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**GHW International**

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

**(Stock Code: 9933)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024**

### **FINANCIAL HIGHLIGHTS**

- For the year ended 31 December 2024, revenue of the Group amounted to approximately RMB3,862.0 million, representing an increase of approximately RMB644.3 million or 20.0% comparing with the corresponding period in 2023.
- For the year ended 31 December 2024, gross profit of the Group amounted to approximately RMB391.0 million, representing an increase of approximately RMB54.0 million or 16.0% comparing with the corresponding period in 2023.
- For the year ended 31 December 2024, net profit of the Group amounted to approximately RMB12.9 million, representing an increase of approximately RMB10.2 million or 374.0% comparing with the corresponding period in 2023.
- For the year ended 31 December 2024, basic earnings per share of the Group amounted to approximately RMB0.014, representing an increase of approximately RMB0.011 or 366.7% comparing with the corresponding period in 2023.
- The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2024.

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 2024 together with the comparative figures for the year ended 31 December 2023 as follows.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2024*

	Notes	2024 RMB'000	2023 RMB'000
Revenue	4	<b>3,861,966</b>	3,217,669
Cost of sales		<b>(3,470,942)</b>	(2,880,689)
Gross profit		<b>391,024</b>	336,980
Other income	5	<b>28,019</b>	21,351
Other gains and losses	6	<b>(7,088)</b>	2,663
Impairment losses (recognised)/reversal under expected credit loss model, net of reversal		<b>(249)</b>	4,058
Selling and distribution expenses		<b>(172,556)</b>	(132,815)
Administrative expenses		<b>(137,807)</b>	(123,508)
Research and development expenses		<b>(48,864)</b>	(75,241)
Finance costs	7	<b>(39,906)</b>	(39,207)
Share of results of associates		<b>—</b>	(1,067)
Profit/(loss) before taxation	8	<b>12,573</b>	(6,786)
Taxation	9	<b>339</b>	9,510
Profit for the year		<b>12,912</b>	2,724

	Notes	2024 RMB'000	2023 RMB'000
<b>Other comprehensive (expense)/income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(7,253)	(878)
Fair value gain/(loss) on bill receivables at fair value through other comprehensive income		54	(19)
Income tax relating to an item that may be reclassified subsequently to profit or loss		(8)	(9)
<b>Other comprehensive expense for the year, net of income tax</b>		<u>(7,207)</u>	<u>(906)</u>
<b>Total comprehensive income for the year</b>		<u><b>5,705</b></u>	<u><b>1,818</b></u>
<b>Profit for the year attributable to:</b>			
– Owners of the Company		12,753	2,724
– Non-controlling interests		159	—
		<u><b>12,912</b></u>	<u><b>2,724</b></u>
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		5,546	1,818
– Non-controlling interests		159	—
		<u><b>5,705</b></u>	<u><b>1,818</b></u>
<b>Earnings per share for profit attributable to the owner of the Company</b>			
– Basic (RMB per share)	11	<b>0.014</b>	0.003
– Diluted (RMB per share)	11	<u><b>N/A</b></u>	<u><b>N/A</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2024*

	Notes	2024 RMB'000	2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		813,295	779,251
Right-of-use assets		74,699	50,299
Interest in associates		1,744	—
Rental deposits		1,082	829
Deferred tax assets		7,084	5,499
Loan receivable		17,266	16,664
Deposits for acquisition of land use right		10,000	—
		<u>925,170</u>	<u>852,542</u>
<b>Current assets</b>			
Inventories		414,619	340,115
Trade receivables	12	286,452	223,973
Bill receivables at fair value through other comprehensive income	13	127,229	100,848
Other receivables and prepayments		142,723	109,701
Tax recoverable		696	1,467
Financial asset at fair value through profit or loss		274	448
Derivative financial instruments		22	—
Amount due from an associate		12,956	5,471
Amount due from a non-controlling shareholder		1,000	—
Restricted bank deposits		33,945	30,404
Cash and cash equivalents		101,461	77,393
		<u>1,121,377</u>	<u>889,820</u>

	Notes	2024 RMB'000	2023 RMB'000
<b>Current liabilities</b>			
Trade and bill payables	14	404,024	274,965
Other payables and accrued charges		99,912	105,328
Lease liabilities		4,366	4,774
Contract liabilities		33,550	25,581
Tax liabilities		2,069	1,923
Borrowings		705,211	471,909
		<u>1,249,132</u>	<u>884,480</u>
Net current (liabilities)/assets		<u>(127,755)</u>	<u>5,340</u>
<b>Total assets less current liabilities</b>		<u>797,415</u>	<u>857,882</u>
<b>Non-current liabilities</b>			
Other payables		—	8,128
Borrowings		65,939	158,148
Loans from related companies		81,050	81,600
Lease liabilities		5,786	1,890
Deferred tax liabilities		23,064	26,699
		<u>175,839</u>	<u>276,465</u>
<b>Net assets</b>		<u>621,576</u>	<u>581,417</u>
<b>Capital and reserves</b>			
Share capital	15	8,930	8,844
Reserves		<u>576,852</u>	<u>572,573</u>
Equity attributable to owners of the Company		585,782	581,417
Non-controlling interests		<u>35,794</u>	<u>—</u>
<b>Total equity</b>		<u>621,576</u>	<u>581,417</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2024*

## 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 (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 IFRS Accounting Standards, which comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations, 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 IFRS ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRS Accounting Standards issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRS Accounting Standards that have been issued but are not yet effective. The application of these new and revised IFRS Accounting Standards 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 and pharmaceutical products for both years.

	2024	2023
	RMB'000	RMB'000
<b>Types of goods</b>		
Methylamine Industry Series	1,359,067	1,059,706
Applied Chemicals Series	177,366	178,406
Advanced Materials Intermediates Series	1,093,953	1,101,389
Green Products	200,375	130,391
Pharmaceutical Intermediates and Active Pharmaceutical		
Ingredients ("APIs")	23,800	23,611
Iodine Derivatives and Supporting Products	991,926	710,707
Happy Elephant Planet, Advanced Medical and Health Products	1	34
Others	15,478	13,425
	<u>3,861,966</u>	<u>3,217,669</u>
<b>Timing of revenue recognition</b>		
A point in time	<u>3,861,966</u>	<u>3,217,669</u>

The categorisation of types of goods has been revised to provide a more precise and accurate representation of the Group's financial performance and operations.

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 "Revenue from Contracts with Customers", 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		Non-current assets (excluding deferred tax assets, interest in associates and financial instruments)	
	external customers			
	Year ended 31 December		As at 31 December	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
The mainland of China	3,023,117	2,524,520	810,825	742,836
Europe	349,977	296,219	399	487
Vietnam	144,951	87,321	76,418	75,037
Other countries in Asia (excluding the mainland of China and Vietnam)	212,303	152,777	9,339	10,915
Others	131,618	156,832	1,013	275
	<u>3,861,966</u>	<u>3,217,669</u>	<u>897,994</u>	<u>829,550</u>



### 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

	2024	2023
	RMB'000	RMB'000
Government grants (note i)	9,836	6,989
Value-added tax ("VAT") additional deduction benefits (note ii)	15,217	11,386
Bank interest income	1,644	1,716
Interest income on loan receivable	602	600
Others	720	660
	<u>28,019</u>	<u>21,351</u>

Notes:

- (i) The relevant government authority granted one-off and unconditional subsidies to the Group 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 amounting to approximately RMB15,217,000 for the year (2023: RMB11,386,000).

## 6. OTHER GAINS AND LOSSES

	2024	2023
	RMB'000	RMB'000
Net exchange (losses)/gains	(7,424)	904
(Losses)/gains on disposals of plant and equipment	(1,229)	719
Fair value changes on financial assets at fair value through profit or loss ("FVTPL")	(175)	(38)
Fair value changes on derivative financial instruments-commodity derivative contracts (note)	—	(248)
Others	1,740	1,326
	<u>(7,088)</u>	<u>2,663</u>

Note: During the year ended 31 December 2023, amount represented realised losses RMB248,000 arising on changes in fair value of commodity derivative contracts.

## 7. FINANCE COSTS

	2024	2023
	RMB'000	RMB'000
Interest on borrowings	32,076	32,102
Interest on discounted bills	3,508	3,392
Interest on loans from related companies	3,991	3,343
Interest on lease liabilities	331	370
	<u>39,906</u>	<u>39,207</u>

## 8. PROFIT/(LOSS) BEFORE TAXATION

	2024	2023
	RMB'000	RMB'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Auditors' remuneration	2,190	2,021
Cost of inventories recognised as expenses	3,469,247	2,883,997
Impairment loss recognised/(reversed) in respect of		
– trade receivables	140	(4,058)
– other receivables	109	—
Depreciation of property, plant and equipment	75,635	63,519
Depreciation of right-of-use assets	7,453	6,004
	<hr/>	<hr/>
Total depreciation	83,088	69,523
Capitalised as cost of inventories manufactured	(66,755)	(55,648)
	<hr/>	<hr/>
	16,333	13,875
	<hr/>	<hr/>
Directors' remuneration	4,344	4,460
Other staff costs		
Salaries and other benefits	119,879	113,202
Retirement benefits	17,313	18,116
	<hr/>	<hr/>
Total staff costs	141,536	135,778
	<hr/>	<hr/>
Research and development costs recognised as an expense	48,864	75,241
	<hr/>	<hr/>
Recognised/(reversal of) write-down of inventories, net of reversal (note)	<u>1,695</u>	<u>(3,308)</u>

Note: During the year ended 31 December 2023, some defective inventories became reusable after proceeding by the Group, 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 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% (2023: 20%) with 75% (2023: 75%) reduction for the first RMB3 million of annual taxable income during the year ended 31 December 2024.

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

	2024 RMB'000	2023 RMB'000
Current tax	3,578	1,831
Under provision in prior years	1,885	27
	5,463	1,858
Deferred tax	(5,802)	(11,368)
Total	(339)	(9,510)

## 10. 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.

## 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:

	2024	2023
	RMB'000	RMB'000
<b>Earnings:</b>		
Earnings for the purposes of calculating basic and diluted earnings per share attributable to owners of the Company	<u>12,753</u>	<u>2,724</u>
	2024	2023
	'000	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share (notes)	<u>943,975</u>	<u>974,759</u>

Notes:

- (i) The trustee of the Company's share award plan repurchased 14,280,000 (2023: 50,900,000) shares of the Company during the year ended 31 December 2024.
- (ii) During the year ended 31 December 2024, the Company conducted a private placement of 9,500,000 ordinary shares to independent private investors. Further details of the placement are provided in note 15.

No diluted earnings per share for 2024 and 2023 was presented as there were no potential ordinary shares in issue.

## 12. TRADE RECEIVABLES

	2024	2023
	RMB'000	RMB'000
Trade receivables	291,869	229,237
Less: allowance for credit losses	(5,417)	(5,264)
	<u>286,452</u>	<u>223,973</u>

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB228,667,000, net of allowance for credit losses of RMB9,316,000.

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:

	2024	2023
	RMB'000	RMB'000
0-30 days	186,358	135,651
31-60 days	52,546	62,561
61-90 days	34,866	14,519
Over 90 days	12,682	11,242
	<u>286,452</u>	<u>223,973</u>

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 2024, carrying amount of trade receivables amounted to RMB4,616,000 (2023: RMB2,398,000) 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:

	<b>2024</b>	2023
	<b>RMB’000</b>	RMB’000
Denominated in United States dollars (“US\$”)	<b><u>54,262</u></b>	<u>42,327</u>

### 13. BILL RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>2024</b>	2023
	<b>RMB’000</b>	RMB’000
Bill receivables at fair value through other comprehensive income (“FVTOCI”)	<b><u>127,229</u></b>	<u>100,848</u>

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:

	<b>2024</b>	2023
	<b>RMB’000</b>	RMB’000
0-180 days	<b><u>127,229</u></b>	<u>100,848</u>

As at 31 December 2024, the Group has pledged bill receivables at FVTOCI with a total net book value of RMB102,385,000 (2023: RMB86,012,000) to secure general banking facilities and supplier payments granted to the Group.

### 14. TRADE AND BILL PAYABLES

	<b>2024</b>	2023
	<b>RMB’000</b>	RMB’000
Trade payables	<b>363,403</b>	270,143
Bill payables (note)	<b><u>40,621</u></b>	<u>4,822</u>
	<b><u>404,024</u></b>	<u>274,965</u>

Note:

These relate to trade payables in which the Group has issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group continues to recognise these payables as the Group is obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills by the Group are included within operating cash flows based on the nature of the arrangements.

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

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
0-180 days	<b>40,621</b>	4,822

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:

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
0-30 days	<b>207,405</b>	131,508
31-60 days	<b>39,702</b>	87,418
61-90 days	<b>67,922</b>	16,955
Over 90 days	<b>48,374</b>	34,262
	<b>363,403</b>	270,143

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:

	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
U.S.\$	<b>86,949</b>	35,050
Others	<b>3,175</b>	2,690
	<b>90,124</b>	37,740



## 15. SHARE CAPITAL

	Number of Shares	Amount HK\$
<b>Ordinary shares of HK\$0.01 each</b>		
Authorised		
At 1 January 2023, 31 December 2023 and 2024	<u>10,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid		
At 1 January 2023 and 31 December 2023	1,000,000,000	10,000,000
Placing of new Shares	<u>9,500,000</u>	<u>95,000</u>
At 31 December 2024	<u>1,009,500,000</u>	<u>10,095,000</u>
		<b>RMB'000</b>
Presented as at 31 December 2024		<u>8,930</u>
Presented as at 31 December 2023		<u>8,844</u>

On 21 November 2024, arrangement (the “**Placing Agreement**”) was made for a private placement (“**Placing**”) to independent private investors of 9,500,000 Shares with total consideration of HK\$24,700,000 (equivalent to RMB22,228,000), at a price of HK\$2.6 per Share, representing a discount of approximately 19.80% to the average closing price of approximately HK\$3.242 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to 21 November 2024. All the conditions set out in the Placing Agreement had been fulfilled and the Placing was completed on 10 December 2024.

The proceeds were used to provide additional general working capital for the Company. These new Shares were issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 22 May 2024 and rank pari passu with other Shares in issue in all respects.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

Our Group is 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, our Group offers a comprehensive product portfolio with a wide range of applications and a full spectrum of services relating to chemical intermediates supply chain through extensive global operations and sales network, including research and development (“R&D”) 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.

To further expand its business scope, we established three new segments. As at the date of this announcement, we have seven principal business segments, including: Methylamine Industry Series, Applied Chemicals Series, Advanced Materials Intermediates Series, Green Products, Pharmaceutical Intermediates and APIs, Iodine Derivatives and Supporting Products, as well as Happy Elephant Planet, Advanced Medical and Health Products.

The Methylamine Industry Series segment primarily consists of animal nutrition chemical products, with choline chloride and betaine being the two major products. These two products are additives commonly used in feeds for poultry and livestock, which are crucial to the downstream animal husbandry industries. Choline chloride is an additive in animal feeds to accelerate 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, playing a vital physiological role in animal bodies and enhancing the growth and survival rate of fish, poultry, swine and other animals. In 2023, our Group’s methylamine production line had been set up. Trimethylamine is one of the principal raw materials used to produce choline chloride and betaine. The by-products derived from the production process of trimethylamine, including monomethylamine and dimethylamine, are widely used in new energy, pharmaceutical, dyeing, textile and rubber industries.

The Applied Chemicals Series segment primarily consists of self-manufactured polyurethane materials, including polymer polyether and modified methylene diphenyl diisocyanate. Polymer polyether are application-oriented products designed to provide customised production solutions and services. In 2024, the sales structure of polyether polyol shifted from the rigid foam insulation industry to the soft foam automotive interior sector. Our Group provides products with diverse formulations to offer customers more competitive and value-added solutions.

The Advanced Materials Intermediates Series segment mainly consists of various self-manufactured and traded fine chemical products and polyurethane materials products. Regarding the fine chemicals products, our Group primarily sources products, such as carboxylic acids, resins and oleochemicals from third-party manufacturers for onward selling to our customers. Carboxylic acids have widespread applications in industries like the synthesis of dyes, production of lubricants, and the manufacture of flavors and fragrances. The major use of resins and oleochemicals involves the production of cosmetics, emulsifiers and lubricants. On the other hand, we produce fine chemical products, such as 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. Polyurethane materials, such as polymeric methylene diphenyl diisocyanate (“**polymeric MDI**”) and toluene diisocyanate (“**TDI**”), have extensive use in manufacturing industries, including insulation, building materials, adhesives, sponges, shoe materials, foam pads, interior components, and other lightweight automotive parts to promote fuel and energy efficiency.

With increasing emphasis on environmental protection and sustainable development of our downstream customers, our Group has expanded into the Green Products segment, primarily producing cardanol products. The global cardanol market is experiencing a steady growth, with rising demand in traditional application fields and expanding applications. Cardanol is a natural product extracted from cashew nutshell liquid and is widely used in coatings, resins, pharmaceuticals and other fields. It also serves as a bio-based raw material. Our Group manufactures cardanol products at its production facility in Vietnam.

In the field of Pharmaceutical Intermediates and APIs, our Group sells pharmaceutical products, such as cefpodoxime proxetil dispersible tablets, as well as other pharmaceutical intermediates. We are developing our moxifloxacin hydrochloride side chain production line and anticipate its launch in 2025.

The Iodine Derivatives and Supporting Products segment primarily consists of organic and inorganic iodine derivatives, as well as iodine. Due to the revision of our sales arrangement of some existing customers, instead of sub-processing service, we directly sell the iodine derivatives to them, leading to an increase in revenue.

Happy Elephant Planet, Advanced Medical and Health Products segment represents one of our Group's new business segments, primarily focuses on selling nutrition products sourced from third parties. Since 2022, our Group has been selling supplements acquired from third party manufacturers, such as vitamin tablets. Additionally, our Group organised sports events during the year, which effectively promoted the product brand and supported the development of the sales market for supplements and related products.

## **BUSINESS REVIEW**

In 2024, China's chemical industry is accelerating its transformation and upgrading amid a complex and ever-changing economic environment, where industry players are striving for structural optimisation and differentiated development. Due to factors, such as overcapacity, declining prices of bulk products and slowing demand growth, the industry's profitability remains under pressure. However, driven by policy guidance, the industry's transition towards greener and more high-end development has yielded significant results, creating development opportunities for leading enterprises with technological advantages and strategic foresight.

In the same year, in a complex and evolving industry circumstance, our Group leveraged its significant advantages in technological R&D, industrial chain integration and global layout to continuously strengthen its industry leadership and build its solid core competitiveness. Despite the challenges of generally weak demand in the traditional chemicals market, the Company successfully achieved growth, which demonstrates its resilience and developmental robustness.

To adapt to dynamic market changes and proactively address industry challenges, our Group adheres to an innovation- driven development strategy, continuously optimising its product structure while deeply segmenting and expanding its existing business. To capture growing market demands for nutrition products, our Group has expanded its business layout from the original four segments to seven, further expanding its business scope and refining its operational systems. With a more diversified and specialised business structure, our Group is well-positioned to meet the growing and diverse needs in the market, providing strong support for its sustained and stable development.

In the process of deploying its global layout, our Group fully utilised its technological and brand advantages, actively engaged in the exploration and deep cultivation of international markets. Through strategic investments, collaborative partnerships and co-development initiatives, our Group has established in-depth cooperations with enterprises in multiple countries and regions across the world, accelerating the global penetration of its products and services. At the same time, our Group continues to optimise its global supply chain system, enhancing operational efficiency and reducing costs to further strengthen its international market competitiveness, thus comprehensively and deeply advancing its globalisation layout, and proactively seeking opportunities for long-term development for the Company.

During the year ended 31 December 2024, our Group recorded a revenue of approximately RMB3,862.0 million (2023: RMB3,217.7 million), representing an increase of 20.0% as compared to the corresponding period last year. The gross profit increased from approximately RMB337.0 million for the year ended 31 December 2023 to approximately RMB391.0 million for the year ended 31 December 2024. The increase in revenue and gross profit was primarily attributed to the increase in revenue and gross profit from various segments, such as Methylamine Industry Series, Green Products and Iodine Derivatives and Supporting Products, where:

- Revenue from the Methylamine Industry Series segment increased by 28.2% from RMB1,059.7 million to RMB1,359.1 million. Such increase was primarily attributable to the commencement of operation of the upstream methylamine facility supporting choline chloride production in the middle of 2023, enabling rapid market share expansion and a significant increase in sales volume. However, with the deployment of new methylamine production capacity in China, supply has outpaced demand, leading to a decline in its gross profit margin and price.
- Revenue from the Green Products segment increased by 53.7% from RMB130.4 million to RMB200.4 million, while gross profit significantly increased by 97.2% from RMB17.0 million to RMB33.5 million. The increase in revenue and gross profit was primarily attributable to our Group's expansion into new European market in 2024 and the adjustments of its sales strategy, which led to a significant increase in sales volume. Furthermore, we adjusted our sales strategy to concentrate on the regions with higher gross profit margin, leading to an increase in gross profit margin from approximately 13.0% to 16.7% in this segment.
- Revenue from the Iodine Derivatives and Supporting Products segment increased by 39.6% from RMB710.7 million to RMB991.9 million, while gross profit significantly increased by 84.1% from RMB39.7 million to RMB73.1 million. For iodine and iodine derivatives, the decline in iodine supply from Chile led to supply constraints during the period and a subsequent rise in iodine's market price. This allowed our Group to increase its gross profit through strategic procurement plans.

The net profit for the year ended 31 December 2024 amounted to RMB12.9 million (2023: RMB2.7 million), representing a significant increase of 374.0% as compared to the corresponding period last year. The increase in profit was mainly attributable to the increase in gross profit from our Group's Applied Chemicals Series segment, Advanced Materials Intermediates Series segment, Green Products segment and Iodine Derivatives and Supporting Products segment.

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 2024:

#### *Total revenue by business segments*

	For the year ended 31 December			
	2024		2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Methylamine Industry Series	1,359,067	35.2%	1,059,706	33.0%
Applied Chemicals Series	177,366	4.6%	178,406	5.5%
Advanced Materials				
Intermediates Series	1,093,953	28.3%	1,101,389	34.2%
Green Products	200,375	5.2%	130,391	4.1%
Pharmaceutical Intermediates				
and APIs	23,800	0.6%	23,611	0.7%
Iodine Derivatives and				
Supporting Products	991,926	25.7%	710,707	22.1%
Happy Elephant Planet,				
Advanced Medical				
and Health Products	1	0.0%	34	0.0%
Sub-total	3,846,488	99.6%	3,204,244	99.6%
Others (note)	15,478	0.4%	13,425	0.4%
Total	<u>3,861,966</u>	<u>100.0%</u>	<u>3,217,669</u>	<u>100.0%</u>

	For the year ended 31 December			
	2024		2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Self-manufactured chemicals	<b>2,927,971</b>	<b>75.8%</b>	2,189,805	68.1%
Chemicals produced by third parties	<b>918,517</b>	<b>23.8%</b>	1,014,439	31.5%
Sub-total	<b>3,846,488</b>	<b>99.6%</b>	3,204,244	99.6%
Others (note)	<b>15,478</b>	<b>0.4%</b>	13,425	0.4%
Total	<b>3,861,966</b>	<b>100.0%</b>	3,217,669	100.0%

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

### Methylamine Industry Series

The revenue from choline chloride, betaine, methylamine, and other products in this segment increased by 28.2% from approximately RMB1,059.7 million for the year ended 31 December 2023 to approximately RMB1,359.1 million for the year ended 31 December 2024. Such increase was primarily attributable to the commencement of operation of the upstream methylamine facility which has begun to support choline chloride production in 2023, enabling rapid market share expansion and a significant increase in sales volume in 2024.

The sales volumes of choline chloride, betaine, and methylamine increased from approximately 167,173 tonnes, 22,751 tonnes and 32,144 tonnes to 217,745 tonnes, 40,930 tonnes and 68,746 tonnes, respectively. In 2023, our Group's production line for trimethylamine, one of the major raw materials for the production of choline chloride, commenced operations, expanding our Group's production scale. Such expansion led to an increase in market share and a rise in sales of choline chloride, betaine and methylamine to both existing and new customers.



With the abovementioned competitive advantages, the Company successfully overcame intense market competition and achieved effective expansion in its market share. In the sales of choline chloride, the Group strengthened collaboration with existing customers, resulting in a steady increase in collaboration order volumes, while also successfully acquiring a significant number of new customers. As a result, sales of choline chloride increased significantly, laying the foundation for the Group's sustained and stable development in the choline chloride market.

The average selling price of choline chloride and betaine decreased from approximately RMB4,544 per tonne and RMB6,051 per tonne for the year ended 31 December 2023 to approximately RMB4,063 per tonne and RMB5,165 per tonne for the year ended 31 December 2024, respectively. In 2024, the increase in methylamine production capacity in mainland China led to an oversupply in methylamine, causing a decline in methylamine price. As a major raw material for choline chloride and betaine, the reduced cost of trimethylamine resulted in a significant decrease in the market prices of choline chloride and betaine.

#### Applied Chemicals Series

The revenue from polymer polyether and other applied chemicals series products slightly decreased from approximately RMB178.4 million for the year ended 31 December 2023 to approximately RMB177.4 million for the year ended 31 December 2024. Such decrease was primarily due to price adjustments in response to changes in customers' demand.

We recorded a decrease in the sales volume and average selling price of our polymer polyether from approximately 10,636 tonnes and RMB13,173 per tonne for the year ended 31 December 2023 to approximately 10,459 tonnes and RMB13,008 per tonne for the year ended 31 December 2024, respectively. In 2024, the sales structure of the Group's polymer polyether products shifted significantly, with a shift in focus from the rigid foam insulation industry to the flexible foam automotive interiors industry. The Group provides more competitive and advantageous customer solutions by applying diversified products with different formulas. The structural changes further diversify the product offerings, resulting in varying selling prices due to different formula and applications.

### Advanced Materials Intermediates Series

The revenue from self-manufactured and traded advanced materials intermediates products slightly decreased from approximately RMB1,101.4 million for the year ended 31 December 2023 to approximately RMB1,094.0 million for the year ended 31 December 2024.

For self-manufactured products, the sales volume of diethyl sulfate and isooctanoic acid increased from approximately 2,358 tonnes and 21,335 tonnes for the year ended 31 December 2023 to approximately 3,781 tonnes and 27,960 tonnes for the year ended 31 December 2024, respectively, which was driven by the expansion of production capacity, especially for isooctanoic acid, during the year. For traded products, the sales volume of resins, polymeric MDI and TDI decreased from approximately 57,845 tonnes, 26,984 tonnes and 5,603 tonnes for the year ended 31 December 2023 to 47,000 tonnes, 24,823 tonnes and 4,682 tonnes for the year ended 31 December 2024, which was driven by the sluggish recovery in the real estate sector of the downstream construction industry, as well as the decreasing demand from downstream piping insulation industry customers.

Due to the drop in price of raw materials in 2024, the average selling prices of diethyl sulfate and isooctanoic acid fell from approximately RMB16,169 and RMB13,206 per tonne for the year ended 31 December 2023 to approximately RMB12,945 and RMB11,793 per tonne for the year ended 31 December 2024, respectively. At the same time, the average selling prices of resins and polymeric MDI rose from approximately RMB3,638 and RMB14,418 per tonne for the year ended 31 December 2023 to approximately RMB4,059 and RMB15,825 per tonne for the year ended 31 December 2024, respectively, which was boosted by the higher overall market price. In contrast, the average selling price of TDI decreased from approximately RMB16,856 per tonne for the year ended 31 December 2023 to approximately RMB13,234 per tonne for the year ended 31 December 2024, due to an excess market supply resulted from the production expansion of one of our competitors.

### Green Products

The revenue of cardanol significantly increased by 53.7% from approximately RMB130.4 million for the year ended 31 December 2023 to approximately RMB200.4 million for the year ended 31 December 2024, primarily because of the Group's successful expansion into the European market, which led to increase in sales.

The sales volume of cardanol increased by 62.1% from approximately 31,482 tonnes for the year ended 31 December 2023 to approximately 51,025 tonnes for the year ended 31 December 2024. In the past few years, the Group actively explored new geographic markets. Since September 2023, we cooperated with a new European customer, and the sales volume to this customer for the year ended 31 December 2024 was approximately 15,000 tonnes. After that, the Group adjusted the sales strategy to concentrate on the regions with higher gross profit margin. Due to the decrease in cost of raw materials, the average selling price of cardanol slightly decreased from approximately RMB4,142 per tonne for the year ended 31 December 2023 to approximately RMB3,927 per tonne for the year ended 31 December 2024.

### Pharmaceutical Intermediates and APIs

The revenue from this segment slightly increased by 0.8% from approximately RMB23.6 million for the year ended 31 December 2023 to approximately RMB23.8 million for the year ended 31 December 2024, mainly due to the rise of sales volume of cefpodoxime proxetil dispersible tablets, one of our major products in this segment.

The sales volume of cefpodoxime proxetil dispersible tablets derived from terminal clinic OTC customers increased during the year. However, with the continuous expansion of national centralised procurement and provincial-level alliance volume-based procurement, market competition has been intensified, resulting in a decrease in the average selling price of cefpodoxime proxetil dispersible tables.

## Iodine Derivatives and Supporting Products

The revenue from this segment increased by 39.6% from approximately RMB710.7 million for the year ended 31 December 2023 to approximately RMB991.9 million for the year ended 31 December 2024.

The sales volume of iodine derivatives increased from approximately 1,467 tonnes for the year ended 31 December 2023 to 2,232 tonnes for the year ended 31 December 2024, mainly due to the following reasons: (i) the revision of our sales arrangement of some existing customers; instead of providing iodine sub-processing services, our customers purchased iodine derivatives from us directly, which led to an increase in sales of iodine derivative products; and (ii) the increase in demand of potassium iodide from our downstream customers. The average selling price of iodine derivatives increased from approximately RMB340,252 per tonne for the year ended 31 December 2023 to approximately RMB354,561 per tonne for the year ended 31 December 2024, because of the supply shortage in iodine during the year, which led to an increase in the market prices of iodine as well as iodine derivatives.

The sales volume of sub-processing iodine derivatives decreased from approximately 743 tonnes for the year ended 31 December 2023 to 494 tonnes for the year ended 31 December 2024 due to the revision of sales arrangement mentioned above. Its average selling price decreased from RMB22,591 per tonne for the year ended 31 December 2023 to RMB22,016 per tonne for the year ended 31 December 2024.

The sales volume of iodine decreased from approximately 370 tonnes for the year ended 31 December 2023 to 355 tonnes for the year ended 31 December 2024, due to the reduction of iodine supply from Chile as its water and production issues, and more iodine was allocated for self-manufactured iodine derivatives instead of direct trading, leading to a decrease in sales volume of iodine. The average selling price of iodine increased from RMB525,746 per tonne for the year ended 31 December 2023 to RMB533,395 per tonne for the year ended 31 December 2024, due to the supply shortage in iodine during the year, which led to an increase in the market price of iodine.

## Happy Elephant Planet, Advanced Medical and Health Products

During the year, the Group sold supplements, such as vitamin tablets. The Group also engaged in the organisation of sports events to promote our brand. During the year ended 31 December 2024, we invested approximately RMB5.3 million for a mixed martial arts competition carried out in Macau in October 2024. We believe that such a marketing campaign can effectively promote our product brand and help to develop our supplement and related products' sales market.

During the year, Happy Elephant Planet also made business progress that entered into an exclusive distribution agreement with manufacturers of medical optical lenses, in relation to being an exclusive agent for customised medical optical lenses. Such products were officially launched in the 1st quarter of 2025. At the same time, Happy Elephant Planet closely communicated the sales details with product manufacturers in probiotics, transdermal patches and other fields, to lay a strong foundation for future business growth.

The table below sets forth our total sales in terms of geographical locations of our customers during the year ended 31 December 2024:

### ***Total revenue by geographical locations***

	For the year ended 31 December			
	2024		2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Mainland China	3,023,117	78.3%	2,524,520	78.5%
Europe	349,977	9.0%	296,219	9.2%
Other countries in Asia (excluding mainland China and Vietnam)	212,303	5.5%	152,777	4.7%
Vietnam	144,951	3.8%	87,321	2.7%
Others	131,618	3.4%	156,832	4.9%
Total	<u>3,861,966</u>	<u>100.0%</u>	<u>3,217,669</u>	<u>100.0%</u>

Our revenue derived from mainland China contributed approximately 78.5% and 78.3% of our total revenue for the year ended 31 December 2023 and 2024, respectively. Given that the revenue derived from mainland China constitutes a substantial portion of our total revenue, the fluctuations in revenue from sales in mainland China for our different business segments 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 RMB296.2 million, RMB152.8 million and RMB87.3 million for the year ended 31 December 2023 to approximately RMB350.0 million, RMB212.3 million and RMB145.0 million for the year ended 31 December 2024, 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 mainly consists of cost of raw materials and inventories, staff costs, manufacturing overheads and depreciation and others. Cost of raw materials and inventories is our main cost of sales. Staff costs mainly consists of salaries, wages and social insurance costs for those employees directly involved in the production and the management team of the production plants.

Our cost of sales increased from approximately RMB2,880.7 million for the year ended 31 December 2023 to approximately RMB3,470.9 million for the year ended 31 December 2024. The increase in our cost of sales was mainly attributable to the increase in raw material costs and production costs of Methylamine Industry Series segment and Iodine Derivatives and Supporting Products segment due to increase in sales volume of products, as well as the increasing global market price of iodine during the year.

### **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 2024:

***Total gross profit by business segments***

	For the year ended 31 December			
	2024		2023	
	Gross profit		Gross profit	
		margin		margin
	RMB'000	%	RMB'000	%
Methylamine Industry Series	176,525	13.0%	191,827	18.1%
Applied Chemicals Series	26,763	15.1%	21,533	12.1%
Advanced Materials				
Intermediates Series	71,701	6.6%	58,432	5.3%
Green Products	33,525	16.7%	17,003	13.0%
Pharmaceutical Intermediates				
and APIs	6,146	25.8%	6,869	29.1%
Iodine Derivatives and				
Supporting Products	73,097	7.4%	39,714	5.6%
Happy Elephant				
Planet, Advanced Medical				
and Health Products	(11)	N/A	13	39.2%
Others	3,278	21.2%	1,589	11.8%
Total	<u>391,024</u>	<u>10.1%</u>	<u>336,980</u>	<u>10.5%</u>

Our gross profit increased from approximately RMB337.0 million for the year ended 31 December 2023 to approximately RMB391.0 million for the year ended 31 December 2024. Our overall gross profit margin decreased from approximately 10.5% for the year ended 31 December 2023 to approximately 10.1% for the year ended 31 December 2024.

The increase in our gross profit was mainly driven by the growth in the gross profit of our Advanced Materials Intermediates Series segment, Green Products segment and Iodine Derivatives and Supporting Products, mainly derived from our self-manufactured products, such as isooctanoic acid, diethyl sulfate, cardanol and iodine derivatives, benefiting from economies of scale.

On the other hand, the decrease in our gross profit margin was mainly due to the decrease in the gross profit margin of our Methylamine Industry Series segment, resulting from the decrease in market prices and the excess supply of choline chloride, betaine and methylamine in the market.

### **Other income**

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

Our other income increased from approximately RMB21.4 million for the year ended 31 December 2023 to RMB28.0 million for the year ended 31 December 2024. The increase in our other income was mainly due to (i) an income derived from an additional value-added tax credit policy amounting to approximately RMB15.2 million (2023: RMB 11.4 million) and (ii) increase in other government grants from approximately RMB7.0 million to RMB9.8 million.

### **Other gains and losses**

Our other gains and losses primarily consists of (i) net foreign exchange gains or losses which primarily arose from appreciation or depreciation of US\$, Peso, Ruble and Hryvnia against RMB as the functional currency of our subsidiaries in the PRC is RMB while their export sales to customers and purchase 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 FVTPL.



Our Group recorded net other gains of approximately RMB2.7 million for the year ended 31 December 2023 and net other losses of approximately RMB7.1 million for the year ended 31 December 2024. Such change in our net other gains and losses was mainly because of the decrease in a net foreign exchange gain, i.e. a gain of approximately RMB0.9 million was recognised during the year ended 31 December 2023 as a result of the appreciation of US\$ against RMB, whereas a loss of approximately RMB 7.4 million was recognised during the current year as a result of depreciation of various currencies, such as Peso, Ruble and Hryvnia against RMB.

### **Selling and distribution expenses**

Our selling and distribution expenses primarily consist of 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 RMB132.8 million for the year ended 31 December 2023 to approximately RMB172.6 million for the year ended 31 December 2024. The increase in our selling and distribution expenses was primarily due to the increase in logistic costs (including transportation, port charges and shipment costs), as driven by (i) the additional tariffs on Chinese imported goods by the US and Brazil; (ii) the impact of the Red Sea crisis in Europe; and (iii) and increase in sales volumes of several products, especially our Methylamine Industry Series products.

### **Administrative expenses**

Administrative expenses primarily consist of 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 RMB123.5 million for the year ended 31 December 2023 to approximately RMB137.8 million for the year ended 31 December 2024. The increase in our administrative expenses was primarily due to the increase in (i) transportation expense and advisory fees for conducting feasibility studies and site visits of our potential expansion plans; (ii) staff costs of approximately RMB2.0 million incurred due to the departmental reorganization from R&D team to administrative departments and production department in our Tai'an production plant upon substantial completion of several R&D projects; and (iii) expenses of approximately RMB5.3 million related to organising a mixed martial arts competition in Macau in October 2024.

### **R&D expenses**

R&D expenses primarily consist of raw materials consumed for conducting R&D activities, staff costs and social insurance costs for our R&D personnel, electricity expenses, depreciation of our research centre, hardware supplies and transportation cost of raw materials for conducting R&D.

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

Our R&D expenses decreased from approximately RMB75.2 million for the year ended 31 December 2023 to approximately RMB48.9 million for the year ended 31 December 2024. The decrease in our R&D expenses was primarily due to a decrease in (i) cost of raw materials of approximately RMB8.7 million as result of completion of some production technology enhancement projects during last and current year; and (ii) staff cost of approximately RMB9.0 million as a result of the departmental reorganization from R&D team to administrative departments and production department in our Tai'an production plant upon substantial completion of several R&D projects.

**Finance costs**

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

Our finance costs was approximately RMB39.2 million for the year ended 31 December 2023 and approximately RMB39.9 million for the year ended 31 December 2024. No material fluctuation was noted during the year.

**Income tax expenses**

Our income tax expenses decreased from a tax credit of approximately RMB9.5 million for the year ended 31 December 2023 to a tax credit of approximately RMB0.3 million for the year ended 31 December 2024. The decrease in our income tax credit was in line with the increase in our profit before taxation.

**Profit for the year**

As a result of the foregoing, we recorded a profit for the year of approximately RMB12.9 million for the year ended 31 December 2024, comparing to a profit for the year of approximately RMB2.7 million for the year ended 31 December 2023, as a combined result of the above fluctuations.

## PROSPECTS

Looking ahead to 2025, the release scale of global new production is relatively constrained and the supply-side structural adjustment will continue to deepen, indicating that a steady balance will be maintained between supply and demand. With coordinated efforts made by macro policies of major economies and cyclical recovery of the industry, downstream terminal demand will hopefully build up a modest recovery momentum to inject new impetus into industrial development. As for the costs, thanks to the improvement of supply chain efficiency and inventory cycle optimisation, the price movement of the raw materials market is expected to remain stable for the first half of the coming year. Combined with the easing contradiction between structural supply and demand of the upstream industry chain, the price system of the products is likely to witness its margin repair. The Group will adhere to its strategy, make steady progress on capacity expansion plan with the construction of an intelligent production base, and simultaneously deepen the diversified regional market deployment. By establishing a multi-level customer cooperation system and offering customized solutions, the Group will continue to strengthen the industrial chain capabilities and foster a sustainable foundation for medium- and long-term value growth.

In order to effectively expand the production to satisfy the market growth and further enhance the Group's competitive advantages in the industry, the Group deposited RMB10,000,000 in September 2023 for a possible acquisition of a piece of land located at Manzhuang Town, Daiyue District, Tai'an City, Shandong Province, the PRC. After the completion, the land will be used to construct production plants for methylamine downstream products, including electronic chemicals, pharmaceutical intermediates and new energy chemicals, as well as Iodine downstream products. At the same time, R&D centre, supporting utility and auxiliary facilities will be also implanted. It is expected that the increase in production capacity of 120,000 tonnes of various new products will significantly drive the expansion of the Group's business scale and performance growth.

## 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 of the Company (the “**Shareholder(s)**”) 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 optimise 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 internal resources, borrowings and placing of shares.

As at 31 December 2024, the Group’s total assets and bank balances and cash amounted to approximately RMB2,046.5 million (2023: RMB1,742.4 million) and RMB101.5 million (2023: RMB77.4 million), respectively. The bank balances and cash were mainly denominated in RMB and US\$.

As at 31 December 2024, the borrowings (including loans from related companies) were approximately RMB852.2 million (2023: RMB711.7 million). As at 31 December 2024, borrowings amounting to approximately RMB816.0 million (2023: RMB711.7 million) are carried at fixed interest rates ranging from 3% to 4.5% (2023: from 0% to 7.2%) per annum and repayable from 2025 to 2050 (2023: from 2024 to 2050). As at 31 December 2024, borrowings amounting to approximately RMB36.2 million are carried at variable interest rates ranging from 3.5% to 6.5% per annum and repayable in 2025.

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 137.1% (2023: 122.4%). The increase in gearing ratio of the Group was mainly due to the increase in borrowing as at 31 December 2024.

## **2024 Placing**

Reference is made to the announcements of the Company dated 21 November 2024 and 10 December 2024. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the announcements. On 10 December 2024, the Group successfully completed the Placing of 9,500,000 Placing Shares, representing approximately 0.94% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon completion of the Placing, at the Placing Price of HK\$2.6 per Placing Share to not less than six Placees who and whose ultimate beneficial owners are Independent Third Parties. The closing price per Share as quoted on the Stock Exchange on 21 November 2024, being the date of the placing agreement, was HK\$2.98 per Share. The Directors consider that the Placing represents an opportunity to raise additional funding for the business operations of the Group, to strengthen the Group's financial position, and enlarge the shareholders' base of the Company, which may in turn enhance the liquidity of the Shares.

The net proceeds from the Placing, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing, amounted to approximately HK\$24,311,000. The Company intends to apply the net proceeds from the Placing for the general working capital of the Group. As at 31 December 2024, the actual use of the net proceeds of the Placing was as follows:

	<b>Planned use of net proceeds as stated in the announcement dated 10 December 2024 (HK\$'000)</b>	<b>Actual use of proceeds up to 31 December 2024 (HK\$'000)</b>	<b>Unutilised net proceeds up to 31 December 2024 (HK\$'000)</b>
General working capital	<b><u>24,311</u></b>	<b><u>24,311</u></b>	<b><u>—</u></b>

As at 31 December 2024, all the net proceeds in the amount of approximately HK\$24,311,000 have been utilised as intended.

## **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 ("ECL") model 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 ECL.

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, amount due from an associate and amount due from a non-controlling shareholder, 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 the credit risk inherent in the Group's outstanding balances of other receivables, rental deposits, amount due from an associate and amount due from a non-controlling shareholder is insignificant.

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 2024.

Except for loan receivable, the Group has no significant concentration of credit risk on trade and bill receivables at fair value through profit or loss 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 RMB121.8 million (2023: RMB153.4 million).

## **CAPITAL COMMITMENT**

As at 31 December 2024, the Group had a capital commitment of approximately RMB17.9 million (2023: RMB20.1 million). The capital commitments primarily related to the purchase of machinery and equipment in mainland China for existing usage. We intend to fund these commitments with cash generated from our operations, bank and other borrowings and proceeds from share issues.

## **PLEDGE OF ASSETS**

As at 31 December 2024, save as (i) restricted bank deposits of approximately RMB33.9 million (2023: RMB30.4 million); (ii) right-of-use assets and property, plant and equipment of approximately RMB64.4 million and RMB330.3 million, respectively (2023: right-of-use assets and property, plant and equipment of approximately RMB43.4 million and RMB355.3 million respectively); (iii) bill receivables at fair value through other comprehensive income of approximately RMB102.4 million (2023: RMB86.0 million); (iv) cash and cash equivalents of approximately RMB1.3 million (2023: RMB2.4 million); (v) inventories of approximately RMB14.2 million (2023: RMB11.6 million); and (vi) trade receivables and other receivables and prepayments of approximately RMB4.6 million (2023: RMB2.4 million) to secure the borrowings, the Group did not pledge any other assets.

## **CONTINGENT LIABILITIES**

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: Nil).

## **DIVIDEND**

The Board has resolved not to recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2024, the Group had a total of 1,120 (2023: 1,098) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately RMB141.5 million (2023: RMB135.8 million) for the year ended 31 December 2024.

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 2024 and 31 December 2024 are 50,900,000 and 65,180,000 Shares, respectively.

On 23 December 2024, the Company entered into a public relation consultancy agreement with DLK Advisory Group Limited (“**DLK**”), pursuant to which (i) DLK has consented to deliver business consultancy services to the Company, encompassing a wide array of strategic guidance on business development, financial management, and corporate communication, for a one-year term, effective from 23 December 2024 and (ii) the Company agreed to settle part of the consultancy fee by granting a total of 66,070 Shares, of which 33,035 Shares will be granted on 23 June 2025 and the remaining 33,035 Shares will be granted on 23 September 2025, at nil consideration with a vesting period of 1 year from the date of grant. For details of the transaction, please refer to the announcement of the Company dated 23 December 2024.

On 20 January 2025, the Company offered to grant a total of 635,500 Shares to four Directors and 144 employee participants (including 13 connected persons) at nil consideration with a vesting period of 1 year from the date of grant. For details of the transaction, please refer to the announcement of the Company dated 20 January 2025.

On 21 January 2025, the Company offered to grant a total of 268,500 Shares to 87 employee participants at nil consideration with a vesting period of 1 year from the date of grant. For details of the transaction, please refer to the announcements of the Company dated 21 January 2025.

As at the date of this announcement, 904,000 Shares were granted under the Share Award Plan.

## **SIGNIFICANT INVESTMENTS**

During the year ended 31 December 2024, the Group did not hold any significant investment or capital assets (2023: 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**

Reference is made to the announcements of the Company dated 10 May 2024 and 12 August 2024, and circular of the Company dated 21 June 2024. On 12 August 2024, the Group finalised a capital increase transaction with five subscribers, which are limited partnerships formed by employees of the Group. Upon Completion, Nanjing Goldenhighway, a wholly-owned subsidiary of the Company, and the subscribers own approximately 91.95% and 8.05% of the effective interest in the registered capital of the Taian Havay Group Co., Ltd. (the “**Target Company**”), respectively. The Directors are of the view that by providing the employees an opportunity to subscribe for a stake in the Target Company, it will align the employees’ interests with the goals of the Target Company and the Group, and thereby enhance employee retention and contribute to the long-term development of the Group. As of 31 December 2024, the net proceeds from the capital increase totalled approximately RMB36.4 million, primarily allocated for the repayment of existing debts.

Save as disclosed above, the Group has not acquired nor disposed of any of its subsidiaries during the year ended 31 December 2024.

## **EVENTS AFTER REPORTING PERIOD**

Save as disclosed in the section headed “Employees and Remuneration Policies” above, the Group did not have any significant events after the 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 2024 with the management and the Company’s external auditor, ZHONGHUI ANDA CPA Limited.

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

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the annual results announcement have been agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the annual results announcement.



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

On 19 July 2024, 25 July 2024 and 9 September 2024, Endless Reward Limited, which is wholly-owned by SP Global Trust Limited, the trustee of GHW International Employee Incentive Trust, purchased 5,000,000 Shares, 4,280,000 Shares and 5,000,000 Shares, respectively, on the Stock Exchange, at a consideration of HK\$1.5 per Share, HK\$1.75 per Share and HK\$2.31 per Share, respectively, for an aggregate consideration of HK\$7,500,000, HK\$7,490,000 and HK\$11,550,000, respectively, excluding transaction costs, for the purpose of the Share Award Plan adopted by the Company on 1 March 2023, funded by the Company's internal resources.

Save as disclosed above and in Note 15 to the consolidated financial statements, 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 2024.

## **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 2024. 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 2024.

## **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 2024. During the year ended 31 December 2024, 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 2024, 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 Tuesday, 27 May 2025, 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 Tuesday, 27 May 2025, the register of members of the Company will be closed from Thursday, 22 May 2025 to Tuesday, 27 May 2025, 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, MUFG Corporate Markets 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 Wednesday, 21 May 2025 (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](http://www.hkexnews.hk) and the Company at [www.goldenhighway.com](http://www.goldenhighway.com).

By order of the Board

**GHW International**

**Yin Yanbin**

*Chairman and Chief Executive Officer*

Hong Kong, 31 March 2025

*As at the date of this announcement, the Board comprises Mr. Yin Yanbin, Mr. Zhuang Zhaozhui, Mr. Chen Zhaozhui, 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.*