the Listing Rules during the year ended 31 December 2023. During the year ended 31 December 2023, 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 C1 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 2023, the Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Yin Yanbin is the Chairman of the Board and also the Chief Executive Officer of the Company who is 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, 22 May 2024, 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, 22 May 2024, the register of members of the Company will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024, 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, Link Market Services (Hong Kong) Pty Limited at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 May 2024 (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, 22 March 2024

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.